

CLIMATEWISE REPORT

2009



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EXECUTIVE SUMMARY

AXA is a world leader in financial protection and wealth management, with major operations in Western Europe, North America and the Asia/Pacific area. AXA UK, a wholly owned subsidiary of AXA SA, operates in the UK and Ireland, and occupies leading positions in its main markets: life insurance, health insurance and general insurance. AXA UK comprises four business units: AXA Life, AXA Insurance, AXA PPP healthcare and AXA Ireland.

AXA UK took a leading role in setting up Climatewise in 2006 – a body bringing together over 40 insurance companies all committed to the Climatewise principles. Work has also been done to raise awareness of the risks and opportunities associated with Climate Change amongst SMEs. AXA has established an online carbon calculator and has commissioned several reports for this community.

Since 2006 internal awareness about climate change has been raised, and relationships developed externally to put the company in a strong position to make better, and more informed, decisions about environmental risks and opportunities. The future will see AXA building on these strong foundations and continuing to participate in informed debate involving experts from all areas. AXA's business is the management of risk. We will be looking at planning and adaptation for the future, and trying to create a forum for public, political, scientific and economic debate on climate change.

Moving to a low carbon environment is a cultural issue: this is something AXA are looking to embed in the culture of the business. The move is towards environmental concerns being managed much like any other business risk – they will need to be quantified and managed; strategies involving them will need to be evolved utilising the technical, commercial and financial expertise existing within the business. Such considerations may lead to additional costs but can also open new opportunities as new markets are emerging and developing. This is the time for companies to predict and anticipate these changes, the changes to their business model, and to look to develop and create new products and services utilising their in-house expertise and awareness of external developments. Starting to consider these things now can lead to competitive advantage at a later stage as sustainability is embedded at the core of the business.

Finally, we cannot insure our way out of climate change we need to take action. This action needs to be both adaptation and mitigation.

1. LEAD IN RISK ANALYSES

- Support and undertake research on climate change to inform our business strategies and help to protect our customers' and other stakeholders' interests
- Support more accurate national and regional forecasting of future weather and catastrophe patterns affected by changes in the earth's climate
- Use research and improve data quality to inform levels of pricing, capital and reserves to match changing risks

- Evaluate the risks associated with new technologies for tackling climate change so that new insurance products can be considered in parallel with technological developments
- Share our research with scientists, society, businesses, governments, and NGOs through an appropriate forum

1.1. How AXA is Addressing Managing the Risks of Climate Change

Insurance is the business of evaluating risks and balancing and managing a risk portfolio. In this, climate change is another risk that AXA UK needs to evaluate, model, and manage alongside other risks. AXA UK has strong modelling skills which it is able to apply to catastrophe modelling and understanding the potential financial implications and risks that Climate Change could bring. AXA UK works with AXA Paris in knowledge-sharing and best practise

- AXA is developing sophisticated windstorm models across its European operations to enable regional predictions for windstorm damage associated with the changing weather conditions that accompany climate change. The company is considering the implications of severe weather events as part of its risk strategy
- AXA participates actively at conferences and sharing information and ideas at these events

AXA UK is working on better assessment of the local impacts of climate-related events within the UK. The results of these studies could have implications for AXA participating in discussions about the locations of future housing developments and UK infrastructure as one of the representatives for the insurance industry

2. INFORM PUBLIC POLICY MAKING

- Work with policy makers nationally and internationally to help them develop and maintain an economy that is resilient to climate risk.
- Promote and actively engage in public debate on climate change and the need for action.
- Support work to set and achieve national and global emissions reduction targets.
- Support government action, including regulation, which will enhance the resilience and reduce the environmental impact of infrastructure and communities.
- Work effectively with emergency services and others in the event of a major climate-related disaster

2.1. Inform Public Policy Making

- AXA is a founding member of Climate Wise. A longstanding member of the EU / UK CLG and a member of the CDP.

