



# Coal exclusion policy

Natixis Investment Managers International

June 2023



As one of the major global Asset Managers, Natixis Investment Managers International (hereinafter "NIM International") is fully aware of its role and responsibility towards a better integration of Environmental, Social and Governance issues on the whole value chain.

Fully involved in durable development and responsible investment policies, NIM International has defined and implemented a coal exclusion policy that is consistent with the specificities linked to its activities.

This policy is also consistent with the ambitions and commitments both of NIM International and Natixis towards climate change issues or NIM International's Responsible Investment strategy.

The goal of NIM International's coal exclusion policy is to identify emitters that should be excluded from NIM International's investment universe due to their activities.



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## 1 context and issues

NIM International is a subsidiary of Natixis Investment Managers (hereinafter "Natixis IM" or "the Group"), the holding company for a diverse group of specialised investment management and distribution entities operating worldwide. The Group has developed a responsible investment approach adapted to its multi-affiliate model and in line with the **Active Thinking**<sup>®</sup> approach<sup>1</sup>.

This is based on different pillars such as :

- the integration of environmental, social and governance (ESG) factors into investment decisions ;
- management as well as active shareholding ("stewardship") ;
- exclusion policies

The scientific community is unanimous on the extent of the climate and ecological crisis. Faced with the urgency of taking action, the Paris Agreement has set an international goal, which confirms the need to redirect financial flows to limit global warming to below 2°C. Finance, now at the heart of climate negotiations, has become aware of its responsibility to anticipate the risks and support the opportunities linked to the ecological transition.

Within this context of strong mobilisation, a consensus is emerging to consider the exit of thermal coal as the first emergency of the energy transition.

According to the latest report of the International Energy Agency (IEA) published in May 2021, to achieve the more ambitious target than those set in the Paris agreements, namely 1.5 Celsius, among other things, all coal and oil-fired plants must be phased out by 2040.

In addition, ahead of COP26, the G7 countries committed on 21 May 2021 to end public support for coal-fired power plants from this year forward, a "strong gesture" to increase their efforts towards limiting global warming.

Coal is the most carbon-intensive energy source, with an increasing share in the global energy mix. Coal-fired power plants produce 41% of the world's energy, but are responsible for over 70% of the sector's greenhouse gas emissions<sup>2</sup>.

Limiting climate change therefore requires a gradual transformation of the energy mix from fossil fuels to less carbon-intensive generation sources. Despite technological advances, the reduction of thermal coal in this mix is now recognised as a necessary condition for such a shift.

The abundance of coal resources and their low cost of supply act as a brake that public policies in favour of the climate and the environment aim to reduce, in particular in application of national commitments to reduce greenhouse gases made by 196 countries at the COP21, the objective of these commitments being to keep global warming below 2°C compared to the pre-industrial era.

The awareness of climate issues by most of the players in the energy sector is reflected in a reorientation of investments towards renewable energies, the closure of the least efficient thermal power plants and the gradual transformation of their energy mix.

Aware of these climate issues and the active role that financial institutions must play in energy transition, Natixis Investment Managers International is in line with its parent company Natixis' desire to limit its support for companies whose activities are heavily dependent on coal and thus contribute to reducing the share of this form of fossil fuel in the global energy mix and reaffirms its approach as a responsible manager.

NIM International's responsible investment approach is part of the Natixis IM group's responsible investment policy. NIM International is committed to sustainable development and responsible investment and has defined and structured an investment strategy that integrates ESG criteria into its investment solutions. NIM International, as a leading asset manager, is fully aware of its role and responsibility to improve the integration of environmental, social and governance issues (ESG) issues throughout its value chain. As such, NIM International has decided to take climate change issues one step further by developing its coal exclusion policy.

<sup>1</sup> <https://www.im.natixis.com/fr/notre-approche-active-thinking>

<sup>2</sup> Source : 5th Assessment Report (RE5) of the Intergovernmental Panel on Climate Change (GIEC)

## 2. Fields of application

NIM International's approach to responsible investment should be analysed with regard to its activities and specifics. Indeed, NIM International has two main activities ; a management activity, but also a role of distribution of Affiliates' funds:

1. NIM International is the "leading" management company for open funds and delegates the management of these funds to other management companies of the Group (almost exclusively). As stated in the legal documentation of the funds in question, this power of attorney is governed by an agreement between Natixis Investment Managers International and the Affiliates. The exclusion policies of the Affiliates are available on their websites.
2. NIM International is the Management Company of the funds for which it provides its own financial management. Accordingly, it offers investment solutions based, among other things, on the expertise of its affiliates. This activity is carried out by its Natixis Investment Managers Solutions department (hereafter "NIM Solutions"). The activity of NIM Solutions includes experts in portfolio analysis, investment, asset allocation and structuring. For all open funds managed by Natixis Investment Managers International, the exclusion policy in force is that described in this document.

External UCIs (including physical ETFs), Risk Mutual Funds, property UCIs as well as derivatives and ETFs using synthetic replication that may be selected by the managers are not affected by this exclusion policy.

Structured products, private debt funds and Natixis Assurance portfolios (RTO only) are excluded from the scope of this exclusion policy.

This policy is intended to apply to all open funds for which NIM International is the financial management company from 30 September 2021.

## 3. Identification of emitters targeted by the coal exclusion policy

NIM International decided to use different data sources, particularly those of Trucost (climate data; climate data provider). Trucost provides, among other things, the share of turnover derived from coal extraction or energy production for 500 companies. The list of emitters targeted by this policy is updated at least every year and as often as necessary in the case of a major change in an emitter.

## 4. Emitters targeted by the policy

From 30 th september 2021, NIM Solutions will no longer invest in companies that derive more than 25% of their turnover from the production of energy generated by coal or from the production of coal:

- Targeted emitters are those whose revenues (at least 25%) are derived from the production of energy generated by thermal coal. The list of coal mining companies drawn up by Trucost is based on information published by these companies.
- Targeted emitters are those whose revenues (at least 25%) are derived from coal production. This includes thermal. The list of emitters drawn up by Trucost is based on a proprietary methodology and on information published by these companies.

This policy is not set in stone and NIM Solutions will adapt these exclusion thresholds over time. It is in line with the Paris financial centre's commitment on the exit of coal and that of our Natixis and BPCE group.

## 5. Implementation of the policy

NIM International has developed an internal process to deal with the coal exclusion policy and exceptions to this policy. The list of excluded emitters is subject to post-trading blocking alerts for the scope concerned.

If an overrun is observed, disinvestment in the fund concerned will be made within 3 months (under normal market conditions).

In the internal process, provision is made for duly justified exceptions. These requests for exception (to the coal exclusion) are dealt with in the investment committees. This request is accompanied by an in-depth analysis to show a strong commitment to a credible exit scenario (e.g. : taking into account geographical specificities, a plan based on the closure or transformation of assets, and not their disposal, taking into account the social and societal impacts of the closure of the sites...).

## 6. Communication of the policy

All stakeholders are informed of the content of the policy through various tools:

- this exclusion policy is published on the Natixis Investment Managers International website
- NIM International's exclusion policies are widely disseminated by client support to dedicated fund clients and mandates to confirm their application to these portfolios

> Find out more:  
visit: [im.natixis.com](https://im.natixis.com)



#### **ADDITIONAL NOTES**

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