The Frontline Movement of Global Impact Investing - CFA Society Japan

24 September 2020
Matt Christensen
AXA Investment Managers
The Big Picture
How much can change in 10 Years – World Events Shifting Societal Expectations

SHAPING - WORLD EVENTS

GFC - Madoff, Subprime
Arab Spring
Euro Crisis
Charlie Hebdo
Brexit
Gilets Jaune
How much can change in 10 Years – Technology enables investing with meaning

2010

GFC -Madoff, Subprime  Arab Spring  Euro Crisis  Charlie Hebdo  Brexit  Gilets Jaune

2020

Uber founded 2009  Facebook a force for good  Tesla Model 3  Amazon everywhere  Automated Finance

SHAPING - WORLD EVENTS

DISRUPTING - TECHNOLOGY
How much can change in 10 Years – Moving to a World of Risk/Return/Impact

2010

GFC -Madoff, Subprime
Arab Spring
Euro Crisis
Charlie Hebdo
Brexit
Gilets Jaune

2020

Uber founded 2009
Facebook a force for good
Tesla Model 3
Amazon everywhere
Automated Finance

SHAPING - WORLD EVENTS

DISRUPTING - TECHNOLOGY

INVESTING – EVOLUTION TO IMPACT

SRI World AUM: $7 bn
SRI-ESG World AUM: $20 bn
ESG–Impact World AUM: $35 bn

CONFIDENTIAL
Property of AXA IM and its affiliates – Any reproduction or disclosure of this document, in whole or in part, is prohibited
2020 – And Covid-19 will push the change towards impact even faster

2020 – A Covid-19 World

Private investments
- Social issues attracting investment interest from growing group of institutional investors
- Climate change continues to attract attention as CO2 emissions have not been significantly altered even where the global economy stopped for months

Public investments
- Engagement gaining traction as the impact investment approach to address SDG issues
- Voting activity as an activist impact approach becoming a tool to address challenges

Societal expectations
- Regulation, Work From Home, Citizens – Stakeholder expectations have gained velocity
What is Impact Investing?
What is impact investing? (1/2)

Impact Investing

focuses on financing businesses and projects that are designed to have intentional, positive, measurable and sustainable impacts on society while simultaneously delivering financial market returns.

**Source**: AXA IM 2019, all data and information displayed in this presentation is based on a model portfolio. For illustrative purposes only.

---

Impact Management

Our Impact Focus
What is impact investing? (2/2)
Spectrum of Social and Financial Objectives

- As investor interest has grown, so too have the number and variety of available investment solutions, as well as the terms associated with them — socially responsible investing, ESG investing, and impact investing, among others.
- At the far left of the continuum are traditional investments, whose aim is simply financial return. At the far right is philanthropy, which is pure charitable giving with no financial return expectations. In the middle stands various forms of sustainable investing, however not exhaustive.

![Diagram showing spectrum of social and financial objectives](image-url)
How Large is the Market Today?
How large is the market today?

Measuring the size of the market is subject to several complications

There is considerable uncertainty about the size of the market for impact investment today

• Widely cited numbers range from $228bn—the total assets managed by the 226 respondents to an annual survey by the Global Impact Investing Network (2018)—to as high as $1.3tr.

• This includes direct and indirect investments by over 450 signatories to the United Nations’ Principles for Responsible Investing (PRI).

BUT measuring the size of the market according to a consistent definition is subject to several complications

• On the one hand, investor surveys include only those who chose to respond. This suggests the universe of impact investments may be larger than the AUM of respondents to surveys such as those above.

• On the other hand, impact means different things to different people. This element of subjectivity implies that different respondents may have classified their AUM as impact investments according to different interpretations of the definition, some of which are possibly more credible than others.

Source: Creating impact: The promise of impact investing, World Bank Group, 04/2019
How large is the market today?

Private investment funds with intent for and measurement of impact: $71bn

There is little public information available on direct impact investments by private investors

- Impact intent and measurement fund managers have raised approximately $71bn dollars for 417 funds, in years 2008–18, which is just more than 1% of all funds raised by traditional private equity funds over the same period (see chart on the right).

- An additional set of funds can be identified which can be called impact intent funds—those funds, for which measurement could not be verified, but the fund managers expressed a link related to economic development, microfinance, or social or environmental responsibility. These funds have raised more—approximately $133bn across 471 funds.

- For intent funds the average size was $283m, while for intent and measurement funds the average was $131m.

- Impact funds have a higher proportion of their portfolios in regions outside of Europe and North America, or in emerging regions. This suggests that impact investors have a special willingness to invest in locations that traditional investors may avoid, and also where the investment needed to meet the Sustainable Development Goals (SDGs) is the greatest.

How large is the market today?

The supply of impact products currently in the market

- Toniic, a network of high-net-worth individuals, and their family offices and foundations, has compiled a database of the impact investments of its members, which are coded by asset class and have been aligned with specific UN Sustainable Development Goals (SDGs).

- The largest number of products available is tagged as private equity. Fixed income (loans and bonds) is a close second, reflecting individuals’ demand for safer assets. Real estate also features prominently, especially in SDGs 11 and 15, which relate to land, cities, and communities.

- Public equity funds are held too, especially in SDGs 12 and 13, which concern climate action and responsible consumption and production—the two themes frequently emphasized by large public corporates. The most commonly aligned SDG is 8: Decent Work and Economic Growth, which is perhaps not surprising given the direct link between economic growth and investment.

Global Challenges Need Impact Capital
SDG’s and challenges

767 million people live below the international poverty line

793 million people are undernourished globally

1 doctor and 2 nurses per 1,000 people in developed countries

Only 4 in 10 children participate in pre-primary and primary challenges in least developed countries

2 billion people globally are living in countries with excess water stress

1.1 billion people lack access to electricity

880 million urban residents live in slum conditions

40% reduction in Greenhouse Emissions by 2030

26 million people into poverty annually

Continued deterioration of coastal waters owing to pollution and eutrophication

Extreme weather forcing

Natural resource inputs are doubling due to material consumption

Emissions from forestry and agriculture contribute to 30% of global emissions

Source: The Sustainable Development Goals Report 2018
## The Impact Investing Market

**Breadth, Scale and Growth**

### Market Data

<table>
<thead>
<tr>
<th>Year</th>
<th>Market Size*</th>
<th>Annual Growth</th>
<th>Capital deployed</th>
<th>No. of deals</th>
<th>Avg. deal size</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$114bn</td>
<td>~50%</td>
<td>$22.1bn</td>
<td>7,591</td>
<td>$2.9m</td>
</tr>
<tr>
<td>2017</td>
<td>$228bn</td>
<td>~100%</td>
<td>$35.5bn</td>
<td>11,136</td>
<td>$3.2m</td>
</tr>
</tbody>
</table>

### Impact Market AUM Growth**

![Impact Market AUM Growth Graph](image.png)

