

EXCLUSION POLICY



LA FRANÇAISE
INVESTING TOGETHER

PHILOSOPHY

La Française Group takes a positive view of the business world, and its investment philosophy is based on analysing the outcomes of the strategies implemented by these organizations. We assess businesses' capacity for development and transformation; this assessment is based on a progress-oriented approach rather than an exclusion-based approach. However, in the light of the crises and challenges which we all face, we can no longer do without certain exclusions. Certain specific technologies cause negative consequences that endure for too many years. As such, we cannot allow them to continue or wait for a transition to take place. This is why we have implemented an exclusion policy based on the principles that are described below.

La Française group implements **two types of exclusions**:

The exclusions that we classify as normative: they share common features which have acquired a level of universality and may even be embodied in regulations in certain countries. This is, for example, the case of controversial weapons, the exclusion of which is generally based on conventions signed by many countries including France, such as the Ottawa Convention on anti-personnel landmines and the Oslo Convention on Cluster Munitions. La Française therefore excludes **controversial weapons** from all of its activities.

The Group has also decided to implement **public interest exclusions**. These exclusions relate to products whose use – despite being a matter of personal freedom – is nevertheless not in the public interest because of their negative effects on health and/or the environment.

One such case is the exclusion of **tobacco** on public health grounds. The United Nations Global Compact⁽¹⁾ accordingly ruled that tobacco producers could not be signatories of the Global Compact, just as had initially been done in relation to companies which produce or sell anti-personal mines or cluster munitions⁽²⁾. This decision was taken in 2017 following several WHO reports⁽³⁾ demonstrating the impact of tobacco consumption in terms of mortality and public health, including the "Global Tobacco Epidemic report, 2017".

A similar stance has been taken in relation to **coal** based on the fight against climate change and public health. Coal is an inexpensive source of energy but it is by far the most polluting in terms of CO2 emissions per kWh produced⁽⁴⁾. Its exclusion is deemed crucial because the construction of new coal-fired power plants with an average lifespan of 40 years would lead to locked-in CO2 emissions until 2060 – when the world should already have achieved net carbon neutrality. While it is imperative to reduce coal consumption, there is also an urgent need to not support investments that would perpetuate CO2 emissions for decades to come.

Some exclusions must apply at Group level as well as to all of its businesses: securities, real estate, private equity and the financing of the real economy. Therefore:

- ◆ The Group has strengthened its policy of excluding controversial weapons which now covers:
 - anti-personnel landmines,
 - cluster munitions,
 - biological and chemical weapons,
 - white phosphorus,
 - and depleted uranium.
- ◆ The Group is committed to excluding actors linked to thermal coal and to completely ending its involvement in the sector (complete withdrawal by 2040); however, it will do so gradually in line with its key aim of providing support.

(1) <http://www.globalcompact-france.org/>

(2) <https://www.unglobalcompact.org/participation/join/who-should-join>

(3) WHO: World Health Organization; https://www.who.int/tobacco/global_report/2017/executive-summary/en/

(4) <https://www.rte-france.com/eco2mix/les-emissions-de-co2-par-kwh-produit-en-france>

MANAGEMENT COMPANY EXCLUSION: LA FRANÇAISE ASSET MANAGEMENT (LFAM)

- ◆ The Investment Management Company, La Française AM, is gradually withdrawing from coal:
 - LFAM does not invest in mining groups which derive more than 25% of their income from coal or which are planning to build/open new coal mines.
 - LFAM does not invest in electric utilities which derive more than 25% of their income or production from coal or which are planning to build/open new coal-fired power stations.
 - LFAM is also committed to implementing a complete phase-out of its exposure to coal within the following timescale: exit from coal by 2030 in relation to its exposure to EU and OECD companies, and by 2040 in relation to emerging countries; this transition towards a total withdrawal from coal will require regular updates of the exclusion policy.

- ◆ In addition, LFAM undertakes to not invest in companies within the tobacco sector.

WORK IN PROGRESS

Reflection is ongoing based on certain exclusions already applied by some funds, and it may lead to changes in the exclusion policy of the Group or of the Investment Management Company. It relates to:

- ◆ The exclusion of companies in violation of the United Nations Global Compact principles.
- ◆ The gradual extension of the coal exclusion to other types of fossil fuels based on their method of extraction and their energy efficiency expressed in gCO₂/kWh, with industrialized countries potentially being treated differently than emerging and developing countries.



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