THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU DO NOT UNDERSTAND IT OR ARE IN DOUBT AS TO THE ACTION TO BE TAKEN PLEASE CONSULT YOUR STOCKBROKER, ACCOUNTANT, SOLICITOR, FINANCIAL ADVISER OR WEALTH MANAGER IMMEDIATELY.

Unitholder Number(s):

27 May 2025

Dear Investor,

Changes to AXA ACT Green Short Duration Bond Fund.

We, AXA Investment Managers UK Limited, are writing to you in our role as ACD of the AXA ACT Green Short Duration Bond Fund (the "**Fund**"). The purpose of this letter is to inform you of changes to the Fund which will take effect on 30 June 2025. Although the changes do not require you to take any action or require your approval, we recommend that you read this letter.

The Financial Conduct Authority ("**FCA**") has been notified of the changes and has confirmed that the changes will not affect the ongoing authorisation of the Fund. Under the FCA Rules, you are entitled to be notified of the proposed changes within an appropriate timeframe given that we deem these changes to be "notifiable changes" within the meaning of the FCA Rules and this letter constitutes that notice.

What is changing?

At the end of 2023, the FCA introduced a new sustainability disclosure requirements and labelling regime, which affects certain funds, including UK UCITS funds, that use sustainability-related terms in their name and/or to describe any sustainability characteristics they may have. These labels are intended to help investors navigate the market for products seeking to achieve positive sustainability outcomes for the environment and/or society by ensuring consistency between products with the same label and to help investors distinguish between sustainability products.

There are four sustainability labels available for use by funds. Each label is designed to represent different sustainability objectives and different investment approaches to pursue those objectives. The labels are optional and funds are not obliged to adopt a label; however, there are restrictions around the naming and marketing of funds which do not have a label.

The ACD is adopting the Sustainability Impact label for the Fund under the sustainability disclosure requirements and labelling regime. The Sustainability Impact label is for funds with a sustainability objective that aims to achieve a pre-defined, positive and measurable impact in relation to an environmental and/or social outcome. The ACD believes that the use of the Sustainability Impact label will enable investors to be better informed about the Fund and how it compares to other sustainable funds and will provide greater transparency as to how the Fund will meet its sustainability objective.

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In order to use Sustainability Impact label for the Fund, certain additional disclosures need to be made in respect of the Fund. These include:

1. Changing the Fund's investment objective to more clearly explain the sustainability objective and positive environmental and societal impacts the Fund seeks to make.
2. Certain changes to the Fund's investment policy.
3. Including certain additional disclosures in the Prospectus, as described below in *"Other changes we will make to the Fund's Prospectus"*.

Change of Fund name

We will also be changing the name of the Fund, as detailed in the appendix to this letter. The change of name reflects the fact that, from 30 June 2025, the Fund will make use of the Sustainability Impact label under the sustainability disclosure requirements and labelling regime. The term "ACT" was originally used by the Manager to align the Fund with other funds in its fund range which set sustainable investment as part of their objective and seek out intentional, positive, measurable and sustainable impact. As the Fund will now make use of the Sustainability Impact Label, the use of the term "ACT" in the name is no longer required.

Why have we decided to change the investment objective of the Fund?

We have made changes to the investment objective (as detailed at Appendix 1 to this letter) to more clearly explain the sustainability objective and positive environmental impacts the Fund seeks to make in addition to its financial investment objective.

Why have we decided to change the investment policy of the Fund?

We have amended the investment policy (as detailed at Appendix 1 to this letter), to provide further details on how the Manager will manage the Fund to achieve both the Fund's financial objective of providing capital growth over the medium term together with its sustainability objective to deliver a positive and measurable impact on the environment.

The Fund will continue to invest at least 90% of its assets in in Green Bonds issued by governments, supranational organisations and companies anywhere in the world. These Green Bonds will finance projects that seek to provide innovative, impactful and commercially viable solutions identified by the Manager in line with the Fund's investment objective to support the reduction in real world green-house-gas emissions and the transition to a low-carbon economy.

The investment policy provides further information on how the Manager will assess and select which Green Bonds and issuers are best placed to deliver strong positive impact the Fund seeks to make.

The investment policy also sets out any environmental and/or social trade-offs that may arise in pursuing the environmental impacts the Fund seeks to achieve.

Please note that the information on the benchmark of the Fund (which may be used by investors to compare the Fund's financial performance) remains the same but has been moved to form a separate disclosure in the Prospectus, beneath the investment policy.

Other changes we will make to the Fund's Prospectus

The following additional disclosures will be added to the Fund's prospectus:

(a) **Theory of Change** – this describes how and why the impact outlined in the Fund's sustainability objective is expected to occur.

(b) **Stewardship and Engagement** – this describes how the Manager will seek to influence change in the issuers in which it invests to achieve the environmental impacts the Fund seeks to make and the steps the Manager will take where it sees little progress in the changes it sought to influence as a result of its engagement with an issuer.

(c) **Key Performance Indicators** – outlines the key performance indicators which are used by the Manager to monitor performance both at individual company level and across the Fund as a whole.

Each of the above disclosures has been included in Appendix 2 to this letter.

These disclosures are intended to provide additional information in relation to how the Fund is currently being managed and are not intended to change how the Fund is being managed in practice.

What is the cost of making these changes?

We will meet the costs of amending the Fund's documentation to reflect these changes and the costs associated with notifying the Fund's shareholders.

The portfolio re-alignment costs incurred as a result of these changes will be circa. £47,400 to £59,200 and will be payable out of the property of the Fund. For illustrative purposes only, this would currently amount to a cost of circa. 80p to £1 for every £1,000 invested in the Fund.

Will these changes result in a change to the Fund's risk profile?

No, the changes described above will not result in a change to the Fund's risk profile.