### News Articles Containing the Phrase “Impact Investing” Globally

![News Articles Graph](image.png)

*Source: The GIIN Annual Investor Survey 2018
**Source: GIIN Survey 2013-2018
The Impact Investing Market
Breadth, Scale and Growth

Social impact funds make an impression
Axa leads with €150m fund to improve access to financial services, healthcare and education

CRS launches water project at Vatican meeting on impact investing

Impact investors shoot for clearer goals
The popularity of the strategy has prompted some to define its aims more clearly

Zurich Plans $5 Billion Impact Investments

TPG to close impact investing Rise Fund at $2 billion

Impact investing — make good intentions pay
Saying money to do good is great but defining the desired outcomes is important

'Millennial generation' most interested in investing to make a positive global impact

Sustainable investing assets reach $12 trillion as reported by the US SIF Foundation's biennial Report on US Sustainable, Responsible and Impact Investing Trends

Partners Group launches $1bn social impact fund to meet demand

Axa and WWF call on G7 to act on biodiversity

The Debate About Impact Investing We Should Be Having

Indian microfinance gives birth to smaller banking model

Making impact investing more 'mainstream'

Third of UBS Assets Are in Sustainable or Impact Investments
It's quite clear this is no longer a niche anymore, said Group CEO Sergio Ermotti.

Dutch institutions launch Sustainable Development Goals investing agenda

Impact investing deals soar:

Impact investing offers a solution to the Davos debate
Impact investing shouldn't be confused with philanthropy — it must earn a good return as well

Insurance giant offers customers chance at impact investing

**Impact investments performance expectations**

*Strong alignment of Impact and Financial Performance returns*

**97% of investors** reporting **Impact Performance** had **met or exceeded** their expectations

**91% of investors** reporting **Financial Performance** was **in line with or exceeded** expectations

Past performance is not a guide to future performance.
Lessons Learned
AXA IM Impact Investing
Lessons learnt through our deployment and evolution since 2012 (1/3)

Our investment process and portfolio construction today is the result of an evolution, driven by the learnings of the past 7 years

- **Access to investments**
  - Constructing an investment universe is time consuming and can delay managers in deploying capital and ramping-up the portfolio which has a knock-on effect on the financial j-curve but also the impact outcomes
  - Very important that primary funds have a mature pipeline and an efficient investment process to execute
  - Blind pool risk can therefore be a significant detractor to returns

- **Dilution of impact definition**
  - Most market participants have differing definitions of impact, so constructing a FoF portfolio will undoubtedly lead to a dilution or mission drift from the target impact objectives
  - This can be mitigated through designing tailor-made Strategic Partnerships (segregated mandates) which are bespoke in nature and structured between investor and manager / advisor to ensure total alignment on impact
AXA IM Impact Investing
Lessons learnt through our deployment and evolution since 2012 (2/3)

• Non-investment risks
  - In this market, covering multiple geographies sectors and manager profiles, of equal importance to the financial and impact due diligence is the operational due diligence looking at non-investment risks
  - Due to the integral nature of this function AXA IM has this resource in-house

• Potential conflicts between LPs
  - Unlike traditional Private Equity, where most investors are aligned in achieving the maximum financial return, impact funds contain investors with differing motivations e.g. development bank vs. strategic vs financial investor
  - AXA IM takes advisory board seats in every fund they invest in, and chairs them where possible, to ensure active management of the governance

• The link between impact and financial return
  - In most optimal impact investment structures, there is not only non-trade off between financial return and impact, but the impact outcomes actually fuel the financial returns and vice-versa

• Different return targets across impact themes / SDGs – but still “market-rate” for that asset / sector
  - There is a spread of return expectations depending on the target Impact themes, SDGs and of course geographies
AXA IM Impact Investing
Lessons learnt through our deployment and evolution since 2012 (3/3)

• Importance of setting impact targets to align expectations and performance incentives
  - Not a common market practice pre-investment, but after the data points we have collected over the years we now ensure common targets are agreed prior to each investment. Typically the market only thinks about target financial returns – we are working to expand that to impact objectives also
  - This framework also facilitates incorporating impact linked performance fees to investment structures

• Post-investment monitoring
  - The importance of regular monitoring visits and ensuring access to the appropriate data to monitor KPIs upfront

• Global portfolio construction
  - The optimum investment universe can be sourced with a diverse geographical exposure in mind. Care should be taken if constrained by geography e.g. bias towards local social entrepreneurs with lower financial return profiles

• New large scale entrants and the risk of impact washing
  - Although large scale PE can have long-standing financial track-records, this is not always transferable to impact assets or the size of transactions associated with an impact portfolio. Large risk of impact washing as definitions are stretched to cover a broader investment universe, ending up very similar to traditional PE with new reporting
Impact Management at AXA IM Alternatives
Impact Management
Setting the Industry Standards

GIIN Investor’s Council
Member

IFC Principles for Impact Founding Signatory and Advisory Board Member

Impact Management Project Sponsor and Active Contributor

PRI Founding Signatory

IRIS+ Contributor

Source AXA IM 2019, all data and information displayed in this presentation is based on a model portfolio. For illustrative purposes only.
Impact Management

From Mission to SDGs – our logic model, a reinforcing wheel

Our model is a feedback loop. The outcomes from our past Fund’s have played a significant role in steering our new strategy & mission.

The logic model is used in portfolio planning to build our impact strategy.

Source AXA IM 2019, all data and information displayed in this presentation is based on a model portfolio. For illustrative purposes only. Please refer to the final Fund documentation for further information on the impact objectives and targets.
AXA IM Impact Investing Overview

Our Mission; Our Themes

- Financial Inclusion
- Better Health Outcomes
- Access to Quality Education
- Livelihood

PROTECTING WHAT WE VALUE: PEOPLE, PLANET, PROSPERITY

- ACCESS TO CLEAN ENERGY
- PROTECTING NATURAL CAPITAL
- RESOURCE EFFICIENCY
- CLIMATE CHANGE
Impact Management

Our Mission

WHO/WHERE

- Empower underserved and low-income beneficiaries
- in emerging economies

INVESTMENT CHARACTERISTICS

- High-growth late stage Venture and Growth Equity
- $5-15m ticket size

FINANCIAL OBJECTIVES

- Target net IRR of 15-18%

Source AXA IM 2019, all data and information displayed in this presentation is based on a model portfolio. For illustrative purposes only.
Impact Management
Impact Management Overview - Credible, Rigorous and Transparent

**Focused on the creation of intentional, positive and measurable solutions to relevant societal challenges**

**Pre-investment analysis**
- Impact management integrated throughout the investment process
- Setting impact targets at point of investment

**Impact performance**
- Performance assessed on financial and impact outcomes
- Rigorous assessment of impact generated

**Monitoring & Measurement**
- Continuous, monitoring and reporting of impact
- Tracking impact performance against targets

