

Exclusion and Vigilance Policy

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Zencap
Asset Management

UNE MARQUE



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1. Policy summary

Normative exclusions		
Treaties		Application
International treaties	Ten Principles of the Global Compact and the UN Guiding Principles on Business and Human Rights	Total exclusion for proven offences
	OECD Guidelines	Total exclusion for proven offences
	ILO Fundamental Principles and Rights	Total exclusion for proven offences

Fossil fuel and power generation exclusions				
Themes/sectors	Activities		Exclusion	
			≥ 2025	≥ 2030
Thermal coal and lignite	Prospecting, holding mines, extraction, production, processing		Total exclusion	
	Dedicated infrastructures		Total exclusion	
	Energy production (including electricity) *		> 1% of sales or > 1% of the energy mix or > 0.5 GW of installed capacity	Total exclusion
	New projects or development of assets related to the above points		Total exclusion	
	Upstream value chain extraction and of production and distribution		> 1% of sales	Total exclusion
Fossil oil and gas	Prospecting, site, ownership extraction, production and transformation	Conventional* oil and gas	> 10% of sales	Total exclusion
		Unconventional oil and gas	Total exclusion	
	Dedicated infrastructures		> 5% of sales	Total exclusion
	Energy production (including electricity) *		> 5% of sales or > 5% of the energy mix or > 1 GW of installed capacity** (in millions of euros)	Total exclusion
	New projects or development of assets related to the above*.		Total exclusion	
	Upstream value chain extraction and production to distribution*.		> 10% of sales	Total exclusion
Other production electricity	Carbon-based electricity generation		Carbon intensity > 100g CO ₂ e/kWh for > 50% of sales	

Fossil fuel and power generation vigilance		
Themes/sectors	Activities	Application
Themes and sectors above	Any company engaged in the activities described above subject to exclusion thresholds but at a level below these thresholds	Increased vigilance
	Any company not directly involved in the excluded activities described above, but exposed to them through its value chain (e.g. suppliers/customers)	Vigilance

* For these activities, a company that does not meet these thresholds may be financed only if it undertakes, through a transformation plan, to meet these thresholds within two years of financing.

** Except for compliance with the EU Green Taxonomy for gas-fired power generation

Other thematic or sector exclusions		
Themes / Sectors	Activities	Exclusion ≥ 2030
Deep sea mining	Exploration, extraction, production and resource processing	Total exclusion
	Dedicated, infrastructures including transport	Total exclusion
Palm oil	Production, trading or sale of palm oil	> 5% of sales and at least 80% RSPO-certified palm oil and at least 50% palm oil RSPO-certified at the most demanding levels
Synthetic pesticides	Production of neonicotinoids and/or organochlorine compounds	Total exclusion
	Production (other pesticides than those listed above), trading or sales	> 10% of sales
Controversial fishing practices	Fishing activities using the most advanced techniques destructive (explosives, poisoning)	Total exclusion
	Production or sale of gear fishing destructive (see above)	Total exclusion
	Fishing activities using techniques that have a high negative impact on the seabed (bottom trawls, dredgers and demersal seines)	> 10% of sales
	Production or sale fishing gear to strong negative impact on the seabed (see above)	> 10% of sales
Controversial weapons	Production and distribution (trading, sale, transport, storage, logistics)	Total exclusion
	Services and technical support	Total exclusion
Tobacco and alternative smoking products	Production, including tobacco filters	Total exclusion
	Smokehouses	Total exclusion
	Sales or trading	> 10% of sales
Recreational cannabis	Production or sale, including any product based on this compound (with THC)	Total exclusion
Pornography	Production, distribution, promotion and content advertising	Total exclusion
Gambling	Sale of products, including online, gaming sports betting and casinos	> 10% of sales
	In particular: hotel groups or real estate companies whose revenues or rents are derived from casino activities	> 20% of sales
Other vigilance		
Themes/sectors	Activities	Application
Themes and sectors above	Any company engaged in the activities described above subject to exclusion thresholds but at a level below these thresholds	Increased vigilance
	Any company not directly linked exclusion activities but exposed to them via its value chain (suppliers, customers, etc.)	Vigilance
GMO	Use GMOs (agricultural companies)	Increased vigilance
Products chemical	Production, distribution or use	Vigilance
Macro sectors (see list)	Any other company operating in the following macro-sectors: agro-industry, chemicals, construction and cement, energy and electricity, mining and metals, digital and telecommunications, textiles and transport	Vigilance

Specific attentions	
Theme	Application
Transition technologies (hydrogen, biofuels, CCUS)	Special attention
Just transition (consequences social, including employment, training, or the impact on local communities)	Special attention

2. Policy principles and monitoring

2.1. Perimeter

Zencap AM's Exclusion and Vigilance Policy applies to all private debt management for the entire duration of the financing.

Certain funds may be subject to other specific exclusions, in particular in line with our clients' investment policies, which are added to this common base.

These exclusions have been formalised by Zencap AM in line with its convictions and have been drawn up on the basis of best market practice, recommendations from

recognised bodies and European regulations (see sources mentioned in the document).

These exclusions are in addition to the ban on investing in countries on the French government's FATF (Financial Action Task Force) and NCCT (Non-Cooperative States and Territories) lists, in accordance with our AML/CFT (Anti-Money Laundering and Combating the Financing of Terrorism) procedure.

Scope of analysis

The scope of exclusions is assessed at the level of the financed company's own activities, and not at the level of its value chain (e.g. suppliers, customers or other stakeholders), unless the exclusion explicitly targets parts or links of this value chain.

It is also assessed at the level of the consolidated group to which legal entity belongs or asset. By way of exception, financing will be eligible even if the consolidated group does not meet a criterion of the exclusion policy, provided that the exclusive purpose of the financing is an activity, asset or subsidiary qualified as "sustainable" within the meaning of Zencap AM's definition of sustainable investment¹.

For each financing operation, Zencap AM is responsible for verifying compliance with this Exclusion and Vigilance Policy at the time of sourcing, from the initial assessment of the financing file, based on external sources and/or a analysis the detailed of borrower's activities. If necessary, the verification is deepened during pre-financing due diligence.

The conformity of a financing project with the Exclusion and Vigilance Policy does not prejudice its ESG quality. The financing

decision takes into account all the analyses carried out in the ESG due diligence phase.

¹ See Zencap AM's ESG approach described on [our website](#).

2.2. Principles of vigilance, enhanced vigilance and special attention

• Increased vigilance

Perimeter

- Companies carrying out activities subject to exclusion thresholds in this Policy but at levels below these thresholds,
- Other activities not yet covered by a specific exclusion, but whose issues are the subject of debated or even controversial practices (e.g. GMOs).

Consequences

- Pre-investment: the due diligence process ESG is strengthened to ensure that the company being financed addresses the issues as expected.
- Financing contract: in the event of exclusion thresholds linked to the activities financed, the company concerned must undertake contractually to respect the entire duration of the financing. Other specific contractual commitments them for may be formalized as required address the issues at stake.
- During financing: precise monitoring exposure of these activities and compliance with thresholds is carried out, as well as a commitment and dialogue process to reduce this exposure or even on a case-by-case basis, eliminate it.

• Vigilance

Perimeter

- Companies not directly linked to the activities excluded from this Policy, but which are exposed to them through their value chain, via their suppliers or customers for example,
- Companies operating in macro-sectors or exposed to key themes in the context of the ecological transition (see "[Macro-sectors under scrutiny](#)" section).

