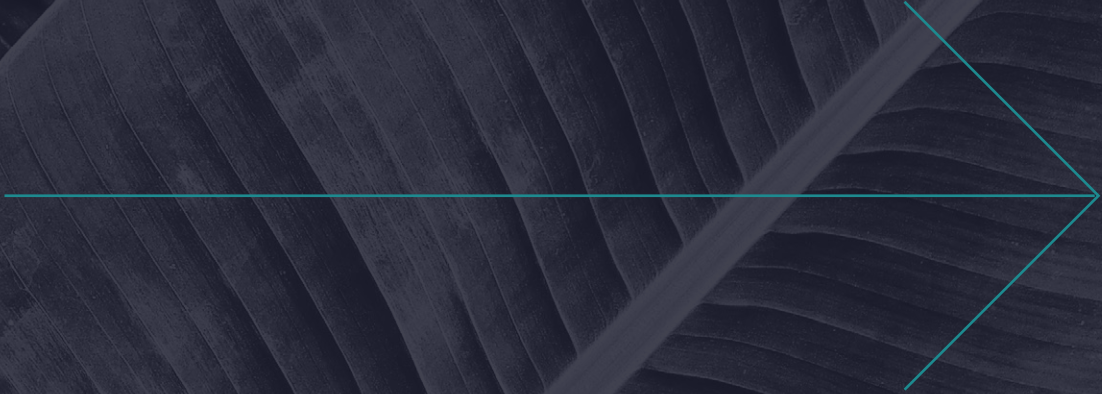


The *dual transition*

The path to a digital and sustainable economy



Executive conversations with...



**ADRIENNE
HOREL-PAGÈS**
Chief Sustainability Officer

La Banque Postale



FINANCING THROUGH A SCIENTIFIC AND SOCIAL IMPACT LENS



Founded in 2006, La Banque Postale is a postal bank and a subsidiary of La Poste, the French national postal service. It offers retail banking, insurance and asset management. In 2021, it became the first European bank and one of the first global banks to have a decarbonization trajectory validated by the "Science Based Target initiative", which includes phasing out investments in thermal coal, oil and gas sectors by 2030.

Adrienne Horel-Pagès is chief sustainability officer and a member of the executive committee of La Banque Postale. She is responsible for implementing the group's sustainable finance strategy in all its dimensions. She led the transformation of the organization required to qualify for the French Economy and Finance Ministry's Socially Responsible Investment (SRI) label. She is based in Paris.

Executive Conversations

As chief sustainability officer of a bank, what does your role involve?

My first mission is to define the sustainability strategy of the bank at group level. This includes our financing activities; our asset-management arm's investment activities; and also our insurance subsidiaries. My responsibilities include defining our trajectories and/or goals regarding the transition to net zero, our approach to conserving biodiversity, and our social engagement program.

The second mission is to make sure that our bank is at the forefront in terms of climate and social commitments, in order to protect ourselves from the risk of greenwashing and reputational damage. These are key issues, especially in light of the breadth of our engagement and commitments. I am tasked with ensuring that all the products or services we present as 'sustainable' comply with the criteria we set at group level.

My third mission is to ensure that each employee in the bank can participate in our transition. This involves managing a network of sustainability ambassadors; working on the training programs for all the employees; and ensuring that employees can engage in socially beneficial 'giving-back' activities.

My role is also about engaging with external parties and our stakeholders. I deal with all the regulatory reporting and manage the relationships with external financial-rating agencies, non-governmental organizations (NGOs), and our other stakeholders to drive our mission.



Adrienne Horel-Pagès,
Chief Sustainability Officer,
La Banque Postale

SCIENCE, FOSSIL FUELS, AND FINANCING

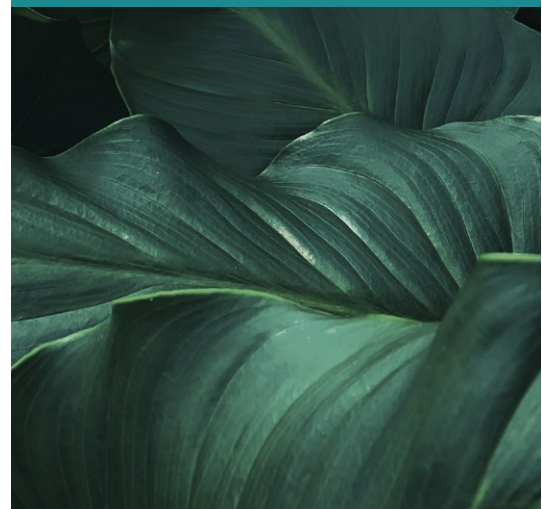
You are one of the first banks globally for which the Science Based Targets initiative (SBTi) has validated their carbon trajectory. How did you achieve that?

