

AXA Core Europe Fund

Green Finance Framework

We believe that taking an integrated approach to responsible investment and including both financial and non-financial factors, provides us with a broader perspective on asset and sector specific risks, enabling us to identify new opportunities to enhance value and to identify and mitigate future risk

May 2021

1. Introduction

AXA IM Real Assets' Vision

The past 2 years have seen a sharp rise in public awareness of the climate crisis and its likely future impacts. If the Paris Agreement binds governments to contain global warming below 2°C, it is also the responsibility of investors to deliver on that promise.

As one of the world's largest real asset managers, we are in a position to take action, with impacts that are real and measurable.

Our role has always been to enhance the value of the assets we manage on behalf of clients, and advise them on financial and non-financial risks and opportunities. In the broadest sense, our business is building the future. This means integrating both financial and non-financial factors, including ESG criteria, into our investment decisions and transforming our assets to improve their environmental and social impacts, protect them against the effects of climate change and anticipate societal changes.

AXA IM Real Assets' Responsible Investment Strategy

Our responsible investment strategy is built on three key pillars: Decarbonisation, Resilience, and Building Tomorrow.

"Decarbonisation" means identifying and cutting an asset's carbon emissions profile to align with the Paris Agreement targets. This means reducing an asset's emissions by 20% by 2025 and >40% by 2030 and reducing emissions to 'net zero', before 2050.

"Resilience" means ensuring our assets are better able to withstand the physical and transitional impacts of climate change. *'Physical resilience'* means identifying and mitigating the physical risks of climate change. These include the impacts of extreme weather events such as flood, hail, windstorm, fire, coastal inundation, extreme heat & cold, and earthquake. *'Transitional resilience'* means identifying and mitigating the risks posed to an asset as a result of the transition to a low carbon economy. These include regulatory risks, such as mandatory energy performance benchmarks, or financial impacts such as an increasing cost of carbon.

"Building Tomorrow" means further developing the capability of our investment teams to identify new opportunities to create value and minimise risk by taking a broader view on the new and rising set of risks facing our clients' investments, as well as investing in innovation across both the physical and social spectrum, reflecting and better meeting changing societal and market expectations.

AXA Core Europe Fund S.C.S., SICAV-SIF

AXA Core Europe Fund S.C.S., SICAV-SIF ("AXA CEF", the "Fund") is an open-ended, perpetual life, balanced core real estate fund with approximately €5bn in Real Estate Assets under Management as at 31 March 2021 and significant AXA Group co-investment.

The Fund launched in December 2015 is designed to purchase, manage and sell institutional-quality real estate assets, across all main asset sectors, in Continental Europe and the UK over the long term.

The investment strategy focuses on core assets in key locations evidenced by strong occupation rates and income diversified across sectors. From a geographic perspective, key focus is in established and transparent markets across Europe, particularly key cities with recognised liquidity. On the core

assets on which the Fund is focusing, the specifications of the property are taken into accounts in the selection process. The Fund is privileging standing assets with high certification standards which will prove to be more resilient and more efficient in terms of energy consumption, in the medium term.

a. Portfolio ESG Strategy

The Fund maintains a consistent and integrated approach to responsible investing from acquisition to active management of the assets. Five key ESG factors are incorporated into AXA CEF’s investment proposal and reviewed by the Investment Committee members as an input into all investment decisions:



