

Principles of intervention in the aviation sector

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Sustainability Department
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1. – General framework

1.1 - Preamble

These principles of intervention are part of La Banque Postale's overall risk management system, based on its risk appetite statement and in accordance with the principles defined by the risk management charter.

They will be revised annually and may change under the conditions detailed below, at the request of the business lines in charge of their implementation or other stakeholders, upon approval by the Sustainability Department (Direction de l'Engagement Citoyen - DEC) and the Group Risk Management Department (DRG) and after final validation by the Group Risk Management Committee.

1.2 - Objective

In September 2020, La Banque Postale announced its intention to achieve "Net Zero Emissions" by 2040¹ for all its banking activities. In April 2021, it reaffirmed this ambition by becoming a founding member of the Net Zero Banking Alliance led by the United Nations Environmental Programme Finance Initiative (UNEP FI) and being part of its Steering Group to represent Europe.

The principles of intervention presented here are in line with these objectives. They aim to define the principles applicable at the bank level to participate in and encourage **the decarbonisation of the aviation sector**.

1.3 – Scope and application

The provisions of the principles of intervention apply to all the bank's financing and investments related to the aviation sector, the sector being defined for this purpose as the air transport of (i) civil passengers and (ii) freight² identified with NACE codes H.51.10 (Passenger Air Transport) and H.51.21 (Freight Air Transport).

The aviation sector covered by the principles includes:

- (i) aircraft construction,
- (ii) acquisition and rental of new and used aircraft,
- (iii) the operation of aircrafts by airlines or private operators (corporate clients),
- (iv) the construction and operation of airport infrastructure (NACE code H.52.23 – Auxiliary services to air transport).

These provisions apply in particular to the activities of the Corporate and Investment Banking division. The activities of the insurance divisions in France and internationally as well as those of the wealth management and asset management division are excluded to date. The elements presented here are complementary to all other provisions in force.

1.4 – Entry into force

The provisions set out below apply from 01/01/2023.

¹ Provided that states and companies take necessary measures to this end

² It should be noted that the bank's financing and investments in the military aeronautics sector fall under the Defense Policy and not under the present principles of intervention in the aviation sector.

2. – Background

The aeronautics sector presents many environmental and social challenges. In terms of climate change, global air traffic was responsible for the emission of 1, 0192 million tonnes of CO₂ equivalent in 2019³. By comparison, in the same year, France's national greenhouse gas emissions amounted to 441 million tonnes CO₂ equivalent. The sector is making commitments, most notably the commitment made by ATAG⁴ to reduce net CO₂ emissions (world fleet) by 50% by 2050 compared to 2005 emission levels. This target was complemented in October 2021 by the target to achieve carbon neutrality of air transport in 2050 in order to meet the ambitions of the Paris Agreement.

To gradually achieve carbon neutrality by 2050, the aviation sector is counting on technological progress and its capacity for innovation. The short-term vectors are:

- fleet renewal (for example, thanks to technological advances in engines and aerodynamics, today's new generation aircraft consume 20-25% less fuel than their predecessors)
- the use of sustainable aviation fuels (SAF)⁵
- management of ground and flight operations.

In 2017, ICAO⁶ introduced a CO₂ standard to ensure that the latest technologies for reducing CO₂ emissions are taken into account in the design of all new aircraft types. This standard complements existing noise and air quality standards. Certifications are underway and by January 2028 all aircraft produced must comply with this CO₂ standard. For its application, categories of aircraft carrying passengers have been made according to their MTOM⁷. There is no categorisation made for freight aircraft.

La Banque Postale has chosen to use this categorisation to apply its principles of intervention in the aviation sector.

Accordingly, it applies to:

- **Regional aircraft** (range < 1000 km, 20-100 seats, MTOM < 65 tonnes)
- **Single-aisle aircraft** (range 1,000 - 7,000 km, 101 - 220 seats, MTOM 65 to 150 tonnes)
- **Dual-aisle aircraft** (range > 7,000 km, > 200 seats, MTOM > 150 tonnes)
- **Freight aircraft**

3 - Commitments

La Banque Postale is committed to supporting and encouraging the decarbonisation of the aviation sector. It aligns its financing and investment policy in this sector with the latest recommendations from stakeholders. These principles of intervention in the aviation sector are consistent with Caisse des Dépôts Group's climate policy – sector guidelines for transport.