**Industry standards**
- Aligned with the leading standards in the industry promoting credibility, integrity and transparency
- Integrated with the UN Sustainable Development Goals

*Source AXA IM 2019, all data and information displayed in this presentation is based on a model portfolio. For illustrative purposes only. Please refer to the final Fund documentation for further information on the impact objectives and targets.*
# Impact Management

Impact Integrated throughout our Investment Process

## AXA IM IMPACT INVESTMENT PROCESS – IMPACT AND ESG

<table>
<thead>
<tr>
<th>SCREENING</th>
<th>DILIGENCE</th>
<th>STRUCTURING</th>
<th>INVESTMENT</th>
<th>MONITORING</th>
<th>EXIT</th>
</tr>
</thead>
</table>
| Review proposed investment alignment with Fund’s Mission and Objectives | Ensure proposed investment can deliver relative to target impact objectives and Target SDGs | 1. Confirm target impact objectives  
2. Agree Key Impact Performance Indicators  
3. Include Impact Objectives and Measures in term sheet  
4. Define impact baseline | 1. Confirm impact objectives  
2. Confirm Impact Measures  
3. Confirm Key Performance Indicators and Targets  
4. Agree Impact baseline | 1. Periodic review of progress relative to Impact Objectives and Targets  
2. Review of Portfolio Level Impact Achievement  
3. Engagement with investee business on impact delivery | Review Impact Outcomes relative to Objective set at Project Inception |
| Identify Key ESG risks and opportunities | Conduct detailed ESG risk assessment | Agree relevant action plans on identified ESG risks | Establish timelines to action ESG Mitigation | Quarterly Review of execution of ESG Action Plans  
Continuous monitoring of key ESG risks |

*Source AXA IM 2019, all data and information displayed in this presentation is based on a model portfolio. For illustrative purposes only. Please refer to the final Fund documentation for further information on the impact objectives and targets.*
Impact Management
Pre-investment: Logic model – defining our AXA IM Impact Strategy

<table>
<thead>
<tr>
<th>Mission</th>
<th>Themes</th>
<th>Inputs</th>
<th>Impact KPIs</th>
<th>Output</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Empower underserved and low-income beneficiaries in emerging economies</td>
<td>Access to inclusive financial services</td>
<td>Microfinance/SME lending</td>
<td>Low-income beneficiaries provided with access to new product or services</td>
<td>Access by households and enterprises to affordable and appropriate financial services that meets the needs of beneficiaries</td>
<td>Improved Financial Resilience</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Savings Products</td>
<td>Non-credit product by financial institutions</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Insurance</td>
<td>Volume of Productive loans</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Remittances</td>
<td>Insurance clients</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Mobile money</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Access to affordable quality healthcare and well-being solutions</td>
<td>Health infrastructure</td>
<td>No of Patients with access to affordable health solutions</td>
<td>Access to affordable, quality healthcare solutions by underserved beneficiaries</td>
<td>Healthy Communities</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Pharmaceuticals R&amp;D</td>
<td>No of Health Products developed</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Health insurance</td>
<td>No of hospitals/clinics built</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Digital Health</td>
<td>Discounts provided to beneficiaries</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Medtech</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source AXA IM 2019, all data and information displayed in this presentation is based on a model portfolio. For illustrative purposes only. Please refer to the final Fund documentation for further information on the impact objectives and targets.
## Impact Management

### Pre-investment: Intentional Capital for the SDGs: SDG 3 – Ensure Healthy Lives and Promote Well-Being

<table>
<thead>
<tr>
<th>UNSDGs</th>
<th>Description</th>
<th>AXA IM Inputs¹</th>
</tr>
</thead>
</table>
| **Goal 3.1** | By 2030 reduce the global maternity mortality ratio by less than 70 per 100,000 live birth | • Maternal facilities providing access to quality and affordable pre and post natal maternal care  
• Devices allowing early diagnoses of gestational diabetes and preeclampsia |
| **Goal 3.2** | By 2030 end preventable deaths of new-borns and children under 5 years, reducing neonatal mortality to at least as low as 12 per 1,000 live births and under-5 mortality to least as low as 25 per 1,000 births | • Maternal facilities providing access to quality and affordable pre and post natal maternal care  
• Affordable and accessible clinics and hospital units in underserved locations |
| **Goal 3.3** | By 2030 end the epidemics of AIDS, tuberculous, malaria and neglected tropical diseases, and combat hepatitis, water-borne diseases and other communicable diseases | • Affordable and accessible vaccine for cholera  
• Point of care and self testing device with improved accuracy for HIV, Malaria and Dengue Fever  
• FDA approved treatment for River Blindness  
• R&D for Drugs and Devices targeting Neglected Diseases |
| **Goal 3.4** | By 2030 reduce by one-third premature mortality from non-communicable diseases through prevention, and treatment and promote mental health and well-being | • Health care infrastructure - hospital, clinics, pharmacies  
• Speciality hospitals  
• Affordable drugs for chronic diseases, including in-licensed, specialty drugs targeting cancer and cardiovascular diseases |
| **Goal 3.8** | Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all | • Health insurance, including micro-insurance  
• Health care infrastructure - hospital, clinics, pharmacies |

Source: UN Sustainable Development Goals website as of July 2019. AXA IM 2019, all data and information displayed in this presentation is based on a model portfolio. For illustrative purposes only. ¹ – illustrative examples from existing Funds, managed by AXA IM, that are closed to new investors.
**Impact Management**

Pre-investment: IMP Framework - application to our Strategy

---

**IMP FRAMEWORK - AXA IM Impact Fund**

| WHAT | o What outcome occurs in period?  
|      | o How important is the outcome to the people (or planet experiencing it)?  
|      | o Access to Inclusive Financial Services  
|      | o Access to affordable, quality healthcare and well-being solutions  
|      | o Solutions that empower and provide access to basic needs and services  
| WHO | o Who experiences the outcome?  
|     | o How underserved are the affected? stakeholders in relation to the outcome?  
|     | o Underserved communities  
|     | o Low-Income Beneficiaries  
|     | o Emerging Economies  
| HOW MUCH | o How much of the outcome occurs – across scale, depth and duration?  
|         | o Large Scale  
|         | o Deep Impact  
|         | o Mass Market application  
|         | o Long-term change  
| CONTRIBUTION | o What is the enterprise’s contribution to the outcome, accounting for what would have happened anyway?  
|              | o Coverage at scale  
|              | o Increase access  
|              | o Reduce cost  
|              | o New solutions  
| RISK | o What is the risk to people and planet that impact does not occur as expected?  
|      | o Low to Medium  
|      | o Risk mitigation  

---

- **AXA IM is a sponsor** of Impact Management Project (IMP)

- **Endorse the 5 dimensions - What, Who, How Much, Contribution and Risk** as an industry norm to understand impact performance