Consequences

- Pre-investment: the due diligence process ESG is strengthened to ensure that the company financed addresses the ecological transition and/or the targeted issues as expected.
- During the financing period: the company may be subject special monitoring, specific monitoring criteria may be put in place, as well as, if necessary, a process of commitment and dialogue.

• Special attention

Perimeter

- The ecological transition cannot be carried out without taking into account the social consequences of these transformations. Particular attention will therefore be paid to ensuring that the transition is socially just.
- Furthermore, the possible side effects of certain transitional technologies should not be ignored. Thus, particular attention will be paid to solutions such as hydrogen, biofuels and carbon capture, utilisation and storage (CCUS).

Consequences

- Pre-investment: the above-mentioned themes and related issues are among the criteria taken into account in ESG due diligence.
- During financing: social indicators are monitored, while the evolution of transition technologies and their impacts are scrutinized.

2.3. Non-compliance with exclusion criteria during financing period

• Principles

Our Exclusion and Vigilance Policy is accompanied by a process of dialogue and commitment in order to encourage stakeholders to improve their practices over time.

Compliance with the exclusions and thresholds laid down in this Policy applies at the time of funding and for the entire duration of the funding.

As indicated above, funded players who carry out activities under exclusion while respecting the thresholds of this Policy are placed under "reinforced vigilance" (see consequences in [2.2.](#)).

• Exceeding thresholds

During the financing period, if the thresholds are exceeded for reasons deemed to be justified and in good faith (e.g. divestments/acquisitions), the company may have a maximum of two years to comply again.

At the end of these two years, or in the event of the development of new activities under exclusion or of exclusion thresholds being exceeded for inadmissible reasons, the following actions will gradually be undertaken:

- A process of dialogue and engagement will be initiated with the various parties concerned, in coordination with the ESG and investment teams; specific audits may be requested,
- In the event that the dialogue and engagement process does not enable the borrower to realign with the criteria of this Policy within a reasonable period of time, the borrower will be informed of the reasons for the decision.

Within 18 months (6 months if a period had already been granted in the event of thresholds being exceeded for reasons deemed to be justified and in good faith), Zencap AM will gradually implement the following measures:

- Tougher treatment of requests for borrowers a waiver: financial penalties ("waiver fees") or even refusal;
- Consideration by Investment Committee members an exit process of early and/or disposal on the secondary market. It should be noted that this type of procedure is quite exceptional, to due the strategy holding portfolio debt to maturity; moreover, disposal is made complex by the low liquidity of the asset class (debt private).

2.4. Policy impact monitoring and evaluation

Zencap AM will monitor as far as possible the consequences of its Exclusion Policy on its financing, for example:

- The number of unsuccessful financing applications, including in the origination phase, due to the Policy,
- The number of portfolio companies operating under exclusion while meeting the policy thresholds,
- The number of companies excluded from the portfolio due to non-compliance with the Policy.

3. Normative exclusions

3.1. Infringements of the Ten Principles of the Global and Compact the UN Guiding on Business and Human Rights Principles

Zencap AM undertakes not to finance companies or organisations directly linked to proven or strongly suspected serious

and/or repeated infringements of one of the principles laid down by the UN, according to the following texts:

- **The Ten Principles of the UN Global Compact²**

These principles are based on the Universal Declaration of Human Rights, the Declaration of the International Labor Organization, the

Declaration of Rio environment and development, and the United Nations Convention against Corruption.

The Ten Global Compact Principles

The infographic lists the ten principles of the UN Global Compact, grouped into four categories:

- DROITS DE L'HOMME** (Human Rights):
 - 1 Promouvoir et respecter la protection du droit international relatif aux Droits de l'Homme
 - 2 Veiller à ne pas se rendre complices de violations des Droits de l'Homme
- NORMES INTERNATIONALES DU TRAVAIL** (International Labor Norms):
 - 3 Respecter la liberté d'association et reconnaître le droit de négociation collective
 - 4 Contribuer à l'élimination de toutes les formes de travail forcé ou obligatoire
 - 5 Contribuer à l'abolition effective du travail des enfants
 - 6 Contribuer à l'élimination de toute discrimination en matière d'emploi
- ENVIRONNEMENT** (Environment):
 - 7 Appliquer l'approche de précaution face aux problèmes touchant à l'environnement
 - 8 Prendre des initiatives tendant à promouvoir une plus grande responsabilité en matière d'environnement
 - 9 Favoriser la mise au point et la diffusion de technologies respectueuses de l'environnement
- LUTTE CONTRE LA CORRUPTION** (Anti-Corruption):
 - 10 Agir contre la corruption sous toutes ses formes, y compris l'extorsion de fonds et les pots-de-vin

² Excluded by the EU *Climate Transition Benchmark (CTB)* and *Paris Aligned Benchmark (PAB)*, cf. [Delegated Regulation \(EU\) 2020/1818](#) on minimum standards for these benchmarks

- The **Guiding Principles on Business and Human Rights**³

These principles implement the United Nations 'protect, respect and remedy' framework and describe in particular the responsibilities

incumbent on companies in the application of respect for human rights.

3.2. Breaches of OECD Principles

Zencap AM undertakes not to finance companies or organizations directly linked to proven or strongly suspected, serious and/or repeated breaches of the **OECD Guidelines**⁴.

These principles, aimed at multinational companies, are recommendations that

governments address to these companies in order to encourage reasonable conduct in the areas of industrial relations, human rights, the environment, taxation, the publication of information, the fight against corruption, science and technology, consumer interests and competition.

3.3. Infractions of ILO Principles

Zencap AM undertakes not to finance companies or organizations directly linked to proven or strongly suspected, breaches of .serious and/or repeated the law **five fundamental principles of Fundamental**

Principles and Rights at Work of the International Organization Labour(ILO), as well as the fundamental conventions derived from them.

The five fundamental principles and rights at work

1. Freedom of association and effective recognition of the right to collective bargaining
2. The elimination of all forms of forced or compulsory labor
3. The abolition effective of child labor
4. The elimination of discrimination respect of employment and occupation
5. A safe and healthy workplace

³ Exclusion aligned with the proposals of the European Platform on Sustainable Finance, cf. [Categorisation of Products under the SFDR: Proposal of the Platform on Sustainable Finance](#), .December 2024

⁴ Excluded by the EU [Climate Transition Benchmark \(CTB\)](#) and [Paris Aligned Benchmark \(PAB\)](#), cf. [Delegated Regulation \(EU\) 2020/1818](#) on minimum standards for these benchmarks

4. Thematic and sectoral exclusions and vigilances

This section describes all the sector exclusions and activities subject to enhanced vigilance. It should be noted that **any companies involved in the excluded activities described below, but which meet the exclusion**

thresholds, will be subject to increased vigilance by Zencap AM. The implications are described in sub-section [Principles of Vigilance and Vigilance Reinforced](#).

Focus on fossil fuels

Context

Given the urgency of climate change, Zencap AM intends to contribute to the objectives of Agreement the 2015 Paris Climate. As part of its [Climate Strategy](#), the Company is committed to excluding fossil fuels.

According to the International Energy Agency (IEA), in order to meet energy transition targets and keep global warming below 2°C by 2100, a third of oil reserves, half of gas reserves and over 80% of coal reserves will have to remain underground.

Zencap uses the definition of fossil fuels as defined in Article 2, point 62 Regulation of EU 2018/19⁵: non-renewable carbon-based energy sources such as solid fuels, natural or fossil gas, and oil.

