ECMI
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Where next for sustainable insurance?

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The 5 pillars of AXA's Responsible Investment strategy

"ESG + CARBON" INTEGRATION

- Long-term ESG integration process: systematic integration of ESG factors in AXA's investment mandates
- Internal ESG performance target
- Carbon Footprinting
- "Article 173 / TCFD compliant report" : Measurement of both transition and physical risks for sovereign debt, credit and equity, physical risks for real assets (infrastructure, real estate). 2 degrees alignment assessment for the sovereign debt, credit and equity

ESG INTEGRATION IN CREDIT ASSESSMENTS

- Integration of material ESG considerations into AXA Group's Internal Credit Ratings for IG DM corporates (ca €135bn of FI assets rated internally)
- Integration of material ESG considerations into assessments and eligibility criteria for EM issuers (ca €14bn of FI assets reviewed internally)
- Project to integrate material ESG considerations into assessments of Public Sector Entities (up to €35bn of FI assets)

SECTOR GUIDELINES, EXCLUSIONS & ENGAGEMENT

- Sector exclusion that are applied to both investment and insurance business
- ESG Footprint Committee: ad-hoc exclusions and/or engagement for worst ESG performers
- Engagement policy through coalitions and requests from the Footprint Committee

IMPACT INVESTING

- Allocates capital to create both financial returns and positive social or environmental impacts that are actively measured.
- Three "impact investment" funds
  - Impact Fund 1 (€200m): inclusion, health, education, launched Dec. 2013
  - Impact Fund 2 (€150m): environmental & social resilience, launched Dec. 2016
  - Impact Fund 3 (€150m): Environment & Biodiversity, currently being launched

GREEN INVESTMENT PLAN

- Green investments to reach Euro 12 billion by 2020
- Multi asset class approach, with conservative eligibility criteria
- Doubling Christina Figueres' (UN PRI) 1% allocation recommendation

Sustainability from the investor to the P&C insurer

The challenge to apply restrictions to both investments & business

- Sustainability restrictions have been historically driven on the assets side at AXA:
  - Restrictions on investments reduces the investment universe and can create missed opportunities that can be immediately replaced (opportunity loss)
  - Restrictionson the business results in direct losses of revenues that are immediately replaceable
- AXA divested from 5 sectors facing acute ESG challenges: Controversial Weapons, Coal, Tar Sands, Palm Oil and Tobacco, representing more than €7bn of divestment.
  - AXA ensures consistency between investment and business restrictions as much as possible
  - Integrating XL, the €660m divestment in relation to the above sector policies was implemented before the end of 2018, while business restrictions took more time for implementation.

Impossible to have a perfectly similar approach

SECTOR	DIVESTMENT METHODOLOGY	DIVESTED AMOUNTS (€m)	BUSINESS RESTRICTIONS
Coal	First policy in 2015, strenghtened in 2017 Thresholds: 30% revenues, 3000MW new capacity, 20mT coal extraction	3700	No construction cover for any new coal capacity / plant / mine. No property cover for coal plants / mines, with the exceptions of least developed countries
Tar sands	Producers: 30% of proven & probable reserves; Main transporters	750	Property and construction covers banned for both extraction & transportation

Sustainability from the investor to the L&S insurer

The challenge to develop the right message to build the right offer

- Contrary to P&C, L&S insurance can greatly benefit from sustainable investment to meet the clients' demand to consider sustainability.

Message for client?

- ESG scores
  - Aggregator that has no meaning for client
- EU taxonomy
  - Complexity of the classification that is not suitable for a simple communication
- Warming potential
  - Easy to understand but not reliable and robust yet
- Specific Investment Initiatives
  - Impact
  - Green assets

UL offering

- Solidarity funds bucket
- Addition of Impact Investment Funds offering
- Carbon measurement offering – carbon footprinting and carbon compensation
- Use of a minimum threshold of SRI funds in a particular offering

The regulatory pressure narrowing down Sustainability to climate?

Europe ahead and focusing a lot on climate

Paris Agreement

- Limit global warming well below 2 degrees, with an ultimate target of 1.5 degrees.

French Article 173

Explaining the approach

Measuring risk exposures

Acting on the investment policy

TCFD

Disclosure recommendations
Four widely-adoptable recommendations on climate-related financial disclosures that are applicable to organizations across sectors and jurisdictions

The EU Commission Action Plan

3 key Level 1 Regulations

1

Taxonomy
EU classification system for Green activities

2

Disclosures
How institutional investors and asset managers integrate environmental, social and governance (ESG) factors in their risk processes

3

Benchmarks
Low and positive carbon benchmarks