We co-constructed the methodology with SBTi and that definitely gave us an edge in terms of understanding the nuances of our balance sheet and portfolio. It also took care of the methodological aspects of the validation. But that's only one part. The other aspect is our firm commitment to net zero. What is really important now is implementation. We have to find an equilibrium between risk, return, and impact. We are still on the implementation journey, and we're very humble about the distance we still have to travel. Nevertheless, we are also aware that, with each passing day, better data becomes available to us; we have a greater understanding of our corporate impact, both environmental and social; and we are conscious of the need continually to reset goals. We need to focus on being on the right path, creating that conversation, and taking everyone along the journey.

In 2021, La Banque Postale announced that it was going to stop financing fossil fuel companies. How did you arrive at this decision?

This decision was made as part of our net zero commitments. We realized that financing oil and gas exploration doesn't align with any of the scientific scenarios and pathways connected with our goals. Today,

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Executive Conversations

the broad scientific consensus is that, if we are to be in alignment with the Paris Agreement by 2050, we need to stop exploring new oil and gas fields as of today.

It was quite clear to us that we needed to have a strict policy on this front. We are a big retail bank, but, on the corporate side, we are more of a challenger bank. It finally came down to a combination of our history, our balance sheet, and our net zero commitments, which drove us to this decision. By taking such a decision, we were also hoping to set a strong precedent for the whole financial services sector.

How did you ensure that you took the organization along in implementing such a decision?

When taking such a big decision, the most important and difficult thing is to take out individual convictions on climate change and say clearly that we are following scientific consensus. The other important aspect is to take a step-by-step approach to driving systemic change. For instance, we started with a new oil policy, and have since published an aeronautics policy, and a deforestation policy. By clearly articulating our position in each area, we can gradually drive adoption and implementation across the organization.

How has the focus on sustainability changed your employees?

Sustainability is changing the role of the banker dramatically. If you think about the role of the financial advisor, the standardization of financial products and digitalization has very much formed the role of the financial adviser, particularly in relation to the retail market. In most cases, clients knew

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as much as the adviser when it came to product features. Now that we are talking about sustainable investments, the dynamic of the relationship and the regulation that surrounds it are more complicated. This complexity is now adding value to the advisor role, particularly in the context of AI impacting jobs. The only way to drive change is to train and reskill people continuously.



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DRIVING A JUST TRANSITION

How can we ensure a just transition?

It's very challenging but we are absolutely convinced that environmental transition cannot be socially detrimental. At La Banque Postale, the social dimension is rooted in our DNA because we are a postal bank with nearly 17,000 points of contact in France and a clear mandate to serve the people. We believe that just transition is a way of striking a balance between economic development and positive impact to meet the social, ecological, territorial, and digital challenges we face. None of these transitions can be approached in isolation. They are, in principle, deeply interconnected. Also, being state-owned, while we have to be profitable, we have some financial leeway when it comes to making more socially oriented business decisions.