- **IMP Framework applied to assessment of underlying investments**

---

*Source AXA IM 2019, Impact Management Project (IMP). The (IMP) is a forum for building global consensus on how to measure, report, compare and improve impact performance. All data and information displayed in this presentation is based on a model portfolio. For illustrative purposes only.*
Impact Management
Monitoring and Measurement: IMP framework example

IMP FRAMEWORK - CHOLERA VACCINE

<table>
<thead>
<tr>
<th>DIMENSIONS</th>
<th>CHARACTERISTICS</th>
<th>ENTERPRISE</th>
<th>IMPACT SCALE</th>
</tr>
</thead>
<tbody>
<tr>
<td>WHAT</td>
<td>o What outcome occurs in period?</td>
<td>o Increase availability, and affordability of cholera vaccines</td>
<td>HIGH</td>
</tr>
<tr>
<td></td>
<td>o How important is the outcome to the people (or planet experiencing it)?</td>
<td>o Provide solutions to Neglected Diseases</td>
<td></td>
</tr>
<tr>
<td></td>
<td>o What outcome occurs in period?</td>
<td>o Increase availability, and affordability of cholera vaccines</td>
<td>HIGH</td>
</tr>
<tr>
<td>WHAT</td>
<td>o How important is the outcome to the people (or planet experiencing it)?</td>
<td>o Provide solutions to Neglected Diseases</td>
<td></td>
</tr>
<tr>
<td>WHO</td>
<td>o Who experiences the outcome?</td>
<td>o 2-4 million cases of cholera annually</td>
<td>HIGH</td>
</tr>
<tr>
<td></td>
<td>o How underserved are the affected? stakeholders in relation to the outcome?</td>
<td>o 100,000 deaths annually</td>
<td></td>
</tr>
<tr>
<td></td>
<td>o Who experiences the outcome?</td>
<td>o Mainly in low-income countries and conflict zones</td>
<td></td>
</tr>
<tr>
<td>HOW MUCH</td>
<td>o How much of the outcome occurs – across scale, depth and duration?</td>
<td>o 16.2 million of cholera vaccines delivered in 11 countries</td>
<td>HIGH</td>
</tr>
<tr>
<td></td>
<td>o How much of the outcome occurs – across scale, depth and duration?</td>
<td>o Will avert 8.3 million cholera cases and 100,000 deaths</td>
<td></td>
</tr>
<tr>
<td>CONTRIBUTION</td>
<td>o What is the enterprise’s contribution to the outcome, accounting for what would have happened anyway?</td>
<td>o Consortium to fund solutions to Neglected diseases</td>
<td>HIGH</td>
</tr>
<tr>
<td></td>
<td>o What is the enterprise’s contribution to the outcome, accounting for what would have happened anyway?</td>
<td>o Eliminate shortage of vaccine</td>
<td></td>
</tr>
<tr>
<td></td>
<td>o What is the enterprise’s contribution to the outcome, accounting for what would have happened anyway?</td>
<td>o Cut cost of vaccines by 50%</td>
<td></td>
</tr>
<tr>
<td>RISK</td>
<td>o What is the risk to people and planet that impact does not occur as expected?</td>
<td>o Investment focus on late stage R&amp;D</td>
<td>MEDIUM</td>
</tr>
<tr>
<td></td>
<td>o What is the risk to people and planet that impact does not occur as expected?</td>
<td>o R&amp;D risk mitigated through partnerships with Health Focused foundations, PDPs</td>
<td></td>
</tr>
<tr>
<td></td>
<td>o What is the risk to people and planet that impact does not occur as expected?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source AXA IM 2019, Impact Management Project, all data and information displayed in this presentation is based on a model portfolio. For illustrative purposes only. Past performance is not a guide to future performance.
Impact Management
Monitoring and Measurement

Disbursement
Alignment of investment with our impact objective
• Proportion of investment aligned with the Strategy’s Impact Objectives
• Ramp up and Capital at Work to deliver Impact

Investment Period
Performance of underlying business relative to Impact
• Performance relative to established Key Impact Indicators and Targets
• Delivery of expected milestones relative to impact objectives for impact outcomes

Realisation
Attainment of impact objectives
• Impact Generated
• Depth, Scale and Quality of Impact
• Evaluation of Impact Outcomes
• Alignment of Exits with Impact Mission

Source AXA IM 2019, all data and information displayed in this presentation is based on a model portfolio. For illustrative purposes only. Please refer to the final Fund documentation for further information on the impact objectives and targets.
Impact Management

Impact performance: Financial Inclusion and Healthcare exits from our existing portfolio

- **>55 million** underserved banking clients
- **2450** new hospital beds
- **>186,000** BoP patients
- **70%** female financial inclusion clients
- **32** healthcare facilities in underserved locations
- **>26 million** underserved insurance clients
- **16 million** doses of cholera vaccine distributed

Source AXA IM 2019, all data and information displayed in this presentation is based on a model portfolio. For illustrative purposes only. Past performance is not a guide to future performance. *Results achieved and calculated at underlying investment level. Please refer to the final Fund documentation for further information on the impact objectives and targets.*
Impact investing: Transforming tomorrow
Impact performance: Case study in Healthcare

Strategic Partner Profile: Healthcare

This potential Partner is addressing a significant supply gap in Asian healthcare. These markets encompass 31% of the population, 50% of the global chronic disease burden but receive only 5% of global healthcare spend.

Investing in high quality physical healthcare delivery, life sciences and medical technology across underserved regions in Asia.

Manager Overview

The Manager combines sector specialization and industry expertise both as investors and operators which creates a compelling competitive advantage in the healthcare sector. This Manager has raised 3 previous funds all focused on similar sectors and geographies. The senior team is stable having worked together for over 10 years with a solid track record and experience of executing exit plans behind them. The specialized healthcare team (one of the largest Healthcare teams in Asian PE) consists of 18 professionals across 2 regional offices who have invested over USD 1.1bn in 20 transactions to date.

Key points

<table>
<thead>
<tr>
<th>AUM</th>
<th>USD 1.5bn*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Team experience</td>
<td>Senior team consistent for 10 years, extensive experience in healthcare investing and operating</td>
</tr>
<tr>
<td>Track Record</td>
<td>USD 1.1bn invested across 3 vehicles, AXA IM invested in 2014 vintage</td>
</tr>
</tbody>
</table>

Investment Opportunity

The demand for access to healthcare in the South and South East Asian markets is rapidly increasing (Asian demand is driving 60% of global healthcare growth) which is placing severe pressure on the existing healthcare infrastructure — which is already far behind global benchmarks. It is expected that the Asian healthcare market will be worth USD 4.2 trillion by 2024. As equity investors the team target companies they can manage through their growth and expansion stage to emerge as regional leaders with significant size and scale. The goal is for them to become attractive acquisition targets to global and other local players seeking strong foothold in the regional markets.

