



**COAL POLICY**

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**La Financière de  
l'Echiquier**

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## LA FINANCIERE DE L'ECHIQUIER

**La Financière de l'Echiquier is committed to gradually eliminating thermal coal from its investments by 2040.**

### INTRODUCTION

La Financière de l'Echiquier (LFDE) supports the goal of the Paris Climate Agreement, the aim of which is to contain the rise in the planet's average temperature at 1.5 ° C, or at least well below 2 ° C by the end of the century, when compared to pre-industrial levels. Achieving this goal requires that we reach carbon neutrality on a worldwide scale by 2050. According to reports by the IPCC<sup>1</sup>, the International Energy Agency (IEA), and the United Nations, in that scenario, thermal coal's share in the global energy mix will have to decline.

In fact, whether in the IEA's *"Sustainable Development"* or *"Net Zero Emissions by 2050"* scenario, the conclusion is clear: demand for coal must fall by about 2,000Mtoe<sup>2</sup> by 2030. According to a report by the UNEP<sup>3</sup>, coal production must decline by 11% per year between 2020 and 2030 to achieve these climate goals.

**The aim of coal policies must therefore be to prevent the coal sector from expanding and to support its exit.**

- Faced with these facts, La Financière de l'Echiquier, with its long history of responsible investing, has decided to **gradually eliminate thermal coal from its investments by 2040**. Starting in January 2021, this commitment is translating into tangible measures, with the establishment of an **enhanced coal exclusion policy** which, until now, involved excluding companies involved in thermal coal mining, with a threshold of 5% of revenue. These exclusions, in compliance with the best practices identified by the AMF (Autorité des Marchés Financiers) and the ACPR (Autorité de Contrôle Prudentiel et de Résolution)<sup>4</sup>, are **based on both relative and absolute criteria**, meaning that all companies whose operations are linked to thermal coal are included. Thus, the absolute exclusion criteria target **thermal coal-based energy producers**, and the relative criteria identify **every player exposed to such operations**.

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<sup>1</sup> Intergovernmental Panel on Climate Change

<sup>2</sup> Mtoe: Unit of measure for energy in Metric Tonnes of Oil Equivalent. Source: World Energy Outlook 2020

<sup>3</sup> United Nations Environment Programme

<sup>4</sup> Report dated 2 November 2020: "Coal policies of Paris financial centre participants: first joint ACPR/AMF monitoring and evaluation report".

## EXCLUSION CRITERIA

Consequently, as part of our commitment made on 01/01/2021 to totally ending thermal coal financing by 2030 in OECD countries and by 2040 in the rest of the world, we have made **several commitments with immediate effect**.

La Financière de l'Echiquier is no longer investing in companies:

1. That **do not present an exit plan from coal** by being **exposed to the extraction of thermal coal** and/or the **production of electricity from thermal coal**. This exit plan must be aligned with our policy deadlines,
2. That **are developing new projects involving the use of thermal coal** along the entire value chain (mines, transport infrastructure, power plants), regardless of the project's size. This also includes the expansion of existing projects (modernisation, life extension of existing infrastructure, etc.),
3. That **earn more than 5% of their revenue from thermal coal mining** (exclusion already in place at La Financière de l'Echiquier since 2018),
4. That **earn more than 5% of their revenue from activities directly** (exploration and transport) and **indirectly** (logistics, engineering, operations, etc.) **related to thermal coal**,
5. Whose **thermal coal-based power generation** or, in its absence, **installed capacity exceeds 10% of their energy mix**,
6. Whose **thermal coal production exceeds 10 million tonnes/year**,
7. Whose **installed power from thermal coal plants exceeds 5GW**.

Our Impact<sup>5</sup> funds and those with the FNG<sup>6</sup> label also apply an additional exclusion criterion. Companies are excluded from these funds:

8. That generate **more than 5% of their revenue from the thermal coal based power generation**.

These thresholds will be revised and lowered with the aim of phasing out thermal coal by 2030. These changes will align with the developments in methodology made by *Urgewald*, the German NGO that created the *Global Coal Exit List*<sup>7</sup>.