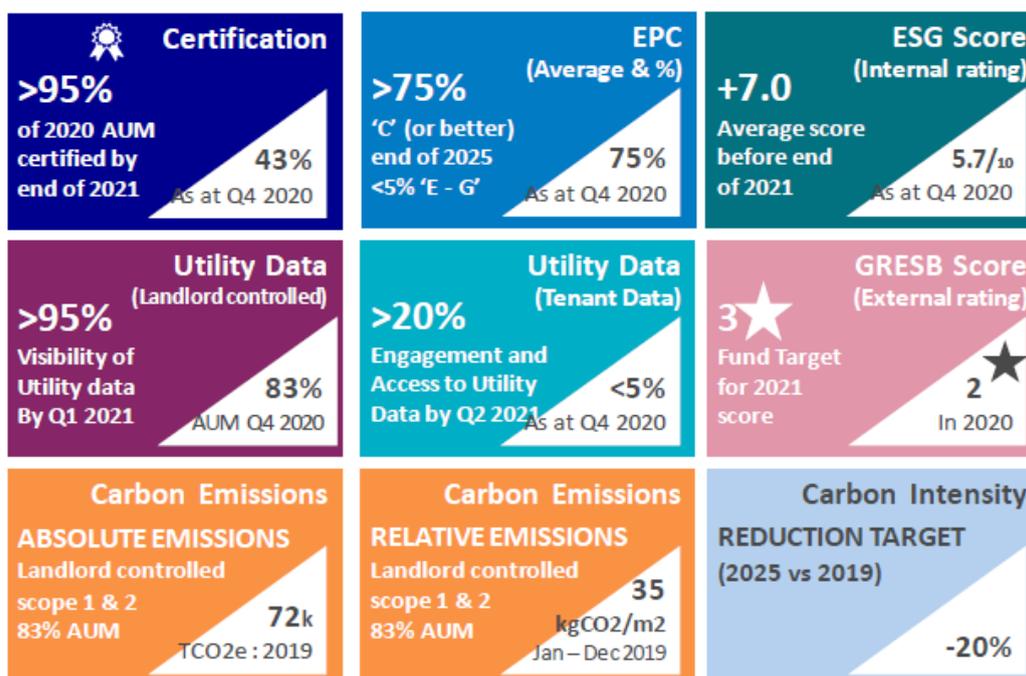
AXA IM Real Assets is consistent in its approach to ESG and this is reflected in the ESG strategy of the Fund via a key focus on the three pillars of Decarbonisation, Resilience and Building Tomorrow.



b. Portfolio ESG performance

As of December 2020, AXA CEF participated (for a third consecutive year) in 2020 in the GRESB benchmark, achieving a score of 64/100, and Green Star status with 2 stars under the new GRESB methodology for 2020. Following the release of the results, a minimum target of 3 stars has been set for the 2021 GRESB benchmark assessment.

In the meantime, the Fund has established a set of indicators in 2020 to monitor its ESG performance. The KPIs are monitored on a quarterly basis and shared with investors in the quarterly financial communications.



c. *Rationale for a Green Finance Instrument*

The Fund and its asset manager are convinced that they have a major role to play in the transition toward a more sustainable economy in terms of social and environmental issues. The Fund and its asset manager are committed to ensuring that all of its future investments made in accordance with this Framework contribute to a positive social or environmental impact on society. The issuance of Green Instruments by the Fund is the continuation of its ESG strategy.

2. Green Finance Framework

AXA CEF's Green Finance Framework ("the Framework") is based on the Green Bond Principles (ICMA, 2018) and the Green Loan Principles (LMA/APLMA, 2021). These voluntary process guidelines are developed in multi-stakeholder processes involving issuers, investors, financial institutions and NGOs, with a view to promoting the development and integrity of the green finance market. The Framework takes into account the core components of the Green Bond Principles and the Green Loan Principles being:

- Use of Proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds
- Reporting
- External review

This Framework defines assets which are eligible for financing or refinancing by proceeds of Green Finance Instruments issued by AXA CEF including, but not limited to, bonds and loans. In addition, the Framework outlines the process used to select and report on eligible assets and the organization of the management of proceeds of Green Finance Instruments.

As both the Green Bond Principles, Green Loan Principles and the green financing market overall, as well as the EU Taxonomy, are evolving rapidly, this Green Finance Framework may be updated or expanded in the future. Any future updated versions of this Framework will either keep or improve the current levels of transparency and reporting disclosures.

