POLICY

EXCLUSION

Update: 01.23

Background

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

I. Normative exclusions

In accordance with the recommendations of the French Asset Management Association (AFG), Covéa Finance excludes any direct investment in shares or bonds in companies involved in controversial weapons:

- **Biological weapons** within the meaning of Law no. 72-467 of 9 June 1972,
- **Chemical weapons** within the meaning of the Paris Convention (1993),
- **Cluster Munitions** within the meaning of the Ottawa Convention (1997),
- **Landmines (APM)** within the meaning of the Oslo Convention (2008).

II. Sector exclusions

Covéa Finance has also defined sector exclusions.

1. Tobacco

Covéa Finance excludes any direct investment in shares or bonds in companies involved in the production or processing of tobacco or electronic cigarettes containing tobacco or nicotine.

2. Gambling and betting

Companies that generate more than 5% of their Direct Revenue in the **gambling and betting sector**.

3. Thermal coal

Covéa Finance is committed to excluding from its investments companies in connection with the **thermal coal** theme. A timeline produced internally is used to identify the companies concerned until 2040 and to steer our divestment strategy, which will allow Covéa Finance to effectively exit thermal coal by 2040.

The exclusion policy on coal is aimed at thermal coal, but when the information is not available the distinction is not made and therefore the exclusions potentially cover coal used in the production of steel (mainly for extractors).

a. Absolute and relative thresholds

Covéa Finance undertakes to exclude companies exposed to thermal coal from its investments through a progressive lowering of thresholds, as set out below:

Scope	2020	2025	2030	2040	Extraction and energy companies*	Other companies
OECD	30%	15%	**0%**		Relative revenue and production capacity filter	Relative revenue filter
Non-OECD	30%	20%	10%	**0%**		
OECD	5 GW / 10 Mt		**0 GW / 0 Mt**		Absolute production capacity filter	Absolute production capacity filter
Non-OECD	5 GW / 10 Mt		5 GW / 10 Mt	**0 GW / 0 Mt**		

** energy companies (defined as companies that make more than 20% of their revenue from electricity production) and companies involved in coal extraction.*

Example: *From 2025, Covéa Finance will exclude companies in OECD countries that make more than 15% of their revenue from coal and companies in non-OECD countries that make more than 20% of their revenue from coal*.

Example: *From 2025, Covéa Finance will exclude energy companies in OECD countries which generate more than 15% of their electricity from coal and energy companies in non-OECD countries which generate more than 20% of their electricity from coal.*

For relative and absolute thresholds[1], issuers that have made clear and public commitments to reduce their share below these thresholds by 2025 can be kept in the portfolio. For the latter, Covéa Finance will verify, as part of shareholder dialogue, the reduction of their coal exposure and the fulfilment of their commitments at least once a year.

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

b. The most active companies in terms of developing new coal capacity

All **companies active in the development** of new coal capacity are also excluded. The development of new coal capacity may include new coal-fired power plants as well as new extraction capacities.

Certain coal-based infrastructure projects may be carried out with the aim of reducing CO_2 emissions from combustion. A company will be excluded if the value of its coal-related infrastructure projects exceeds the threshold of 25% of tangible assets on the balance sheet. This threshold will fall to 0% in 2030 for companies in the OECD, and in 2040 for non-OECD countries.

OECD	2022	**2030**	
	25%	**0%**	
Non-OECD	2022	2030	**2040**
	25%	25%	**0%**

4. Unconventional oil and gas

Covéa Finance is committed to excluding direct investments relating to the theme of **unconventional oil and gas** companies from its investments.

Covéa Finance undertakes to gradually exclude unconventional oil and gas producers from its investments:

- By broadening its definition of unconventional
- By lowering the thresholds

An in-house document identifies the companies involved and steers our divestment strategy, which will enable an effective exit from unconventional oil and gas by 2030.