Further Information

These changes will be reflected in the Fund's KIID and Prospectus and in a new document called the "Consumer Facing Disclosure" which sets out, among other things, the Label used for the Fund, the Fund's sustainability objective, the sustainability approach and the sustainability metrics used to show the progress of the Fund towards its sustainability objective. The KIID and the Consumer Facing Disclosure reflecting these changes will be available at https://funds.axa-im.co.uk/ from 30 June 2025.

Should you have any questions about the changes being made or any other aspect of the Fund or would like to request a copy of the new KIID or the "Consumer Facing Disclosure" on or after 30 June 2025, please contact our Customer Services team on 0345 777 5511 (Monday to Friday 9.00am - 5.30pm) or your usual local representative.

Yours sincerely,

....
Ouajnat Karim, Director
For and on behalf of
AXA Investment Managers UK Limited

Appendix 1

Changes to the investment objective and policy of the Fund

With effect from 30 June 2025, the investment objective and policy for the Fund will change as follows:

<table>
<tr><td></td><td>SDR Label: Sustainability Impact

Sustainable investment labels help investors find products that have a specific sustainability goal. This Fund invests mainly in solutions to sustainability problems, with an aim to achieve a positive impact for people or the planet.</td></tr>
<tr><td>CURRENT Investment Objective</td><td>NEW Investment Objective with effect from 30 June 2025</td></tr>
<tr><td>The aim of this Fund is: (i) to provide income and capital growth over the medium term (being three years); and (ii) to invest in bonds which finance projects which will generate an environmental benefit, known as “green bonds”.</td><td>The Fund seeks to deliver both financial returns and a positive environmental outcome. The aim of this Fund is to:

(i) to provide income and capital growth over the medium term (being three years)
(ii) to deliver a positive and measurable environmental impact through supporting the reduction in real world green-house-gas emissions (“GHG Emissions”) and the transition to a low-carbon economy (the “Outcome”).

The Fund will seek to deliver a positive measurable impact by:

(a) by purchasing bonds financing projects that directly address one or more of the “Solutions” listed below (‘Asset Contribution’); and

(b) actively engaging with and providing stewardship to companies that issue such bonds to accelerate their contribution to the Outcome and Solutions, (‘Investor Contribution’)

Bonds such as these which are issued exclusively to finance projects addressing these and other environmental challenges are known as “Green Bonds”.

<u>The Solutions</u>

The Fund and the ACD, through both Asset Contribution and Investor Contribution, will allocate capital to and seek to support:</td></tr>
</table>

	a. **Smart Energy Solutions:** projects to enable energy efficiency and renewable energy solutions, with the aim of generating clean energy and/or reducing GHG emission from energy production and use; b. **Low Carbon Transportation:** projects that promote the development of greener forms of transportation and sustainable mobility, with the aim of reducing GHG emissions from the transportation sector; and/or c. **Green Buildings:** energy-efficient and environmentally sustainable construction and renovation projects, with the aim of accelerating the adoption of sustainable building practices and contributing to the development of green infrastructure that ultimately contributes to reducing GHG emissions. Details of the Key Performance Indicators that are used to measure and report on the Fund's impact can be found below under *"Key Performance Indicators"*. The Fund will seek to avoid allocating capital to issuers and bonds whose projects and/or activities as a whole may have significant unintentional harms or negative impacts that undermine the positive impact of the Fund seeks to achieve. Any environmental and/or social trade-offs that may arise in pursuing the Outcome and/or Solutions are identified below under "*Adverse Consequences linked to pursuit of the Outcome and/or Solutions*".
CURRENT Investment Policy	**NEW Investment Policy with effect from 30 June 2025**
The Fund seeks to achieve its objective by investing at least 75% of its Net Asset Value in "green bonds" issued by governments and companies anywhere in the world, with a bias towards corporate bonds. Investments will be made largely in more developed markets but may also be made in emerging markets. The Fund invests at least 75% of its Net Asset Value in investment grade bonds (meaning bonds with a rating of at least BBB- by Standard & Poor or equivalent rating by Moody's or Fitch), with a maximum of 10% in sub-investment grade bonds. At least 70% of the Fund's Net Asset Value will be invested in bonds of shorter (i) maturities (where the full repayment of the bond is expected to occur within five years of its purchase by the Fund) and (ii) duration, the price sensitivity of a bond (or a portfolio of bonds) to a change in interest rates (where	The Fund seeks to achieve its objective by investing at least 90% of its Gross Asset Value in publicly listed Green Bonds typically purchased in the secondary market issued by governments, supranational organisations and companies anywhere in the world which finance projects directly contributing to the Outcome and/or one or more of the Solutions. The Fund invests at least 80% of its Net Asset Value in investment grade bonds (meaning bonds with a rating of at least BBB- by Standard & Poor or equivalent rating by Moody's or Fitch), with a maximum of 10% in sub-investment grade bonds. At least 70% of the Fund's Net Asset Value will be invested in bonds of shorter (i)

