



Groupama Group's Coal Exit Policy

November 2020

Background

In December 2015 at the COP21 summit, the Paris Agreement was signed by 195 countries as well as the European Community. One of the objectives of the Paris Agreement is damage limitation: to keep the increase in global temperature below 2° by 2100 compared to the pre-industrial era (1890).

The continued rise in carbon emissions is responsible for the increase in temperatures and changes in the climate, due to human and economic activities.¹ Coal plays a key role in this increase because it is the principal source of greenhouse gases (GHGs). 40% of GHGs can be attributed to coal, which by its nature releases more GHGs than oil or gas. According to the French Agency for the Environment and Energy Management (ADEME)², the carbon intensity of electricity generation using coal is 1050 gCO₂e/KWh compared to 443 gCO₂e/KWh for natural gas.

Principle

Against this background and in order to reduce the exposure of its investments to climate risks, whether this be physical risks or transition risks, Groupama took the decision in December 2018 to initiate a progressive withdrawal from any company whose turnover or energy production mix is based more than 30% on thermal coal.

In 2020, this relative exclusion threshold was dropped to 20%.

In addition, ***Groupama has also committed to divesting from companies whose annual production of coal exceeds 20 million tons and those whose installed capacity in coal-fired power plants exceeds 10GW.*** These thresholds are those currently adopted by the Global Coal Exit List, on which Groupama's Coal Exit Policy is based. This list is provided by the German Non-Governmental Organisation (NGO) Urgewald.³

These exclusion thresholds were established in line with a progressive exit from coal to comply with the requirements of the Paris Agreement and will be reduced steadily to achieve zero exposure to thermal coal in investment portfolios at the latest by 2030 in European Union and OECD countries and by 2040 in the rest of the world.

Finally, since 2017, Groupama Group has elected to divest progressively from companies planning to develop new coal capacities.

¹ https://www.ipcc.ch/site/assets/uploads/2018/02/SYR_AR5_FINAL_full_fr.pdf

² http://www.bilans-ges.ademe.fr/documentation/UPLOAD_DOC_FR/index.htm?renouvelable.htm

³ <https://coalexit.org/>

Implementation and scope of application

Groupama is relying on its Groupama Asset Management (AM) teams to implement its Coal Exit Policy. The results provided by the NGO are reviewed by the Groupama AM research team, as are all non-financial data received from external providers (at least once per year).

Consequently, Groupama AM may recalculate the turnover or energy production mix threshold and analyse the coal exit strategy of some companies that appear on the Global Coal Exit List.

- If Groupama AM's conclusions are in line with the data from the Global Coal Exit List, the stock will be excluded from the investment universe.
- If Groupama AM's conclusions are in line with the data from the Global Coal Exit List, and the company has set exit targets for coal but too far in the future to meet a 2°C scenario, the stock will be excluded from equity and credit investments.
- If Groupama AM's conclusions differ from those of the Global Coal Exit List, the stock will be put under surveillance. The company's coal exit strategy and its alignment with the policy will be reviewed once a year.

In the latter two cases, the company will be informed and a dialogue will be established with a defined timetable.

Withdrawals will be made progressively in order to keep to our objective of a full exit from thermal coal at the latest by 2030 in European Union and OECD countries and by 2040 in the rest of the world.

This policy applies to all Groupama Group's investments held directly or via mandates (excluding sovereign bonds and derivatives) and dedicated UCIs managed by Groupama AM (excluding index-based strategies)