Coal Sector Exclusion Policy

Policy effective as of 30/03/2023, last updated on: 01/01/2025

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Context

Introduced in 2019, SWEN Capital Partners' restrictive policy on investments in the coal sector was substantially updated in 2023. This policy applies to the activities of companies operating in the coal sector and to the activities of the sector's direct suppliers.

SWEN Capital Partners' coal sector policy is an integral part of the overall responsible investment approach aligned with its Sustainable Finance and Nature policies. It is a key pillar of its core investment strategy and reflects its mission-driven purpose: to "invest for Nature's benefit". The coal sector policy is an essential component of its decarbonization strategy and contributes to the broader financial sector's efforts to limit global warming and achieve the goals of the Paris Agreement.

This policy:

- Concerns the activities of companies operating in the solid fossil fuel sector (all types of investments) and the activities of the sector's direct suppliers (direct investments only). It covers the sector's entire value chain and applies to new ("Greenfield") projects and extensions of greenfield capacity, as well as to existing ("Brownfield") assets and activities.

- Sets minimum standards to be complied with by all SWEN Capital Partners' investments.

- Establishes a divestment pathway to 2030 for investments that pre-date the policy or no longer meet the portfolio thresholds.

SWEN Capital Partners also implements a policy on liquid and gaseous fossil fuels (see the "Oil and Fossil Gas Sector Exclusion Policy", available on the website[1]).

This coal policy applies to all investment strategies (primary, secondary and direct) and to all asset classes (Private Equity, Private Debt and Private Infrastructure), including for discretionary management clients.

The coal sector policy does not apply to investment advisory activities (although alignment with this sector policy is systematically proposed to SWEN Capital Partners clients). This policy also does not apply to the selection of money market funds, which are held on an ancillary basis to ensure efficient management of investment fund liquidity. Nonetheless, we seek to extend the sector exclusion to the money market funds in the portfolio.

[1] ***Sustainable Finance*** *section,* ***Publications****, then* ***Policies and Methodologies*** *(https://www.swen-cp.fr/en/category/policies-methodologies/).*

I. Definition of the scope of coal-related activities

The following activities are considered related to coal:

- **All types of fossil coal** for thermal and metallurgical use.
- **Coal sector projects or assets**[2] that derive all or part of their revenue from coal exploration, mining, production, or logistics (transportation, distribution and storage), or energy production from coal.
- **Direct suppliers**, including companies whose tier 1 customers are coal companies as previously defined[3] (applicable solely to direct investments).
- Different types of coal-related fuels[4], which include but are not limited to: metallurgical coal, steam coal, sub-bituminous coal, hard coal, hard coal briquettes, lignite, lignite briquettes, peat, anthracite, oil shale, coal coke, lignite coke and petroleum coke.

II. Activities not within the scope of the policy

This policy does not apply to:

- **Projects and assets in the oil and fossil gas sector,** which are covered by a separate sector policy.
- **Organic or biomass derivatives** (such as biochar).

[2] *The generic term "projects and assets" used in this document encompasses any company, project company, entity or holding.*
[3] *Identified in particular through data providers and public sources such as the Global Coal Exit List (GCEL) established by NGO Urgewald: https://coalexit.org/*
[4] *Throughout this document, the term "coal" is understood to include these fuels as appropriate for the context.*

III. For direct investments (directly or through one or more investment holdings)

1. Criteria for investments in coal projects or assets

Active coal mines

1.A. SWEN Capital Partners undertakes not to invest in **greenfield or brownfield projects or assets that derive revenue** (0% of revenue) **from fossil coal exploration, mining or production**.

This criterion does not apply to projects or assets aimed at restoring, cleaning up or mitigating residual negative externalities following the closure of a coal mining or production site.

Logistics

1.B. SWEN Capital Partners undertakes not to invest in a project or asset where more than 5% of revenue is directly derived from **logistics** (transport, distribution and storage) specifically **dedicated**[5] to coal or hydrogen (and hydrogen-derived synthetic fuels) from coal combustion. SWEN Capital Partners does, however, reserve the right to waive this threshold if the investment case provides for a binding, verifiable and time-bound programme to reduce the total share of revenue from non-compliant activities.

