POLICY
ON EXCLUSION

Update: 01.24

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 exclusions (coal), as well as exclusions resulting from our management of controversies.

I. Normative exclusions

In accordance with the recommendations of the AFG (the French Asset Management Association), 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),
- **Anti-personnel mines** within the meaning of the Oslo Convention (2008).

II. Sector and thematic exclusions

1. Tobacco

Covéa Finance excludes any direct investment in equities 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 those 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 that year.

The exclusion policy on coal concerns thermal coal. Where the information is not available, however, the distinction between thermal coal and steel coal is not made and the exclusions may therefore potentially also apply to steel coal (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 in the table below:

Scope	Since 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		

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

Example:

From 2025, Covéa Finance will exclude:

- *companies that generate more than 15% of their revenue from coal in OECD countries and more than 20% in non-OECD countries;*
- *energy companies that generate more than 15% of their electricity from coal in OECD countries and more than 20% in non-OECD countries.*

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 conducted jointly between the Financial and Non-Financial Analysis team and members of Management, the reduction of their coal exposure and the fulfilment of their commitments at least once a year.

[1] *Whether the thresholds are relative or absolute, Covéa Finance's approach is aligned with market practices in France as reported in the joint ACPR-AMF report on the climate commitments of French financial institutions (2020).*

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

All **companies active in terms of 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 CO2 emissions from combustion. A company is 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.

Scope	Level 1	Level 2	Level 3
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 linked to the **unconventional oil and gas** theme 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 the divestment strategy, which will enable an effective exit from unconventional oil and gas by 2030.

Covéa Finance defines unconventional oil and gas as follows:

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

As of 2026, this will be extended to include oil and gas produced in the Arctic (using the geographical definition established by the AMAP, Arctic Monitoring and Assessment Programme).

Incidentally, deepwater and ultradeepwater 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.

Exclusion scope:

Producers whose unconventional oil and gas production exceeds 25% of their total hydrocarbon production have therefore been excluded since 2022.

	Level 1	Level 2	Level 3
Unconventional oil and gas	2022	2026	**2030**
	25%	25% (including Arctic)	**0%**

Examples:

- *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*.
- *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 conducted jointly between the Financial and Non-Financial Analysis team and members of Management, the reduction of their unconventional oil and gas exposure, the fulfilment of their commitments at least once a year and any plans for expansion.

III. Exclusions resulting from controversy management

Covéa Finance has implemented controversy management to identify controversies in the ESG pillars that could have a negative impact on the securities held in the portfolio. Taking into account controversies that issuers face is one of the three levels of monitoring by Covéa Finance in terms of sustainability risks.

This monitoring is based on alerts provided by an external service provider and monitored daily by the Financial and Non-Financial Analysis team. Depending on the type of data reported, in-depth research and analysis are carried out to assess the level of risk of these controversies.

The categorisation of a controversy at critical risk level leads, in a first phase, to the temporary freezing of the security in question (blocked for purchase). A shareholder dialogue is then conducted with the issuer jointly by the Financial and Non-Financial Analysis team and members of Management in order to obtain information about the controversy. At the end of this dialogue, in a second phase, the dossier incorporating additional analysis of the controversy is submitted for a decision by the Controversies and Investor Engagement Committee (CCEI). The latter decides on the final classification of the risk. Maintaining the level of risk may lead to a temporary suspension of the security (blocked for purchase) or a permanent exclusion of the issuer (gradual or immediate sale) for a minimum period of 12 months.

Scope

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 according to the criteria presented above.

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

1. Covéa Finance uses side letters in its private equity investments in order to reconcile the exclusions applied to Covéa Finance’s exclusion policy. Application of Covéa Finance's exclusion policy cannot, however, be 100% guaranteed insofar as it results from a negotiation process.

2. For investments in external UCIs by funds under Articles 8 and 9 of the SFDR, Covéa Finance applies its policy by requiring the following minimum criteria in the exclusion policy applied to the target fund:
    1) Normative exclusions: exclusions of companies involved in controversial weapons
        - Biological weapons within the meaning of Law no. 72-467 of 9 June 1972,
        - Chemical weapons as defined by the Paris Convention (1993),
        - Cluster munitions within the meaning of the Ottawa Convention (1997),
        - Anti-personnel mines within the meaning of the Oslo Convention (2008).

    2) Sector exclusions: companies involved in the production or processing of tobacco or electronic cigarettes containing tobacco or nicotine.

    3) Thematic exclusions: gradual exclusion
        - companies exposed to thermal coal to be divested by 2040
        - unconventional oil and gas producers to be divested by 2040

Implementation of our exclusion policy

Covéa Finance compiles the list of exclusions by 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 reviewed at least quarterly for normative, sector and thematic exclusions (coal). This list may also be updated more frequently, depending on the controversy management process in place.

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

Concerning securities held directly in Covéa Finance's portfolios:

- The bond exposures of issuers subject to exclusions for thermal coal and unconventional oil and gas may be retained in the portfolio until the date of application of the exclusion for the issuer concerned. In all other cases, the securities covered by the exclusion must be divested within a maximum period of one year.
- The equity exposures of issuers subject to exclusions for thermal coal and unconventional oil and gas may be retained in the portfolio if the issuer has made clear and public commitments to reduce them 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.

Data quality verification

As part of the sample verification of the quality of its service providers' data, Covéa Finance will carry out all the necessary due diligence (verification of revenue or electricity production mix thresholds, deepening of the coal exit strategy, etc.).

Data access limits

Covéa Finance strives to strictly enforce its exclusion policy. The completeness of the list of exclusions depends, however, mainly on the investment universe covered by our external providers, as well as the information published by companies.

Updating the policy,

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