

Coal

Ostrum AM sector and exclusion policy

11.01.2018



An affiliate of:



INTRODUCTION

Sector policies lie at the heart of Ostrum Asset Management's CSR policy

As part of its Corporate Social Responsibility policy, Ostrum Asset Management defines sector policies with the aim of:

- complying with national and international regulation,
- complying with Natixis' commitments,
- meeting the goals and pledges outlined by Ostrum Asset Management, to comply with its Responsible Asset Management strategy.

Ostrum Asset Management's sector policies aim to identify issuers that are to be excluded from its investment scope based on their operations, geographical locations, the way they work, their reputation, breach of international standards, etc.

The list of issuers outlined in our sector policy is confirmed by the Executive Committee and updated each year.

Find out more about Ostrum Asset Management's CSR initiatives at <http://www.ostrum.com>

Background and challenges

The energy supply sector is the largest contributor to anthropogenic greenhouse gas (GHG) emissions responsible for global warming¹.

Coal has a large presence in the world energy mix and is the most carbon-intensive fuel. Although coal-fired power plants account for just 41% of world energy production, they are responsible for more than 70% of the energy sector's GHG emissions².

Restricting global warming therefore requires a gradual shift in the energy mix, away from fossil fuels and towards less carbon-intensive energy generation sources. Despite technological progress already made, a reduction in the proportion of thermal coal in the mix is now seen as a vital prerequisite for this transformation.

The abundant supply of inexpensive coal resources is holding back this shift, which public policy on climate change endeavors to drive, in particular through the framework for climate action agreed at COP21. National GHG reduction pledges made at that time by 196 countries are set to limit global warming to less than 2°C compared to pre-industrial levels.

The growing awareness of climate change issues amongst most energy sector players has led to a shift in investment towards renewable energies, the decommissioning of the least efficient thermal power plants and the gradual shift in producers' fuel mix.

¹ In 2010, the energy generation sector was responsible for 35% of greenhouse gas emissions worldwide (Source: Intergovernmental Panel on Climate Change (IPCC) Fifth Assessment Report (AR5))

² Source: GIEC AR5

IMPLEMENTATION OF COAL EXCLUSION POLICY

Ostrum Asset Management is highly aware of climate challenges and the active role that financial institutions must play in energy transition, and fully complies with its parent company Natixis' policy of restricting support for companies that rely heavily on coal in their operations, and promoting the reduction of the proportion of this fossil fuel in the world energy mix.

Identifying issuers outlined in the Coal policy

Ostrum Asset Management relies on the expertise of its teams of analysts and portfolio managers, who are responsible for monitoring and updating the list of issuers identified by our sector and exclusion policies. These teams also use their extensive insight into the companies and sectors as well as external information i.e. corporate communication, interviews, external providers, etc.

Issuers outlined in this policy

- **Utilities – energy services sector**
Issuers that derive more than 50% of revenues from coal-fired energy generation.
- **Mines**
Issuers that derive more than 50% of revenues from coal mining.
- **Mountain top removal (MTR)**
Ostrum Asset Management excludes from its investment scope companies that produce, transport and sell coal derived using aggressive mountain top removal methods, used in the Appalachian Mountains, in the east of the United States.

Updating issuer list

Ostrum Asset Management updates the list of issuers outlined in this policy at least one a year and as often as necessary in the event of a major incident on the issuer. The update takes on board the various analyses available and the results of our engagement initiatives with issuers.

The Ostrum Asset Management Executive Committee reviews and confirms the list.

Scope of application

This policy applies to all open-end funds for which Ostrum Asset Management is financial investment manager.

For dedicated funds and mandates, Ostrum Asset Management asks clients whether they wish to apply this exclusion policy and factors in the decision in its future portfolio management policies. In the case of delegated management, it informs the delegated manager.

Index tracker funds have a very specific profile and are excluded from the policy scope.

Policy communication

All parties involved are informed of the contents of the policy via various media:

- General information on sector and exclusion policies is published on the Ostrum Asset Management website.
- Ostrum Asset Management's exclusion policies are distributed by client services to clients of dedicated funds and mandates to confirm their application to these portfolios.

Text completed on November 1, 2018.

This policy may be reviewed at any time without prior notice. It is available on the Ostrum Asset Management website at the following address: www.ostrum.com

ADDITIONAL NOTES

Ostrum Asset Management

Asset management company regulated by AMF under n° GP-18000014 – Limited company with a share capital of 27 772 359 euros – Trade register n°525 192 753 Paris – VAT: FR 93 525 192 753 – Registered Office: 43, avenue Pierre Mendès-France, 75013 Paris – www.ostrum.com

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Under Ostrum Asset Management's social responsibility policy, and in accordance with the treaties signed by the French government, the funds directly managed by Ostrum Asset Management do not invest in any company that manufactures, sells or stocks anti-personnel mines and cluster bombs.



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