Commitment to companies exposed to fossil fuels in their value chain

In addition to the exclusions described below concerning fossil fuels that apply to the activities direct of financed companies, Zencap AM is committed to paying particular attention exposure to these fuels in the value chains of financed companies.

In the event of material exposure, Zencap AM will enter into a dialogue with the company concerned with the aim of putting in place a transition plan compatible with its own climate strategy. This transition plan must be considered credible and include a timetable for reducing exposure to fossil fuels, or even for exiting the market.

⁵ European Parliament and Council of the EU (2018), [Regulation \(EU\) 2018/1999 of the European Parliament and of the Council](#), 11/12/2018

4.1. Thermal coal and lignite

• Exclusion policy

In view of the significant contribution made coal combustion to greenhouse gas (GHG) emissions⁶ and other pollutant, Zencap AM has decided to exclude the following from its scope

of consolidation thermal coal and lignite activities from its current and future financing, as described below:

#	Types of activity ⁷	Details of excluded activities ⁸	Exclusion		Exceptions
			≥ 2025	≥ 2030	
1	From prospecting to processing thermal coal and lignite	<ul style="list-style-type: none"> Prospecting (exploration and preparation of thermal coal/lignite mining sites) Ownership of active underground or opencast thermal coal/lignite mines Exploitation of thermal/lignite coal mines, extraction of thermal/lignite coal Production and processing (e.g. refining, treatment) of thermal/lignite coal 	Total exclusion (= at 1 st euro of sales)		No
2	Dedicated thermal coal and lignite infrastructures	Infrastructures dedicated to thermal coal/lignite at the following levels: <ul style="list-style-type: none"> Prospecting Mining and extraction Production and processing Storage Distribution, including infrastructure transport dedicated (e.g. rails) 	Total exclusion		No
3	Production energy (including electricity) based on thermal coal and brown coal	Thermal coal/lignite power plants (including electricity)	> 1% of sales or > 1% of the energy mix⁹ or > 0.5 GW installed capacity* in France	Total exclusion	Any company that undertakes, through a transformation plan, to meet these thresholds within two years*
4	New projects or development of thermal coal and lignite assets	All new projects related points 1), 2) and 3)	Total exclusion		No

⁶ Higher CO₂/kWh emission than other fossil fuels such as gas or fuel oil.

⁷ Excluded activities in line with (and also broader and more demanding than) Benchmark) requirements .Paris Aligned (PABunder [Delegated Regulation \(EU\) 2020/1818](#)

⁸ Nomenclature inspired by the following two main sources: AFG (2020), [Guide sur l'élaboration d'une stratégie charbon à destination des sociétés de gestion de portefeuille](#), March 2020; and Article 29 de la Loi Energie Climat - Annexe D. ⁹ Target recommended by the [Recommendations the Scientific and Expert Committee on Fossil Energies](#) Observatoire 's de la Finance Durable, published on 14/03/2023., and adopted by the Paris Aligned Benchmark (PAB) in accordance with [Delegated Regulation \(EU\) 2020/1818](#)

#	Types of activity	Details of excluded activities	Exclusion		Exceptions
			≥ 2025	≥ 2030	
5	Upstream value chain from extraction to processing	<ul style="list-style-type: none"> Thermal coal/lignite mining equipment Thermal coal/lignite production and processing equipment 	> 1% of sales	Total exclusion	Any company that undertakes, through a transformation plan, to meet these thresholds within two years*
6	Thermal coal and lignite distribution	<ul style="list-style-type: none"> Thermal coal/lignite transport, storage and logistics Thermal coal/lignite trading and sales 	> 1% of sales	Total exclusion	Any company that undertakes, through a transformation plan, to meet these thresholds within two years*

* In this case, the commitment is contractual and monitored; in the event of non-compliance, Zencap AM will immediately activate the most stringent measures of its associated procedure (see [Non-compliance with criteria exclusion during financing](#)).

● **Vigilance policy**

Perimeter	Vigilance policy (see 2.2.)
Any company carrying out activities described above that are subject to exclusion thresholds, but at a level below those thresholds	Increased vigilance
Any company not directly involved in the excluded activities described above but exposed to them through its value chain (e.g. suppliers or customers).	Vigilance

● **Exit strategy and transition plan**

In order to ensure compliance with the thresholds throughout the financing period, all financing of companies involved in the above-mentioned thermal coal activities is subject following conditions and lignite and meeting to

the thresholds of financing will be conditional on a **commitment by the company to maintain the activities concerned below the thresholds set, and by 2030 to cease (and not sell) these activities.**

Strategy for phasing out thermal and coal lignite

In 2030, Zencap AM will not finance any projects or companies involved in the thermal coal and lignite value chain, as described above. Zencap AM's policy of excluding thermal coal and lignite and itsvarious

criteria are in line with the International Energy Agency's "Net Zero Emissions by 2050" Energy scenario¹⁰ and comply with AFG's recommendations¹¹.

¹⁰ IEA (2023), [Net Zero Roadmap. A Global Pathway to Keep the 1.5 °C Goal in Reach](#), 2023 Update

¹¹ AFG (2020), [Guide sur l'élaboration d'une stratégie charbon à destination des sociétés de gestion de portefeuille](#), March 2020

Assessing the credibility of transition plans

Whether for thermal coal, lignite, oil or fossil gas, the assessment of the credibility of the transition announced by the borrower will be based on various elements such as:

- The player's climate strategy,
- Public commitments to align with a +1.5 or +2°C strategy,
- Announced interim emission reduction targets,
- A coherent to investment program support the diversification away from fossil fuel production strategy,
- The existence of a plan to reduce methane leakage.

4.2. Fossil oil and gas

• Exclusion policy

#	Types activities ¹²	Activities in detail excluded ¹³	Exclusion		Exceptions
			≥ 2025	≥ 2030	
1	From exploration to processing of fossil oil and gas	<ul style="list-style-type: none"> • Prospecting (exploration, drilling, exploration vehicles) • Ownership of operating sites • Drilling site operations, fossil oil and gas extraction • Production and processing (refining, liquefaction, fossil oil and gas) 	<ul style="list-style-type: none"> • > 10% of sales for oil and <u>conventional</u> gas • Total exclusion for <u>non-conventional</u> oil and gas (cf. definition) 	Total exclusion	<ul style="list-style-type: none"> • <u>Conventional</u> oil and gas: any company with a transformation plan committing it to meeting these thresholds within two years. • <u>Unconventional</u> oil and gas: no exceptions
2	Infrastructures dedicated to oil or fossil gas	Infrastructures dedicated to oil and fossil gas at the following levels: <ul style="list-style-type: none"> • Prospecting • Mining and extraction • Production and processing • Storage (e.g. terminals) • Distribution, including transport infrastructure dedicated (oil and gas pipelines) 	> 5% of sales	Total exclusion	Any company that undertakes, through a transformation plan, to meet these thresholds within two years.
3	Production energy (including electricity) based on oil or fossil gas	Oil- and gas-fired power plants (including electricity)	> 5% of sales or > 5% of the energy mix or > 1 GW of installed capacity; except for compliance with the EU Green for Taxonomy gas, cf. Exceptions	Total exclusion Except for compliance with the EU Green Taxonomy for gas, see 'Exceptions'.	Any company that undertakes, through a transformation plan, to comply with these thresholds within two years; or any fossil gas energy producer whose activities are aligned with the European Taxonomy or who would only use oil or fossil gas to power emergency generators.