Figure 1: Track Record (TVPI Multiple) for Health Manager (2014 vintage)

Source: AXA IM, as of July 2019

Impact Thesis

The Manager seeks to create health impacts for underserved patient populations in South and South-Eastern Asia by increasing healthcare investments in a region where healthcare penetration is lagging. In addition, it can improve accessibility and affordability of healthcare solutions for the underserved lower to middle income groups. The Manager’s investments focus is on 4 key areas: Healthcare Delivery Services, Life Sciences, Medical Technology and Associated Healthcare.

Figure 2: Sample of impact outcomes for 2014 vintage fund

<table>
<thead>
<tr>
<th>Metric</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portfolio Level</td>
<td>No. of medical facilities</td>
</tr>
<tr>
<td></td>
<td>Tests run annually</td>
</tr>
<tr>
<td>Portfolio Level</td>
<td>No. of hospital beds</td>
</tr>
</tbody>
</table>

Sources: AXA IM 2019, un-disclosed Fund Manager 2019, aggregate commitments to manager, includes co-investments. Past performance is not a guide to future performance.
Impact
Fixed Income – Green Bonds
Why Green Bonds?
A transparent tool to finance sustainable and environmental-friendly projects at no additional cost.
Green Bonds Market
Size and Trends

Green Bonds Market Size – in US$, as of 11 September 2020

- Main issuer types: SSAs, Financials, Corporates
- 2019 was the record year in terms of volume – more than $250bn
- 2020 could be another record year despite the Covid-19 context

Source: Climate Bonds Initiative
Our Dedicated Green Bonds Assessment Framework
A proprietary process handled by our Responsible Investment team

1. ISSUER’S SUSTAINABILITY STRATEGY
   • Overall strategy’s alignment with green bond projects
   • Impact track record and targets
   • Meetings with the management
   • ESG Quality

2. PROJECT TYPES
   • Transparency on projects
   • Project quality of being impactful
   • External certifications

3. MANAGEMENT OF PROCEEDS
   • Financing new assets or Refinancing
   • Internal process for tracking proceeds
   • Segregated pool of assets
   • External verification

4. IMPACT REPORTING
   • Impact indicators reporting commitment
   • Pre- and/or Post-issuance
   • Relevance of KPIs
   • Third party verification

Source: AXA IM, for illustrative purpose only. These are internal guidelines which are subject to change without notice.
Green Bonds Impact
AXA WF Global Green Bonds Example

<table>
<thead>
<tr>
<th>Key indicators based on AUM</th>
<th>Fund</th>
<th>Coverage</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Green Share</td>
<td>95.0%</td>
<td>100%</td>
<td>AXA IM</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Key indicators based on Green Share</th>
<th>Fund</th>
<th>Coverage</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>tCO2 emissions avoided (per year)</td>
<td>99.945</td>
<td>42%</td>
<td>Carbone 4</td>
</tr>
<tr>
<td>tCO2 Avoided by MEUR invested in the Fund (per year)</td>
<td>265</td>
<td>42%</td>
<td>Carbone 4</td>
</tr>
<tr>
<td>% engagement</td>
<td>85%</td>
<td>100%</td>
<td>AXA IM</td>
</tr>
<tr>
<td>Renewable energy (in MWh per year)</td>
<td>108.037</td>
<td>42%</td>
<td>Carbone 4</td>
</tr>
</tbody>
</table>

* rebased on Green Share

Top 3 Direct + Indirect SDGs (rebased on Green Share)

1. Sustainable Cities and Communities
2. Climate Action
3. Industry, Innovation and Infrastructure

Sustainable Projects Breakdown (rebased on Green Share)

Saving

99.945
metric tons of CO₂-equivalent

Is equivalent of removing

22.210
cars off the road

Source: AXA IM, unaudited data sourced by our front office tool as of 31-07-20, for illustration only. The KPIs are related to the green bonds in direct line.
Green Bonds Selection

Iberdrola: a case study

**IBERDROLA**

**ESG Score:**

9.5

1. **Environmental Strategy**

This 100% renewable energy generation issuance is a great way to mitigate climate change. It is perfectly in line with Iberdrola’s strong track record on RE investments and on the green bond market.

2. **Eligible Projects**

The proceeds will be used to refinance the East Anglia ONE project, an offshore wind farm located in the UK. The project consists in 102 wind turbines. It is currently under construction, and operations are expected to start in 2020.

3. **Management of Proceeds**

Iberdrola will track investments of the proceeds allocated to the selected Eligible Project and commits to avoid double counting with other green bond or loan proceeds.

4. **Impact Reporting**

The issuer will report on KPIs corresponding to the share financed by the green hybrid bond proceeds. Iberdrola will use both output and impact indicators. Output indicators: Installed capacity (in MW), Attributable capacity (in MW), Annual attributable renewable energy produced by the wind farm (in MWh). Impact indicators: Annual attributable GHG emissions avoided (in tCO2e).

Source: AXA IM as at 31/03/2019 Quantitative ESG assessment. Scoring based on a scale from 0 to 10, 10 being the best scoring. Information included on this slide is provided in order to demonstrate the methodology/how RI objectives are implemented into AXA IM analysis, is provided for illustrative purposes only and subject to change without notice. This does not constitute investment research or financial analysis relating to transactions in financial instruments as per MIF Directive (2014/65/EU), nor does it constitute on the part of AXA Investment Managers or its affiliated companies an offer to buy or sell any investments, products or services, and should not be considered as solicitation or investment, legal or tax advice, a recommendation for an investment strategy or a personalized recommendation to buy or sell securities.
Public Equity Impact Investing Approach
Impact approach
AXA IM Impact Definition and Themes

Societal Challenges

Financial Returns
A powerful way of seeking to deliver financial returns

Win-win concept
Enjoy potentially attractive financial returns while simultaneously having a positive outcome for society

In simple terms, it’s about investing in prosperity for people and prosperity for the planet

Prosperity for people
- Empowerment
  - Empowering Women
  - Health & Wellbeing
    - Wellbeing & Personal Security
    - Healthcare Solutions
- Inclusion
  - Financial & Tech Inclusion
  - Housing & Basic Infrastructure

Prosperity for the planet
- Energy Transition
  - Smart Energy
  - Sustainable transport
- Sustainable Industry
  - Smart Production
  - Sustainable Agriculture
- Resource Scarcity
  - Recycling & Waste Reduction
  - Water preservation

Source: AXA IM, for illustrative purpose only. These are internal guidelines which are subject to change without notice.
What Types of Companies are we trying to identify?

- Weak return Impact companies
- Impact Leaders
- TRANSITIONING COMPANIES
- Endangered Companies
- Vulnerable Winners

Source: AXA IM as at 30/09/2019. Information given for indicative purpose only. Any reproduction or disclosure of this document, in whole or in part, is prohibited.
Listed Impact framework

AXA IM’s five pillars to impact investing

Five key pillars to characterize impact investing and differentiate it from other approaches to responsible investing

**Intentionality**
Investments should be made with an upfront objective of positive social or environmental outcomes. Companies can also demonstrate an intentional, strategic commitment to positive impact.

