



Zencap
Asset Management

A BRAND



Ofi invest



ZENCAP AM EXCLUSION POLICY

March 2021

Our exclusion policy

Zencap AM's exclusion policy applies to all private debt management. Some funds may also be subject to other specific exclusions in addition to these.

These exclusions are in addition to the prohibition on investing in countries on the FATF and ETNC lists, in accordance with our AML/CFT procedure.

Our thematic or sectoral exclusions

Our exclusion policies are accompanied by an approach based on dialogue and commitment in order to encourage stakeholders to improve their practices.

EXCLUSIONS IN THE FRAMEWORK OF ZENCAP AM CLIMATE POLICY

Given the urgency of climate change issues, Zencap AM intends to contribute to the objectives of the Paris Climate Agreement (2015) and is therefore committed to excluding fossil fuels. According to the IEA (International Energy Agency), in order to meet the objectives of the energy transition and to keep global warming below 2°C by 2100, one third of oil reserves, half of gas reserves and more than 80% of coal reserves will have to remain underground.

● Thermal coal

Given the significant contribution of coal combustion to greenhouse gas emissions¹ and other pollutants, Zencap AM has decided to exclude from all of its current and future financings, regardless of geographic region, companies or projects whose activities² are related to thermal coal³, as described below:

- **Any holder of thermal coal mines regardless of size or share of assets.**
- **Any new project or asset development related to thermal coal:** this excludes projects or assets involving the development of new thermal coal mining or transformation capacity, coal-based energy production or dedicated infrastructure related to these projects (e.g. coal-fired power plants, coal-fired heating networks, dedicated transport infrastructure), regardless of the size of the project.
- **Any company with existing coal-fired power plants with installed capacity in excess of 2 GW, or any power company whose thermal coal-based generation (or otherwise installed capacity) exceeds 10% of the total annual generation mix,** unless the company expressly commits to a transformation plan involving compliance with these thresholds within two years and the cessation (not divestment) of all coal-based generation within five years of the grant.
- **Any borrower with more than 10% of annual revenues or activity directly related to thermal coal** (mining services, processing, construction of dedicated infrastructure, etc.), unless the borrower commits to meet this threshold within two years and to fully exit these activities within five years.
- **Including the exclusion of any company on the Global Coal Exit List (GCEL)**⁴ established by the NGO Urgewald, whose criteria are less restrictive than those listed above, unless the company commits to meeting our thresholds within two years and to fully exiting these activities within five years.

¹ CO₂/kWh emission factor higher than other fossil fuels such as gas or fuel oil.

² The funded companies' own activities and not those of their customers, suppliers or other stakeholders.

³ This is to be distinguished from metallurgical coal used in the production of steel, for which there is no real alternative today.

⁴ Global Coal Exit List (GCEL) of the NGO Urgewald: <https://www.urgewald.org/en/coal-exit-list>

These thresholds⁵ allow for a pragmatic approach while the energy transition is underway. **In 2030, when the energy transition is more advanced, these thresholds will be reduced to 0**, meaning that Zencap AM will not provide any financing related to thermal coal.

- **Conventional oil**

Zencap AM excludes from its financing companies that generate **more than 10% of their revenues** from activities directly related to oil extraction, unless the borrower commits to meeting this threshold within two years or to exit oil within five years. This threshold will be reduced to zero in 2030.

- **Unconventional oils (shale oil and gas, oil sands) and wells in the Arctic or in deep waters**

Zencap AM excludes financing companies whose activity is directly linked to the extraction of shale oil or shale gas, the extraction or exploitation of oil sands or the exploration, extraction or exploitation of oils from drilling in the Arctic or in deep waters.

OTHER EXCLUSIONS

These exclusions are more about beliefs.

- **Controversial weapons**

Zencap AM, like all French asset management companies, is committed to respecting the Ottawa and Oslo international conventions on the prohibition of anti-personnel mines (APMs) and cluster bombs (cluster bombs) and therefore not to finance any activity related to these weapons. More broadly, Zencap AM will not finance activities that involve the manufacture, trade, distribution or stockpiling of the following so-called controversial weapons: MAP/BASM and their key components as well as chemical and biological weapons, and white phosphorus. Zencap AM respects the [detailed position of the OFI Group](#) on this subject. Zencap AM also excludes any financing of companies directly involved in the manufacture, sales or distribution of nuclear weapons or depleted uranium weapons.

- **Tobacco**

Given the cost of tobacco to society (human cost, health cost), Zencap AM excludes from its financing all tobacco producing companies (at the 1st euro of turnover).

Zencap AM also excludes from its financing companies whose business activity (>10% of annual sales) is significantly related to the trade or distribution of tobacco.

Our normative exclusions

Zencap AM is committed to refusing to fund companies or other organizations that are directly linked to proven or strongly suspected, serious and/or repeated violations of any of the Ten Principles of the UN Global Compact. These ten principles are based on the Universal Declaration of Human Rights, the International

⁵ At the end of 2020, Zencap AM does not finance any company related to thermal coal. These thresholds are nevertheless defined if the subject comes up in a new case. Note that these thresholds are more restrictive than those adopted by the Global Coal Exit List (GCEL) of the NGO Urgewald.

Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development and the United Nations Convention against Corruption.

As a reminder, the Ten Principles of the Global Compact are as follows:

THE TEN PRINCIPLES OF THE UNITED NATIONS GLOBAL COMPACT

Human Rights

1 Businesses should support and respect the protection of internationally proclaimed human rights; and

2 Make sure that they are not complicit in human rights abuses.

Labour

3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

4 The elimination of all forms of forced and compulsory labour;

5 The effective abolition of child labour; and

6 The elimination of discrimination in respect of employment and occupation.

Environment

7 Businesses should support a precautionary approach to environmental challenges;

8 Undertake initiatives to promote greater environmental responsibility; and

9 Encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

10 Businesses should work against corruption in all its forms, including extortion and bribery.

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The UN Global Compact's Ten Principles are derived from: the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption.

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