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200 and Counting: Global Financial Institutions Are Exiting Coal

Momentum of coal divestment policies is accelerating

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Key Findings

Over 200 globally significant financial institutions have established coal exclusion policies, with divestment momentum away from coal accelerating in the last two years despite record profits being enjoyed by coal companies on the back of the energy crisis.

Europe leads the way with the highest number of financial institutions divesting from coal (114) and with more stringent exclusion policies compared to other regions.

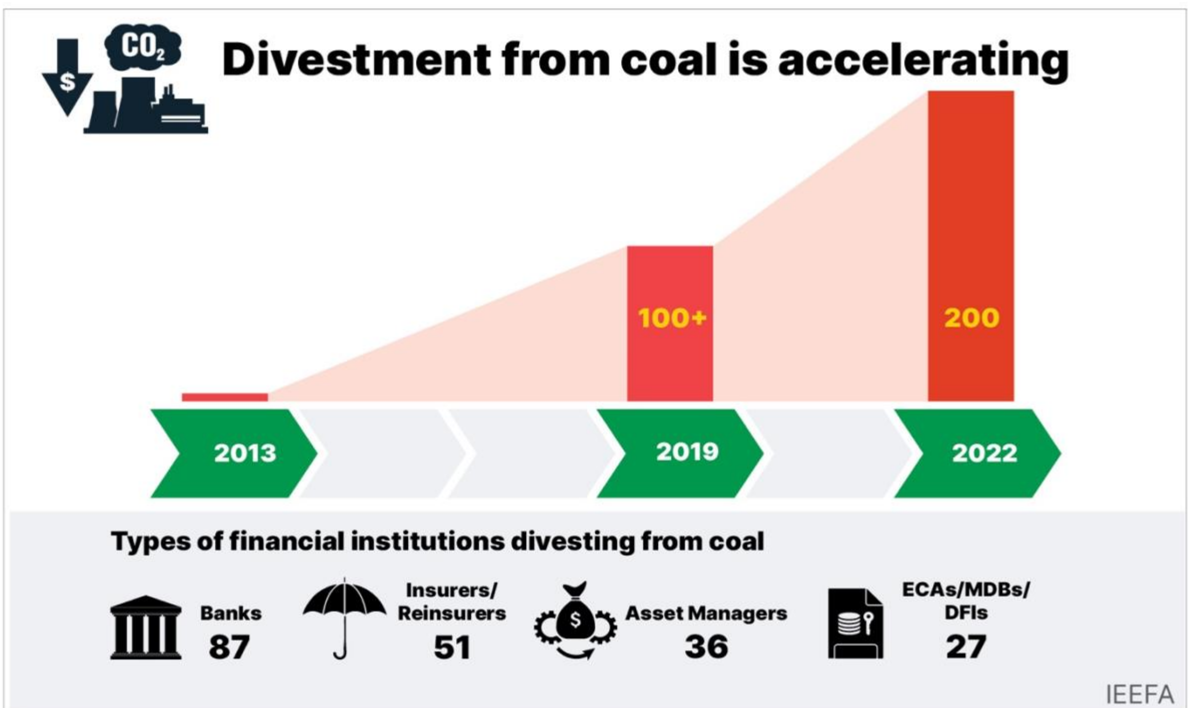
Asia has shown a significant increase in divestment, jumping from 10 financial institutions with coal exclusion policies between 2013 and April 2019 to 41 within the next three years.

Momentum is also building in the number of policy upgrades in the last two years, these strengthened coal exit policies demonstrating that financial institutions are increasingly recognising climate risk as a source of financial risk and ultimately systemic risk for the global financial system.

Executive Summary

Energy transition efforts are accelerating worldwide, and it is leading to tectonic shifts in all sectors across the global economy. While in the real economy, the energy sector is leading the transformation, the financial sector is also fast re-evaluating and redefining its role in a world where capital today is seen in the colours of green and brown.

There are two prominent trends redefining capital markets. First, there is the shift away from high emissions fossil fuels due to accelerating climate action and improved viability and accessibility of clean energy technologies. Second, there is an increased understanding of climate risk as a source of systemic risk to the global financial system. Both these trends are also supported by the climate movement spearheaded by stakeholder activism which includes policy analysts, climate campaigners and climate scientists globally. The response to both trends has been a diversification away from fossil fuels such as coal. A growing number of financial institutions (FIs) globally are fast establishing policies to exit coal in a bid to decarbonise their operations and commit to net zero targets.



Despite record profits for several of the largest coal mining companies globally over the last two years, the momentum of coal exclusion policies indicates that financial markets do not see their exposure to coal as a great long-term investment. The outperformance of the MSCI World ex Fossil Fuels Index over the MSCI World Index from November 2010 (index start date) to March 2023 underlines that investors recognise the long-term destructive impact of fossil fuel companies on wealth.

Currently, IEEFA's analysis of coal divestments finds that over 200 globally significant FIs including banks, insurance companies, asset managers, pension funds, export credit agencies (ECAs), multilateral development banks (MDBs) and development financial institutions (DFIs), have formal policies restricting investment in thermal coal mining and/or coal-fired power projects. Banks and insurers are at the forefront of developing coal exclusion policies. Specifically, 87 international banks, 51 insurance and reinsurance companies, 17 ECAs, 7 MDBs, 3 DFIs and 1 central bank, each with assets exceeding US$10 billion, and 36 asset managers and owners, including pension funds managing more than US$50 billion in assets, have created coal restriction policies.

> **The most comprehensive coal exit policies include restrictions across all financial services and products offered by the FIs, ceasing all types of business relationships with coal companies.**

Most of the globally significant FIs in the list have established restrictions on investing in companies that are involved in coal-fired power plants and/or thermal coal mining. The most comprehensive coal exit policies include restrictions across all financial services and products offered by the FIs, ceasing all types of business relationships with coal companies. These restrictions relate to corporate finance, project finance, underwriting and investment but also extend to wider coal activities such as coal gasification, super-critical coal power plants, and coal for rail and port infrastructure.

European financial institutions are leading the way in coal divestment with stricter policies than those in other regions. Though FIs from Asia-Pacific are also increasing rapidly, with 53 now having formal exit policies compared to only seven prior to 2019. A total of 22 FIs in the emerging economies have also established coal divestment policies, including South Africa, China,[1] Malaysia, Turkey, India and the Philippines, among others. The U.S., France, the UK, Japan, South Korea, Germany, the Netherlands and Australia have the highest number of FIs with formal coal exit policies. Overall, there are 114 FIs in Europe, 53 in Asia-Pacific, 27 in North America, 6 in Africa and 2 in South America.