Pillar 1: Use of Proceeds

We will apply 100% of the net proceeds from the issuance of each Green Instruments (loan or bond or any other financing instrument) to finance green projects ("Eligible Green Projects") satisfying one or more of the eligible indicators and performance requirements detailed below.

All Eligible Green Projects must provide environmental benefits that contribute to avoiding/reducing CO2 emissions, by increasing renewable capacity, and/or improving energy efficiency. Eligible Green Projects may include physical assets such as green buildings and renewable energy capacity, as well as CAPEX and OPEX related to those assets, and may also include acquisitions of assets. A look-back period of 36 months will apply to the Framework and Eligible Green Projects must comply with the Eligibility Criteria set forth in the following section.

The company may, at any time, extend the list of Eligible Green Projects to other type of assets which provide verifiable sustainability benefits. In this case, the company commits to update the current Framework and to extend the set of criteria to appropriately analyse the new asset class.

Project categories	Description	Environmental benefit	Related SDG
Green Building	<ul style="list-style-type: none"> ■ Acquisition, construction or refurbishment of buildings which meet recognised standards, such as: <ul style="list-style-type: none"> — BREEAM or HQE certification of at least “Excellent” — LEED certification of at least “Gold” ■ All new construction and existing buildings that either have or are expected to receive an Energy Performance Certificate (EPC) of class A, or an EPC of class B¹ 	Climate Change Adaptation through energy consumption reduction	 
Energy Efficiency	<ul style="list-style-type: none"> ■ Renovations or refurbishment of existing buildings, delivering a minimum 30% reduction in carbon emissions intensity or two letter grade improvements according to local EPC — Capex used to align performance with 1.5deg scenario under CRREM 	Climate Change Adaptation through energy consumption reduction	 
Renewable Energy	<ul style="list-style-type: none"> ■ Installation of photovoltaic solar or other renewable energy² ■ Dedicated support infrastructure for photovoltaic solar across building management systems ■ Purchase of renewable energy for electricity consumption under medium and long term power purchase agreements (> 5 years) 	Climate Change Mitigation through CO2 emissions reduction	
Eco-Mobility	<ul style="list-style-type: none"> ■ Electric vehicle (EV) charging stations ■ Any infrastructure promoting the use of low-carbon transport solutions in urban areas, such as electric vehicles, bicycles... 	Climate Change Adaptation through energy consumption reduction	
Waste Management	<ul style="list-style-type: none"> ■ Improved waste management such as by offering multiple possibilities to recycle and dispose of waste 	Climate Change Adaptation through sustainable waste management	

Pillar 2: Process for Project Evaluation and Selection

Projects that comply with the Use of Proceeds as previously described will be considered as Eligible Green Projects. The process for the evaluation and selection of eligible projects utilizes internal expertise and includes assessment of whether the project:

- 1) Substantially contributes to the environmental objective of fighting climate change and/or contributing to natural resource preservation, doing no significant harm to other environmental objections

¹ Energy Performance Certificate (EPC) of class A in France, Netherlands, and Portugal, and a minimum EPC of class B or above in Denmark, Germany, and Ireland

² Other renewable energy sources could include geothermal facilities, in any case emitting less than 100gCO₂e/kWh

- 2) Aligns with AXA CEF's ESG Strategy
- 3) Meets the Use of Proceeds requirements detailed in Pillar 1

A cross-functional Green Finance Committee (GFC) reviews, monitors, and approves all Eligible Green Projects that meet the core criteria set forth above. The GFC will be chaired by the Global Head of Responsible Investment and will include the senior executive management group and the Fund Manager. Final project selection for investment will be endorsed by the Responsible Investment Steering Committee, chaired by the CEO of AXA IM RA.

The project's expected benefits must be assessed and calculated, and the evaluation must cover the project lifecycle. Projects and acquisitions that are aligned with the Use of Proceeds (with a look back period of 36 months) will be considered eligible for Green Finance Instrument proceeds allocation.