**Materiality**
Invest in companies where the positive outcomes are of material significance to the beneficiaries, the company, or to both.

**Additionality**
The extent to which a company is making its ‘needed’ products and services more accessible or commercially viable, for example through innovative new solutions or lower pricing.

**Negative consideration**
Company’s corporate practices, or products and services, may significantly undermine the positive impact it is generating elsewhere.

**Measurability**
There needs to be a clear methodology and commitment to measuring and reporting the social and environmental performance of investments.

**Climate change example**

<table>
<thead>
<tr>
<th>Key Themes</th>
<th>Key SDGs targeted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Smart Energy: Energy Efficiency, Renewable Energy</td>
<td>2, 7, 11, 13, 14, 15</td>
</tr>
<tr>
<td>Sustainable transport</td>
<td>2, 7, 11, 13, 14, 15</td>
</tr>
<tr>
<td>Sustainable agriculture</td>
<td>2, 7, 11, 13, 14, 15</td>
</tr>
<tr>
<td>Recycling &amp; Waste Reduction</td>
<td>2, 7, 11, 13, 14, 15</td>
</tr>
<tr>
<td>Water Preservation</td>
<td>2, 7, 11, 13, 14, 15</td>
</tr>
</tbody>
</table>

Source: AXA IM, for illustrative purpose only. These are internal guidelines which are subject to change without notice.
Seeking Impact in Public Equities

A 3-step process

Initial Universe

Global scope:
- C. 11,000 listed companies
- Developed, Emerging & Frontier markets
- Small, mid & large caps

Top-down Impact Quantitative filters

- **Impact Themes from data providers** (UBS, MSCI, Oekom): Energy: Transition, Sustainable Production, Health & Wellbeing, Empowerment, Inclusion...
- **Sectorial exclusion policy** (climate risk, controversial weapons, palm oil, soft commodities) and **AXA IM ESG standards exclusions** (tobacco, defense, UNGC principles and low ESG quality)
- **Periodic data updates**, addition of further indices/lists and high conviction universe additions/exclusions from PMs.

Portfolio Managers

Impact Working Group

Investment Analytics and Quant Lab

Impact Specialists/Theme Pod Leaders

11,000 stocks

~1,200 stocks

c. 300 stocks targeted impact list

Bottom-up Impact analysis and idea generation

- Leveraging on Impact Specialists knowledge and experience as members of the Framlington Equities investment team (including AXA-IM Impact Theme Leaders)
- Each proposal is mapped to the AXA impact themes and reviewed by the impact core working group and theme leaders through an in depth Impact company analysis
- Impact stocks are short-listed

Source: AXA IM. For illustrative purpose only
Impact Company Assessment and KPI monitoring

Identification of KPIs, and monitoring of trends and comparisons

**Five areas of tracking**

<table>
<thead>
<tr>
<th>PRODUCTS &amp; SERVICES</th>
<th>R&amp;D</th>
<th>NEGATIVE EXTERNALITIES</th>
<th>OPERATIONS</th>
<th>CSR</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Revenue Split</td>
<td></td>
<td>• R&amp;D spend / Investments</td>
<td>• Water</td>
<td></td>
</tr>
<tr>
<td>• Geographical distribution</td>
<td>• Patents</td>
<td>• Operations</td>
<td>• Energy &amp; Emissions</td>
<td>• Philanthropic activities</td>
</tr>
<tr>
<td>• Product &amp; Solution types / applications</td>
<td>• Research Teams</td>
<td>• Products &amp; Services</td>
<td>• Waste</td>
<td>• NGO Partnerships</td>
</tr>
<tr>
<td>• Consumer base, including underserved</td>
<td>• R&amp;D focus areas</td>
<td>• Harmful impacts</td>
<td>• Human &amp; Social Capital</td>
<td>• Internal / external campaigns</td>
</tr>
<tr>
<td>• Quality &amp; Pricing</td>
<td>• Unique R&amp;D Initiatives</td>
<td>• Negative outcomes to consumers / society</td>
<td>• Supply Chain &amp; Procurement</td>
<td>• Donations / Non-revenue generating</td>
</tr>
</tbody>
</table>

**MAIN FOCUS**

Source: AXA IM. For illustrative purpose only
Impact search tool
Quick access to a multitude of documents analysing a company’s commitment to a specific UN SDG

How do we score?
*Machine Learning methodology*
For each SDG, we collect the sub-goals and correctly label them as paragraphs. In addition to this, we have established a list of key words from the SDG goals and for each keyword, we take the Wikipedia associated and considering it as correctly labelled.

Algorithm

Training set
- Goal 1 txt
- Goal 2 txt
- Goal 3 txt
- Kw1 (wiki)
- Kw2 (wiki)
- Kw3 (wiki)
- Kw4 (wiki)
- Kw5 (wiki)
- Pg (cpy1)
- Pg (cpy2)

Thematic scoring

Database storage

Company

Searching tool

SDG

A mechanism of like/dislike from PMs improves the scoring algorithm

We have created a database that enables direct access to pertinent information through pre-processed tagging.

“liked” paragraphs are added to the training set

Source: AXA IM. For illustrative purpose only
Impact search tool

New tool to broaden access to insightful impact information at company level

- Enhanced powerful search tool
- Quick access to analysis on companies’ commitment to specific UNSDGs
Engagement: proactive approach driven by thematic research linked to SDGs

**Our Approach**

Focus on encouraging companies to address strategic SDG issues

- Mitigating risks and maximizing opportunities
- Supporting the transition to a sustainable society

**Proactive**

- Engage before risks materialise and harms investors
  - Key areas of engagement driven by the findings of our thematic research
  - Using quantitative tools and qualitative analysis to identify companies which most merit engagement effort
  - Assess the potential for engagement and likelihood of engagement success/failure

**Reactive**

Engage before risks materialise and harms investors

Following major controversies, UNGC breaches, excluded products/services and issues arising out of the voting process

Source: AXA IM, for illustrative purposes only.
Engagement at AXA IM

Research-led framework
- Define key themes for engagement on an annual basis through thematic research
- Identify risks and opportunities through research, quantitative tools and qualitative analysis

Materiality
- Focus on strategic SDG issues to mitigate risks and maximise opportunities
- Prioritise AXA IM highest exposures
- Assess the likelihood of engagement success or failure

Execution
- Review of engagement progress on a quarterly basis
- 5-step system for tracking engagement progress
- Clear process for escalation where progress stalls

2019 engagement statistics

217
Companies engaged

56
Engagements with senior executives and board of directors

7 key themes
- Climate Change: 16%
- Resources & Ecosystems: 4%
- Human Capital: 5%
- Public Health: 13%
- Social Relations: 16%
- Business Ethics: 16%
- Corporate Governance: 40%

Source: AXA IM as of 31/12/2019.
Engagement in 2019
Examples of key areas of engagements

CA100+
Lead investor on a number of companies

Small Caps
European industrials

State owned oil
Emerging market debt issuers

Transition bonds
Decarbonisation finance

Business conduct
Regulatory breaches

Product quality

Drug pricing
Genetherapy and innovative medicine

Access to medicine

Germany, Japan,
India, China

30% Club
French investor chapter lead

Media companies

Voting rules
Higher expectations for boards

Source: AXA IM as of 31/12/2019.
IMPACT SUMMARY

Challenges:
A third of all food is wasted globally. There needs to be a >50% increase in food production to feed 9.8bn people in 2050. TQBIS showed that bio-protection can reduce annual yogurt waste by 30%. The #1 cause of death by 2050 will be antibiotic resistance. More than two thirds of global product launches are with natural colors or coloring foods. More than 10% of global crops are lost due to nematodes.