the duration of the Fund is expected to be between 0 and 5 years), with the aim of reducing the effect of fluctuations in interest rates. The ACD will aim to hedge any non-sterling denominated bonds back to sterling. The ACD selects bonds by carrying out comprehensive analysis of the global economic markets in order to (i) decide the asset allocation across different types of bonds, issuers, sectors and geographical location; (ii) to manage the risk of changes in yields on the price of the bonds in the Fund and (iii) identify "green bonds" by applying its proprietary Green Bonds Framework. When applying its proprietary Green Bonds Framework, the ACD evaluates the relevant bond and its issuer against the following four pillars: (i) the quality of the issuer's Environmental, Social and Governance (ESG) practices; (ii) whether the projects undertaken and financed by the issuer will generate an environmental benefit; (iii) the controls that the issuer has in place to manage and allocate proceeds of the bonds to eligible projects; and (iv) the reporting that the issuer provides on the impact of eligible projects. The ACD will deem a bond as generating an environmental benefit where such bond finances a project which: (i) addresses an environmental theme, such as low carbon transport or smart energy, which either directly or indirectly contributes to one or more of the environmentally focussed UN Sustainable Development Goals (UN SDG), with a focus on UN SDG 11 (Sustainable cities and communities) and UN SDG 13 (Climate action); (ii) does not significantly harm any UN SDG and (iii) can demonstrate such contribution against the relevant environmental theme and UN SDG, by showing a positive impact of the project against relevant environmental key performance indicators. In addition, the ACD will consider the issuer's ESG score as one factor within its broader analysis of the issuer in order to identify bonds which are expected to generate: (i) both income and capital growth; and (ii) an environmental benefit. ESG scores are produced by our selected external provider(s), as detailed in the "Responsible Investment" section of this prospectus above. The ACD will not invest in bonds with the lowest ESG Scores, save in exceptional circumstances, such as where the ACD deems, through its own research, that the ESG score of the issuer does not accurately or fully reflect its current ESG profile. To avoid investing in bonds which present excessive degrees of ESG risk, the ACD applies AXA IM's sector specific investment guidelines relating to responsible investment to the Fund. Such guidelines exclude investment in soft commodity derivatives or exposure to certain companies based on their involvement in specific sectors	maturities (where the full repayment of the bond is expected to occur within five years of its purchase by the Fund) and (ii) duration, the price sensitivity of a bond (or a portfolio of bonds) to a change in interest rates (where the duration of the Fund is expected to be between 0 and 5 years), with the aim of reducing the effect of fluctuations in interest rates. The ACD will aim to hedge any non-sterling denominated bonds back to sterling. The Fund may also invest at the ACD's discretion in other transferable securities (for example, other fixed income investments) for the purpose of achieving its financial objective. Cash, deposits, borrowing and money market funds and instruments may be held for liquidity purposes. The Fund may use derivatives (such as credit default swaps, interest rate futures and foreign exchange swaps) for hedging. No investments falling in this category will conflict with the Fund's sustainability objective. When defining the Funds investment universe, the ACD will initially seek to exclude issuers which the ACD considers present excessive degrees of environmental, social and governance ("ESG") risk by applying (i) AXA IM's sector-specific investment guidelines, which exclude investment in soft commodity derivatives or exposure to certain issuers based on their involvement in sectors such as unsustainable palm oil production, controversial weapons, tobacco production and climate risks, and (ii) AXA IM's ESG Standards policy, which excludes investment in issuers based on, (a) the manufacture of white phosphorus weapons, and certain criteria relating to human rights and anti-corruption, as well as other ESG factors, (b) issuers which cause, contribute, or are linked to violations of international norms and standards in a material manner or which are involved in incidents and/or events that pose a severe business or reputational risk to the relevant company due to the impact of its involvement on stakeholders or the environment and (c) issuers with the lowest ESG score. The exclusion policies described above are collectively termed in this investment policy as the "ESG Filter". The ACD applies the AXA IM Green Bonds Framework (the "**Framework**") to identify Green Bonds that finance projects that make a material contribution to one or more of the Solutions and deliver a positive and measurable impact on the Outcome. The Framework also enables the ACD to identify issuers with a robust sustainability profile and strategy which is supported by their Green Bond issuances. The Framework assesses each Green Bond against four pillars. Each pillar rates a bond against the minimum standards AXA IM would require of a Green Bond and its issuer, AXA IM's expectation of leading Green Bond and its issuers and certain criteria that would lead to the exclusion of a Green Bond. Among the factors considered under each Pillar are:

(such as tobacco production, ecosystem protection and deforestation, controversial weapons and climate risks). The ACD also applies the AXA Investment Managers' ESG Standards policy. This policy excludes investment in companies based on: manufacture of white phosphorus weapons; human rights; anti-corruption and other environmental, social and governance (ESG) factors. The AXA Investment Managers' ESG Standards policy and AXA IM's sector specific investment guidelines are subject to change and the latest copies are accessible via the links provided in the "Responsible Investment" section of this prospectus above and are available from the ACD on request. If the ACD deems that an investment no longer meets the criteria set out in this investment policy or its expectations in terms of that investment's prospects for achieving income and capital growth and/or generating an environmental benefit, the ACD will disinvest as soon as practicable having regard to the best interests of the Fund's investors and in accordance with its best execution policy. In selecting the bonds for the Fund, the ACD may reference the composition and risk profile of the ICE BofAML Green Bond 0-5Y. However, the ACD invests on a discretionary basis with a significant degree of freedom to take positions which are different from the index. The ICE BofAML Green Bond 0-5Y is designed to measure the performance of the green bond universe with a maturity of between 0-5 years. This index best represents the types of bonds in which the Fund predominantly invests. The Fund may also invest at the ACD's discretion in other transferable securities (for example, fixed income investments), cash, deposits, units in collective investment schemes (including funds managed by the ACD and its associates) and money market instruments. The Fund may use derivatives (such as credit default swaps, interest rate futures and foreign exchange swaps) for investment purposes as well as for Efficient Portfolio Management. Use may be made of borrowing, cash holdings, hedging and other investment techniques permitted in the applicable Financial Conduct Authority rules. The ICE BofAML Green Bond 0-5Y may be used by investors to compare the Fund's performance.	(i) Pillar 1 - Issuers Sustainability Strategy - whether (a) the issuer's environmental objectives and strategy align with a robust and credible climate strategy which is consistent with the Paris Agreement and senior management and the board of the issuer have demonstrated a clear commitment to align the issuers wider commercial strategy with the goals of the Paris Agreement, (b) the green bond aligns with this broader environmental strategy of the issuer and the financed projects directly supports the issuer's decarbonization goals and contributes to its carbon transition plan and (c) the issuer has articulated quantified short and long-term environmental targets. The ACD will also assess whether the issuer has considered and sought to mitigate any possible negative risks and externalities related to the projects financed by its Green Bond. (ii) Pillar 2 – Use of Proceeds and Project Selection - whether (a) the project or assets financed by the bond have a clear impact on the Outcome through one or more of the Solutions, (b) the issuer has disclosed the criteria used and a robust process to select and evaluate eligible projects and assets, (c) the projects or assets financed by the Green Bond are aligned with recognized environmental standards and (d) the issuer has considered potential environment and social risks. The ACD will also assess how innovative a project is, whether it goes beyond the issuer's "business as usual" and estimate the share of financing new assets versus refinancing existing assets; (iii) Pillar 3 - Management of Proceeds - whether (a) the issuer will provide evidence on how proceeds of a Green Bond are used (b) the proceeds of the Green Bond issuance are segregated from the other assets of the issuer and (c) there is external verification of the proceeds; (i) Pillar 4 - Impact Reporting - how the issuer plans to track the progress of the project financed by a Green Bond and measures impact. The ACD seeks to ensure that the issuer, typically on an annual basis, (a) reports on the allocation of proceeds and balance of unallocated proceeds, (b) provides qualitative and quantitative key performance indicators and (c) discloses details on the

