



**SWEN**  
Capital Partners

# THERMAL COAL EXCLUSIONS

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**SWEN Capital Partners has decided to take a restrictive approach to its investments (primary, secondary or direct) in activities related to the production and mining of coal. Note that this policy concerns the activities of the companies assessed and not those of their customers, suppliers or other outside stakeholders.**

**In order to remove, as far as possible, any ambiguity inherent in the adoption of such an exclusion policy, clarifications in terms of definitions, scope of coverage and applicable thresholds are made necessary.**

### **I. Scope of definition of coal-related activities**

In the absence of an alternative, metallurgical coal used in the production of steel is not included in the scope of exclusion. Only coal for thermal use is considered in this policy.

Thermal coal is a particularly polluting energy source with significant environmental and health repercussions. Its combustion results in a very important release of CO<sub>2</sub> compared to other sources of fossil fuels. Its emission factor (CO<sub>2</sub> / kWh produced) is higher than those associated with the combustion of fuel oil or gas to produce electricity. In this, coal is an energy source that does not follow a 2-degree trajectory as defined by most countries in the world, during the COP21 in Paris. Furthermore, the combustion of coal does not only emit greenhouse gases (GHGs) but also many pollutants (formed during combustion or present in the ore) whose harmful effects on human health are proven (cardiovascular diseases, cancer, etc.).

### **II. For Direct Investments (directly or via one or more Investment Holdings)**

#### **Thermal coal mines**

SWEN Capital Partners will not invest in any thermal coal mine.

#### **New coal-based energy production capacities**

SWEN Capital Partners undertakes not to finance new energy production capacities from the combustion of coal. It will therefore not make any investment in an asset or project aimed at developing **new projects (Greenfield) involving the use of thermal coal** (for example, coal-fired power stations or heating networks whose production is generated by the combustion of coal) **or dedicated thermal coal infrastructure** (for example, port terminals or dedicated railways). It will also not make any investment in companies identified as developing these new coal mining capacities<sup>1</sup>.

#### **Existing coal-based power generating capacities**

SWEN Capital Partners undertakes not to invest in any project or asset (whether diversified or not) **that does not meet the following 3 criteria:**

1. Coal-fired power stations (electricity production and heating networks): coal represents **less than 20% of the total production mix** (failing this, this threshold is applied for the installed capacity) **OR** the production emission factor of

- electricity or heat is lower than the average emission factor of global electricity production<sup>2</sup> ;
2. the turnover of the coal-related activity (extraction, processing, etc.) is less than **10% of the total turnover** of the asset;
3. The installed capacity of coal-fired power stations is **less than 5 GW.**

In addition, **SWEN Capital Partners reserves the right to waive compliance with these three criteria in certain specific cases.** This is only possible insofar as **the project or asset considered for investment is committed**, or has shown a certain intentionality, **either to put in place an action plan to transform** all of its coal-related activities towards less polluting energy sources **or to initiate a process of selling said activities within 24 months of the investment.** For example, SWEN Capital Partners reserves the right to support the conversion of coal-fired power stations into assets that emit less Greenhouse Gas (biomass, gas-fired power stations, etc.).

In addition, and in its desire to continue gradually aligning its investments with the objectives of the Paris Agreement, SWEN Capital Partners undertakes to initiate a dialogue with assets whose activities are related to thermal coal, although respecting the mentioned thresholds, in order to reduce their exposure to this energy source.

### **III. For Investments in Funds (primary and secondary operations)**

#### **A. For primary operations**

#### **Thermal coal mines and new coal-based power generation capacities**

For its primary operations SWEN Capital Partners will ensure that the fund considered for investment will not finance coal mines for thermal use or new coal-based power generation capacities.

#### **Existing coal-based power generation capacities**

SWEN Capital Partners will ensure that the fund in question has not already invested, and undertakes not to invest, in a project or an asset (whether diversified or not) which does not meet the three following criteria:

1. Coal-fired power stations (electricity production and heating networks): coal represents less than **20% of the total production mix** (failing this, this threshold is applied for the installed capacity) **OR** the production emission factor of electricity or heat is lower than the average emission factor of global electricity production<sup>2</sup> ;
2. the turnover of the coal-related activity (extraction, processing, etc.) is **less than 10% of the total turnover of the asset;**
3. The installed capacity of coal-fired power stations is **less than 5 GW.**

SWEN Capital Partners recognises, however, **the possibility for a fund to waive compliance with these three criteria.** This is only

<sup>1</sup> companies listed, on the expansion criterion, by the Global Coal Exit List (GCEL) established by the NGO Urgewald, <https://coalexit.org/>

<sup>2</sup> according to the International Energy Agency. This ratio was 478 gCO<sub>2</sub>e / kWh in 2018

possible insofar as **the project or asset considered for investment is committed**, or has shown a certain intentionality, **either to start a plan to transform** all of its coal-related activities to less polluting energy sources **or to initiate a process of selling said activities**.

SWEN Capital Partners' approach to thermal coal-related activities is communicated to the managers of the fund considered for investment and must be contractually negotiated and included in the side letters.

#### **B. For secondary operations**

For the secondary operations of constituted portfolios (funds and funds of funds), specific attention is paid to at least the 10 investments with the greatest weight in the portfolio at the date of the analysis (by performing a transparency analysis and based on the last known valuation of the assets comprising the portfolio).

Thus, based on the means and information available during the analysis, SWEN Capital Partners undertakes to verify that each underlying asset examined:

- **Is not a coal mine for thermal use and has not contributed to increasing the capacity of coal-based energy production.**
- Meets the following three criteria:
  1. Coal-fired power stations (electricity production and heating networks): coal represents **less than 20% of the total production mix** (failing this, this threshold is applied for the installed capacity) **OR** the production emission factor of electricity or heat is lower than the average emission factor of global electricity production<sup>2</sup> ;
  2. the turnover of the coal-related activity (extraction, processing, etc.) is less than **10% of the total turnover** of the asset;
  3. The installed capacity of coal-fired power stations is **less than 5 GW**.

Furthermore, **SWEN Capital Partners reserves the right to waive compliance with these three criteria in certain specific cases**. This is only possible insofar as **the project or asset considered for investment is committed**, or has shown a certain intentionality, **either to start a plan to transform** all its coal-related activities to sources, less polluting energies **or to initiate a process of selling said activities**.

A reasonable effort must also be made to ensure compliance with all the previously established conditions beyond the 10 main weightings of the studied portfolio.

SWEN Capital Partners undertakes to initiate, as far as possible, a dialogue about its sector exclusion approach with the management company (s) of the funds subscribed following the transaction.

#### **IV. Additional precision**

All the conditions for establishing compliance of an investment with the exclusion policy only apply to the date of its analysis.