New coal-related infrastructure

1.C. SWEN Capital Partners undertakes not to finance new coal-based power generation capacity (0% of revenue). This means it will not make any investment in any asset or project aimed at **developing new greenfield projects or extending greenfield projects** involving the use of coal (e.g. coal-based power plants, heat networks whose output is generated by coal or coal gasification plants). It will not finance new **dedicated coal infrastructure** (such as port terminals or dedicated railways). It will also not make **any investments in companies identified as developing these new coal mining capacities**[6].

Existing coal-based power generation capacity

1.D. SWEN Capital Partners will not invest in existing coal-based power generation projects or assets (0% of revenue) except for a project or asset in which:

1. Coal accounts for less than **5% of the total generation mix** (otherwise this threshold is applied for installed capacity), AND
2. Less than **5% of revenue is derived from energy production** in the form of electricity, heat or cooling or hydrogen or hydrogen-derived synthetic fuels from coal, AND
3. The **installed capacity** of the coal-fired power plants is less **than 1 GW**, AND
4. A **plan to divest from coal assets** by 2030 or a plan to **close** coal-based power generation by 2030 or **convert** to another use has been put in place or is formally set out in the investment case.

Modernizing coal-fired power plants

1.E. SWEN Capital Partners undertakes not to invest (0% of revenue) in projects or **assets involved in coal transformation or modernization of coal-fired power plants**, such as GHG capture or **life-extension technologies**.

Coal-based hydrogen power generation

1.F. SWEN Capital Partners undertakes not to invest in a project or asset where more than 5% of revenue comes from **energy production (in the form of electricity, heat or cooling) from hydrogen or hydrogen-derived synthetic fuels when the hydrogen is produced from coal combustion**. SWEN Capital Partners does, however, reserve the right to waive this threshold if the investment case provides for a binding, verifiable and time-bound programme to reduce the total share of revenue from non-compliant activities.

Use of carbon dioxide produced from coal

1.G. SWEN Capital Partners also undertakes not to invest (0% of revenue) in **projects or assets that use carbon dioxide generated from coal combustion (for the purposes of producing energy) in the case of synthetic fuel production**.

[5] *Dedicated or strategic equipment, products or services: products or services primarily for the coal sector, or products or services essential to the coal sector.*
[6] *Identified in particular through data providers and public sources such as the Global Coal Exit List (GCEL) established by NGO Urgewald: https://coalexit.org/*

2. Criteria for investments in coal projects or assets with direct customers in the coal sector

Dedicated or strategic equipment, products and services

2.A. SWEN Capital Partners undertakes not to invest (0% of revenue) in a project or an asset producing **dedicated or strategic equipment, products or services**[7] intended for exploration, mining or operation of new production capacities (new projects or expansions).

2.B. SWEN Capital Partners undertakes not to invest in a project or an asset from which more than 5% of the revenue is derived directly from **dedicated or strategic equipment, products or services** in the coal sector (**excluding production capacity expansion**).

Non-dedicated or non-strategic equipment, products and services

2.C. SWEN Capital Partners undertakes not to invest in a project or an asset from which more than 50% of the revenue comes directly from **non-dedicated and non-strategic equipment, products or services**[8] in the coal sector but sold to it.

3. Exit trajectory from exposure to the coal sector

SWEN Capital Partners is divesting from coal sector projects or assets that are not aligned with the criteria applicable to direct investments by 2030 (criteria 1.A, 1.B, 1.C, 1.D, 1.E, 1.F and 1.G).
As of 1 January 2030, all portfolio investments will meet the criteria in III.1. The waiver criteria referred to in 1.B and 1.F will remain applicable after that deadline to help support the low-carbon transition of assets and companies.

4. Specific case of investments that no longer meet the policy criteria

In the event that SWEN Capital Partners determines during the holding period that a project or asset invested in on or after the effective date of the policy is no longer aligned with the above criteria:

- Dialogue and engagement process will be initiated with the various parties concerned, working with the Sustainable Finance and Investment teams.
- If the dialogue and engagement process fails to bring the project or asset into alignment with the criteria of this sector policy, a divestment committee will be formed to decide and, if necessary, optimise the exit conditions.

[7] Dedicated or strategic equipment, products or services: products or services primarily for the coal sector, or products or services essential to the coal sector.
[8] Non-dedicated and non-strategic equipment, products or services: products or services significantly used by sectors other than coal and not essential to the sector.