	methodology, assumptions and baselines used to calculate any key performance indicators. Each Green Bond is assessed against the above criteria to determine the impact of its contribution on the Outcome and the Solutions. Each Green Bond is assessed against the relevant factors within a pillar and each pillar is attributed a rating of either Positive, Neutral, or Negative. Bonds rated either Positive or Neutral overall are deemed by the ACD to deliver a positive and measurable environmental impact by financing projects that directly contribute to the Outcome and/or one or more of the Solutions. Any bond with a Pillar that is rated Negative will be rated Negative overall and is excluded for investment by the ACD. Green Bonds that are deemed by the ACD to be investible by the fund will finance projects that the ACD considers directly contribute to the Outcome and/or one or more of the Solutions by demonstrating, among others, some or all of the following characteristics: (i) a clear definition of the issuer's environmental strategy and commitments; (ii) a clear description of eligible assets and projects that will be financed by the proceeds or the Green Bond; (iii) an alignment of the issuers eligibility criteria and selection process for assets and/or projects with AXA IM Green Bond Framework; (iv) an alignment of the assets and/or projects that will be financed by the proceeds or the Green Bond with the Outcome and/or one or more of the Solutions; (v) a transparent use of proceeds management; (vi) comprehensive reporting of allocation of the proceeds and impact achieved; and (vii) a significantly greater environmental impact than that which may be achieved through "business as usual". Green bonds meeting this minimum criteria will be rated by the ACD as Neutral under its Green Bond Framework. For Green bonds rated as Neutral, the ACD may identify areas that it believes the issuer could improve upon and will be targeted by the ACD's engagement with that issuer. These could include more ambitious environmental targets, enhancing the environmental standards of projects or improving the quality of the issuer's reporting. Green Bonds rated "Neutral" finance those projects that, while not

	demonstrating the level of impact of a Positive rating, meet the ACD's requirement for delivering positive measurable impact on addressing one or more Solutions and/or the Outcome. Bonds that the ACD believes exceed the minimum criteria set out above will rated as Positive overall by the ACD. Bonds rated Positive will typically be rated Positive for both Pillar 1 and 2 and be deemed by the ACD to exceed the minimum criteria by: (i) providing innovative solutions to achieving Outcome; (ii) financing new assets rather than refinancing existing assets; (iii) conforming to the high independent standards of environmental integrity, such as the technical screening criteria of the EU Taxonomy across renewable energy projects and low-carbon transportation initiatives or meet the top certification levels for green buildings (e.g. Building Research Establishment Environmental Assessment Method - Excellent certification) (iv) driving progress in sustainability in the issuers industry or sector. The Fund will only invest in Green Bonds that are rated Positive or Neutral. Ratings are regularly reviewed and are reviewed at a minimum of every 2 years. The ACD seeks to avoid investing in Green Bonds and/or Issuers that conflict with the Outcome and will ultimately divest from Green Bonds and/or Issuers which it no longer believes are delivering a positive impact towards the Solutions and Outcome. By applying the ESG Filter the ACD seeks to exclude Issuers which it considers present excessive degrees of environmental, social and governance risk. Further, as part of its analysis of Issuers and Green Bonds the ACD may consider an Issuer's sustainability policies and practices, the scale of the project financed by the Green Bond and whether an independent environmental assessment has been commissioned for the project. Based on this analysis, the ACD assesses an Issuer and a Green Bonds quality and suitability for the Fund and will not invest in an Issuer or a Green Bonds that conflicts with the sustainability objective of the Fund. The ACD cannot guarantee that there will not be any negative impacts associated with investments it makes and there is always the possibility of ancillary unintended impacts resulting from pursuing the Solutions and Outcome, please refer to "Adverse consequences linked to pursuit of the Outcome" sections below.

	The AXA IM Green Bonds Framework incorporates international best standards and including recommendations from the International Capital Markets Association's Green Bond Principles, the Climate Bond Initiative and the EU Taxonomy on sustainable economic activity (the "**EU Taxonomy**"), ensuring that ACD adheres to stringent technical and scientific criteria in the assessment and selection of Green Bonds. The ACD will engage with issuers with the aim of increasing the reduction of GHG emissions and where it can encourage issuers to take appropriate action to mitigate any negative impacts on the Outcome or Solutions. The ACD believes that its engagement with such issuers will positively impact the achievement of the Fund's sustainability objective. The ACD will also engage and collaborate with other investors, underwriters and industry bodies where such engagement and/or collaboration supports our engagement goals and the environmental impact that the Fund seeks to make. <u>Adverse consequences linked to pursuit of the Outcome</u> While the application of our exclusionary policies (the AXA IM sector specific investment guidelines and the AXA IM ESG Standards policy) and the assessments conducted on the issuers' sustainability profile and the stated safeguards disclosed within issuers' Green Bond issuance programs aim to reduce the likelihood of exposure to poor ESG corporate practices and unsustainable business activities, nevertheless, there are some potential negative outcomes that could arise from pursuing the above investment strategy. The potential adverse consequences associated with projects addressing one or more of the Outcomes targeted by the Fund are: • **Smart Energy Solutions**: While transitioning away from fossil fuels is key to reducing carbon emissions from the energy sector, renewable generation assets can pose potential risks to biodiversity, as they may disrupt local marine and land ecosystems. • **Low Carbon Transportation**: The shift towards electric vehicles and low-carbon fuels can drive increased demand for minerals essential in battery technology, such as lithium, cobalt, and nickel. The extraction of these minerals can raise environmental and social concerns in areas where mining is present. • **Green Buildings**: Environmental risks may arise from challenges in sustainably sourcing construction materials, managing construction waste, and minimising negative ecological impacts throughout the building's