Pillar 3: Management of Proceeds

The net proceeds from each Green finance issuance will be deposited to a general account and an amount equal to the net proceeds will be earmarked for allocation to the Eligible Green Projects as selected by AXA CEF's GFC.

For costs already disbursed, no separate management of proceeds is required. Accounting records of the capital already invested in Eligible Green Projects will be externally assured. For future project costs, proceeds will be managed through a tracking process established by the GFC to ensure traceability. The Chair of the GFC will oversee the allocation process.

All relevant information regarding the issuance of Green finance instruments and the Eligible Green Projects (re)financed will be monitored and maintained in our internal records.

AXA CEF intends, to the best of its abilities, to fully allocate the proceeds within 24 months after the issuance date of each Green finance instrument and will strive to maintain full allocation until maturity by replacing any projects that may have been divested or are no longer eligible due to other circumstances.

Pending the allocation or reallocation, as the case may be, of the net proceeds, AXA CEF's Finance Management and Controlling Group team will invest the balance of the net proceeds, at its own discretion, in cash and/or cash equivalent and/or other liquid marketable instruments and can even be used to repay existing debt, as per AXA CEF's cash management policy.

Pillar 4: Reporting

For all issuances under this Framework, AXA CEF intends to produce an allocation report (the "Allocation Report") as well as an impact report (the "Impact Report") annually until full allocation of the Green finance instrument proceeds.

i. Allocation report

AXA CEF will publish the Allocation Report on its website within 12 months of issuance and then annually until full allocation of the proceeds of the relevant Green finance instrument. The report will include:

- The amount of proceeds allocated to Eligible Green Projects financed or refinanced during the preceding 36 months, and the list of Eligible Green Projects (subject to confidentiality disclosures);
- The aggregated amount of allocation of the net proceeds to the Eligible Green Projects for each of the eligible categories;
- The percentage of coverage or value of assets with green building certifications defined in this Framework, and
- The balance of unallocated proceeds invested in cash and/or cash equivalents.

External verification will be provided for each annual allocation report.

ii. Impact Report

AXA CEF will publish an Impact Report on its website on an annual basis. The Impact Report will provide information on the environmental outcomes of the Eligible Green Projects.

The Green Finance Instruments Impact Report is expected to include the following indicators:

Project categories	Example of Impact Reporting Metrics
Green Building	<ul style="list-style-type: none"> ■ Level of certification by property ■ Annual GHG emissions reduced/avoided (t CO2 eq pa) ■ Annual energy savings (MWh pa) ■ Annual reduction in water consumption (in m3)
Energy Efficiency	<ul style="list-style-type: none"> ■ Annual GHG emissions reduced/avoided (t CO2 eq pa) ■ Annual energy savings (MWh pa) ■ % annual energy efficiency gain relative to an established baseline
Renewable Energy	<ul style="list-style-type: none"> ■ Renewable energy capacity added/rehabilitated (MWh pa) ■ Annual GHG emissions reduced/avoided (t CO2 eq pa) ■ Annual energy savings (MWh pa) ■ % annual energy efficiency gain relative to building energy performance base line defined for particular type in region
Eco-Mobility	<ul style="list-style-type: none"> ■ Number of electric charging points ■ Avoided CO2 emissions (in tCO2e/year)
Waste Management	<ul style="list-style-type: none"> ■ Annual amount of waste recycled

Methodologies applied to impact indicators will be outlined in the Impact Report.

External Review

AXA CEF has engaged Sustainalytics to provide a Second Party Opinion on its Green Finance Framework. The Second Party Opinion and the Green Finance Framework will be made public on AXA CEF's website.

AXA CEF's annual reporting will also be subject to External Review until the net proceeds are allocated in full to Eligible Green Projects. The Annual Assurance Report will also be posted on our website.