¹² Excluded activities line with (and also broader and more demanding than) *Paris Aligned* Benchmark .(PABunder) requirements [Delegated Regulation \(EU\) 2020/1818](#)

¹³ Nomenclature inspired by the following two main sources: AFG (2021), [Guide sur l'élaboration d'une stratégie énergies fossiles à destination des sociétés de gestion de portefeuille](#), October 2021; and Article 29 de la Loi Energie Climat - Annexe D.

#	Types of activity	Details of excluded activities	Exclusion		Exceptions
			≥ 2025	≥ 2030	
4	New projects or development of assets related to oil or gas extraction and combustion fossil gas	New projects related to points 1), 2), 3) and 4)	Total exclusion Except for compliance with the Green Taxonomy EU for gas-fired power generation, see 'Exceptions' column.		Any energy production project whose activities are aligned with the European Taxonomy, or which would use fossil oil or gas only power emergency generators
5	Upstream value chain extraction / production of fossil oil or gas	<ul style="list-style-type: none"> Fossil oil and gas extraction equipment Crude oil and fossil gas production equipment 	> 10% of sales	Total exclusion	Any company that undertakes, through a transformation plan, to meet these thresholds within two years
6	Oil or fossil gas distribution	<ul style="list-style-type: none"> Fossil oil and gas transport, storage and logistics Oil and fossil gas trading and sales 	> 10% of sales	Total exclusion	Any company that undertakes, through a transformation plan, to meet these thresholds within two years

Scope of non-conventional oil and gas activities¹⁴

- Coal bed methane or coal bed gas
- Tight oil and gas
- Oil shale/shale oil
- Shale gas
- Oil from tar sands ("oil sand")
- Extra heavy oil¹⁵
- Ultra-deep offshore oil and gas¹⁶
- Fossil oil and gas in the Arctic resources¹⁷

• Vigilance policy

Perimeter	Vigilance policy (see 2.2.)
Any company carrying out activities described above that are subject to exclusion thresholds, but at a level below those thresholds	Increased vigilance
Any company not directly involved in the excluded activities described above but exposed to these via its value chain (e.g. suppliers or customers)	Vigilance

¹⁴ Observatoire de la Finance durable (2021), [Recommandations du Comité Scientifique et d'Expertise portant sur les hydrocarbures non conventionnels et les stratégies d'alignement](#), 22/09/2021

¹⁵ Defined by an API (American Petroleum Institute) degree less than or equal to 14°C.

¹⁶ Depths exceeding 1500 meters

¹⁷ With regard to the definition of Arctic, Zencap AM uses that of the Scientific and Expert Committee of the Observatoire de la Finance durable, which includes the Arctic Ocean, the Norwegian Sea, the SeaNorth Sea, Barents Sea, Kara Sea and the area defined by the Arctic Monitoring and Assessment Program (AMAP)

- **Exit strategy and transition plan**

In particular, in order to ensure compliance with the thresholds throughout the financing period, any financing of a company involved in the activities described above relating to fossil oil and gas and meeting the thresholds set at the date of

financing will be conditional on a **commitment by the company to maintain the activities concerned below the thresholds set, and to respect total exclusion by 2030.**

Fossil oil and gas exit strategy

In 2030, Zencap AM will not finance any project or company involved in the conventional or unconventional oil and gas value chain, unless it complies with the European Green Taxonomy for gas-fired

power generation, as described above. This target is in line with the International Energy Agency's "Net Zero Emissions by 2050"¹⁸ scenario and in line with AFG¹⁹'s recommendations.

Assessing the credibility of transition plans

The approach is identical for thermal coal and lignite (cf. 4.1.).

4.3. Other carbon electricity

With regard to electricity producers, other exclusion criteria are added to the thresholds

described above for the production of electricity from thermal coal, lignite, oil or fossil gas.

Type activity	Exclusion
Carbon-intensive electricity generation, i.e. with a carbon intensity exceeding 100g CO ₂ e/kWh ²⁰	> 50% of sales

¹⁸ IEA (2023), [Net Zero Roadmap, A Global Pathway to Keep the 1.5 °C Goal in Reach](#), 2023 Update

¹⁹ AFG (2021), [Guide sur l'élaboration d'une stratégie fossile à destination des sociétés de gestion de portefeuille](#), October 2021

²⁰ Exclusion and threshold used by the [Paris Aligned Benchmark \(PAB\) in accordance with Delegated \(EU\) 2020/1818 Regulation](#)

4.4. Deep sea mining

According to the IUCN²¹, deep sea mining refers to the exploitation of mineral resources located at depths of over 200 meters. These activities focus mainly on polymetallic nodules, hydrothermal sulphides and cobalt-rich crustaceans, coveted for their rare metals, such as copper, nickel and manganese. These resources, located in extreme marine

environments, are home to a biodiversity that is still largely unknown and particularly vulnerable.

Deep-sea mining is associated with major risks for these unique ecosystems: irreversible destruction of habitats, pollution of the oceans through the release of sediments and toxins, and disruption of ocean carbon sinks that are essential for climate regulation.

• Exclusion policy

In the absence of sound scientific and regulatory frameworks, Zencap AM considers these practices to be incompatible with its responsible

commitments. Zencap AM therefore undertakes to exclude the following activities from its investments:

#	Type activity	Details of excluded activities	Exclusion
1	From exploration to processing of deep-sea mining resources	<ul style="list-style-type: none"> Prospecting (exploration and preparation of deep-water mining sites) Deepwater and mining extraction of deepwater mineral resources Production and processing of deep-sea mining resources 	Total exclusion
2	Infrastructure dedicated to exploitation of deep-sea mining resources	Infrastructures dedicated to exploitation deep-sea mining resources: <ul style="list-style-type: none"> Prospecting Mining and extraction Production and processing Dedicated transport infrastructure 	Total exclusion

• Vigilance policy

Perimeter	Vigilance policy (see 2.2.)
Any company not directly involved in the excluded activities described above but exposed to them <i>through</i> its value chain (e.g. suppliers or customers).	Vigilance

²¹ IUCN (2022), *Issues Brief*, May 2022

4.5. Palm oil

The production and distribution of palm oil are considered to be controversial activities because of the massive deforestation caused by its

cultivation, and the consequences of this deforestation on the fauna, flora, activities and lifestyles of the indigenous populations.

• Exclusion policy

To help combat deforestation, Zencap AM applies exclusion filters to companies considered to be:

- Producers who cultivate plantations and harvest the fruit used to make palm oil products, and

- Distributors (wholesalers) distributing palm oil-based products (i.e. crude, refined, bleached, deodorized palm oil).

The exclusion thresholds applicable to palm oil producers and distributors are as follows:

Type activity	Exclusion (thresholdscumulative)
Production, trading or sale of palm oil	> 5% of sales
Of which RSPO-certified palm oil	At least 80% of sales palm produced/distributed
Which RSPO-certified palm oil at the most demanding levels (<i>Segregated or Identity Preserved</i>)	And at least 50% of sales palm produced/distributed

• Vigilance policy

Perimeter	Vigilance policy (see 2.2.)
Production, trading and sale palm oil in compliance with the above thresholds	Increased vigilance
Any company not directly concerned by the activities exclusionary described above but exposed to them <i>via</i> its value chain (e.g. suppliers or customers).	Vigilance

4.6. Pesticides and chemicals

The term pesticide²² refers to active substances or preparations used for the prevention, control or elimination of undesirable organisms, whether plants, animals (insects, mites, molluscs, etc.), fungi or bacteria. Pesticides mainly cover:

1. **Visit products phytopharmaceuticals:** intended for plant protection,
2. **Biocidal products:** used to eliminate harmful organisms (insects, rodents) or for wood production.