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<sup>5</sup> To date, no Tocqueville Finance (TFSA) fund is considered an Impact fund within the meaning of this policy.

<sup>6</sup> SRI label for German-speaking countries, with a classification system ranging from 0 to 3 stars, depending on the depth of the fund's ESG approach.

<sup>7</sup> Global Coal Exit List: <https://coalexit.org/>

## DEROGATORY APPROACH

Excluding companies involved in such operations is of paramount importance to combating climate change. However, La Financière de l'Echiquier knows that, under certain strict and previously established conditions, engaging with certain companies may be an alternative to excluding them outright, so that we can support them in their transition.

**Under no circumstances can these exceptions apply to companies identified by the non-derogable exclusion criteria 1, 2 and 3.**

A **close shareholder engagement approach** may be taken with certain companies as an **alternative to strict exclusion (based on criteria 4 to 7)**, only in two situations:

- **With companies whose public commitments to phase out coal are serious and credible, and whose climate strategy and governance are robust and in keeping with our standards.** This implies for each company concerned the implementation of a detailed plan per exit asset from the sector so that they have closed all their thermal coal infrastructure by 2030 for OECD countries and by 2040 for the rest of the world. The following elements will enable us to judge the quality of the commitments: start date of the implementation of the commitments, final date and timing of the exit, closure and non-sale of assets, budget for the employee conversion plans and site rehabilitation, etc. **The company is thus eligible, if it respects the climate trajectory it has set previously for itself.** The purpose of LFDE's cooperative commitment will be to make sure that the trajectory is being followed and to support the company in its transition. If there is a failure to respect the commitments, LFDE reserves the right to formally exclude the company from its investments.
- **With companies in a constructive approach to climate challenges but whose public commitments are insufficient.** Investing in these companies is conditional on the establishment of governance and climate strategy in line with our standards. In that case, the company remains investible as long as a **far-reaching commitment** is in place with the company. LFDE will evaluate goal achievement annually on a case-by-case basis and concerning the strengthening of their commitments. If the company fails to meet these goals, within the deadlines previously set, it will be divested, in the best interest of the holders, within a maximum period of three months.

An **exclusive qualitative analysis grid** will be used to assess the **quality and credibility** of these companies' coal **exit plans**. Particular importance will be attached in the analysis to the **quality of governance**, the **robustness of the exit trajectory** and **climate commitments**, the **absence of lobbying** in favor of thermal coal and the presence of **minimum guarantees** on the **just transition**.

La Financière de l'Echiquier may also engage with companies involved in the thermal coal sector, below the thresholds mentioned above, in order also to encourage them to adopt credible and ambitious coal exit plans.

Our Impact funds and those with the FNG and Towards Sustainability labels are not affected by these derogations.

## SCOPE OF APPLICATION

- The **scope is limited to thermal coal-related operations**. At this stage, metallurgical coal is not included, since it is used primarily in the production of coke for the steel industry, and there are very few viable replacement solutions in the steelmaking process.
- This policy **applies to all open-ended mutual funds managed by La Financière de l'Echiquier**, without distinction as to asset class or geographic region. **It will be offered to all customers as part of ongoing discretionary management and dedicated fund solutions** with a view to bringing our assets under management in full compliance with this policy.

## MONITORING SYSTEM

- To report on the application of this policy, La Financière de l'Echiquier undertakes to **communicate annually the residual share of coal in its investments**.
- The data used will come from MSCI ESG Research, Trucost and the *Global Coal Exit List*, established by German NGO *Urgewald*, recognised as the most stringent and comprehensive database on the subject.
- The LBP AM Group's GREaT committee will validate the content of the quantitative exclusion lists relating to thermal coal and will pay particular attention to the qualitative analyses of the coal **exit plans** of issuers applying for an exemption.
- Issuers who are identified as not meeting the established criteria will be included in our Order Management System (OMS), which automatically **blocks any purchases**.
- Proper enforcement of this policy will be monitored by La Financière de l'Echiquier's internal risk team.



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