	lifecycle. Social risks may include issues related to health and safety in human capital management, community relations, and local economic impacts. The ACD seeks to mitigate negative consequences associated with the investment in Green Bonds through (i) the qualitative assessment based on AXA IM Green Bond Framework and (ii) engagement with the issuers, to ensure that they are assessing the risk associated with the projects supported by the Green Bond and are taking actions to mitigate them.
	Benchmark Information
	The Fund is actively managed. The ACD has full discretion to select investments for the Fund in line with the above investment policy and in doing so may take into consideration the composition and risk profile of the ICE BofAML Green Bond 0-5Y (the "Benchmark"). The Benchmark is designed to measure the performance of the Green Bond universe with a maturity of between 0-5 years and best represents the types of bonds in which the Fund predominantly invests. However, the ACD invests on a discretionary basis with a significant degree of freedom to invest in bonds which are outside the Benchmark and in accordance with the investment policy set out above. The ACD currently does not consider any available benchmark as suitable for use by investors to measure the Fund's performance against its sustainability objective. However, the Benchmark best represents the types of bonds in which the Fund predominantly invests and may be used by investors to compare the Fund's financial performance.

Appendix 2

<table>
<tr>
<td>Theory of Change</td>
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<u>Impact Context</u>
Climate change is one of the most pressing issues facing society, inflicting harm on individuals, communities, and ecosystems. It is a well-recognized threat to human progress and wellbeing. The World Economic Forum's 2024-2025 Global Risks Perception survey identified the failure to mitigate climate change as the foremost risk over the coming decade. Climate change presents significant global risks, including:

• physical risks from extreme weather events and habitat degradation, which also accelerates biodiversity loss by undermining ecosystems' resilience, exacerbating the threat of species extinction and ecosystem collapse;
• economic risks which could result in the global economy losing 10% of its total economic value by 2050 if the current trajectory of temperature increases continues; and
• social risks that could drive 216 million people to migrate within their own countries by 2050 and disproportionately impact the most vulnerable populations in low-income countries with limited resources for adaptation.

The main human-driven causes of climate change are the accelerated burning of fossil fuels for energy and transport and Greenhouse Gas ("GHG") emissions from industrial processes and the built environment. Addressing the primary drivers of climate change is therefore crucial for mitigating climate risks. This requires a reduction in level of CO2 currently present in the atmosphere. To fulfil key global decarbonisation and climate goals by 2050 (or earlier), it is estimated that annual investment in energy transition companies will need to increase by 3-4 times over the next three decades.

The funding gap to enable a just transition to a low-carbon economy is significant. Considerable investment in green projects, such as renewable energy, energy efficiency and clean transportation is required to achieve the transition to a low-carbon economy. In this context, Green Bonds focused on the Fund's Outcome and Solutions offer the opportunity for the Fund to contribute to the climate transition by investing in Green Bonds financing credible and highly impactful projects.

<u>The Fund's Strategy</u>
The Fund's strategy seeks to support the transition to a low-carbon economy (i) by allocating capital towards green projects focused on the Outcome and one or more Solutions ("Asset Contribution") and (ii) through the ACD's own investment activities, primarily as an active investor that pursues engagement with and stewardship of the issuers of the Green Bonds it invests in to effect changes that directly affect the targeted Outcome and/or Solutions of the Fund ('Investor Contribution').

Asset Contribution

Based on its analysis the ACD believes that Green Bonds financing projects in three specific categories, will directly contribute to mitigating and adapting to climate change impacts and in reducing GHG emissions and the Outcome the Fund seeks to achieve:

1) Smart Energy Solutions

The energy sector is one of the key contributors to climate change, accounting for about 40% of global Greenhouse Gas emissions (source: IEA). Burning fossil fuels emits harmful gases directly linked to global temperature rise. The Fund seeks to finance projects promoting energy efficiency and renewable energy projects in order to reduce greenhouse gas
</td>
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</table>

emissions. By focusing investments into these areas, the Fund will contribute to reducing Green-house-gas emissions and in turn limiting temperature rise, aligning with the goals of the Paris Agreement.

The Fund will purchase Green Bonds funding projects that enable energy efficiency and provide renewable energy solutions enabling the transition to a low carbon economy such as:

- **renewable energy** - Replacing fossil fuel-reliant power stations with renewable energy sources, such as wind and solar, is a vital part of stabilising climate change and achieving net zero carbon emissions. The Fund aims to finance projects that develop or produce renewable energy at competitive prices and address the challenges related to renewable capacity or provide smart grid technology and energy storage solutions.
- **energy efficiency** – a sizeable portion of all the energy produced ends up wasted when moving from its production to its final use. There is a strong need to improve the efficiency of our energy systems to both reduce energy costs and reduce CO2 emissions: the IEA estimates that improvements in the energy intensity (the main metric to measure energy efficiency) could lead to a 20% reduction of current total CO2 emissions, while reducing energy bills in advanced economy by about one third (source: IEA Energy Efficiency report, 2023). The Fund aims to invest in issuers making industrial processes more efficient and less energy intensive through for example equipment upgrades, known as Sustainable Industry.

For example, the Fund may purchase Green Bonds issued by a utility company that directly finance projects providing renewable electricity generation. By offering clean power purchase agreements to corporates, it enables companies to meet their net-zero commitments, ultimately mitigating climate change.