Pesticides are used only in agriculture (e.g. road maintenance, public gardens, etc.).

They include several hundred heterogeneous substances. While there are substances of natural origin for the same uses, based on minerals, plants, minerals or micro-organisms, the scope here includes only chemical or pesticides, synthetic i.e. made up of new molecules, or produced using chemical processes.

- **Exclusion policy**

In order to limit the negative impacts inherent in the use of pesticides, Zencap AM is committed to

Their use generates significant impacts on the environment and human health²³.

They are contributing to the collapse of biodiversity, by accelerating the death of pollinators such as bees and the insects on which most crops depend, as well as birds and rodents. Neonicotinoids are particularly toxic to bees.

Natural environments (water, air, soil) are also affected and polluted, with consequences for the quality of drinking water in particular.

In terms of health, pesticides pose risks for farmers (when handling or spraying these products, for example), people living near treated fields (when spraying, for example) and consumers (through the consumption of contaminated water or food containing residues of these products, for example), due to their known or suspected effects on health, in particular the development of cancers, the effects of endocrine disruptors and, in the case of direct exposure, the development of neurological or reproductive disorders.

excluding the following activities from its investments:

#	Type activity	Exclusion
1	Production of neonicotinoids and/or organochlorine compounds	Total exclusion
2	Production (other than neonicotinoids and/or organochlorine compounds, see above), trade or sale of synthetic pesticides	> 10% of sales

²² Definition taken from the French Ministry of Health website and of Access to Care (2024), <https://sante.gouv.fr/sante-et-environnement/risques-microbiologiques-physiques-et-chimiques/pesticides/>, 15/11/2024

²³ According to various sources: French Ministry of Health and Access to Care (2024), [definition of](#)

[pesticides](#), website consulted on 15/11/2024; Institut National du Cancer (2024), [Pesticides](#), website consulted on 15/11/2024; Actu-Environnement (2024), [Les pesticides rivalisent avec le tabagisme comme facteur de risque de cancer](#), article dated 21/08/2024; Le Monde (2024), [Les aliments bio sont-ils meilleurs pour la santé ? Ce que la science dit vraiment](#), article dated 04/11/2024

- **Vigilance policy**

Perimeter	Vigilance policy (see 2.2.)
Any company engaged in the production, trading or sale of synthetic pesticides at a level below the threshold described above.	Increased vigilance
Any company not directly involved in the excluded activities described above but exposed to them <i>through</i> its value chain (e.g. suppliers or customers).	Vigilance
Beyond the activities described above, any company significantly involved in the production, distribution or use of chemicals	Vigilance

4.7. Controversial fishing practices

Among the controversial fishing practices, we can distinguish the **destructive fishing practices**, such as cyanide or explosive fishing and **bottom fishing methods** including in deep waters. The former massively destroy marine habitats by disrupting ecosystems irreversibly and directly threaten the survival of many species. The latter are regularly called into question because of their high ecological footprint. In particular

industrial bottom fishing has a high carbon footprint and a heavy impact on biodiversity²⁴. The bottom gear used, such as bottom trawls and seines or dredges²⁵ scrape the ocean floor, destroying benthic habitats essential to marine life, such as coral reefs and seagrass beds. Also, bottom trawling generates a lot of by-catch (catch of non-target species). These techniques are most often used on an industrial scale²⁶.

- Exclusion policy**

With the aim of protecting the oceans and marine ecosystems, Zencap AM is committed to

excluding the following activities from its investments:

#	Type activity	Exclusion
1	Activities using the most destructive such as explosives (e.g. dynamite) or poisoning (e.g. fishing techniques, cyanide).	Total exclusion
2	Production or sale of destructive fishing gear (explosives or poison)	Total exclusion
3	Fishing activities using techniques with a high negative impact on the seabed (mainly bottom otter and beam trawls, dredges and seines). demersal)	> 10% of sales
#	Type activity	Exclusion
4	Production or sale of fishing gear or accessories with a highly negative impact on the seabed (mainly beam trawls and otter trawls, dredges and demersal seines)	> 10% of sales

- Vigilance policy**

Perimeter	Vigilance policy (see 2.2.)
Any company carrying out activities described above that are subject to exclusion thresholds, but at a level below those thresholds	Increased vigilance
Any company not directly involved in the excluded activities described above but exposed to them <i>through</i> its value chain (e.g. suppliers or customers).	Vigilance

²⁴ Novethic (2024), [Bottom trawling: all you need to know about this fishing method that threatens the oceans and the climate in one infographic](#), 02/02/2024

²⁵ Ifremer (2023), <https://www.ifremer.fr/fr/actualites/comment-la-science->

[does it assess the impact of fishing on the seabed](#), 09/02/2023

²⁶ Bloom (2024), [Fishing , A methodsguidepractical](#)

4.8. GMO

GMOs (genetically modified organisms) are organisms (animals, plants or bacteria) modified in the laboratory by genetic engineering techniques to acquire new properties, such as improved disease resistance or increased productivity²⁷. Their use extends from agriculture to industry and medicine.

GMOs are controversial for several reasons. Firstly, they carry risks in terms of their impact on the environment: uncontrolled release into the wild, development of new pesticide resistance in insects and weeds, harm to non-target insects, and water and soil pollution. The

effects on human health are also a concern, given the unforeseen consequences due to the random nature of genetic manipulation. Ethical questions also remain regarding human intervention in nature, the patentability of living organisms, the transmission of these modifications to future generations and uncertainties about the long-term effects on individuals and biodiversity. Finally, there is also a socio-economic risk due to the 'legal sterility' of agricultural plants as a result of patenting, which leads to an impoverishment of crop diversity, and dependence on a few multinationals.

- **Exclusion policy**

At this stage, Zencap AM does not systematically exclude GMOs, given the framework of the subject by European regulations²⁸ and the ongoing research in this

area. Also, with regard to agribusiness, the influence of GMOs makes it difficult to exclude them from their value chain.

- **Vigilance policy**

Perimeter	Vigilance policy (see 2.2.)
Any company conducting activities directly related to GMOs through their production, sale or use (in particular agricultural companies, where applicable)	Increased vigilance
Any company whose activities are not directly related to GMOs but which is exposed to them <i>through</i> its value chain (e.g. suppliers or customers).	Vigilance

²⁷ French Ministry of Ecology (2024), [Genetically modified organisms \(GMOs\)](#), 12/06/2024

²⁸ Directive 2001/18/EC on the deliberate release into the of environmentGMOs; Regulation

(EC) n°1829/2003 on genetically modified food and feed; Regulation (EC) n°1830/2003 on the traceability and labeling of GMOs.

4.9. Controversial weapons

• Exclusion policy

Zencap AM is committed to respecting the Ottawa and Oslo international conventions and therefore does not finance activities related to the following controversial weapons:

- **Anti-personnel mines (MAP)**
- **Cluster munitions (cluster bombs)**

Accordingly, Zencap AM will not finance activities related to controversial weapons as defined by indicator 14 in table 1 of appendix 1 of European Delegated Regulation 2022/1288. In addition to the MAP and BASM mentioned above, the following weapons are excluded:

- **Chemical weapons**
- **Biological weapons**

In addition to the types of weapons listed in the regulations, Zencap AM is also committed to

not to finance companies that derive income from the following weapons, which are also often considered controversial:

- **Non-detectable fragment weapons**
- **Nuclear weapons**
- **Depleted uranium weapons**
- **Blinding laser weapons**
- **Incendiary weapons**
- **White phosphorus weapons**

For all the weapons mentioned in the above paragraphs, Zencap AM excludes any company deriving revenues, at 1st euro of activity, from the manufacture, trade, distribution or storage of these so-called controversial , as well as from the provision of related services or technical support.