Covéa Finance uses the following definition of unconventional oil and gas:

- Shale oil and gas
- Oil and gas from oil sands
- Coal-bed methane
- Heavy crude oil

It will be extended so as to include from 2026 oil and gas produced in the Arctic (using the geographical definition established by the AMAP, Arctic Monitoring and Assessment Programme).

Deepwater and ultra deepwater drilling is not taken into account in our definition of unconventional hydrocarbons, due to a lack of consensus on the criteria to use to establish the depth threshold.

<u>Exclusion scope:</u>

Producers whose unconventional oil and gas production exceeds 25% of their total hydrocarbon production are excluded as from 2022.

	Level 1:	Level 2:	Level 3:
Unconventional oil and gas	2022	2026	**2030**
	25%	25%	**0%**

Example: *From 2022, Covéa Finance will exclude companies generating more than 25% of their annual production from shale, oil sands, coal-bed methane and extra heavy oil.*

Example:

As of 2026, Covéa Finance will exclude companies generating more than 25% of their annual production from shale, oil sands, coal-bed methane, extra heavy oil and the Arctic.

Exclusions apply from the publication of the exclusion policy.

Issuers exceeding the thresholds but having made clear and public commitments to reduce their share to below these thresholds by 2026 may be kept in the portfolio. For the latter, Covéa Finance will verify, as part of shareholder dialogue, the reduction of their unconventional oil and gas exposure and the fulfilment of their commitments at least once a year, together with any plans for expansion.

Scope of application

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

Covéa Finance is committed to complying with this exclusion policy in all of its UCIs and mandates, for any direct investment in equities or bonds in the companies identified above.

Covéa Finance implements the following due diligence procedures with regard to indirect investments:

1. Covéa Finance uses side letters in connection with its investments in private equity in order to bring the exclusions applied in line with those set out in Covéa Finance's exclusion policy. However, this approach is part of a negotiation process. The application of our exclusion policy cannot be 100% guaranteed.
2. As regards UCI investments outside the Covéa Finance Group, Covéa Finance ensures that the exclusion policy applied by these funds is aligned with the Covéa Finance exclusion policy. The application of our exclusion policy cannot be 100% guaranteed in these cases.

Implementation of the Exclusion Policy

Covéa Finance compiles the list of exclusions using a process of identifying and applying the predefined scope of exclusion, based on its own internal research and data provided by various external service providers.

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

Securities on the exclusion list are blocked in our IT tools for any new investment. When investing in external UCIs, due diligence relating to exclusions is carried out prior to investment.

In respect of securities held directly in our portfolios:

- Exposures to bonds issued by companies subject to exclusions relating to thermal coal and unconventional hydrocarbons may be held in the portfolio until the date on which the exclusion of the issuer in question becomes effective. In all other cases, the securities covered by the exclusion must be divested within a maximum period of one year.
- Exposures to equities issued by companies subject to exclusions relating to thermal coal and unconventional oil and gas may be held in the portfolio if the issuer has made clear and public commitments to reduce the portion of their activities concerned below the thresholds by 2025. In all other cases, the securities covered by the exclusion must be divested within a maximum period of one year.

Application, control and communication

An automatic blocking pre-order is ensured on all securities featured in the list of exclusions.

Portfolio checks are carried out by the Compliance and Internal Control Officer – Permanent Control to subsequently ensure the full enforcement of the exclusion policy on all securities held by Covéa Finance.

Verification of data quality

As part of the verification by sampling of the quality of the data of its service providers, Covéa Finance will conduct all of the necessary due diligence (verification of thresholds for revenues or electricity generation mix, further development of the strategy to exit coal, etc.), in the form of shareholder dialogue conducted jointly with the company, our financial and non-financial analysis department and members of management. Depending on the results obtained (confirmation/invalidation of data), the security will be kept in or removed from our exclusion list.

Data access limits

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 the NGO Urgewald, as well as the information published by companies.

Policy Updating

Covéa Finance's exclusion policy is reviewed annually and a communication on any management impacts is included in our annual ESG report.