

# Thermal Coal Policy

## Scope

The following affiliates and associated entities of the Amundi Group do not apply, or not to its full extent, Amundi Thermal Coal Policy (please refer to their respective policy documents for further details):

- ABC-CA Fund Management Company\*
- Amundi-ACBA Asset Management\*
- KBI Global Investors Ltd
- NH-Amundi Asset Management\*
- SBI Funds Management Limited\*
- Wafa Gestion\*

\*ABC-CA Fund Management Company, Amundi-ACBA Asset Management, NH-Amundi Asset Management, SBI Funds Management Limited and Wafa Gestion are joint ventures of Amundi.

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As an asset manager, our fiduciary duty is to act in the best long-term interests of our clients. In this role, we believe that environmental, social, and governance (ESG) issues can affect the performance of investment portfolios to varying degrees across companies and sectors. Amundi Sector Policies belong to the Amundi Global Responsible Investment Policy aiming at gathering what Amundi has been doing on sustainable related topics and connect them to an overarching policy.

We embrace the concept of “double materiality” around which we build our proprietary ESG analysis and rating methodology, as we believe both sets of criteria are material when making investment decisions in the interests of our clients, with the aim to generate sustainable returns<sup>1</sup>. This means that our ESG analysis aims at not only assessing the way ESG factors can materially impact the value of companies, but also how companies can impact the environment and social matters or human rights<sup>2</sup>, thereby having a material impact on the drivers of the economy and affecting the portfolios we manage.

Amundi sector and thematic policies describe the actions carried out by Amundi in its area of control which are linked to its status as an asset manager and these policies do not claim to supplant state policies. Its effort is impacted by the consistency of actions between governments, customers and companies, with the support of financial markets in order to limit the negative impacts on employees, end savers, pensioners and territories across the globe. State policies are therefore at the forefront of the sustainability journey.

Amundi sector and thematic policies apply to the activity for third parties across all actively managed strategies, and passively managed ESG strategies over which Amundi has full discretion as defined by the Amundi Global Responsible Investment policy. They emphasize three pillars: minimum safeguards and exclusion rules, ESG assessment, and stewardship activity as set out in Amundi's Global Responsible Investment policy<sup>3</sup>.

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<sup>1</sup> Sustainable returns entail the objective of generating sustainable profits combined with high standards of risk management.

<sup>2</sup> For specific information on how these ratings and analysis are integrated in the investment decisions of specific investment strategies, please refer to the product specific disclosure.

<sup>3</sup> Available on Amundi Website <https://about.amundi.com/documentation-esg>

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# 1. Challenges and Objectives

## 1.1 Challenges

Coal combustion is the single largest contributor to human-induced climate change<sup>4</sup>. Phasing out coal is paramount to achieve the decarbonisation of our economies. That is the reason why Amundi is committed to phasing out thermal coal from its investments by 2030 in OECD and EU countries, and by 2040 in non-OECD countries. Consistent with the

United Nations Sustainable Development Goals (SDGs) and the 2015 Paris Agreement, this strategy is based on scenarios designed by the International Energy Agency's (IEA) Sustainable Development Scenario, Climate Analytics Report and Science Based Targets.

## 1.2 Objectives

Amundi Thermal Coal policy forms part of Amundi's overarching climate approach, aiming at gathering what Amundi has been doing on climate related topics. In 2016, Amundi implemented a dedicated

Sector Policy on thermal coal, triggering the exclusion of certain companies and issuers. Since then, Amundi has progressively reinforced the rules and thresholds of its thermal coal Sector Policy.

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# 2. Policy Scope

The policy applies to all investee companies, but predominately affects mining, utilities, and transport infrastructure companies.

Amundi distinguishes two segments in its thermal coal policy: coal developers (companies developing new thermal coal assets or expanding existing

thermal coal capacity) and companies exposed to coal (by revenue) that are not developers.

The scope of this policy extends to the aforementioned activities across all regions worldwide.

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# 3. Implementation

To assess and monitor issuers on thermal coal, Amundi relies on internal research and data from ESG providers. We apply targeted exclusions where the policy criteria are met and undertake engagement

with issuers. These activities follow the procedures set out in the Amundi Global Responsible Investment Policy.

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<sup>4</sup> IPCC, 2022: Summary for Policymakers. In: Climate Change 2022: Mitigation of Climate Change. Contribution of Working Group III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [P.R. Shukla, J. Skea, R. Slade, A. Al Khourdajie, R. van Diemen, D. McCollum, M. Pathak, S. Some, P. Vyas, R. Fradera, M. Belkacemi, A. Hasija, G. Lisboa, S. Luz, J. Malley, (eds.)]. Cambridge University Press, Cambridge, UK and New York, NY, USA. doi: 10.1017/9781009157926.001.

## 3.1 Minimum Safeguards and Exclusion Rules

In line with our 2030/2040 phase out timeline from thermal coal, the following rules and thresholds are the baseline for which companies are considered too exposed to be able to phase out from thermal coal at the right pace.

Amundi distinguishes companies developing new thermal coal assets or expanding existing thermal coal capacity and companies exposed to coal (by revenue) that are not developers.