#	Type activity ²⁹	Exclusion
1	Production or distribution (trading, sales, transport, storage, logistics) of controversial weapons (see list above)	Total exclusion
2	Service and technical for these controversial weapons support	Total exclusion

²⁹ Weapons and excluded activities in line with (and broader than) *Paris Aligned Benchmark* requirements (PAB) and *Climate Transition Benchmark* (CTB) under [Delegated Regulation \(EU\) 2020/1818](#)

4.10. Tobacco

According to the World Health Organization (WHO), tobacco consumption is the leading cause of preventable death worldwide.,

claiming eight million lives every year³⁰. Tobacco is a major risk factor for cardiovascular and respiratory diseases, and cancers.

- Exclusion policy**

Given the cost of tobacco to society (human cost, health cost), Zencap AM is committed to

excluding the following activities from its investments:

#	Type activity ³¹	Exclusion
1	Tobacco and tobacco filter production	Total exclusion
2	Production of alternative smoking products e.g. electronic cigarettes, vaporizers)	Total exclusion
3	Smokehouses (tobacco and other smoking products)	Total exclusion
4	Tobacco sales and trading	> 10% of sales
5	Trading or selling smoking alternatives	> 10% of sales

- Vigilance policy**

Perimeter	Vigilance policy (see 2.2.)
Any company carrying out activities described above that are subject to exclusion thresholds, but at a level below those thresholds	Increased vigilance
Any company not directly involved in the excluded activities described above but exposed to them <i>through</i> its value chain (e.g. suppliers or customers).	Vigilance

³⁰ WHO (2023), [Fact sheet Tobacco](#), 13/01/2025

³¹ Excluded tobacco-related activities comply with (and are broader) thanthe requirements of the *Paris Aligned Benchmark (PAB)* and *Climate Transition Benchmark (CTB)* in accordance with [.Delegated Regulation \(EU\) 2020/1818](#)

4.11. Recreational cannabis

The hemp plant (*Cannabis sativa*), otherwise known as cannabis, contains around a hundred physiologically active chemical substances known as cannabinoids. The best-known is delta-9-tetrahydrocannabinol (THC), which has psychoactive effects, a risk of dependence and harmful health effects (e.g. psychological disorders). THC is therefore considered a narcotic in most countries, as are other cannabinoids (HHC, H4-CBD, THCP, etc.). On the other hand, cannabidiol (CBD), another

cannabis compound, is not considered harmful in its pure state because it is not addictive^{32,33}. Although the medical use of cannabis may have proven benefits, recreational cannabis, particularly that containing THC, raises significant public health issues, especially among the youngest and most vulnerable populations. The cannabis sector is also associated with social and legal issues, with increased risks of crime, money laundering and black market activity in some regions.

- **Exclusion policy**

In view of these factors, Zencap AM undertakes to exclude the following activities from its investments:

#	Type activity	Exclusion
1	Production, trading or sale of recreational cannabis (including THC)	Total exclusion
2	Production, trading or sale of recreational cannabis (including THC)	Total exclusion

- **Vigilance policy**

Perimeter	Vigilance policy (see 2.2.)
Any company not directly involved in the excluded activities described above but exposed to them <i>through</i> its value chain (e.g. suppliers or customers).	Vigilance

³² WHO (20217), [Cannabidiol \(compoundcannabis\)](#), 19/12/2017

³³ MILDECA (Mission interministérielle française de lutte contre les drogues et les conduites addictives) (2024), [Le CBD](#), <https://www.drogues.gouv.fr/le-cbd>, 04/06/2024

4.12. Pornography

The industry pornographic is associated significant risks of human rights abuses and exploitation of individuals. Furthermore, pornographic content in the media, especially

digital, are not sufficiently controlled to protect the youngest from exposure that is harmful to their development and mental health.

- **Exclusion policy**

Because of its significant social and ethical impacts, Zencap AM is committed to excluding the following activities from its investments:

Type activity	Exclusion
Production, promotion and advertising of pornographic content	Total exclusion

- **Vigilance policy**

Perimeter	Vigilance policy (see 2.2.)
Any company not directly involved in the excluded activities described above but exposed to them <i>through</i> its value chain (e.g. suppliers or customers).	Vigilance

4.13. Gambling

Gambling has a significant and often negative social impact, with a high collective cost linked to the addiction it can engender. According to the WHO (2024), 2% of the world's adult population suffer from a gambling disorder³⁴. These practices are associated with the risk of excessive debt, psychological problems, impoverishment, crime (theft, cheque forgery,

etc.), isolation, and family or work problems³⁵. These risks are heightened for vulnerable populations (young people, people on low incomes). What's more, this sector is particularly exposed to money-laundering risks, reinforcing its incompatibility with our ethical and responsible commitments.

- Exclusion policy**

Given the negative impact of gambling on society, Zencap AM is committed to excluding the following activities from its investments:

Type activity	Exclusion
Sale of gambling including online games, sports betting and casino activities	> 10% of sales
In particular: hotel groups or real estate companies whose revenues or rents are derived casino activities	> 20% of sales

- Vigilance policy**

Perimeter	Vigilance policy (see 2.2.)
Any company carrying out activities described above that are subject to exclusion thresholds, but at a level below those thresholds	Increased vigilance
Any company not directly involved in the excluded activities described above but exposed to them <i>through</i> its value chain (e.g. suppliers or customers).	Vigilance

³⁴ WHO (2024), [Gambling](#), 02/12/2024

³⁵ MILDECA (mission French interministerial to combat contre les drogues et les conduites addictives) (2025), [Gambling](#), 04/06/2024

5. Macro sectors on the watch

In addition to the previously drawn up list of exclusion and vigilance themes and sectors, Zencap AM will also pay particular attention to the major sectors with particularly high environmental materiality, whether in terms of climate or biodiversity.

These sectors have been identified in line with Zencap 's financing universe, either because of their strong environmental (greenhouse gas emissions, impact on biodiversity) at global level (agribusiness, chemicals, construction and cement, energy and electricity, mining and metals, transport and textiles)³⁶, or because of their strong growth (digital and telecoms).

These sectors will be under vigilance, as described in [paragraph 2.2.](#) of this Policy, the

companies operating in these areas will be subject to an enhanced ESG due diligence process prior to investment, to ensure that they are addressing the sectoral challenges of the ecological transition as expected, as well , on a basis case-by-case during financing, specific and/or a commitment and dialogue approach.

A company operating in one of the sectors listed below also sees its level of climate materiality automatically classified as 'high', with consequences for investment decisions and financing (see [Zencap 's Climate Strategy 2024 - 2030AM](#)).

In addition, a specific ESG process has been put in place for Zencap AM's property finance business line.