IV. For investments in funds via primary and secondary transactions

1. Criteria for investments in coal projects or assets

Active coal mines

3.A. SWEN Capital Partners ensures that the fund considered for investment has not invested in, will not invest in or allow exposure to one or more active greenfield or brownfield projects or underlying assets that derive revenue (0% of revenue) from **the exploration, mining or production of coal**.

This criterion does not apply to projects or assets aimed at restoring, cleaning up or mitigating residual negative externalities following the closure of a coal mining or production site.

Logistics

3.B. SWEN Capital Partners ensures that the fund considered for investment has not invested in, will not invest in or allow exposure to one or more projects or underlying assets where more than 5% of revenue is directly derived from **logistics** (transport, distribution and storage), specifically **dedicated**[9] to coal or hydrogen (and hydrogen-derived synthetic fuels) from coal combustion. SWEN Capital Partners does, however, allow this threshold to be waived if the investment case provides for a binding, verifiable and time-bound programme to reduce the total revenue share of non-compliant activities.

New coal-related infrastructure

3.C. SWEN Capital Partners ensures that the fund considered for investment has not invested in, will not invest in or allow exposure to one or more **projects or underlying assets developing new coal-based power generation capacity** (0% of revenue). This means the fund under consideration will not make any investment in **any asset or project aimed at developing new greenfield projects or extending greenfield projects involving the use of coal** (e.g. coal-fired power plants, heat networks whose output is generated by coal or coal gasification plants). The fund will not finance new **dedicated coal infrastructure** (such as port terminals or dedicated railways). It will also not make any investments in companies identified as developing these new coal mining capabilities[10].

Existing coal-based power generation capacity

3.D. SWEN Capital Partners ensures that the fund considered for investment has not invested in, will not invest in or allow exposure to one or more existing coal-based power generation projects or underlying assets (0% of revenue) except for a project or asset in which:

1. Coal accounts for less than **5% of the total generation mix** (otherwise this threshold is applied for installed capacity), AND
2. Less than **5% of revenue is derived from energy generation** in the form of electricity, heat, cooling or hydrogen or hydrogen-derived synthetic fuels from coal, AND
3. The **installed capacity** of the coal-fired power plants is **less than 1 GW**, AND
4. A **plan to divest from coal assets** by 2030 or a plan to **close** coal-based power generation by 2030 or **convert** to another use has been put in place or is formally set out in the investment case.

Modernizing coal-fired power plants

3.E. SWEN Capital Partners ensures that the fund considered for investment has not invested in, will not invest in or allow exposure to one or more **projects or underlying assets (0% of revenue) involved in coal transformation or modernization of coal-fired power plants or life-extension technologies. Greenhouse gas capture technologies must not make up more than 5% of the revenue** generated by each project or asset.

[9] Logistics infrastructure is considered dedicated when the majority of the activity is connected with the logistics of oil, fossil gas or hydrogen (and hydrogen-derived synthetic fuels) resulting from oil or fossil gas combustion.

[10] Identified in particular through data providers and public sources such as the Global Coal Exit List (GCEL) established by NGO Urgewald: https://coalexit.org/

2. Exit trajectory from exposure to the coal sector

SWEN Capital Partners is divesting from funds invested in coal sector projects or assets that are not aligned with the criteria applicable to investments in funds via primary and secondary transactions by 2030 (criteria 3.A, 3.B, 3.C, 3D and 3.E).
As of 1 January 2030, all portfolio investments will meet the criteria in IV.1. The waiver criteria referred to in 3.B will remain applicable after that deadline to help support the low-carbon transition of assets and companies.

3. Specific case of investments that no longer meet the policy criteria

In the event that SWEN Capital Partners determines during the holding period that a project or asset invested in on or after the effective date of the policy is no longer aligned with the above criteria:

- A dialogue and engagement process will commence with the various parties concerned working with the Sustainable Finance and Investment teams.
- If the dialogue and engagement process fails to bring the project or asset into alignment with the criteria of this sector policy, a divestment committee will be formed to decide and, if necessary, optimise the exit conditions.

V. Additional clarification

The conditions for establishing an investment's compliance with the sector policy applies only as of the date of analysis. The compliance analysis considers the past and current activities of the companies under review and should also cover, if possible, their expected future direction and developments.

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