Several leading banks such as Bank of America, Citi, BNP Paribas and Crédit Mutuel Alliance Federale upgraded their policies in 2021 and 2022, seemingly after joining the United Nations Net Zero Banking Alliance. Over the last two years, 47 banks have strengthened their coal exit policies, while 16 banks have announced their coal exit plans for the first time.

Insurance companies, who act as risk managers and underwriters for coal projects and are significant institutional investors themselves, are also fast shunning coal. A total of 51 globally significant insurance and reinsurance companies have established a formal coal exit policy, and the

[1] For the purpose of this report, China refers to Mainland China market.

number has more than doubled since IEEFA started reviewing global coal exclusion policies in 2019. One of the notable insurers, which announced its inaugural coal exit policy in 2022, is AIG.

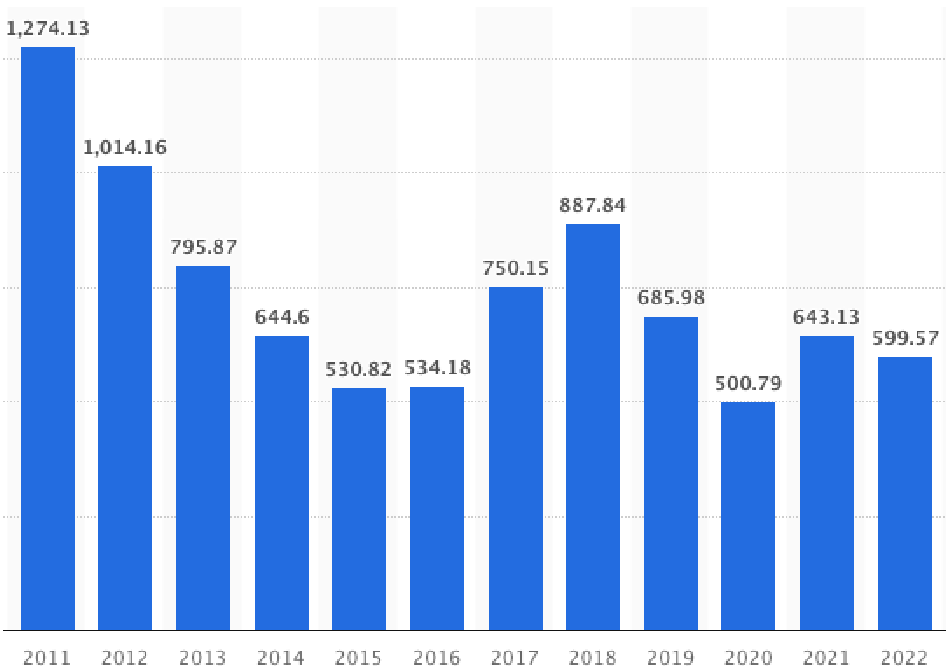
Of the 36 asset managers and owners with formal coal divestment policies, managing assets worth over US$50 billion, half have implemented or improved their policies in the last two years. While several large global asset managers such as Caisse des Dépôts et Consignations, Government Pension Fund Global, Fidelity Investment and Storebrand have established formal coal exit policies, the three largest asset managers, Blackrock, State Street Global Advisors and Vanguard, managing assets worth US$20 trillion, have either formulated weak coal exit policies or have no policy at all.

Globally, FIs are adopting coal exclusion policies to reduce their exposure to the industry. The momentum of coal exclusion policies has gained significant traction in a little over three years to December 2022, with the number of FIs on IEEFA's list reaching 202, up from 101 in April 2019. This trend is likely to continue, especially in the emerging markets, with more FIs expected to establish coal exclusion policies in the coming years and also strengthen existing ones.

1 Accelerating momentum in policy announcements

As the world grapples with the urgent need to address climate change, the role of the financial sector in financing the coal industry has come under increasing scrutiny. In addition to environmental concerns, there are also financial considerations at play. The coal industry has been in decline for several years (barring recent developments ignited partly by the global pandemic and more recently the Russian invasion of Ukraine). Figure 1 shows the diminishing market value of the global coal mining industry. Many financial institutions (FIs) are recognising the threat to the long-term viability of investing in coal,[2,3] and are looking to reduce their exposure to the industry in order to protect their financial interests.

Figure 1: Global coal mining market value, 2011–2022 (US$ billion)



Source: Statista

The most recent IPCC Synthesis Report affirms that in order to limit warming to 1.5 degrees Celsius, more than 80% of coal reserves should remain unburned.[4] This calls for FIs to halt capital investment in coal activities immediately.[5] The first step towards this objective is for these institutions to establish formal policies for phasing out coal. Therefore, our report aims to evaluate how many major FIs worldwide have taken the crucial first step of establishing a coal exit policy.

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[2] BNP Paribas. Climate Analytics and Alignment Report. May 2022.
[3] JP Morgan Chase. 2022 Climate Report. December 2022.
[4] IPCC. Synthesis Report of the IPCC Sixth Assessment Report (AR6). March 2023. Page 24.
[5] See Appendix A2 for more details on effectiveness of divestment strategy.

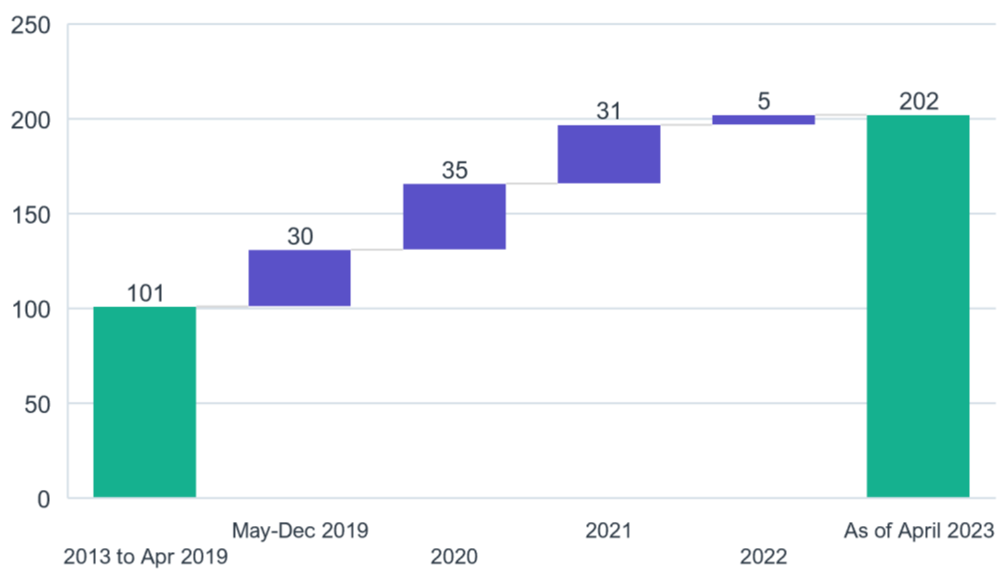
Our findings indicate that an increasing number of FIs worldwide are quickly developing policies to divest from coal as part of their efforts to decarbonise their operations and work towards achieving net zero targets. Today, more than 200 globally significant FIs including banks, insurance companies, asset managers, pension funds, export credit agencies (ECAs), multilateral development banks (MDBs) and development financial institutions (DFIs) have formal policies restricting investment in thermal coal mining and/or coal-fired power projects. Globally, funds worth more than US$40 trillion have already committed to some form of fossil fuel divestment,[6] an enormous number by any measure.