2) **Low Carbon Transportation**

Fossil fuels burned for road, rail, air, and marine transportation produce greenhouse gas emissions which contributes toward global warming. There is widespread agreement to reduce CO2 emissions from transport by a minimum of 50% by 2050. The Fund aims to finance projects seeking to reduce GHG emissions from the transportation sector, such as electric vehicle infrastructure and public transportation systems and projects that contribute to the electrification of the automotive industry and low-carbon fuels.

For example, the Fund may purchase Green Bonds issued by a public entity in charge of public passenger transport services. The use of proceeds of this bond may finance the acquisition and renovation of electric trains, metro and tramway with the aim of zero direct CO2 emissions.

3) **Green Buildings**

The built environment represents a large part of energy, water and materials consumption. As of 2020, buildings accounted for 37% of global energy use and energy-related CO2 emissions, which the United Nations estimate contributes to 33% of overall worldwide emissions. Buildings contribute to climate change through energy consumption and the materials used in their construction and maintenance. The Fund aims to purchase Green Bonds that finance the construction, maintenance, and renovation of buildings with green certifications, or meet stringent energy performance thresholds, reducing energy consumption, minimising waste and promoting healthier indoor environments.

For example, the Fund may invest in Green Bonds issued by construction companies or financial institutions that finance energy-efficient and environmentally sustainable construction and renovation projects. These projects aim to achieve green certifications or rank within the top 15% of building stock in terms of energy efficiency. They are essential for reducing energy consumption, minimizing waste, and promoting healthier indoor environments, ultimately reducing GHG emissions throughout the sector's value chain.

The high level of transparency into the use of proceeds and reporting the ACD requires of the issuers of the Green Bonds the Fund invests in enables the ACD to monitor the activities and projects financed by each Green Bond.

Investor Contribution:
The ACD aims to provide its Investor Contribution principally through active engagement and stewardship activities with issuers. In addition, when opportunities arise, the ACD will also seek to provide capital to issuers in the primary bond market.

Engagement & Stewardship

The ACD has an active engagement approach. The ACD's engagements focus on enhancing the ability of issuers and bonds to deliver a positive impact on the Fund's targeted Outcome and Solutions. It's engagement and stewardship activities seek to ensure that issuers climate ambitions are credible, projects are appropriately funded through Green Bonds, targets are measurable and achievable and suitable reporting is available to monitor the impact on the Fund's Outcome and Solutions. The ACDs in-depth analysis of issuers and bonds allows it to identify areas where the ACD's engagement can have a material impact in relation to the Fund's Outcome and Solutions and to select the most relevant engagements to contribute to the Fund's sustainable objective.

The ACD's engagement and stewardship targets two main goals:

- Increase positive contribution towards the Outcome and Solutions: The ACD will engage with an issuer to enhance the positive impact of its green bond(s), ensuring both the use of proceeds and the issuer's broader strategy contribute meaningfully to the reduction of GHG emissions and the transition to a low-carbon economy. This includes advocating for stronger climate targets and improving impact reporting for greater transparency. It also will seek to influence the issuer's reinvestment decisions (including capital raising and allocation) to support an increase in the amount of avoided emissions. Examples of the ACD's engagement with issuers may include engaging with:
    - Smart Energy Solutions: energy companies, utilities, or infrastructure developers to accelerate the deployment of renewable energy, set ambitious targets for renewable energy generation and/or installed capacity, phasing out coal and other high-emission energy sources and grid modernisation to support the integration of clean energy.
    - Low-Carbon Transportation: issuers involved in electric vehicle (EV)-related activities, public transportations, and low-carbon mobility to encourage them to accelerate the phase-out of internal combustion engine vehicles and electrification of fleet, expand or invest in EV infrastructure,
    - Green Buildings: real estate developers to promote the transition to low-carbon buildings by improving energy efficiency, adopting green building certifications and integrating sustainable materials in construction activities. The ACD may encourage issuers to establish ambitious decarbonisation targets, develop retrofit plans for existing building, and enhance disclosure on energy performance and climate resilience measures.

- Mitigate potential negative externalities and impacts: the ACD will encourage issuers to avoid environmental trade-offs and mitigate any potential negative impacts associated with their businesses and the projects supported by the green bonds. An example of the ACD's engagement may include encouraging issuers to

	exclude renewable energy or energy efficiency projects that might pose biodiversity risks as a result of their scale (e.g. large hydro projects above a certain threshold). At the start of each engagement the ACD undertakes it will set a specific engagement objective(s) aligned with the Fund's Outcome and Solutions. As the ACD engages with the issuer, it will track progress towards the objective(s). The ACDs approach to investor engagement is detailed further in the "Stewardship and Engagement" section below. While the majority of the ACDs engagement with issuers is based solely on the Fund's own holding and efforts, the ACD believes that collaboration with other investors, and industry bodies can help in the Fund in achieving its sustainable objective, particularly when targeting engagement with large companies. The ACD will measure and report annually on how its engagement activities contribute positively to the Fund's targeted Outcome and Solutions, as described in the 'Key Performance Indicators' section under 'Engagement and Stewardship' below. *Providing Capital to Issuers in the Primary Bond Market* When opportunities arise, the ACD will seek to participate in primary bond market issuances. Providing capital in primary market bond issuances enables the ACD and Fund to directly contribute to a lower the cost of funding for issuers and support their long-term carbon transition ambitions. The ACD will measure and report annually on any such participation, as described in the 'Key Performance Indicators' section under '*Capital provided in the Primary Bond Market*' below.
Stewardship and Engagement	The ACD will engage with issuers held in the Fund to support the achievement of the Fund's Outcome and Solutions. The ACD will aim to engage with at least 70% of the issuers in the Fund's portfolio with Green Bonds that are ranked Neutral or Positive on topics related to the Fund's targeted Outcome over the Fund's recommended holding period. The ACD focuses on direct dialogue with issuers to seek to create change within these issuers'. The ACD will seek to meet and engage with representatives of the issuer, which may include the board, senior management and operational specialists. This engagement may occur prior to the issuance of a new Green Bond, during the period the fund holds the Green Bond and during any refinancing of a project financed by Green Bonds. In addition to the ACD's engagement with issuers, the ACD believes that collaboration with other investors and industry bodies can help Fund achieve the Outcome and the Solutions. For example, the ACD will engage with underwriting banks, which play a pivotal role in Green Bond issuances, in order to influence the types of projects issuers seek to finance through Green Bonds. The ACD sets clear and pre-defined engagement targets for issuers which are aligned with delivering the Fund's Outcome and/or Solutions. The ACD focuses its engagement efforts on reducing the greenhouse gas emissions of an issuer and/or a project by: • seeking to increase the bond's delivery of positive impact to one or more of the Solutions through the projects that the bond finances and to positively influence use of proceeds to maximise the impact by, for example, encouraging issuers to: (i) align the allocation proceeds of a bond according recognised environmental standards, this includes, financing projects that meet GHG Emissions thresholds set by the EU Taxonomy or the Climate Bonds Initiative or demonstrate quantifiable energy savings; or

