

## Exclusion policy

### Private Debt Expertise

This exclusion policy forms part of Sienna IM 's Private Debt Expertise (legal name: Sienna AM France)'s commitment to bring about a transformation of the real economy consistent with its objective to "work for a fair and sustainable transition". This commitment - and the necessary transition it entails internally at the level of our methods, objectives and people - is embodied in a rigorous exclusion policy applying the notions of effort and transition underpinning the Group's approach. This policy is based on information collected by Sienna IM - Private Credit "to its best knowledge" and is tailored to each financing granted by the Group.

The exclusion policy has four pillars:

1. Necessary exclusions relating to activities that cannot be continued in a global warming trajectory of less than 2°C and that must be stopped immediately or whose stoppage requires assistance over time.
2. Exclusions relating to compliance with business ethics that are internationally recognised and formalised by the 10 principles of the United Nations Global Compact.
3. Business areas in which the Group shall be particularly vigilant, notably in relation to biodiversity.
4. Exclusions on request to meet the specific needs of some of our clients.

Lastly, the exclusion policy forms part of Sienna IM - Private Credit's ESG commitments, which are also set out in the following documents:

- The Impact Report
- Remuneration policy
- Sustainability policy
- SFDR classification of funds
- Place and collaborative commitments
- Politics of controversies
- Climate policy
- Biodiversity policy

## Business-related exclusions

Controversial armaments:

### **0 Tolerance**

Under the conventions and treaties signed by France on controversial armaments (Ottawa Convention on land mines and Oslo Convention on cluster munitions and the Treaty on the Non-Proliferation of Nuclear Weapons (NPT)), Sienna IM - Private Credit commits to exclude from its financing companies directly or indirectly involved in:

- **land mines,**
- **cluster munitions,**
- **chemical and biological arms,**
- **nuclear arms for non-signatory countries of the NPT,**
- **depleted uranium,**
- **white phosphorous.**

Thermal coal:

### **0 Tolerance**

The withdrawal from thermal coal is strongly recommended by the AFG<sup>1</sup> and is a key point of compliance with the Paris Agreement. Sienna IM - Private Credit wishes to play its part to tackle climate change and, in the spirit of its commitment to a fair and sustainable transition, commits not to finance:

- **Companies engaged in thermal coal activities (electricity extraction and generation) or coal-related infrastructure (mining, generation, utilities, transport),**
- **Companies with plans to expand their thermal coal activities (mining, infrastructure or electricity).**

Fossil fuels and non-conventional fossil fuels:

### ***O Tolerance***

In May 2021, the International Energy Agency (IEA) published a report entitled “Net Zero by 2050: a roadmap for the global energy sector<sup>2</sup>” that constitutes a roadmap for the energy sector. In this report, the IEA proposes a concrete trajectory to attain the net zero target globally by 2050 by spelling out the necessary conditions to be implemented by the energy sector, with measures, technologies and indispensable behavioural changes to achieve this in just three decades. The energy sector holds the key to the decarbonisation of the world economy, as energy-related emissions represent approximately three-quarters of total CO<sub>2</sub> emissions.

According to the IEA, attaining this scenario will require strong action to divest fossil fuels rapidly and, from the end of this year, no new coal, gas or oil field exploration projects. The practical application of this IEA recommendation for our financial sector implies - and this is the commitment taken by Sienna IM - Private Credit in its ESG policy, to no longer finance from the first euro of investment:

- **Companies with plans to develop their conventional fossil fuel fields (such as gas or oil);**

As the IEA report recommends, the energy sector must begin its transformation. This is also a strong recommendation of the AFG, which published in October 2021 a guide for asset management companies in this area. In the spirit of our ESG Policy to assist economic behaviour consistent with the requirements of the 2°C economy, Sienna IM - Private Credit may finance the subsidiaries of these groups for renewable energy or energy transition projects.