1.1 Growth in number of announcements

The first-ever coal exclusion policy was adopted by the World Bank Group in 2013. It then took almost six years for the number of FIs exiting coal to reach 100 in April 2019, IEEFA's first review of global coal exclusion policies in 2019 found. Since then, the number of FIs exiting coal has reached 202 as of April 2023, doubling in just over three years.

Between the start of 2020 and end of 2022, a total of 71 new exit policies/announcements were made. Among these, there were 35 coal exit policies in 2020, 31 in 2021 and 5 in 2022 (Figure 2). There were also several upgrades or revisions to policies already announced.[7] In 2022, while new policy announcements were low, 46 FIs upgraded their existing policies. Similarly, in terms of upgrades, 2021 was a standout year, with 64 policy upgrades (Figure 3). At the time of publishing, no new policies were found since the end of 2022.

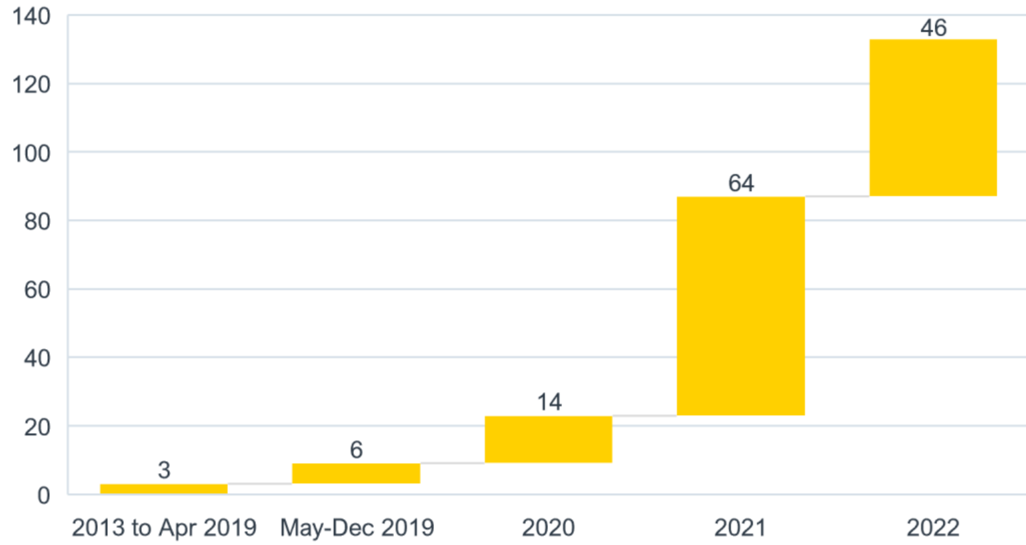
Figure 2: New coal exit policies by year of announcement



Source: IEEFA analysis

[6] IEEFA. Two economies collide: Competition, conflict, and the financial case for fossil fuel divestment. 13 October 2022.
[7] IEEFA considers a policy as upgraded when additional phase-out details are added such as geographical coverage, investment thresholds and timeline of exit, among others.

Figure 3: Coal exit policy upgrades by year of announcement



Source: IEEFA analysis

1.2 Momentum intact even with rising fossil fuel returns

Coal exclusion policies have gained momentum in the last two years despite record profits for several of the largest coal mining companies globally over the same period.[8] This momentum is likely evidence that financial markets are accepting that their exposure to coal is not a good investment in the long term. The outperformance of the MSCI World ex Fossil Fuels Index, representing the performance of the broad market while excluding companies that own oil, gas and coal reserves, over the MSCI World Index from November 2010 to March 2023 underlines that investors are moving away from investments in fossil fuels (Figure 4).

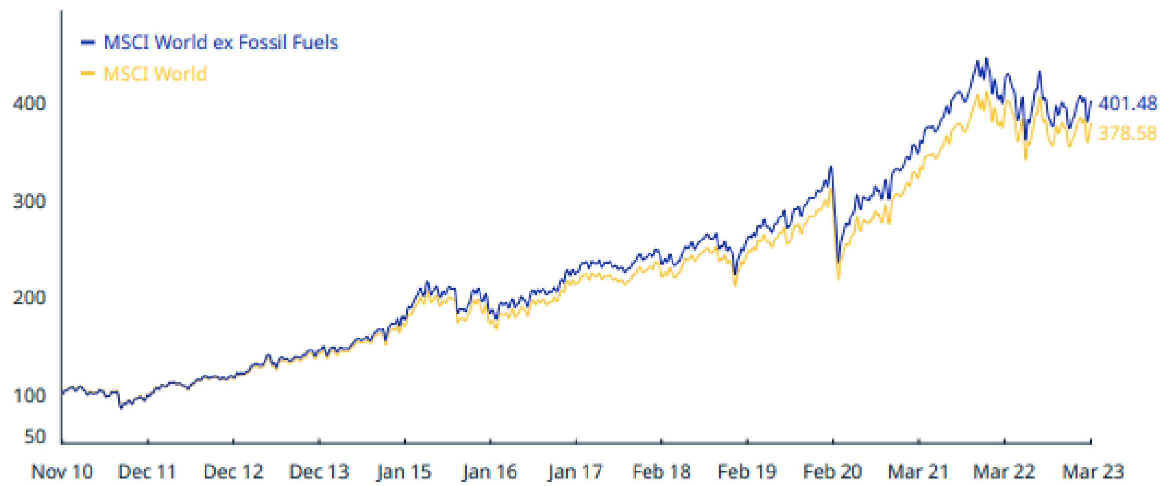
The outperformance compared to coal companies was even more pronounced before rising natural gas prices at the end of 2021 in the lead-up to the war in Ukraine. The start of the war in 2022 drove thermal coal prices to all-time highs and in turn shored up the fortunes of coal companies as countries turned to coal to replace the cut in Russian gas supplies.