³ Source : Publication « Net Zero by 2050 » de l'International Energy Agency (IEA)

⁴ ATAG : Air Transport Action Group - Brings together the private players in the aviation sector (airlines, aircraft manufacturers, engine and equipment manufacturers, airports, etc.) and represents the industry worldwide. It brings together more than 40 members, including Airports Council International (ACI), Airbus, ATR, Boeing, Civil Air Navigation Services Organisation (CANSO), CFM International, GE, IATA, Pratt & Whitney, Rolls-Royce and Safran.

⁵ Fuels made from biomass, waste oils and even, in future, carbon capture. Can be used directly in those current aircraft certified to accept 50% blends in fossil kerosene. According to IATA, they can reduce CO₂ emissions by 80% compared with kerosene over their entire use cycle.

⁶ ICAO : International Civil Aviation Organization – a United Nations specialized agency

⁷ MTOM : Maximum Take-Off Mass

1/ La Banque Postale undertakes to finance only:

- **New aircraft** in operation for less than one year,
- Or aircraft that are **less than 5 years old** with the most advanced engine technology.
- Projects concerning existing infrastructures when they are linked to the energy and ecological transition of airport platforms (e.g. ground power supply, low-carbon motorisation of passenger shuttles, etc.) or to the preservation of biodiversity on these sites.
- **Companies in the sector (airlines and leasing companies) that commit from 2025 onwards to define and then publish a 1.5°C alignment strategy and targets based on a recognised methodology.** La Banque Postale will rely on the list of companies committed to or having decarbonisation trajectories aligned with the Paris Agreement available on the Science-Based Targets initiative website. La Banque Postale will also be able to analyse companies' trajectories and ensure that they are compatible with the IEA's Net Zero scenario. However, in order to support companies in the transformation of the aviation sector, La Banque Postale may participate in the financing of airlines that have not yet made a commitment, provided that the purpose of the financing promotes the development and use of sustainable aviation fuels (SAF) or electric engines.

2/ La Banque Postale will not finance:

- **Aircraft with a MTOM<60 tons and a carrying capacity of less than 20 passengers (private jets, business jets, etc.);** CO₂ emissions per passenger per km travelled by these aircraft are significantly higher than those generated by commercial airlines⁸. However, La Banque Postale will be able to finance these aircraft if they are fitted with electric engines.
- **New airports**, with the exception, in France, of those explicitly provided for in the the Climate and Resilience Act. These exceptions are projects for works relating to the Nantes-Atlantique airfield until 31 December 2036, the Basel-Mulhouse airfield, French overseas airfields (territorial continuity) and helipads. These exceptions also include projects necessary for health, safety, national defense, or regulatory compliance reasons.
- **Projects leading to an increase in CO₂ emissions (scopes 1, 2 and 3) and those contributing to an increase in air traffic**, such as, for example, construction of new runways or terminals at existing airports.
- **Airlines on the European Union's blacklist⁹.**

4 – Implementation

4.1 – Operational implementation

The implementation of these Principles does not modify the current delegation chains nor the loan granting process.

It adds an additional due diligence to be carried out for any new operation concerning the aviation sector to ensure the adequacy of the financing or investment in line with the principles mentioned above¹⁰.

In case of uncertainty, additional advice from the Group Risk Department (DRG) and the Sustainability Department (DEC) may be provided. The Executive Board's Commitments Committee (CED) has the final say in the event of a difference of opinion.

⁸ In a report published on 27 May 2021, the NGO T&E points out that business jets emit 4 to 14 times more CO₂ per passenger per km than the planes of conventional airlines.

⁹ [EU Air Safety List](#)

¹⁰ A tool to help qualify these operations is available to accompany the analysis.

Commitments made in the context of these Principles must be taken into account as part of the operational controls carried out by the front office teams prior to the granting of financing or the investment decision.

These commitments must also be taken into account as part of the operational controls carried out by the Risk Management Department (DRCEI) during the file appraisal and analysis phase.

4.2 – Control and monitoring

The provisions mentioned in these Principles will be subject to a second-level control in accordance with the internal permanent controls policy.

The DEC will carry out ex-post analyses of the transition plans of the counterparties in its portfolio and will ensure that these transition plans make it possible to converge towards a 1.5°C alignment strategy. These analyses will be carried out at the request of the business lines as soon as a counterparty or a prospect has been identified as falling within the scope of these Principles.

In addition, the DEC will regularly ensure that the commitments made within the framework of these Principles rank LBP among the industry leaders on the subject as perceived by LBP's stakeholders.