Aside from conventional fossil fuels, a crucial area of focus in the short term is the development of the non-conventional fossil fuels that emit particularly high amounts of CO<sub>2</sub> and are consequently dangerous for both the climate and the environment (because of the fragility of ecosystems where they are extracted). It is urgent to halt all activities related to these non-conventional fossil fuels and to assist the transition to other forms of green energies.

Sienna IM – Private Credit therefore undertakes to no longer finance companies with a direct or indirect operational activity (upstream and downstream: infrastructure, transport network, utilities, extraction, production) related to unconventional oil and gas:

- **arctic drilling according to the scope defined by the Arctic Monitoring and Assessment Programme (AMAP),**
- **Oil Sands**
- **Heavy oil,**
- **Oil shale,**
- **Shale gas and oil,**
- **Coal seam gas,**
- **Compact tank gas,**
- **Methane hydrates.**

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<sup>1</sup> [AFG-guide-16 pages](#)

<sup>2</sup> [Net Zero by 2050 – Analysis - IEA](#)

Tobacco:

**0 Tolerance**

The exclusion of tobacco is a public health issue beyond any ethical or cultural consideration. In this regard, the United Nations Global Compact<sup>3</sup> has excluded the possibility for tobacco producers to be signatories of the Compact, as it initially did for companies producing land mines or cluster munitions<sup>4</sup>. This decision was taken in 2017 following several reports by the WHO<sup>5</sup> demonstrating the impacts of tobacco consumption on mortality and public health. According to the UN, the tobacco industry is the biggest obstacle to reducing tobacco-related deaths. Its interests are irreconcilable with public health strategies, and it is therefore indispensable to exclude it from global efforts to counter tobacco usage. In this regard, Sienna IM - Private Credit commits not to finance:

- **tobacco-producing companies (zero tolerance) or industry groups whose activity is principally dedicated to tobacco (50% of turnover).**

Pornography :

**0 Tolerance**

Sienna does not want to be associated with a company where human rights are violated. Sienna excludes direct investments in organisations involved in the production of pornographic content, prostitution and sex industries (application thresholds: income above 5%) and the distribution of this production (application thresholds: income above 50%).

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<sup>3</sup> <http://www.globalcompact-france.org/>

<sup>4</sup> <https://www.unglobalcompact.org/participation/join/who-should-join>

<sup>5</sup> OMS : organisation mondiale de la santé ; [https://www.who.int/tobacco/global\\_report/2017/executive-summary/en/](https://www.who.int/tobacco/global_report/2017/executive-summary/en/)

## Exclusions normatives

Controversial behaviours and legally mandatory exclusions (0 Tolerance)

Complying with the provisions of the UN Global Compact, the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises, Sienna assesses the behaviour of organisations in accordance with these frameworks and excludes investments in organisations involved in serious violations of these principles. The severity is assessed according to the nature of the impact considered and its magnitude.

Sienna also excludes investments in controversial jurisdictions (EU sanctions list).

### 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.

The Ten Principles of the United Nations Global Compact 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.

## Vigilance

When the organisations it finances may be linked to the following activities, Sienna IM - Private Credit shall pay particular attention to the way in which these activities are conducted and to safeguards put in place to ensure that potential adverse effects are identified, analysed and minimised. These activities are:

- **Bitcoin and crypto-currencies more generally,**

And in particular relation to biodiversity issues:

- **palm oil,**
- **GMOs,**
- **construction.**

## Exclusions on request

Sienna is aware that some of its customers may have an opt-out policy that differs from its own. To this end, the Group has the capacity to implement exclusions that meet the specific requirements of its customers.

Funded companies are tracked by a controversial tool (see Controversy Policy) to ensure the ten principles of the Global Compact.

In addition, although the Exclusion Policy is intended to be applied without exception, certain situations must be anticipated. The proposed exceptions must therefore be the subject of a detailed and documented argument and be validated by the General Management. This exception will be monitored on an ongoing basis and will be reassessed annually.