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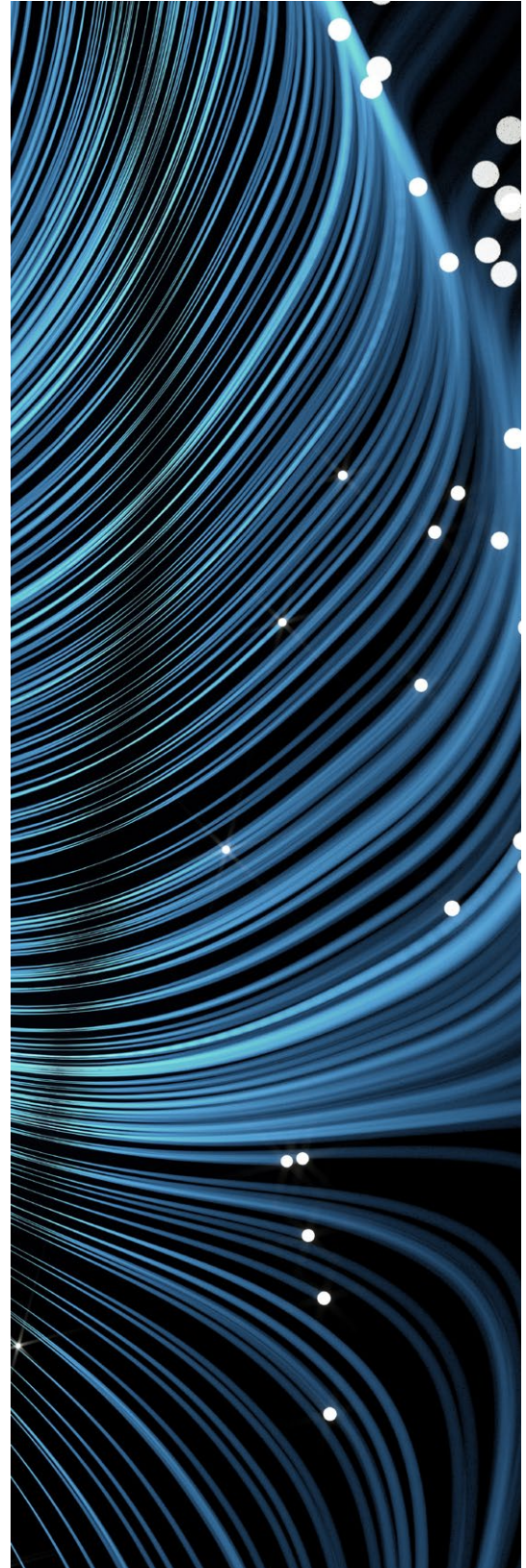
Executive Conversations

How do you operationalize a just transition through your day-to-day activities?

We have created what we call an impact weighting factor, which is an impact score built on environmental, social, and territorial criteria. For example, if an individual were applying for a mortgage to buy a home, the impact weighting factor considers aspects such as the number of people who will reside in the home, and local and regional location, among other factors. Taken together, these factors determine a score for the property, which may entitle the client to a rebate on the mortgage rate. We are already implementing this system in all our residential mortgages and are slowly integrating it into our commercial real estate and corporate loans, as well.

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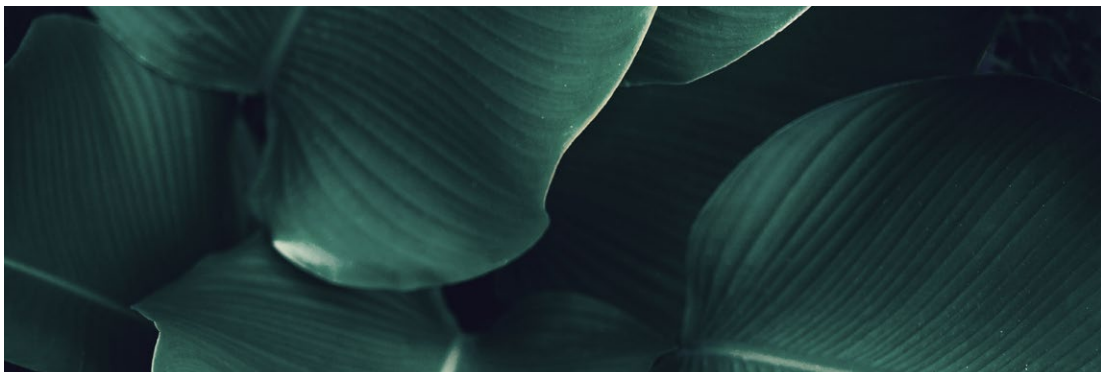
What is your view on impact financing?

There are two key aspects. One is about understanding the impact of your investment, and that's what we are doing with the impact weighting factor. It's not easy, because you have to collect a lot of data from a diverse set of sources, and that needs to be baked into your entire customer-acquisition process. For now, we are scoring, but we haven't yet put in place strict rules, for example, to deny applicants credit based on a low impact score. We need to continue to measure the impact over time, review the targets we are setting, assess how we are meeting them, and the evolution of the score.

The other part is investing with impact. This is much more focused. We are talking about investments that are fully compliant with the definition of impact: intentionality, measurability, and additionality.¹ When you're talking about listed assets, however, there is no additionality. Impact financing in that sense is more relevant to private equity, private debt, or non-listed assets. And, in that part of the sector, methodologies are quite advanced in terms of making sure that additionality is part of your investment.

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1. Additionality: Positive outcomes that wouldn't have been possible without the investment in question.

PUSHING SUSTAINABILITY FURTHER

From a sustainability standpoint, how do you see technology helping the financial services sector?