(ii) finance green buildings that meet the highest sustainable certifications for green buildings for energy efficiency or improve data collection enabling the measurement, analysis our understanding of the impact of our built environment.

- encouraging issuers to mitigate negative impacts that may arise from the projects that are financed by Green Bonds and to deliver improvements to their business operations and/or supporting high quality management in order to support the delivery of the Fund's sustainable objective. For example, encouraging companies to limit biodiversity loss and preserve natural ecosystems supports GHG emissions reductions by retaining natural carbon sinks.

- setting and reporting science- based impact targets and KPIs to reduce their emissions and reporting on these annually and transparently. By encouraging companies to set and report against KPIs the targets become embedded into the business strategy and projects pursued by a company and its management's goals. This drives the direction of the company and the projects it finances by the Green Bonds increasing the GHG emissions reductions delivered by a company and its projects and the achievement of the Fund's Outcome.

The ACD may also engage with issuers prior to investing in a Green Bond to gain a better understanding of an issuer's strategy, the projects it seeks to finance through Green Bonds and where our engagement activities should focus in order to deliver the Fund's Outcomes and Solutions. This may include:

- Challenging the issuer's sustainability strategy.
- ensuring the green bond is aligned with the issuer's decarbonization or overall environmental strategy and the sustainable objective of the Fund.
- set targets related to Greenhouse Gas emissions avoided by their projects.
- setting their own decarbonization targets for their businesses.
- encouraging companies to select, monitor and report impact KPIs, that enable the ACD to measure the environmental benefit generated by the projects supported by the Green Bond
- ensuring that the issuer and the Green Bond continues to comply with the requirements of the AXA IM Green Bonds Framework enabling ongoing and future investment in the issuer and it's Green Bonds.
- encourage issuers to take steps and change business practices in order to mitigate environmental and social risks associated with their businesses

Successful engagement can take time to be realised, potentially stretching over several years. The ACD systematically tracks and records the progress of its engagement. The Manager will measure and report annually on how its engagement activities contribute positively to the Fund's targeted Outcomes, as described in the 'Key Performance Indicators' section below.

The ACD will set expected time frames to reach the targets and monitors and reports progress every year. For each engagement, the ACD will set specific engagement objectives, aligned with Green Bond's objective(s) and that of the Fund, its use of proceeds and the type of issuer. The objective(s) will be aligned to and have a clear and relevant link back to the Fund's Outcome and Solutions. The ACD systematically tracks each engagement's progress across the stages outlined below, with a range of outcome stages ranking from a zero-to-five scale:

- Engagement commences
- Issuer Responds

	• Insufficient progress, leading to escalation • Issuer acknowledges issue and engagement progresses • Engagement succeeds • Engagement fails The ACD may allow up to 36 months before terminating its engagement efforts with an issuer. Not every engagement will necessarily proceed sequentially through each stage and the ACD's engagement with an issuer may evolve through time, identifying additional areas where its engagement could contribute to enhanced outcomes. Where there is little progress through the stages of engagement with an issuer or it is slower than with peers or otherwise unsatisfactory, the ACD may initiate an escalation of the engagement process and potentially divest. Escalation options include, but are not limited to: • Targeting more senior input in the engagement with the aim of moving the discussion up the corporate chain, ultimately through to chief executive/chair level. • Collaborating with other investors to send a unified message. • Divestment: Where the ACD deems that a company no longer sufficiently contributes to the Outcome and/or Solutions, is failing to respond to the ACD's engagement efforts (i.e. the relevant issuer refuses to engage or the ACD sees no commitment on the issuer's part to define and/or achieve the engagement target) and/or the issuer conflicts with the Fund's sustainability objective, the ACD will usually divest from such Green Bond and/or issuer as soon as reasonably practicable, considering the best interests of the Fund's investors and in line with the ACD's best execution policy. As part of its engagement activities, the ACD may vote in favour of or against proposals at issuer meetings, such as reclassification of a conventional bond to a Green Bond. Voting at company meetings is an important mechanism for the ACD to communicate with issuers, with the ACD regularly engaging issuers before and after the vote. Voting may also be used to escalate matters if the ACD believes that engagement with an issuer has stalled or become ineffective. AXA IM as a firm may also undertake engagements with investee companies with the aim of preserving or enhancing long-term value and creating better sustainable investment outcomes for its investors over the long-term. This policy pursues specific firmwide objectives which may vary over time. AXA IM's firmwide objectives may overlap with one or more Outcome and/or Solutions. For information on AXA IM's engagement objectives and priorities and how these are selected, tracking and escalation methods, as well as its governance and oversight of its engagement approach please refer to AXA IM's Engagement Policy. AXA Investment Managers is a signatory to the UK Stewardship Code 2020, published by the Financial Reporting Council.
Key Performance Indicators	Asset Contribution The Fund's key performance indicators (KPIs) set out below are designed to allow investors in the Fund to measure the real-world positive impact of the Fund and its investments. The KPIs measure the progress of the Fund on each of the Outcomes the Fund seeks to address. A Green Bond is allocated to an Outcome by the ACD based on the materiality of the contribution the project(s) it will finance to the Outcome(s). The data used to report against the KPIs is provided in and extracted from companies annual audited financial statement and Sustainability Reports. To monitor the Fund's contribution to the Sustainability Outcome, the ACD will monitor and report on the:

(i) the amount of GHG emissions the Green Bonds held by the Fund have avoided or will seek to avoid (measured in tonnes of CO_2-equivalent); and

(ii) the amount of renewable energy the Green Bonds held by the Fund have produced,

per £1 million pounds invested in bonds that are directly aimed at facilitating the energy transition.