This increased reliance on coal brought on by the global energy crisis seems to be a short-term measure. The International Energy Agency (IEA) World Energy Outlook 2022 highlights that the global energy crisis could be a historic turning point towards a cleaner and more secure future.[9] Several long-term policy shifts in response to the crisis — the Inflation Reduction Act in the U.S., Fit for 55 package in the European Union (EU), green transformation program in Japan and ambitious clean energy targets in China and India — all point towards gloomy days ahead for coal as investment opportunities in low carbon assets are encouraged. At the November 2021 United Nations climate change conference (COP 26), more than 40 countries pledged to shift away from

[8] Financial Times. Big coal miners' profits triple as demand surges. 29 December 2022.
[9] IEA. World Energy Outlook 2022 shows the global energy crisis can be a historic turning point towards a cleaner and more secure future. 27 October 2022.

coal, committing to ending all investment in new coal power generation domestically and internationally.[10] More recently, South Africa's Just Energy Transition Plan to move away from coal at COP27 in November 2022 shows the growing decarbonisation momentum.[11] Global FIs seem to be paying attention to these developments.

Figure 4: Cumulative index performance gross returns (EUR), November 2010 to March 2023



Source: MSCI

1.3 Global energy transition and the massive clean energy opportunity

The longer-term policy response to energy market volatility, coupled with an inevitable shift towards a low-carbon world, has opened up enormous opportunities for FIs to pivot their portfolios towards clean energy. According to the International Renewable Energy Agency (IRENA), cumulative investments between now and 2030 need to total US$44 trillion to achieve net zero emissions by 2050.[12]

Additionally, the growing influence of sustainability aligned investing within global financial markets, a trend that has accelerated post the COVID-19 pandemic, has also contributed towards the accelerating trend in fossil fuel exits since 2019. According to a 2021 EY survey of 320 senior investment executives from global institutional investors, 90% of the investors gave greater importance to companies' environmental, social and governance (ESG) performance post the

[10] BBC. COP26: More than 40 countries pledge to quit coal. 4 November 2021.
[11] Bloomberg. South Africa's Plan to Exit Coal Offers Template for Green Shift. 8 November 2022.
[12] IRENA. World Energy Transitions Outlook 2023. March 2023.

pandemic and 86% said that corporate decarbonisation is key to their investment.[13] With several of these investors also holding stakes in the largest FIs globally, the influence has been broad based.

The tectonic shifts happening in the energy markets can be gauged from the skyrocketing pace with which energy transition investments are growing globally. Bloomberg New Energy Finance reported US$1.1 trillion worth of investments were made in energy transition technologies during 2022 alone. In the sustainable debt markets, a total of US$1.5 trillion worth of bonds and loans (including refinancing of past projects) were issued in 2022.[14]

2 Current landscape of coal exit policies

The coal divestment policy momentum has proliferated across various types of FIs and across the globe, with 200 and counting on our list (see IEEFA Coal Divestment website for the full list). In this section, we provide a detailed landscape of coal divestment policy among globally significant FIs,[15] first by type of FI and then by region.

2.1 Banks and insurers lead coal divestment policy announcements

IEEFA reviewed the formal coal exit policies of a broad spectrum of FIs including commercial banks, global asset managers, insurance and reinsurance companies, pension funds, DFIs, MDBs, ECAs, and central banks.

Table 1: Coal divestment policy announced by type of financial institution

Category	Total FIs with coal exit policy
Bank	87
Insurer/Reinsurer	51
Asset Manager/Owner	36
Export Credit Agency (ECA)	17
Multilateral Development Bank (MDB)	7
Development Finance Institution (DFI)	3
Central Bank	1

Source: Corporate announcements, press reports, IEEFA calculations

[13] EY. Three-quarters of institutional investors looking to divest from companies with poor environmental track records. 29 November 2021.
[14] BNEF. Sustainable Debt Issued. January 2023.
[15] IEEFA defines globally significant financial institutions to be those with a threshold of at least US$10 billion of assets under management or loans outstanding or asset size.

The banks are at the forefront of developing coal exclusion policies. A total of 87 global banks, including a few in emerging markets, with assets greater than US$10 billion have committed to restrict their lending to coal projects. This marks significant progress in the fight against climate change as banks have a critical role in accelerating decarbonisation efforts. Recent research has shown that coal lending restrictions by banks have significantly contributed to the decline of the coal industry, decreased net assets of coal companies and accelerated the retirement of coal plants in certain jurisdictions.[16]

> **A total of 87 global banks, including a few in emerging markets, with assets greater than US$10 billion have committed to restrict their lending to coal projects.**

The banks are followed by 51 insurance/reinsurance companies and 36 asset managers and owners including pension funds with total assets under management of more than US$50 billion that have formulated coal restriction policies. A total of 17 ECAs, 7 MDBs, 3 DFIs and 1 central bank have similarly committed to divest from the coal sector in the short to medium term.

2.1.1 Leading global banks

Most leading global banks in the list have established restrictions on lending to companies that are involved in coal-fired power plants and/or thermal coal mining. The baseline restriction introduced by the banks is committing to no new project finance loans to coal companies. The most comprehensive coal exit policies include restrictions across all financial services and products offered by the banks, ceasing all types of business relationships with coal companies. These restrictions relate to corporate finance, underwriting and investment as well as restrictions on wider coal activities such as coal gasification, super-critical coal power plants, and coal for rail and port infrastructure.

A total of 48 out of 87 banks in the list have joined the United Nations Net Zero Banking Alliance (NZBA), which as of February 2023 represents around 40% of global banking assets equivalent to US$73 trillion.[17] Several leading banks seem to have upgraded their policies in 2022 after joining the NZBA. Over the last two years, there have been several policy upgrades related to coal divestment as well as new policies. During this period, 47 banks have strengthened their coal exit policies, while 16 banks have announced their coal exit plans for the first time. Notably, half of these new entrants are from Asia, indicating the divestment momentum spreading among Asian banks. One of the largest banks among the new entrants is the Bank of China, with assets worth US$4.2 trillion,[18] which announced its first coal divestment policy in September 2021. Maybank, the largest bank in Malaysia, is another significant new entrant to the list, having announced its first coal exit policy in May 2021, following its peer CIMB's footsteps[19]—the first emerging markets bank to formalize a progressive exit policy in 2020.

[16] Harvard Business School. What Happens When Banks Ditch Coal: The Impact Is 'More Than Anyone Thought'. 18 April 2023.
[17] UNEP FI. Net-Zero Banking Alliance Members.
[18] Forbes. The World's Largest Banks 2022: China's ICBC Leads While JPMorgan Chase Falls. 12 May 2022.
[19] IEEFA. Malaysia's CIMB announces coal financing phase-out by 2040 as Asia's fossil fuel divestment drive accelerates. 8 December 2020.