Company rating rationale:
82% of revenue contributes to the SDGs (certified by PwC)
The company contributes to sustainability by reducing waste across the value chain Notably, CHR Hansen contributes to sustainable agriculture through natural plant health solutions. This improves yield while providing an alternative to chemical pesticides. High levels of research and development in relation to peers (6.8% of total sales). Operationally, CHR Hansen is sets targets to reduce its environmental impact in areas such as water and GHG efficiency, and the quantity of recycled biomass is increasing. 39% of managers are female. Some tracked operational metrics have worsened recently, e.g. wastewater generation has been increasing.

IMPACT ANALYSIS

| Primary SDG: | 2 | 2 |
| Secondary SDG: | 12 | 0 |
| Other SDGs: | 3 | 6 |

Company Ratings: Scale: 1-5
Solution Materiality: Products and Services 2
Operations 1
Additionality: Products and Services 2
Operations 2
Transparency & Commitment 1
Negative Externalities 1

KPIs

<table>
<thead>
<tr>
<th>KPI</th>
<th>2019</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yogurt waste reduction</td>
<td>580000 tons</td>
<td>1.2m tons by 2022</td>
</tr>
<tr>
<td>Recycled biomass</td>
<td>103527 tons</td>
<td>N/A</td>
</tr>
<tr>
<td>Farmland treated with pesticides substitutes</td>
<td>10.4m hectares</td>
<td>25m hectares by 2025</td>
</tr>
</tbody>
</table>

Source: AXA IM research as of December 2019

"Food systems are global, the environmental challenges we face today are global, and so too must their solutions be global in scale. We are committed to doing our part to lead this change." Mauricio Graber, President & CEO of Christian Hansen
Close up – Operating Principles for Impact Management
Operating Principles for Impact Management

- Launched on 12 April 2019
- 60 Early Adopters
- Range of investors including Development Finance Institutions, Mainstream Asset Managers and Asset Owners, Impact Only Fund Managers
Global Launch of the Impact Principles, April 2019
## The Principles – 9 Principles for Integrity and Credibility

### A Robust Impact Management System

1. Define strategic impact objective(s) consistent with the investment strategy.
2. Manage strategic impact and financial returns at portfolio level.

### Transparency of Alignment with Principles

3. Establish the investor's contribution to the achievement of impact.
4. Assess the expected impact of each investment, based on a systematic approach.
5. Assess, address, monitor, and manage the potential risks of negative effects of each investment.

### Verification

6. Monitor the progress of each investment in achieving impact against expectations and respond appropriately.
7. Conduct exits, considering the effect on sustained impact.
8. Review, document, and improve decisions and processes based on the achievement of impact and lessons learned.

### Independent Verification

9. Publicly disclose alignment with the Principles and provide regular independent verification of the extent of alignment.
The Principles – 9 Principles for Integrity and Credibility

<table>
<thead>
<tr>
<th>INTENT</th>
<th>NOT INTENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Focused on the Impact Management Process and Systems</td>
<td>• Does not prescribe what impact is</td>
</tr>
<tr>
<td>✓ Principles based approach to improve transparency and rigour</td>
<td>• Does not recommend a particular asset class</td>
</tr>
<tr>
<td>✓ Ensure impact considerations are integrated into investment life cycle</td>
<td>• Does not define how impacts should be measured or reported</td>
</tr>
<tr>
<td>✓ Flexible to allow different implementation approaches</td>
<td>• Does not prescribe specific tools or approaches</td>
</tr>
<tr>
<td>✓ Complement other industry initiatives such as Green Bond Principles</td>
<td>• Does not prescribe specific impact measurement frameworks</td>
</tr>
</tbody>
</table>
AXA IM – Implementation

- A Firm Wide Initiative
- Covering Specific Assets Proposed by Organization
- Annual Disclosure of Impact Management System and Alignment with the Principles
- Periodic Independent Verification
- First Movers: AXA Impact Strategy (Private Equity) and Global Green Bonds
- Other Funds/Strategies to Follow
CONCLUSION – CHALLENGES ON IMPACT INVESTING

Guideline on the Pitfalls to Impact Investing

Where do you draw the line?
- Impact investing demands financial performance while including intentional impact – not just a lucky by-product

Due diligence must be sincere
- If you don’t find impact during the due diligence, don’t expect impact to show up during the investment period

Impact and financial returns do not always align
- You will have to demonstrate your seriousness on the impact ambition in order to be credible

Don’t reinvent the wheel on impact measurement
- Decide your strategy and differentiation but be mindful of creating another means to measure impact – instead, choose the best initiatives to harmonise impact measurement and reporting

Impact and financial incentives must be joined
- The future of impact investing will rely on impact KPIs that are integrated into financial performance – otherwise, it will suffer from ‘impact washing’
What are we talking about?
Terms blur together, but bring important distinctions

- **ESG** = Environmental, Social, and Governance (broadest term)
  - Sustainable investing, responsible investing, alpha source, risk mitigation, integrated vs. post/pre-screened universes, best-in-class, positive/negative screens, key performance indicators (KPIs), ESG factor tilts

- **SRI** = Socially Responsible Investing
  - Ethically based (one’s ethical framework is important), negative screens, divestment, religious/mission-based investors

- **Impact Investing** = Environmental or Social return (financial returns too, but to differing degrees)
  - Carbon reduction, renewable energy, obesity reduction, health care, gun violence

- **Negative screen (exclusion/divestment)**
  - Tobacco, “sin” stocks, fossil fuel, coal (thermal vs. metallurgical), Sudan, Iran, poor labor practices

- **Positive screen (inclusion/engagement)**
  - Best-in-class, positive impact (e.g., renewable energy, energy efficiency), conservation/recycling, non-GMO foods, community development, affordable housing (fixed income/private equity), redevelopment of distressed communities, access to financing

- **Integration of ESG factors**
  - Adjusts other metrics (e.g., valuation hurdles, growth hurdles)
  - Considers ESG factors among many others (e.g., valuation, growth rates, cost structures)
Impact investing: Transforming tomorrow
Impact performance: Case studies

Impact investing: A new Cholera vaccine

The objective of impact investing is to simultaneously deliver both financial and societal returns.