- We have consulted with Gordon Brown on the topic of economics vs. sustainability as part of the CLG roundtable at CEO level.
- Our CEO has supported H.R.H Prince Charles at numerous events with a number of initiatives.
- We regularly speak at a number of conferences with various EU / UK government officials.
- AXA is already committed in the fight against climate change risks being signatory of several private sector and UN statements. The Kyoto statement is the first one specifically dedicated to the insurance sector. Beyond these commitments, AXA is providing proof of its engagement on this issue through the climate change work already being done within the AXA Research Fund, the Risk Management community and several AXA entities. The Kyoto statement proves that climate change has become a strategic priority for the sector, and highlights the role AXA can play as a responsible insurer.
- The CEO members present in Kyoto all confirmed their unanimous support for this Kyoto statement. Henri de Castries has officially signed it already. Its first report will be publicly presented to a larger audience at a Press Conference in London on 2 July 2009.

3. SUPPORT CLIMATE AWARENESS AMONGST OUR CUSTOMERS

- Inform our customers of climate risk and provide support and tools so that they can assess their own levels of risk.
- Encourage our customers to adapt to climate change and reduce their greenhouse gas emissions through insurance products and services.
- Increase the proportion of repairs that are carried out in a sustainable way through dialogue with suppliers and developers and manage waste material appropriately.
- Consider how we can use our expertise to assist the developing world to understand and respond to climate change.

3.1. Support Climate Awareness amongst our Customers

- Axa Insurance has developed a set of Green principles from which to develop products and services targeted to environmentally engaged consumer segments.
- To support this process, AXA-Insurance has also undertaken consumer research in this area to establish emerging consumer needs and appetite for 'Green' financial services and products.
- As a result of this research, AXA are now developing our first formal 'Green' Product.

4. INCORPORATE CLIMATE CHANGE INTO OUR INVESTMENT STRATEGIES

4.1. How is AXA UK Incorporating Climate Change into its Investment Strategies? AXA IM and Climate Change

Organization within AXA IM: Means and tools put in place to assess the current and/or future financial effects of the risks of climate change.

At AXA IM we believe global warming presents risks and opportunities across our range of assets, with potentially different impacts for the different asset classes in which we invest on our clients' behalf. As such, we consider it our fiduciary duty to evaluate who the winners and losers will be from climate change and to act accordingly; to enhance and protect the value of client investments and to play our part in influencing market behaviours pertaining to climate change mitigation.

To that end AXA IM has built an *eight strong Responsible Investment (RI) team* which amongst other things is charged with enhancing the degree to which AXA IM fund managers consider climate change risks and opportunities in their investment decision making. Integrating the effects of climate change into stock selection sends positive signals to corporate managers through the setting of stock prices. But, AXA IM also recognises that it is important for investors to engage with corporate managers on the subject.

Our three-prong approach to climate change is as follows:

a. Corporate Transparency and Engagement:

The RI team carries responsibility for discussing carbon risk management policies, carbon emissions performance, and long-term positioning with respect to climate change with corporate managers. Our watchword during this process is 'disclosure'. In order to measure corporate performance with respect to greenhouse gas emissions, we want more data and we want better data. AXA IM is again participating in the Carbon Disclosure Project 2009, which encourages greater corporate transparency with regards to the risks and opportunities related to climate change. In particular, AXA IM will be engaging with French and UK companies in which we have major holdings as part of the CDP.

b. Analysis:

AXA IM's internal research engine – *RI-Search* – allows us to aggregate, interpret, and distribute information on material extra financial factors (ESG). In relation to Climate Change, we use RI-Search to compile:

- *Climate change diagnostics of companies* compared to their peers: Corporate climate change management including important risk and opportunity indicators such as management of atmospheric emissions, protection of water resources, eco-design strategy, protection of biodiversity, or energy use.
- *Climate change diagnostic of portfolios*: by creating a climate change 'score' combining material climate change indicators (see above), portfolio managers could have access to the climate change diagnostic of their funds with companies breakdown (segmentation of the portfolio: from the worst to the best corporate strategies), and identify which

companies are at risk and identify the risk nature (Energy consumption, water management, or emissions), and which companies in the same sector have presented better climate change strategy. And because climate change is a dynamic issue, portfolio managers have the possibility to look at the trend of the climate change strategy of companies in their sector.

c. Specialist Fund:

AXA IM launched AXA WF Clean-Tech to provide our clients' with the early opportunity of benefiting from companies who are taking the lead in combating climate change.