In the discussion that follows, we examine the strong coal exit policies of a few leading banks in the list.

2.1.1.1 Crédit Mutuel Alliance Federale

Crédit Mutuel Alliance Federale (Crédit Mutuel) of France appears to have the most comprehensive and robust coal divestment policy.[20] Its latest policy upgrade released in March 2022 laid out clear exclusion criteria. The policy states that it will not invest in a company that produces more than 10 million tonnes of coal in a year, has installed coal power capacity of more than 5 gigawatts (GW), whose share of coal power production is greater than 20% and generates revenue of more than 20% from coal business. The policy also states that it will phase out its existing coal portfolio completely by 2030. Crédit Mutuel has been a member of the NZBA since 2021.[21] Its coal divestment policy is in line with what is expected from a member bank.

2.1.1.2 Svenska Handelsbanken

Svenska Handelsbanken, Sweden's second-largest bank with assets over US$330 billion, has adopted a policy[22] of not providing direct financing for the construction of new coal power plants or expanding existing ones, nor entering new business relationships or financing companies that operate or construct coal power plants. Similarly, it will refrain from direct financing, such as project financing, for the establishment of new coal mines, the expansion of existing ones, and related infrastructure.

2.1.1.3 BNP Paribas

BNP Paribas, an international bank headquartered in France, has established a strong coal divestment policy.[23] It upgraded its policy in May 2022, with targets to bring down the share of its coal loan portfolio to 5% by 2025 from the baseline year 2020, when loans provided to coal companies stood at 10% of the bank's total loan book. It plans to completely phase out of the coal sector in EU and OECD countries by 2030 and remaining geographies by 2040. It has also been a member of NZBA since 2021.

Several other banks that have implemented strong policies to phase out coal include Canada's Desjardins Group, Denmark's Danske Bank, France's Natixis and Credit Agricole Group and Italy's UniCredit. However, it is worth noting that all the banks in our list are still not perfect and have some loopholes in their policies despite their commitment to reducing coal-related activities.

[20] Crédit Mutuel Alliance Federale. Sector Policy – Coal Sector. March 2022.
[21] UNEP FI. Crédit Mutuel.
[22] Svenska Handelsbanken. Sector Framework – Fossil energy. December 2022.
[23] BNP Paribas. Climate Analytics and Alignment Report. May 2022.

2.1.2 Global insurance and reinsurance companies

The insurance sector is critical to decarbonisation. Insurance and reinsurance companies are not only the risk managers and underwriters of coal projects, they are also large institutional investors underlining their role in transitioning to a net zero global economy. Insurers with assets worth more than US$40 trillion[24] are the second-largest group of institutional investors after pension funds.

A total of 51 globally significant insurance and reinsurance companies have established a formal coal exit policy. The number has more than doubled since 2019, when IEEFA last reviewed the coal exit policies of insurance companies. Many of these companies, primarily from European countries, have joined the UN-convened Net-Zero Insurance Alliance (NZIA),[25] a group of leading insurers committed to transitioning their insurance and reinsurance underwriting portfolios to net zero emissions by 2050.

Over the last two years, there has been a substantive rise in the number of insurers/reinsurers with coal exit policies. In our list, 30 insurance companies either announced a coal exit policy for the first time or upgraded their policy in 2021 and 2022.

> **Six of the nine insurance companies that declared their first-ever coal exit policies during 2021 and 2022 are based in Asia.**

Six of the nine insurance companies that declared their first-ever coal exit policies during 2021 and 2022 are based in Asia — four in South Korea and two in Japan. South Korea's Hanwha Group and Kyobo Life Insurance and Japan's Sompo Holdings and MS&AD Holdings are the prominent insurers that announced their inaugural coal divestment plans in 2021.

2.1.2.1 AXA

AXA, a French multinational insurance company with assets worth US$881 billion,[26] was one of the first major insurance companies to divest from coal in 2015, and in 2017 implemented a more stringent policy, committing to stop insuring any new coal construction projects.[27] Its last policy was released in November 2019 and is still more stringent than other insurers' coal exit policies established more recently.[28]

Key points of AXA's coal exit policy spanning its investment and underwriting portfolio include:

- No underwriting and investment in power generation companies whose coal share in the power production (energy mix) is more than 30% and/or have coal "expansion plans" producing more than 300 megawatts (MW) and/or have more than 10GW of coal-based power installed capacity.

[24] Statista. Total assets of insurance companies worldwide from 2002 to 2020. 12 January 2023.
[25] UNEP-FI. Net-Zero Insurance Alliance.
[26] Refinitiv. December 2021.
[27] AXA. AXA accelerates its commitment to fight climate change. 12 December 2017.
[28] AXA. Emergency exit: Committing to coal phase-out. 27 November 2019.

- No underwriting and investment in mining companies that generate more than 30% of revenue from coal production and/or produce more than 20 million tonnes of coal annually and/or develop new coal mines.
- No investment in allied coal infrastructure and manufacturing companies that are developing significant new coal assets such as equipment suppliers, port terminals and dedicated railways.
- Complete phase out of all coal investments and underwriting by 2030 in EU and OECD countries and by 2040 globally.

2.1.2.2 AIA

AIA, a Hong Kong based insurance company with assets over US$340 billion,[29] published a strong coal exit policy in March 2021, which is one of the most stringent policies among its Asian peers.[30] It has committed to not invest in any new businesses directly involved in coal mining or coal power generation. It has already divested from companies that generate at least 30% of their revenue from coal mining and/or coal power. The policy states that it will completely phase out its equity investment in coal companies by 2021 and bond investment by the end of 2028. In 2020, AIA had significant exposure in coal assets[31] but it appears that the company has improved significantly on its commitment to climate risk management since then.

2.1.2.3 American International Group (AIG)

AIG, a U.S. multinational company with assets of US$526 billion,[32] is a late entrant to the coal divestment momentum. It announced its first coal exit policy in March 2022, more than six years after the Paris Climate Agreement in 2015.[33]

AIG has committed to cease investment in and underwriting of any new coal power plants and coal mining projects. It has committed to stop investing in and underwriting new operation insurance risk of coal-fired power plants and thermal coal mines that generate 30% or more revenue from these activities or generate more than 30% of their energy production from coal. It has also stated its commitment to phase out its existing underwriting and investment in those companies that derive 30% or more revenue from coal mining and coal-fired power plants or generate more than 30% of energy production from coal by January 2030 or sooner. While AIG's policy looks quite stringent, its phase-out from coal will never be complete as its policy allows it to continue its business with companies that generate less than 30% of revenue from coal activities.