These two criteria are not conflicting but are both demanding. The financial targets are not based on benchmarks, market rates or returns. The societal objectives require a demonstration of clear, intentional and measurable benefits. Our clients hold us to existing standards on both.

Here we look at how our impact investment strategy works in practice—transforming tomorrow with a new generation of innovative private market projects.

Case study – Vaccines

Balancing the double objective of creating positive social impact and financial returns requires the ability to see and assess innovative projects. A combination of innovation and investment can help generate more effective impact results. Here we outline how we go about setting and measuring the positive social and financial outcomes of a project within one of our impact strategies.

Social impact requirements

Starting with the overall theme of health and well-being, this investment strategy centres around the United Nations Sustainable Development Goal 3 – ensuring healthy lives and promoting well-being for all ages. Underpinning this goal are a range of issues, including financial risk protection, access to quality essential healthcare services and access to safe, effective, and affordable essential medicines and vaccines.

As part of the investment framework, we identified the key impact objective:

To tackle global health challenges in developing countries.

To meet this objective, we identified two specific impact targets, which were:

- To improve the lives of approximately 10 million people annually by 2025 through the provision of early diagnosis, vaccines, and drugs at accessible price points.

- To save the lives of approximately 100,000 people annually by 2025.

Impact investing: Developing a drug to help eradicate River Blindness

The objective of impact investing is to simultaneously deliver both financial and societal returns.

These two criteria are not conflicting but are both demanding. The financial targets are not based on benchmarks, market rates or returns. The societal objectives require a demonstration of clear, intentional and measurable benefits. Here we look at how our impact investment platform is contributing to tackling global health challenges in developing countries—transforming tomorrow with a new generation of innovative private market projects.

Case study – Mochidectin

River Blindness is the world’s second-leading infectious cause of blindness. With 185 million people at risk in some of the poorest and most remote regions of the world, it poses a serious public health problem and obstacle to socioeconomic development. Until recently, the main drug used to treat this blindness was ivermectin—reaching delivery of two doses a year for up to 35 years.

In May 2018, Medicines Development for Global Health (MDGHI), a non-profit organisation in Australia dedicated to the development of affordable medicines and vaccines, received approval from the US Food and Drug Administration (FDA) for a medication, Mochidectin, with the potential to eradicate onchocerciasis or River Blindness. This would not have been possible without the significant funding from AXA IM’s focused impact fund. (View fund) Invested in this case study, it played a critical role in funding MDGHI and making this treatment a reality. The fund was launched by AXA IM, which also chairs the Invesco Advisory Committee. Adding to the story, the fund’s US$20 million investment in the drug has now returned US$50 million in gross value to the fund.

Social impact requirements

Starting with the overall theme of health and well-being, this investment strategy centres around the United Nations Sustainable Development Goal 3 – ensuring healthy lives and promoting well-being for all ages. Underpinning this goal is a range of issues, including financial risk protection, access to quality essential healthcare services and access to safe, effective, and affordable essential medicines and vaccines. This investment programme aims to improve the health and well-being of underserved communities at scale by targeting neglected tropical diseases.

Source: AXA IM. For illustrative purposes only. Past performance is not a guide to future performance.
Green Bonds in Japan
State of the Market and Trends

2019 marks record issuance for Japan

- Trends are similar to the overall market:
  - Continuous of Japanese Green Bond issuances over time – 70% growth in 2019 compared to 2018
  - Green buildings and Renewable energy are the main types of funded assets
- Japan ranks 9th in terms of cumulative green bond issuance globally, and 7th in 2019
- Key players of the Japanese green bond market:
  - Development Bank of Japan
  - Mitsubishi UFG
  - Sumitomo Mitsui Banking Corp
- Japanese green bond market should keep growing in the near future
  - Significant opportunities for scaling up the market – notably in the transportation sector

Buildings dominate use of proceeds

Source: Climate Bonds Initiative
Important information

This document has been prepared and issued by AXA Investment Managers Paris a company incorporated under the laws of France, having its registered office located at Tour Majunga, 6, place de la Pyramide 92908 Paris – La Défense Cedex registered with the Nanterre RCS under number 353 534 506 a Portfolio Management Company, holder of AMF approval no. GP 92-08, issued on 7 May 1992.

Performance calculations are gross of management or distribution fees. Performance are shown as annual performance (365 days). Performance calculations are based on the reinvestment dividend. The value of investments can fall as well as rise and fluctuations in currency exchange rates may affect value. Investors may not get back the amount originally invested. Risk Ratios are calculated from gross performances.

Investors must not rely on the data presented herein as this is subject to change at any time and without notice. Investors should consult professional advice in regards to their own personal, financial circumstances prior to making any investment decisions.

In the case where the currency of investment is different from the Fund’s reference currency the gains are capable of varying considerably due to the fluctuations of the exchange rate.

The tax treatment relating to the holding, acquisition or disposal of shares or units in the fund depend on each investor’s tax status or treatment and may be subject to change. Any potential investor is strongly encouraged to seek advice from its own tax advisors.

Depending on the investment strategy used the information contained herein may be more detailed than the information disclosed in the prospectus. Any such information (i) does not constitute a representation or undertaking on the part of the investment manager; (ii) is subjective and (iii) may be modified at any time within the limits provided in the fund prospectus.

This document is for informational purposes only and does not constitute, on AXA Investment Managers Paris part, an offer to buy or sell or a solicitation or investment advice. Due to its simplification, this document is partial and the information can be subjective. AXA Investment Managers Paris may but shall not be obligated to update or otherwise revise this document without any prior notice. All information in this document is established on the accounting information or on market data basis. All accounting information is un-audited. AXA IM and/or its affiliates may receive or pay fees or rebates in relation to the Mutual Fund or investment vehicle. AXA Investment Managers Paris disclaims any and all liability relating to a decision based on or for reliance on this document. The most recent prospectus is available to all investors and must be read prior to subscription and the decision whether to invest or not must be based on the information contained in the prospectus.

For Japanese clients: AXA Investment Managers Japan Ltd., whose registered office and principal place of business is at NBF Platinum Tower 14F 1-17-3 Shirokane, Minato-ku, Tokyo 108-0072, Japan, which is registered with the Financial Services Agency of Japan under the number KANTOZAIMUKYOKUCHO (KINSHO) 16, and is a member of Japan Securities Dealers Association, Type II Financial Instrument Firms Association, Investment Trust Association of Japan and Japan Investment Advisors Association to carry out the regulated activity of Financial Instrument Business under the Financial Instrument Exchange Law of Japan. In Japan, none of the funds mentioned in this document are registered under the Financial Instrument Exchange Law of Japan or Act on Investment Trusts and Investment Corporations. This document is purely for the information purpose for use by Qualified Institutional Investors defined by the Financial Instrument Exchange Law of Japan.