

# **Risk Management Policy Coal Sector**

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Sustainability Department  
(Direction de l'Engagement  
Citoyen)**



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## **1. – General framework**

### **1.1 - Preamble**

This sector policy is part of La Banque Postale's overall risk management system, based on the Group's risk appetite statement and implemented through risk management policies and in accordance with the principles defined by the risk management policy.

It is reviewed annually and may change in accordance with the conditions detailed below, at the request of the business lines responsible for its implementation or other stakeholders, upon approval by the Sustainability Department (Direction de l'Engagement Citoyen - DEC) and the Group Risk Department (DRG), and after final validation by the Group Risk Steering Committee (CPRG).

The version presented here constitutes the second revision of the coal sector risk management policy, validated by the CPRG in May 2021 and revised in October 2021.

### **1.2 - Objective**

In September 2020, La Banque Postale announced its intention to achieve "Net Zero Emissions" by 2040<sup>1</sup> for all its banking activities. In April 2021, it reaffirmed this ambition by becoming a founding member of the Net Zero Banking Alliance steered by the United Nations Environmental Program Finance Initiative (UNEP FI) and being part of its Steering Group to represent Europe.

This Policy is in line with these objectives. It aims to define the principles applicable at bank level to fulfil the commitment of a total exit from the coal sector by 2030.

### **1.3 – Scope and application**

The provisions of this Policy apply to all the bank's financing and investments relating to the coal sector.

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

### **1.4 – Entry into force**

The provisions set out below come into force on 01/04/2023.

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<sup>1</sup> Provided that states and companies take necessary measures to this end

## 2. – Background

In its annual coal report published in December 2022, the IEA<sup>2</sup> estimates that global coal consumption is up 1.2% in 2021. This consumption is estimated at over 8 billion tonnes, breaking a record set in 2013.

According to the IEA, this global demand is likely to remain at roughly this level until 2025, in the absence of additional efforts to accelerate the energy transition.

Beyond their strong negative impact on the climate, coal-related activities generate numerous environmental (pollution, deforestation, loss of biodiversity...) and social (health and safety of mine employees, impacts on communities living near mines...) risks.

## 3 - Commitments

La Banque Postale confirms that it will continue to focus its financing efforts on renewable energy projects. La Banque Postale has always refrained from financing or investing in those activities that have the strongest negative impact on the climate and the environment, such as coal or non-conventional fossil fuels.

La Banque Postale therefore undertakes never to finance projects involving coal mines and power plants, or coal-related infrastructure such as railroads or coal import and export terminals.

This exclusion policy applies in particular to all companies listed on the NGO Urgewald's Global Coal Exit List (GCEL)<sup>3</sup> and their subsidiaries, as well as, for the extractive industries, all companies whose activity is identified by the NACE code B5<sup>4</sup>.

Nevertheless, in order to support companies in their transition to a low-carbon economy, La Banque Postale will maintain its commercial relations with the companies listed in the GCEL, and their subsidiaries:

- (i) if they have adopted a credible, public strategy for exiting the coal sector by 2030, in line with scientific recommendations, and on the condition that
  - they no longer develop new coal-related projects in line with IEA recommendations
  - and do not develop any new assets in the coal sector that could last beyond 2030.
  
- (ii) if the financing/financial services are exclusively for the development of renewable energies.

Exceptions to the commitments set out in paragraph 1/ also include financing of projects necessitated by health, safety or regulatory requirements.

La Banque Postale strongly encourages its customers to close rather than sell assets in order to make a real contribution to decarbonizing the global energy mix.

Finally, in line with its position within society, La Banque Postale also undertakes not to support organizations at odds with its values, and in particular companies actively involved in lobbying in favor of thermal coal or slowing down or blocking efforts to phase out the sector by 2030 at the latest.

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<sup>2</sup> IEA : International Energy Agency

<sup>3</sup> The Global Coal Exit List is the list of companies identified by the NGO Urgewald and adopted by the market as a common benchmark for companies with significant activity in the coal sector.

This list will be provided to all front office players, who will be required to implement it.

<sup>4</sup> NACE code B5: coal and lignite mining.

## 4 - Implementation

### 4.1 – Operational implementation

The implementation of this Policy does not change the current delegation chain nor the loan granting process.

It adds additional due diligence to be carried out when the transaction concerns the energy and extractive industries and other coal-related sectors, to ensure that the customer/prospect/counterparty is not on the exclusion list (GCEL).

In cases of uncertainty, additional advice from the Group Risk Department (DRG) and the Sustainability Department (DEC) may be provided.

The commitments made under this Policy must be taken into account as part of the operational controls carried out by the front office teams in the financing or investment decision-making process, and during annual portfolio reviews.

Thus, any new financing/investment carried out with a customer/prospect/counterparty present on the GCEL must be subject to an opinion from the DEC and the DRG to verify the credible, public strategy, detailed by asset, for exiting coal in line with the ambitions of the Paris Agreement and compatible with LBP's Net Zero commitment by 2040. As part of this verification, the DEC and the DRG will draw on the list of organizations with a decarbonization trajectory validated by the Science-Based Targets initiative and will complement this with qualitative analyses of publicly available information (response to the CDP questionnaire, controversies, website, corporate communications, etc.). Every six months, the DEC will communicate the GCEL and its successive updates.

The Executive Board's Commitments Committee (Comité des engagements du Directoire - CED) has the final say in the event of differences in assessment.

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 DRG will monitor, through half-yearly reporting, any exposure to companies on the exclusion list (gross exposure) and the residual exposure following the application of the exceptions mentioned in this Policy (net exposure).

The provisions mentioned in this Policy 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 portfolio counterparties and will ensure that these transition plans enable convergence 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 prospect has been identified as falling within the scope of this Policy.

In addition, the DEC will regularly ensure that the commitments made within the framework of this Policy rank LBP among the industry leaders on the subject as perceived by LBP's stakeholders, and in particular by the tool set up by the NGO Reclaim Finance<sup>5</sup>.

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<sup>5</sup> Coal Policy Tool