The ACD will monitor the contribution to the Fund's Outcome delivered by each Solution.

Solutions targeted	Example KPI
Smart Energy Solutions	• Avoided GHG Emissions
Low Carbon Transportation	• Avoided GHG Emissions
Green Building	• Avoided GHG Emissions

The data used to report against the KPIs is provided in and extracted from companies annual audited financial statements and Sustainability Reports. These KPIs are not definitive, may vary year on year based on the assets held in the portfolio and may change over time as the impact reporting of the companies that the Fund invest in and the Manager engages with matures and becomes more innovative and sophisticated.

The ACD will report annually the number of the Fund's holdings rated "Neutral" and "Positive".

Investor Contribution:

(i) Stewardship and Engagement

The ACD's engagement activities focus on increasing the greenhouse gas emissions reductions delivered by a bond. The ACD will seek to maximise a Green Bond's delivery of positive impact and/or encourage the issuer to decrease the potential negative impacts associated with the projects supported by a Green Bond.

For each engagement the ACD undertakes, it will set specific engagement objectives with a clear and relevant link back to the Outcome and/or one or more of the Solutions. Relevant KPI(s) for measuring the success of the engagement will be set at the start of the engagement. The Managers in-depth analysis of issuers and bonds allows it to identify where its engagement can have a material impact and to select the most relevant engagements to contribute to the Fund's targeted outcomes. All engagements will be time-bound. The ACD systematically records each engagement.

The ACD will monitor the progress of each engagement towards the five stages set out at Stewardship and Engagement above. The ACD will also monitor publicly available information such as reporting in press, statements in a company's annual reports to assist in determining whether these stages have been met and the objective(s) achieved.

While the ACD cannot always show a causal link between its engagement with an issuer and any changes that the issuer may make, it believes its engagement does contribute towards certain changes and outcomes, and the setting of objective(s), and identifying KPI(s) for each engagement enables the ACD to demonstrate the contribution its engagement makes to the Outcome and/or Solutions sought by the Fund.

The ACD will measure and report annually in "AXA Green Short Duration Bond Fund Impact Report" on how its engagement activities contribute positively to the Fund's targeted Outcome and Solutions, and therefore to achieving a positive environmental impact it seeks. This measurement and reporting will provide quantitative data and a qualitative assessment, with a narrative disclosure explaining how the ACD's engagement activities contributed to positive developments in issuers and/or Green Bonds and their contributions to the Fund's targeted Outcome and Solutions. The ACD believes that a qualitative measurement of its engagement efforts is appropriate because it engages with issuers on various objectives related to the Fund's targeted Outcome and Solutions, and the impact of the ACDs engagements cannot be fully captured by quantitative indicators.

Examples of the ACD's engagement with issuers and a non-exhaustive list of example KPIs that may be used for reporting the outcomes of the ACDs engagement is provided below to illustrate the link between an engagement objective and the engagement KPI. Although the engagement KPIs may be more granular and specific to the objective set for each engagement, the overall objective of the ACD's engagement activities is to support a reduction in the level of greenhouse gas emissions:

Broad engagement goals	Engagement objective by Solutions (examples)	KPIs to monitor (examples)	Contribution to Fund's Outcomes
Enhance the delivery of an issuer's impact contribution as measured by a reduction in greenhouse gas emissions	*Smart Energy Solutions*: For a utility company, encourage the acceleration of its renewable energy deployment, to reduce its reliance on fossil fuel and to set ambitious renewable energy production targets.	Renewable capacity (MW)	By increasing it renewable capacity and decreasing its reliance on fossil fuels this will contribute to a reduction in green-house-gas emissions and supports the transition to a low-carbon economy.
	Low-Carbon Transportation: Encourage an automotive producer to increase their promotion and production of electric vehicles, and phase out internal combustion engines.	Number of EVs produced and/or charging points deployed	By encouraging the company to shift production away from fossil fuel-based vehicles this will contribute to a reduction in green house gas emissions and supports the transition to a low-carbon economy.
	Green Buildings: Improve energy efficiency, adopt green building certifications, use sustainable materials, set decarbonisation targets, develop retrofit plans, enhance energy performance and climate resilience disclosure.	Energy efficiency ratings or green building certifications	Green buildings emit lower GHG emissions than traditional buildings, thus supporting the transition to a low-carbon economy.
	Encourage issuers to report scope 1, 2 and 3 carbon emissions and set SBTi-validated targets for their carbon emission reduction.	Setting SBTi-validated targets (Yes/No)	By setting a science-based targets, companies commit to aligning their greenhouse gas emissions with a 1.5C pathway, which reduces its GHG

			emissions over time. Emissions reporting creates accountability and transparency, driving companies to implement strategies to achieve these emissions reduction targets
Mitigate negative externalities and impacts	*Green Buildings:* Ensure construction activities do not lead to the destruction of natural habitats, which can displace wildlife and reduce biodiversity, or release pollutants in the environment, such as chemicals from building materials, that can harm local flora and fauna.	SBTN targets (Yes/No) Presence of/Progress in remediation measures (Yes/No) or Presence of pollution control systems (Yes/No)	This ensures that issuers deliver on their sustainability commitments, minimising environmental trade-offs and preventing actions that could hinder emissions reductions.

(ii) Capital provided in the Primary Bond Market

The ACD will report annually on any participation in primary bond market in which the Fund participates.