Scope summary	Vigilance policy (see 2.2.)
<p>Any company operating in the following macro-sectors: agro-industry, chemicals, construction and cement, energy and electricity, mining and metals, digital and telecoms, textiles, and transport.</p>	<p>Vigilance</p>

³⁶ Our World In Data (2020), [Emissions by sector](#)

5.1. Agro-industry

The agrifood sector (or agro-industry) includes activities directly related to agriculture, agricultural production, companies supplying goods and services for production (fertilizers, pesticides, etc.) and all activities involved in processing agricultural products. According to the IPCC, agro-industry is responsible for around a quarter³⁷ of annual GHG emissions, and the sector is particularly dependent on fossil fuels, notably for the manufacture of fertilizers and the operation of agricultural machinery. However, there are significant disparities in the environmental impact of the

various activities in this sector, with cattle farming and the associated value chain having the most significant impact.

In addition, the risks associated with temperature and precipitation trends, as well as extreme events (heat waves, floods, etc.), make agribusiness one of the sectors most vulnerable to the physical impacts caused by climate change. Finally, the sector's impacts, particularly those of intensive industrial agriculture, on biodiversity erosion, water pollution and human health, are putting it under increasing pressure from regulators and consumers alike.

5.2. Chemistry

The sector is divided into two main categories:

- Basic chemicals include petrochemicals, inorganic chemicals, plastics, synthetic fibres and many other products, generally derived from the processing of fossil fuels. Basic chemicals are often raw materials intended for processing.
- Specialty chemicals are more sophisticated compounds with specific properties and uses. They include paints and coatings, sealants, additives, adhesives, etc.

The impacts of the sector are related to the polluting and toxic characteristics of many chemical products, raw materials, by-products or effluents, and the often non-recyclable nature of finished products. The main issues are related to the different national regulations, and also to the growing pressure from consumers and distributors regarding the use of chemical products that are controversial due to their impact on the environment and human health. Furthermore, the dependence of certain chemical processes and products on fossil fuels, as a raw material (plastics, synthetic fibres, for example) or as a reagent and fuel (production of ammonia, for example), in a context of increased competition for resources, is an additional factor that requires vigilance.

5.3. Construction and cement

The construction sector encompasses all trades related to buildings and public works (roads, bridges, etc.), including construction and/or renovation and/or maintenance work. The building sector (construction and use) is responsible sector nearly a quarter of France's GHG emissions³⁸, and is the second largest

emitter of GHGs mainly due to the manufacture and transport of materials, fuel consumption on construction sites and the limited recycling of certain components, as well as energy consumption during use.

³⁷ IPCC (2023), [CLIMATE CHANGE 2023, Synthesis Report, Summary for Policymakers](#)

³⁸ Ministry of Ecological Transition (2022), [Construction and environmental performance of buildings](#), 14/10/2022

The production of cement alone, a key ingredient in concrete, generates 7% of global GHG emissions³⁹. The manufacture of cement is mainly based on clinker, which is the result of burning limestone and clay, which releases carbon dioxide. This significant chemical reaction accounts for 70% of cement-related emissions. Thus, the impact on the environment is particularly significant during the building construction phase. Most of a building's GHG

emissions and resource consumption are related to this stage, which is also the main cause of soil sealing. The building sector is also the largest consumer of energy in France, mainly due to heating, air conditioning and lighting. Despite efforts to save energy, consumption in the sector has increased by 20% in 30 years⁴⁰. A key priority for reducing this consumption is to undertake a complete renovation of buildings, whether they are used for residential or commercial purposes.

5.4. Energy-electricity

Fossil fuels still dominate the world's primary energy mix (81% in 2022)⁴¹. In particular, the energy-electricity sector encompasses all activities involving the ownership and operation of facilities producing electricity from a variety of sources, including fossil fuels (coal, fossil gas, oil), nuclear power, hydroelectricity, solar power and wind power. Electricity generation is responsible for 42% of global GHG emissions (2020)⁴², 95% of which come from fossil fuels, while the share of fossil fuels in the electricity mix global is set to reach 40% by 2022⁴³. One of the sector's major challenges is to make the transition to less carbon-intensive electricity production, against a backdrop of growing demand, particularly as the electrification of uses is a key axis of the ecological transition.

Consequently, the production of carbon-free electricity is subject to dedicated restrictive policies and regulations, as well as massive investment plans.

The combustion of fossil fuels also generates other atmospheric emissions, including sulphur oxides (SO_x), nitrogen oxides (NO_x), particulate matter and volatile organic compounds (VOCs), which are increasingly regulated, particularly for their impact on human health. In addition, the risks associated with conflicts of interest in water management are significant for most forms of thermoelectric power generation, especially in a context of increasing frequency and intensity of droughts. Finally, it should be noted that electrical infrastructure is particularly vulnerable to the proliferation and intensification of climatic hazards caused by climate change.

³⁹ Global Cement and Concrete Association (2021), [Global cement and concrete industry announces roadmap to achieve groundbreaking 'net zero' CO2 emissions by 2050](#), 12/10/2021

⁴⁰ Ademe (2022), [Bâtiments](#), website consulted on 10/10/2024

⁴¹ IEA (Agency) International Energy [Greenhouse Gas Emissions from Energy Data Explorer](#), 02/08/2024

⁴² French Ministry of Ecological Transition (2022), [Chiffres clés du climat - France, Europe et Monde](#), 12/12/2022

⁴³ IEA, [Unabated fossil fuels in electricity generation](#), September 2023

5.5. Mining and metals

This sector corresponds to mining and the processing of mining products (metals, non-metallic minerals). It is an energy-intensive industry with high GHG emissions, mainly due to the consumption of fossil fuels required for the operation of the equipment. Mining accounts for 4 to 7%⁴⁴ of annual GHG emissions worldwide. The efforts of those involved to reduce them are limited by their poor control of GHG emissions associated with upstream and downstream flows.

In addition, mines are responsible for 7% of

global deforestation, which has a dual impact on the climate: on the one hand, deforestation emits GHGs through carbon release, and on the other hand, natural carbon sinks are gradually disappearing. Finally, the processing of metals and minerals often requires chemicals that generate significant polluting emissions in soil and water, as well as residual waste.

It should be noted that the sector also has a crucial role to play in the energy transition in order to provide the various critical metals needed for electrification.

5.6. Digital and telecoms

The digital sector corresponds to the entire ICT (Information and Communication Technology) value chain, which includes activities as varied as the production of equipment, the production of telecommunications infrastructure and data storage (data centres).

In 2019, digital technology worldwide accounted for 5.5% of electricity consumption, 4.2% of primary energy consumption and almost 3.8% of GHG emissions⁴⁵. And the energy and carbon footprint of digital technology is growing rapidly, by around 6% a year⁴⁶, and given new uses (e.g. development of artificial intelligence, cryptocurrencies), it could have already tripled between 2010 and 2025⁴⁷. If we consider data centres alone, their electricity consumption could increase in the United States by more than 10% per year between 2014 and 2030

and, in France, could increase three and a half fold between 2020 and 2050⁴⁸.

Digital equipment requires a lot of natural resources. The sector depends on many critical materials, key inputs for finished products, such as cobalt, copper and nickel⁴⁹ but also on more specific raw materials such as indium, gallium, tantalum, neodymium and germanium, which are essential for digital technology⁵⁰. Many of these inputs have few or no available substitutes and often come from deposits concentrated in a few countries, many of which are subject to geopolitical uncertainties.

The sector's freshwater needs are also an issue (used in the manufacture of digital equipment and in the cooling of data centres) given the pressures on this vital resource.