[29] Refinitiv. December 2021.
[30] AIA. AIA Coal Investment Statement. March 2021.
[31] IEEFA. Time for AIA To Prove Their Climate Credentials. 1 December 2020.
[32] Refinitiv. December 2022.
[33] AIG. AIG Commits to Net Zero Greenhouse Gas (GHG) Emissions Across its Underwriting and Investment Portfolios by 2050. 1 March 2022.

2.1.3 Development finance institutions and multilateral development banks

DFIs and MDBs are primarily funded by governments. These institutions are important actors in the shift towards a decarbonised economy and are leaders when it comes to tackling finance issues related to climate change risk. In fact, the coal divestment movement was started by the World Bank in 2013. We have included a total of 7 MDBs and 3 DFIs in the list.

> **DFIs and MDBs … are important actors in the shift towards a decarbonised economy and are leaders when it comes to tackling finance issues related to climate change risk.**

The most notable policy among the DFIs and MDBs is that of Agence Française de Développement (AFD), which announced its last policy on exiting from fossil fuels in 2019.[34] Its policy states that AFD will abstain from financing coal-fired power plant projects for the exploration or production of coal, or projects exclusively dedicated to transporting coal. AFD first committed to cease financing coal-based electricity generation in 2014.

The Asian Infrastructure Investment Bank (AIIB), the second-largest MDB, announced its first coal exit policy in 2017 and upgraded its policy in 2022.[35] AIIB has committed not to finance any coal-fired power plants or projects functionally related to coal, such as the roads leading to a plant or transmission lines serving coal power.

Some other prominent DFIs/MDBs in the list include the European Bank for Reconstruction and Development, KfW, Nordic Investment Bank and FMO.[36]

Recently, the International Finance Corporation (IFC), the largest global development institution with a focus on developing countries and a member of the World Bank Group, declared that it will mandate its FI clients to refrain from originating and financing any new coal projects once IFC becomes a shareholder.[37] This policy would likely further lead to FIs in the emerging markets such as India to start announcing their coal divestment plans.

A prominent DFI missing in the list is the US International Development Finance Corporation (DFC), which has assets worth US$15.3 billion.[38] Notably, DFC does not have a divestment policy in place concerning the coal sector. Instead, its current environmental policy permits investment in coal power projects that use technology to capture and sequester up to 85% of greenhouse gas

[34] AFD. Strategy 2019–2022: Energy Transition. June 2019.
[35] AIIB. Energy Sector Strategy: Sustainable Energy for Tomorrow. November 2022.
[36] IEEFA. Coal Divestment website.
[37] IFC. Greening Equity Investments in Financial Institutions. 2023.
[38] DFC. 2021 Annual Report. June 2022.

emissions.[39] These policies may result in investment opportunities in the coal sector and prolong the lifespan of coal projects.

2.1.4 Export credit agencies

There are 17 ECAs that satisfy IEEFA's globally significant FI criteria and have implemented limitations on coal. The coal exit policies of these ECAs are governed by the export credit guidelines established by the OECD for its member countries' ECAs. The OECD upgraded its 2019[40] guidelines on coal export transactions in November 2021.[41]

The coal-related export guidelines state that participants shall not provide officially supported export credits or tied aid for:

- the export of new coal-fired electricity generation plants or parts thereof, comprising all components, equipment, materials and services directly required for the construction and commissioning of such power stations
- the export supply of equipment to existing coal-fired electricity generation plants.

However, the loophole in the policy is that the prohibitions above do not apply to coal-fired electricity generation plants with operational carbon capture utilisation and storage (CCUS) facilities or the retrofitting of existing coal-fired electricity generation plants to install CCUS. CCUS in the power sector are unable to consistently deliver on the capture performance claims, expensive to build, fraught with failures and could lead to unsustainable electricity prices.[42]

2.1.5 Global asset managers and asset owners

Over 300 global asset managers with US$59 trillion[43] of cumulative assets under management (AUM) and 84 global asset owners with a cumulative AUM of US$11 trillion[44] are currently members of the Net Zero Asset Managers (NZAM) initiative and Net Zero Asset Owner Alliance (NZAOA), respectively. Together, the cumulative AUM of these net zero alliances is more than US$70 trillion, with this group of institutional investors comprising some of the largest pension funds and sovereign wealth funds globally.

[39] DFC. Environmental and Social Policy and Procedures. July 2020.
[40] OECD. Arrangement on Officially Supported Export Credits. January 2019.
[41] OECD. Participants' Agreement to Limit Support for Coal Related Transactions. 1 November 2021.
[42] IEEFA. CCS for power yet to stack up against alternatives. 30 March 2023.
[43] Net Zero Asset Managers initiative. As at 31 December 2022.
[44] UNEP FI. Members: Net-Zero Asset Owner Alliance. As at February 2023.

We reviewed those asset managers and owners with more than US$50 billion of AUM. We find that a total of 36 asset managers and owners have formal coal exit policies. Half of these investors and managers either upgraded or introduced their first coal policy in the last two years.

> **A total of 36 asset managers and owners have formal coal exit policies. Half of these investors and managers either upgraded or introduced their first coal policy in the last two years.**

2.1.5.1 Caisse des Dépôts et Consignations (CDC)

Caisse des Dépôts et Consignations (CDC) of France, a state-owned financial institution with AUM of more than US$163 billion,[45] is one of the first French asset owners to commit to restrictions on coal companies as early as 2015.[46] It also has one of the most robust coal divestment policies among the asset owners and managers, which was updated in October 2022.[47]

CDC does not invest in coal mines, coal power plants and coal infrastructure developers. Its exclusion policy includes companies that generate more than 5% of their revenue from thermal coal, companies that produce more than 10 million tonnes of coal and companies that have more than 10GW of coal capacity. CDC has adopted a strategy of complete coal phase out by 2030 in OECD countries and by 2040 globally. CDC's engagement strategy is also quite robust. It has made a mandatory request to its investee companies to adopt a coal phase-out plan that aligns with CDC's phase-out plans.

2.1.5.2 Storebrand

Storebrand, Norway's largest private asset manager with AUM of US$97 billion,[48] announced one of the first-ever coal exit policies among financial institutions in 2013. It was among the three FIs to declare such policies at the time. Today, Storebrand still maintains a robust coal exit policy. It's current policy is also quite robust which excludes all companies that derive more than 5% of their revenue from coal. It has one of the most stringent coal phase-out strategies as it plans to completely divest coal from its portfolio by 2026.[49] It has committed to manage 100% of its AUM in line with its net zero strategy as part of its alignment with NZAM, which is a model example for all the asset managers.

