

Exclusion Policy

*Updated: Feb – Mar 2021
Validation by the Management
Committee (CODIR): 04/03/2021
Implementation: immediately upon validation by the
Committee*

Context

Covéa Finance's Exclusion Policy is in line with its continual commitment to gradually take into account Environmental, Social and Governance criteria in its investment process. It contains normative, sectoral and topical exclusions (coal).

1. Normative exclusions

In accordance with the recommendations of the French Association for Financial Management (AFG) on the ban on funding Cluster Munitions and Antipersonnel Landmines, Covéa Finance excludes any direct investment in shares or bonds in companies involved in controversial weapons:

- **Cluster Munitions and Antipersonnel Landmines** within the meaning of the Ottawa Convention (1997) and the Oslo Convention (2008)
- **Bacteriological and/or chemical weapons**

2. Sectoral exclusions

Covéa Finance has also defined sectoral exclusions, by pledging to exclude:

- **tobacco-producing companies**, and
- those that generate more than 5% of their direct sales in the **gambling and betting sector**

3. Topical exclusions related to coal

In relation to **coal**, Covéa Finance pledges to exclude from its investments:

a. On relative thresholds:

- For energy companies whose electricity production is generated from coal and/or whose installed capacity is fired by coal (i.e. thermal coal), and
- for **companies (including extractors)** that generate part of their turnover from coal.

In both cases, Covéa Finance pledges to exclude from investment, through a progressively lower threshold, energy companies and the companies (including extractors) specified below:

		stage 1	stage 2	stage 3
OECD	2020	2025	2030	
	30%	15%	0%	
non-OECD	2020	2025	2030	2040
	30%	20%	10%	0%

OECD area example: *From 2025, Covéa Finance will exclude companies that generate more than 15% of their turnover from coal*

Non-OECD area example: *From 2025, Covéa Finance will exclude energy companies that generate 20% or more of their energy production from coal*

An internal schedule will be used to identify the companies concerned up to 2040 and to guide our exit strategy.

b. On absolute thresholds:

- For **energy companies** with more than 5GW of installed coal-fired capacity (i.e. thermal coal)
- for **extractors** with extraction capacities of more than 10Mt

For the absolute thresholds, the exclusions will apply as of publication of the exclusion policy.

For the relative and absolute thresholds¹, emitters that have made clear and public commitments to reduce their share below these thresholds by 2025 may be retained in the portfolio. For these emitters, Covéa Finance will verify, within the framework of a shareholder dialogue, the reduction of their coal exposure and the fulfilment of their commitments at least once a year.

c. The most active companies in terms of developing new coal-fired capacity

All **companies identified by the NGO Urgewald as the most active in terms of developing** new coal-fired capacity (on the "GCEL"² list) will also be excluded. The development of new coal-fired capacity may include new coal-fired power plants and new capacity in terms of extraction or infrastructure.

Covéa Finance's exclusion policy is revised annually.

¹ Covéa Finance has based both its relative and absolute thresholds on agreed thresholds as proposed by professional organisations and NGOs

² <https://coalexit.org/database>

Scope of application

Exclusion refers to securities issued by the company, independently of other companies in the parent group (parent company and subsidiaries).

Covéa Finance undertakes to respect this exclusion policy in all its collective investment schemes and mandates and in all direct investment in shares or bonds in the companies identified above.

For its bond exposures, Covéa Finance will cease any new investment in the above-mentioned companies, but reserves the right to hold the securities already invested until maturity (with a maximum maturity of 2025).

For its share exposures, Covéa Finance will cease any new investment in the above-mentioned companies, but reserves the right to hold the securities already invested if the emitter has made clear and public commitments to reduce its share below these thresholds by 2025.

In other cases, securities covered by the exclusion must be divested within no more than 1 year. If a security in the portfolio exceeds the above thresholds and the company in question is not in a position to provide us with an exit strategy in compliance with our exclusion policy within 6 months, the security must be divested within no more than 6 months.

The part of the exclusion policy related to coal refers to thermal coal, but where no information is available, no distinction is made and therefore the exclusions potentially cover steel coal as well as thermal coal (for extractors especially; it is different for energy companies as it has to be thermal coal in their case).

Procedure

Covéa Finance compiles the list of exclusions by a process of identifying and applying the predefined scope of exclusion, based on data provided by an independent external provider (ISS ESG) and an NGO (Urgewald) – for the list of developers – and its own internal research.

The list of excluded securities is subject to review at least quarterly.

Enforcement and monitoring

All securities featured in the list of exclusions are automatically blocked pre-order.

The portfolios are periodically monitored by the Head of Compliance and Internal Control to retrospectively ensure the strict implementation of the exclusion policy to all securities held by Covéa Finance.

Covéa Finance strives to strictly enforce its exclusion policy. The completeness of the list of exclusions depends mainly on the investment universe covered by our external provider ISS ESG and by the NGO Urgewald and the information published by companies.