5. REDUCE THE ENVIRONMENTAL IMPACT OF OUR BUSINESS

- Encourage our suppliers to improve the sustainability of their products and services.
- Measure and seek to reduce the environmental impact of the internal operations and physical assets under our control.
- Disclose our direct emissions of greenhouse gases using a globally recognised standard.
- Engage our employees on our commitment to address climate change, helping them to play their role in meeting this commitment in the workplace and encouraging them to make climate-informed choices outside work.

5.1. Reduce the Environmental Impact of our Business

- In 2005, AXA Group introduced its *Procurement Sustainable Development Policy*, together with a range of tools to be used in the purchasing process. The policy and tools are publicly available at, <http://www.axa.com/en/responsibility/socialresponsibility/suppliers/strategy/>
- In 2008 AXA UK completed a Carbon Footprint assessment of UK premises and business travel in partnership with the Carbon Trust. The assessment has helped the business to develop multi-year targets for the reduction of Carbon emissions. By 2012 the UK business has a target to reduce energy consumption and consequent emissions by 20% against a 2006 baseline. Additionally the UK business aims in 2009 to reduce annual water usage by 5% and increase the proportion of waste sent for recycling by 5%. Furthermore, in 2009 AXA PPP Healthcare achieved ISO14001 across their premises and was recognised by the Times newspaper as one of the UK's Best Green Companies.
- AXA UK reports environmental performance as part of the global, consolidated and verified AXA Group data that are published in the annual *Activities and Sustainable Development Report*, http://www.axa.com/lib/en/uploads/acr/group/AXA_Rapport_Activite_2008_VAc.pdf
Carbon dioxide emissions data are calculated and reported in line with the ADEME

(Agence de l'environnement and de the maîtrise de l'énergie – France) and the Greenhouse Gas Protocol.

- In 2009 AXA UK launched a new Corporate Responsibility strategic framework. The framework which includes the company's strategy and key actions to reduce its environmental was communicated to all employees in a message from Nicolas Moreau, the CEO of AXA UK. Employees have been given the opportunity to participate in UK-wide initiatives, including,
 - o Energy Efficiency Week, with roadshows at UK offices, providing expert guidance on activity at work and home
 - o Earth Hour, which saw all non-essential lighting around the business switched off for one hour in support of the WWF international Earth Hour programme
 - o World Environment Day, in which a series of communications and engagement activities ran throughout the week running up to World Environment Day

In addition, there are employee networks across the business to facilitate the adoption of local green behaviours and actions, with a Green-watch network running throughout AXA PPP Healthcare and AXA Life and Corporate Responsibility Champions at AXA Insurance.

6. GOVERNANCE, REPORTING AND TRANSPARENCY

- Recognise at Company Board level that climate risk has significant social and economic impacts and incorporate it into our business strategy and planning.
- Publish a statement as part of our annual reporting detailing the actions that have been taken on these principles.

6.1. Governance, Reporting and Transparency

- The AXA UK Corporate Responsibility Board reports on a quarterly basis the AXA UK Executive Committee on the progress in implementing the Corporate Responsibility Strategy. Reducing the company's environmental impact is a key part of the strategy.
- Progress in reducing the company's environmental impact is reported in the consolidated, global data for AXA Group in the *Activities and Sustainable Development Report 2008*
(http://www.axa.com/lib/en/uploads/acr/group/AXA_Rapport_Activite_2008_VAc.pdf)