[45] CDC. Investor Presentation. November 2022.
[46] CDC. Climate Finance Policy. Effective 1st January 2021. Page 12.
[47] CDC. CDC Group Climate Policy. 26 October 2022.
[48] Storebrand. Investor Presentation. June 2022.
[49] Storebrand. Storebrand climate policy for investments. August 2020.

Box A: Coal exit strategies of the Big Three asset managers

BlackRock, State Street Global Advisors (State Street) and Vanguard are the three biggest asset managers globally with AUM of US$8.5 trillion, US$8.1 trillion and US$3.3 trillion, respectively. The combined AUM of these asset managers makes up 30% of the total AUM of the NZAM signatories. Despite their economic might, global presence and significance, these asset managers are laggards when it comes to coal divestment.

While State Street and Vanguard have no divestment policies at all, BlackRock excludes only coal mining companies that generate more than 25% of their revenue from thermal coal. The exclusion applies to its actively managed portfolio only and likely impacts only 20% of the 746 companies on Urgewald's Global Coal Exit List.

BlackRock has committed to align 75% of its total AUM to be managed in line with net zero targets as part of being a signatory of the NZAM. However, its weak coal exclusion policy indicates that it is currently not doing enough to adhere to its commitment.

State Street has committed to align only 14% of its total AUM to be managed in line with net zero targets. This low level of commitment to net zero portfolio alignment could impede the transition of economies to low carbon economies.

Vanguard is the biggest laggard among the three and has no coal exit plans yet. It also pulled out from NZAM in December 2022 (having joined in 2021).

Given the extensive size and global reach of these asset managers, the adoption of more robust divestment policies by the Big Three is expected to have a considerable impact in driving decarbonisation efforts forward.

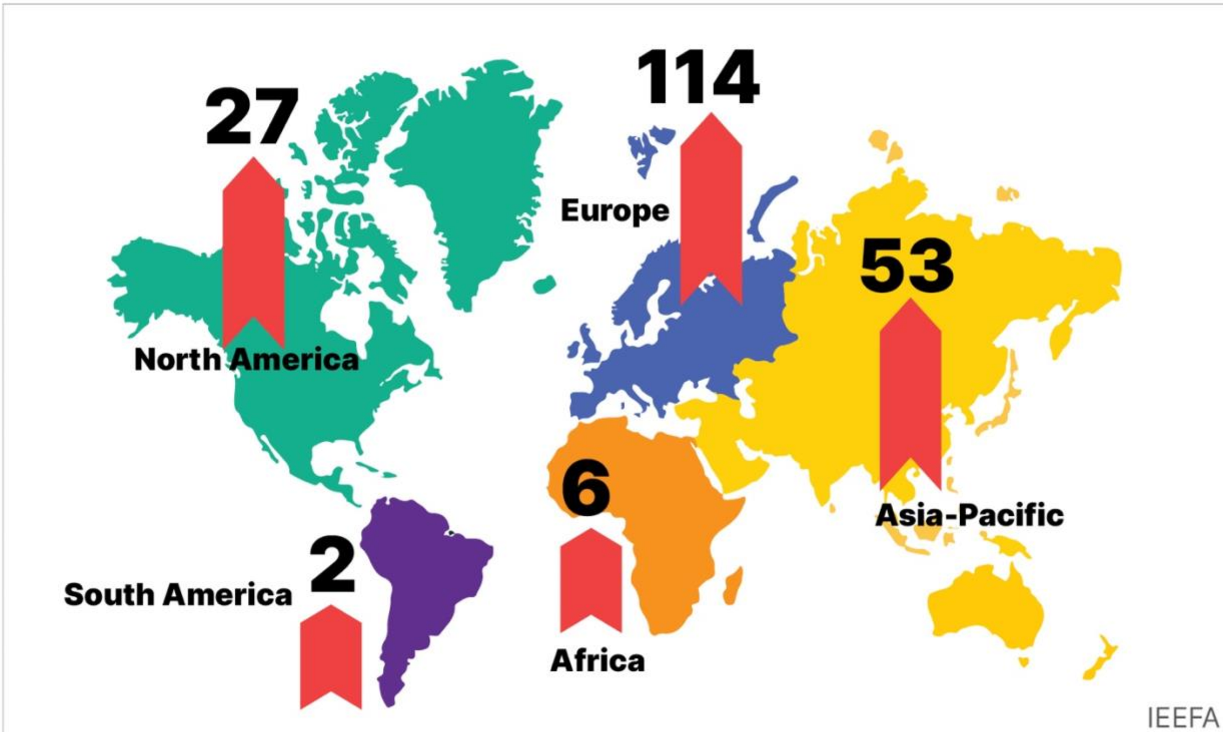
2.2 European FIs leading divestment movement strict policies

The European FIs are most proactive in terms of divesting away from carbon-intense investments compared to their counterparts in other regions. Their divestment policies are also relatively much more stringent compared to those of FIs in other regions. This leadership in coal divestment has prompted action in other regions, with Asia-Pacific financial institutions following suit, albeit with less stringent policies.

> **The European FIs are most proactive in terms of divesting away from carbon-intense investments compared to their counterparts in other regions.**

We have included 114 FIs in the European region that have a formal coal exit policy, followed by 53 FIs in the Asia-Pacific region, 27 in North America, 6 in Africa and 2 in South America (Figure 5). In terms of country, the U.S. leads the divestment race with 21 FIs having a formal coal exit policy in place, followed by France with 17, UK with 16, Japan with 14, South Korea, the Netherlands and Germany with 13 each, and Australia with 12.

Figure 5: Number of coal divestment policies of financial institutions by region

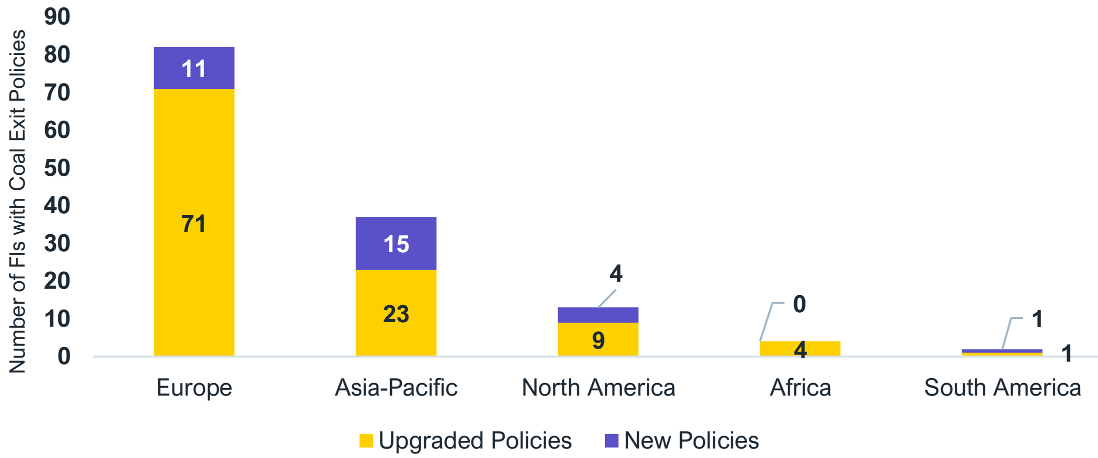


Source: Corporate announcements, press reports, IEEFA calculations

> **During 2021 and 2022, Asia-Pacific FIs took the lead with 15 institutions announcing their first-ever coal exit policies, followed by 11 in Europe**

