



Coal exit policy

Update of the exclusion policy originally published in May 2019

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1. Background

The latest report from the Intergovernmental Panel on Climate Change (IPCC), released in 2018, reminds all of us, that to achieve the Paris Agreement goal of limiting global warming to 1.5°C compared to the pre-industrial era, we will have to target **carbon neutrality by 2050**.

In our effort to do so, one of our priorities, around which a consensus has now formed, is to halt financing of thermal coal,¹ which accounts for about 40% of global greenhouse emissions. The carbon intensity of electricity generated by thermal coal is more than twice as high as **that of** natural gas.

As a long-term investor, ODDO BHF Asset Management recognises that continuing to invest in companies that mine and use coal carries growing risks:

- **a regulatory risk**, given the increasing number of commitments by many countries to reduce their CO2 emissions;
- **a growing financial risk** to asset valuation, as tougher regulations will ultimately make it impossible to exploit some proven reserves, which will then become stranded assets;
- **a reputational risk**, given the growing negative social and environmental externalities, **which include** water and ground pollution, dangerous waste products (including heavy metals such as chromium, mercury and arsenic), human and labour rights, and human health (with more than 12,000 deaths **per year** in Europe).

¹ Thermal coal is coal mined exclusively to produce electricity. It is not the same as metallurgical grade coal, which is used to make steel and does not now have an economically viable substitute.



2. Objectives

Since 2017, ODDO BHF Asset Management has included climate change challenges at the core of its sustainable investment strategy, based on three pillars:

- an analysis of how its portfolios are positioned in terms of environmental risks and opportunities with regard to long-term climate scenarios²;
- a policy of dialogue and active involvement in environmental issues, in particular our participation in the Climate Action 100+ initiative since 2018³;
- since May 2019, the exclusion of coal from its portfolios integrating ESG criteria⁴.

The latest research by the IPCC and other benchmark authorities on climate issues (Climate Analytics⁵, IEA⁶, UNEP⁷, and the Potsdam Institute⁸) converge towards **a coal exit by 2030 in the European Union and the OECD, and by 2040 in the rest of the world to meet the Paris Agreement goals.**

To supplement the climate strategy already in place, ODDO BHF Asset Management now pledges to adopt this trajectory in all of its open-ended funds.

² See the December 2017 white paper “ODDO BHF AM’s approach to climate change”.
<https://library.oddo-bhf.com/api/Library/ViewFile?guid=fc85889d-835d-4692-97c0-f70ad8a0f085>

³ See the 2019 Dialogue & Engagement policy report.
<https://library.oddo-bhf.com/api/Library/ViewFile?guid=77214725-fbb9-4527-888d-7d4bceacd4bc>

⁴ See the May 2019 white paper “Sustainable investment: ODDO BHF AM excludes coal”.
<https://library.oddo-bhf.com/api/Library/ViewFile?guid=fa0265ec-cfea-4b17-b238-5e6d37ef0379>

⁵ Go to: <https://climateanalytics.org/briefings/coal-phase-out/>

⁶ Go to: <https://www.iea.org/reports/world-energy-outlook-2019>

⁷ Go to: <https://unenvironment.org/interactive/emissions-gap-report/2019/>

⁸ Go to: <https://www.pik-potsdam.de/>

3. Scope

The update of the exclusion policy covers all open-ended funds of the various legal entities operating under the single brand name ODDO BHF Asset Management (ODDO BHF Asset Management SAS, ODDO BHF Asset Management GmbH and ODDO BHF Asset Management Lux).

Regarding management of dedicated funds, the coal phase-out strategy will be presented to all clients and then applied, unless they stipulate otherwise.

This policy applies to thermal coal in the following fields, regardless of asset class and geographical region:

- Coalmining
- Coal-fired power generation
- The development of new projects in both mining and coal-fired power generation

4. Exclusion criteria

Effective 2021, ODDO BHF Asset Management will no longer invest in companies that exceed the following thresholds:

- Coalmining: any company with an annual production of **more than 10 million tonnes** or, barring that, production equal to more than **5% of its revenues**.

These thresholds will be lowered to zero by 2030 for EU and OECD countries, and by 2040 for the rest of the world.

- Power generation: any company for which coal exceeds **25% of its production mix** or, barring that, its installed capacity.

These thresholds will be lowered to 20% in 2022, 15% in 2024, 10% in 2026, 5% in 2028 and 0% in 2030 for EU and OECD countries.

- Development of new projects: any company involved in coalmining or coal-fired power generation and which is developing new projects involving thermal coal, regardless of the project's size.

Analysis of the aforementioned companies and thresholds is based on data produced annually by the NGO Urgewald through the Global Coal Exit List⁹, as well as information compiled from our extra-financial data provider MSCI ESG Research.

⁹ Go to: <https://coalexit.org/>



In the event that a company on the exclusion list issues green bonds, ODDO BHF Asset Management may buy them if the financed projects do not involve the modernisation and/or enhancement of the energy efficiency of coal-linked assets.

5. Dialogue & Engagement

This exclusion policy comes with a policy of active dialogue and engagement, particularly through the participation of ODDO BHF Asset Management in the Climate Action 100+ collaborative initiative.

The focus is on companies that are involved in thermal coal to implement gradual shutdowns of their infrastructures, in tandem with the exit horizon of 2030 (EU and OECD) and 2040 (rest of the world) in order to meet the goals of the Paris Agreement.

About us

ODDO BHF Asset Management is part of the independent Franco-German financial group ODDO BHF that was founded in 1849.

ODDO BHF AM is an asset management leader in Europe. It comprises ODDO BHF AM GmbH in Germany, ODDO BHF AM SAS, ODDO BHF Private Equity SAS in France and ODDO BHF AM Lux in Luxembourg, which together manage assets totaling € 55.9 billion.

ODDO BHF AM offers its institutional and wholesale clients a unique range of high-performance investment solutions in all main asset classes, i.e. European equities, quantitative strategies, fixed income, multi-asset solutions, private equity and private debt.

A UN-PRI signatory since 2010 ODDO BHF AM has integrated sustainable investment criteria into a wide range of strategies. Its ESG approach focuses on ESG criteria integration, engagement with companies and a climate policy supporting the energy transformation.

On a combined basis, 61% of assets under management are from institutional clients and 39% from distribution partners. The teams operate from investment centers in Dusseldorf, Frankfurt, Paris and Luxembourg with additional locations in Milan, Geneva, Stockholm, Madrid, Hong Kong, Abu Dhabi and Zurich.

ODDO BHF AM puts the long-term support of its clients at the heart of its priorities. Its independence allows its teams to be responsive, flexible and innovative in order to constantly find solutions tailored to the customers' needs.



Disclaimer

ODDO BHF AM is the asset management division of the ODDO BHF Group. It is the common brand of four legally separate asset management companies: ODDO BHF AM SAS (France), ODDO BHF PRIVATE EQUITY (France), ODDO BHF AM GmbH (Germany) and ODDO BHF AM Lux (Luxembourg).

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