⁴⁴ McKinsey Sustainability (2020), [Climate risk and decarbonization: What every mining CEO needs to know](#), 28/01/2020

⁴⁵ Green IT (2019), [Global Digital](#), [Footprint](#) September 2019

⁴⁶ The Shift Project (2021), [Impact environnemental du numérique](#), March 2021

⁴⁷ Green IT (2019), [Global Digital](#), [Footprint](#) September 2019

⁴⁸ The Shift Project (2023), [Planning the decarbonization of the digital system in France](#), May 2023

⁴⁹ IEA (2022), [The Role of Critical World Energy Outlook Special Report Minerals in Clean Energy Transitions](#), World Energy Outlook Special Report, Revised version, March 2022

⁵⁰ Carbone 4 (2023), [Les matières de l'immatériel](#), 14/06/2023

5.7. Textile

The fashion industry - and in particular the "fast fashion" industry - has a major impact on climate change and contributes to socio-economic inequalities on a global scale. Among the environmental challenges facing the sector are the production of raw materials, their transformation, transportation, clothing waste and waste generation. Every year, 100 billion garments are sold worldwide, generating almost 4 billion tonnes CO₂ equivalent, or of global GHG emissions⁵¹. What's more, the textile industry is one of the biggest consumers of water, used at various stages of production, making it the third largest consumer of drinking water after wheat and rice cultivation.

When it comes to the raw materials used to manufacture clothing, the situation is equally worrying. There are three types of raw materials:

- Plant materials, such as cotton, have a very high environmental impact due to the excessive use of fertilizers, pesticides and water in their production;
- Synthetic materials such as polyester, acrylic and elastane are the main contributors to the presence of microplastics in the oceans, responsible for 35% of discharges⁵²;
- Materials of animal origin such as wool, fur, leather and silk, are often associated with animal abuse and intensive farming practices.

The fashion industry, which employs nearly 75 million people worldwide, most of them in Asia, is also the source of a great deal of social damage: precarious wages, miserable working conditions, including safety conditions, lack of freedom of association, forced labor, including child labor.

5.8. Transport

The transportation sector encompasses all passenger and freight transport activities by road, rail, sea and air. The sector is responsible for 25%⁵³ of the world's GHG emissions. energy-related GHG and air pollution are therefore major challenges for the transport sector. They will lead to a tightening of regulations in the sector, and therefore to new risks and constraints. These new regulations include, for example:

- The ban on the sale of combustion-engine vehicles from 2035 in the European Union,

- The successive European 'Euro' standards, which impose a reduction in nitrogen oxide, particulate and hydrocarbon emissions for private vehicles,
- Offsetting of GHG emissions from domestic flights for aviation,
- Reduction in the sulphur content of marine fuels for shipping.

Finally, changes in consumer preferences and developments in energy prices are further increasing the pressure towards a more sustainable transition for manufacturers.

⁵¹ Ademe (2018), [La mode sens dessus-dessous](#), web page consulted on 30/05/2023

⁵² International Union for Conservation of Nature (2017), [Primary Microplastics in the Oceans](#)

⁵³ Ministry of Ecological Transition (2022), [Key climate - France, Europe and the World, figures](#) 12/12/2022

6. Focus on transition technologies

‘Transition technologies’ include all solutions that can play a role in mitigating climate change. They aim to decarbonise the activities of sectors that currently have high GHG emissions (transport, agri-food, etc.). The identified ‘transition’ technologies are hydrogen, biofuels and synthetic fuels, as

well as carbon capture, sequestration and use technologies. In order to play a significant role in mitigating climate change, they need to be deployed on a very large scale. However, this requires overcoming significant constraints (technical, economic, financial and human⁵⁴) and also implies negative consequences, intrinsic to these technologies.

• Hydrogen

Hydrogen is an energy carrier that can contribute to the decarbonization of high-GHG-emitting activities, notably as a substitute for fossil fuels avoiding the intermittence problem of renewable energies (alternative fuel in heavy transport, reagent in chemical manufacturing and the steel industry, etc.). Today, the vast majority of hydrogen production comes from the steam reforming of fossil gas (94% of production in France in 2018, i.e. 3% of national GHG emissions⁵⁵), which emits

emissions. On the other hand, hydrogen can be a sustainable source of energy, provided it is produced by electrolysis of water using low-carbon electricity. Finally, the use of hydrogen raises the question of the conflict of use of low-carbon electricity, which is necessary to decarbonize other economic activities.

It should also be noted that the infrastructures needed to store, transport and distribute hydrogen present technical challenges due to the size of hydrogen atoms.

• Biofuels and bio-based products

Biofuels cover all liquid, solid and gaseous fuels produced from biomass and intended for use in transport and heating⁵⁶. The use large-scale of biofuels as a substitute fossil fuels for mobility raises questions about the organic inputs used in their production. Indeed, biofuel production requires the use or even extension of dedicated agricultural crops. Conflicts over land use may thus arise between crops for biofuels, crops for

food and the production of biomaterials for other economic activities, in a context of biodiversity erosion where more extensive practices must be developed. Furthermore, the need to expand agricultural land can contribute to deforestation. Finally, the production of synthetic fuels faces the same limitations as the production of sustainable hydrogen: the use of low-carbon energy and conflicts of use of this energy in decarbonisation.

⁵⁴ Henri Waisman (2021), [What transitions for climate change mitigation? Global transformations, societal challenges and lessons for decision-making](#), 12/01/2021

⁵⁵ Ministère de la Transition écologique (2018), [Hydrogen deployment for the transition plan energy](#), 01/06/2018

⁵⁶Ministry of Ecological Transition (2023), [Biofuels](#), 18/07/2023

• CCUS

Carbon capture, utilisation and storage (CCUS) refers to a set of technologies that can play different roles in achieving global energy and climate goals. CCUS involves the capture of CO₂ from large production sources, such as power plants or industrial facilities that use fossil fuels or biomass as fuel. The CO₂ can also be captured directly from the atmosphere (using the *Direct Air Capture* or DAC technique). The CO₂ can then be used as an input in various industries or compressed, transported and injected into deep geological formations where it is 'trapped' for permanent storage.

• Conclusion

Consequently, in view of these challenges, the massive use of these technologies and their financing will require prior validation of the overall

The main challenges inherent to the CCUS are as follows:

- Reducing the costs of capture,
- Demonstrating (i) the capacity for mass storage, (ii) the control of CO₂ containment, (iii) the safety of long-term storage in geological storage structures, and (iv) a balance of GHG emissions from the entire value chain of capture and storage activity that is strictly lower than the stored emissions,
- The demonstration of processes for the recovery of significant quantities of CO₂ at a reasonable cost.

consistency and credibility of the decarbonisation plans of the sectors concerned by these technologies.

7. Attention to just-in-time transition

In keeping with the values advocated by Zencap AM, the thresholds and transition plans described above are intended to be applied in such a way as to integrate the concept of "just transition"^{57,58} which aims to :

- Ensure that the transition to sustainable economic models is equitable and minimise its potentially negative social impacts, particularly with regard to the most vulnerable groups,
- Maximize the positive aspects of such a transition.

Zencap AM will therefore ensure that the funded companies that are committed to such a transition plan integrate the social dimension into their strategy towards a target of +1.5°C or +2°C. This may translate, for example, into the development of targets for workforce requalification, access to training and the development of new skills, minimum wages, social benefits or support, and measurement of the impact on local communities.

⁵⁷ ILO (2016), [Guidelines for a just transition towards environmentally sustainable economies and societies for all](#), 02/02/2016

⁵⁸ Novethic (2024), [What is the Principle Just Transition](#), web consulted page on 18/12/2024

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