There are two main uses of technology for the financial sector. A big challenge we face is that we need to collect a significant amount of data to analyze the investment that we're proposing, be they green or social investments, measure the impact, and then report on it. Technology helps us to collect data from very diverse sources. The investment side in banks is much more advanced compared with the financing side. The other way in which technology can help us is through a range of innovations that help the environment. For instance, carbon-capture technologies.



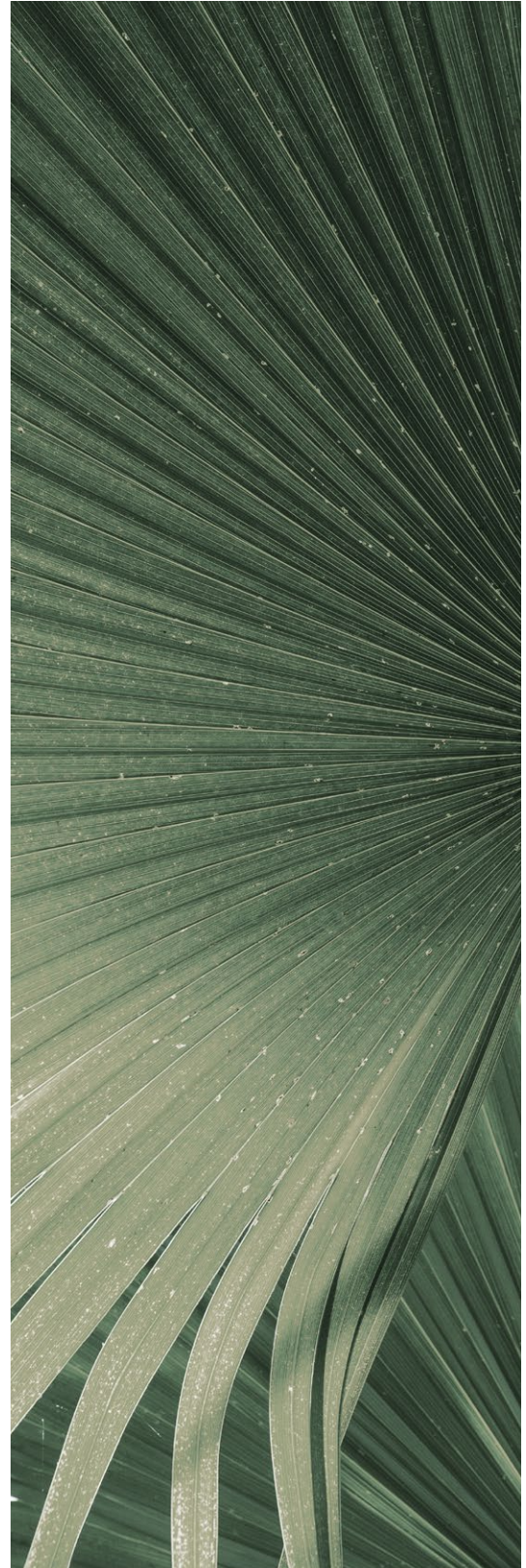
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How can financial services organizations bridge the gap between sustainability awareness and action?

It's important to bear in mind that the financial services sector is changing, from a world where you think in two dimensions – risk and return – to a world in three dimensions: risk, return, and impact. There's no magic bullet. If organizations are looking to shift their emphasis to the impact side, they either need to increase their risk or be ready to reduce their return. And that's a trade-off financial institutions are not ready to make right now. To be fair to them, on the risk side, regulations don't make it easy to go outside a defined framework. This is why we believe the only way to do it is step-by-step, looking at each financing decision in isolation, and finely balancing the structure. This is how we will engineer genuine impact.

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Executive Conversations

What is the role of the financial services sector in our transition to a sustainable world?

Basically, the finance sector fuels the economy. As such, it's very important that the sector embraces the transition. I think lots of progress has been made, but it can always be better. At the end of the day, the financial sector can't operate in isolation; it's very important that it receives support from policymakers, who will help it come into alignment with the ordered, systematic transformation of the economy across sectors. It's a collective challenge.

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If you had a magic wand, how would you accelerate our journey to a sustainable world?

I think the key to sustainability is systematic change. I would love to have this magic wand to create a detailed plan and execute it in an orderly manner. Ultimately, climate crisis will come; it's a question of when and how well prepared we are by then. We can let chaos reign or do our best to prepare a systematic response.





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