Regarding thermal coal developers, Amundi excludes:

- Mining, utilities, and transport infrastructure companies that are developing thermal coal projects with a permitted status and that are in the construction phase.

Companies with thermal coal projects in earlier stages of development, including announced, proposed, with pre-permitted status, are monitored on a yearly basis.

Regarding thermal coal exposure, when it comes to mining extraction, Amundi excludes:

- Companies generating more than 20% of revenues from thermal coal mining extraction.

- Companies with annual thermal coal extraction of 70 MT<sup>5</sup> or more.

For companies considered too exposed to be able to phase out from thermal coal at the right pace, Amundi excludes:

- All companies that derive over 50% of revenues from the thermal coal mining extraction and the thermal coal power generation.
- All companies that derive between 20% and 50% of revenues from the thermal coal power generation and the thermal coal mining extraction, with a poor transition path<sup>6</sup>.

This policy is applicable across all actively managed strategies and passively managed ESG strategies over which Amundi has full discretion, as detailed in Amundi Global Responsible Investment Policy.

Amongst the wide range of investment solutions offered by Amundi to third party clients, some product ranges may have additional rules of thermal coal exclusion described in their contractual documentation<sup>7</sup>.

## 3.2 Criteria taken into account in the Assessment

To assess companies' thermal coal exposure, Amundi utilizes fossil fuel exposure metrics from data providers (Trucost and MSCI). This allows us to have a large data coverage from a range of sources integrated into our ESG analysis and rating methodology. This also allows us to gain a more comprehensive understanding of companies' thermal coal exposure and provide our investment teams with additional insights on the topic. When both providers have thermal coal-related data for the

same issuer, we apply a conservative approach, which consists in retaining the data with the highest thermal coal exposure between the two providers. Due diligence can also be performed to enrich or challenge the information received by providers.

To assess the development of new thermal coal capacities, Amundi performs an annual due diligence to enrich or challenge the information received by the provider and sources.

<sup>5</sup> Millions of tons

<sup>6</sup> Amundi performs an analysis to assess the quality of their phase out plan

<sup>7</sup> Detailed in Amundi Global Responsible Investment Policy

### 3.3 Engagement: Using our Role as Investor to Trigger Improvements

As part of its stewardship activity<sup>8</sup>, Amundi has developed an active dialogue with companies on their climate strategies<sup>9</sup>.

Since 2021, Amundi has engaged with all investee companies that have thermal coal exposure (based on revenue) and that have not yet published a thermal coal phase out policy consistent with Amundi's 2030/2040 phase out timeline. Depending on the maturity of the engagement, Amundi also engages on their broader climate strategy.

#### 3.5 Escalation

We seek constructive dialogue to drive improvement and to support issuers that are already delivering positive results. If engagement fails or an issuer's remediation plan appears weak, we implement escalation measures that may ultimately lead to exclusion. Escalation tools include negative overrides on one or more ESG criteria in the ESG score, questions at AGMs, votes against management, public statements, capping the ESG score and ultimately exclusion, if the matter is critical.

Progress towards our engagement requests are monitored on an annual basis. Depending on risk exposure and engagement outcomes, Amundi applies different escalation measures<sup>10</sup>.

Stewardship activities are applicable across active and passive strategies over which Amundi has full discretion.

In addition, for companies already excluded from Amundi's active investment universe under our policy, or for those with practices Amundi considers lagging, escalation measures include voting against the discharge of the board or management or voting against the re-election of the Chairman and certain Directors.

## 4. Monitoring

The application of this Policy is impacted by the availability, quality and relevance of the information collected. It will also evolve over time depending on the availability of data as well as regulatory developments. The implementation is reviewed annually at least to evaluate issuers' trajectory towards the 2030/2040 timeline.

Amundi respects the principles and objectives of the policy defined by the Crédit Agricole group to which it belongs. Modalities of application are adapted

according to the particularities and specificities of asset management activity, and to related operational processes. This approach allows for a consistent application of the group's requirements, while taking into account the particularities of the regulatory environment and the rules of good conduct specific to management companies in order to best serve the interests of our clients.

8 Detailed in Amundi Global Responsible Investment Policy

9 See Amundi Engagement Report on Amundi Website: [Sustainable Finance Insights and Asset Management Strategies | About Amundi](#)

10 See Amundi Global Responsible Investment Policy

The document is made publicly available on Amundi's website and is based primarily on the Global Responsible Investment Policy. The latter discloses, among others, the list of third-party data providers we use and sets out our approach to handling raw ESG data, third-party ESG scores and related ESG data products.

In the event of any inconsistency between this document and the Global Responsible Investment Policy, the Global Responsible Investment Policy prevails.

The document is published in English and in French, the English version alone having legal value.

# Disclaimers

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Get access all RI documentation on Amundi Website <https://about.amundi.com/documentation-esg>

## Amundi Asset Management

French "Société par Actions Simplifiée" - SAS registered under no. 437 574 452 RCS Paris with a capital stock of 1 143 615 555 euros

Portfolio management company approved by the French Financial Markets Authority (Autorité des marchés financiers) - under no. GP 04000036.

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