

Coal

Ostrum AM sector and exclusion policy

Document owned by: Portfolio management department

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An affiliate of:



1. Legislative references / Regulation / Professional standards

INTRODUCTION

Sector and exclusion policies are at the very heart of Ostrum AM's CSR policy.

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

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

Sector exclusion policies defined and implemented by Ostrum AM identify issuers excluded from Ostrum Asset Management's investment scope based on their operations, geographical locations, the way they work, their reputation, and/or having breached international standards.

The list of issuers outlined in our sector and exclusion policies is updated at least once each year.

Find out more about Ostrum Asset Management's CSR initiatives at 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.

In 2018, coal use for energy exceeded 10 Gt CO₂³. For the same volume of energy produced, coal use emits more than twice the greenhouse gas than the use of natural gas.⁴

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

³ Source: <https://www.iea.org/geco/emissions/>

⁴ <https://www.eia.gov/tools/faqs/faq.php?id=73&t=11>

2. Scope for 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.

The following funds are excluded from the application scope due to their specific features:

- funds of funds;
- tracker funds.

3. Detailed description of the 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 25% of revenues from coal-fired energy generation.

- **Mines**

Issuers that derive 25% 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.

Any changes in the principles and rules in this exclusion policy are reviewed and approved by the Ostrum Asset Management Executive Committee.

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.

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.⁵
- Ostrum Asset Management's exclusion policies are distributed by client services to clients

⁵ <http://www.ostrum.com/en-INT/About-us/Our-CSR-strategy/Responsible-investment/Exclusion-policy>

of dedicated funds and mandates to confirm their application to these portfolios.

Text completed in December, 2019.

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

4. Approval process

Owner entity: Portfolio management department

First name, last name and role of person in charge of the procedure: Sophie Potard (Support & Organization Portfolio management)

Date: December 2019

Drafted by

First name, last name of person who drafted the procedure: Alix Gentil (Transformation dept)

Date: November 2019

Approval

First name, last name and role of person in charge of the procedure: Sophie Potard (Support & Organization Portfolio management)

Date: December 2019

Comments and approval

Approval Executive Committee member

By

First name and last name: Ibrahima Kobar

Date

01/22/2020

Comments

By

Date

Compliance

First name and last name: Catherine Puaud-Wallez 11/06/2019

Internal control

First name and last name: Marie-France Bonnin 10/22/2019

Corporate Secretariat

First name and last name: Avi Cabalo 10/29/2019

Version

Version number	Date of update	Comments
Version 1	01/27/2020	Drafted by Ostrum AM

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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