During 2021 and 2022, Asia-Pacific FIs took the lead with 15 institutions announcing their first-ever coal exit policies, followed by 11 in Europe (Figure 6). Nevertheless, in terms of policy upgrades, Europe is far ahead, with 71 FIs continuing to minimise the loopholes in their prior coal divestment policies.

Figure 6: Regional split of upgraded vs new coal exit policies, 2021 and 2022



Source: IEEFA analysis

In this section, we delve into divestment policy announcements based on the location of FIs. We try to understand how the policies of FIs compare to each other based on their region of incorporation. At the end of the section, we also discuss the coal divestment policies adopted by FIs in key emerging markets, an important indication of coal divestment momentum reaching beyond developed markets.

2.2.1 European FIs

Europe is undisputedly leading the divestment wave with more than half of globally significant FIs in the list from that region. Not only is Europe leading on number of FIs with coal divestment policies, the region also has some of the most stringent coal exit policies compared to FIs in other parts of the world. Many European countries have set ambitious climate goals, and divestment from coal is seen as an essential step towards achieving these goals. As a result, European FIs are taking significant steps to move away from coal investments and towards more sustainable investments.

In this section, we focus on a few European countries that are leading the way in the region. France has the most significant number of FIs with coal divestment policies, with 17 FIs, followed by the UK with 16 FIs, and Germany and the Netherlands with 13.

2.2.1.1 French FIs

Of the French FIs, six are insurers/reinsurers, five are banks, four are asset managers/owners, one is a central bank and one an MDB. IEEFA observes that French FIs have some of the best coal divestment policies across the FI categories. According to the coal policy tool developed by Reclaim Finance, it is evident that out of the 26 financial institutions with the strongest coal exclusion policies, 24 of them are based in France.[50] For instance, Crédit Mutuel Alliance Federale has one of the best

[50] Reclaim Finance. Coal Policy Tool.

policies among all the banks in the list.[51] AXA[52] and AFD,[53] both of which announced their last policy in 2019, still have the most robust coal exit policies among the insurance companies and DFI/MDBs, respectively. CDC has the best policy among the asset managers/owners.[54]

2.2.1.2 UK FIs

There are five banks and five asset managers/owner, four insurers/reinsurers, one ECA and one MDB headquartered in the UK. Among the FIs in the UK, Lloyds Banking Group has a relatively better exclusion policy, which it updated in February 2022 and then in October 2022.[55] The bank commits to fully phase out of the coal sector by 2030, which is much earlier than some of its French peers' complete exit by 2040. Other FIs in the UK with strong policies are Natwest Group (previously Royal Bank of Scotland) and HSBC. Natwest has committed to not lend to new coal projects and will phase out lending to coal in the UK by 2024, and globally by 2030.[56] HSBC, in its latest policy updated in September 2022, has committed to phase out the financing of coal-fired power and thermal coal mining by 2030 in EU and OECD markets, and worldwide by 2040.

2.2.1.3 German FIs

Looking at the German FIs in the list, six are banks, three are insurers/reinsurers, two are asset managers/owners, one is an ECA and one a DFI. Allianz, one of the largest insurance companies globally with assets over US$1.3 trillion,[57] has one of the strongest coal divestment policies in Germany. It has committed not to underwrite and invest directly in any coal-based infrastructure, such as coal power plants, coal mines, coal-related railways or coal ports.[58] It plans to fully phase out coal-based business models across insurance investment and other insurance portfolios with the relative threshold reducing over time — first to 25% as of year-end 2022, 15% as of year-end 2025, and as of year-end 2029 the threshold will be reduced to 5% globally with the exception of Asia where 10% will apply. The other notable policies in the list are Hannover RE, Munnich Reinsurance Company, Deutsche Bank, KfW and Bayerische Landesbank.[59]

> **A majority of the 50 largest banks in Europe have established formal and fairly robust coal exit policies.**

Overall, European FIs are setting a good example in divesting from investing, lending or underwriting the coal sector. A majority of the 50 largest banks in Europe[60] have established formal and fairly robust coal exit policies. However, there are some banks, such as Allied Irish Bank and Bank of Ireland Group, the top two banks in Ireland, as well as Banco Sabadell, the fifth-largest bank in Spain,

[51] Crédit Mutuel Alliance Federale. Sector policy – Coal sector. March 2022.
[52] AXA. Emergency exit: committing to coal phase-out. 27 November 2019.
[53] AFD. Strategy 2019–2022: Energy Transition. June 2019.
[54] See IEEFA. Coal Divestment website.
[55] Lloyds Banking Group. Net Zero Activity Update. October 2022.
[56] Reuters. UK's NatWest to tighten coal sector lending in gradual phase out. 4 November 2021.
[57] Refinitiv. December 2021.
[58] Allianz. Statement on Coal-Based Business Models. May 2021.
[59] IEEFA. Coal Divestment website.
[60] ADV Ratings. Biggest Banks in Europe. 31 December 2021.

that have weak or no coal policies and are not included in the list. None of the FIs in Russia have a formal coal divestment policy.

2.2.2 Asia-Pacific FIs

Under the Asia-Pacific region, we include FIs in Australia, as well as both developed and emerging markets in Asia. Among the 53 FIs in this region, eight are situated in emerging economies such as China, India, Malaysia and the Philippines.[61] Between 2013 and April 2019, only 10 financial institutions in Asia had implemented formal coal exit policies. This number increased to 41 within the next three years, indicating the swift progress of coal divestment in Asian countries. Japan and South Korea are the key drivers of this acceleration in coal divestment policies in the region. In this section, we examine the coal divestment policies of the FIs headquartered in the developed countries within the region. For a discussion on the coal exit policies of emerging countries, see Section 2.2.4.

> **Between 2013 and April 2019, only 10 financial institutions in Asia had implemented formal coal exit policies. This number increased to 41 within the next three years, indicating the swift progress of coal divestment in Asian countries.**

2.2.2.1 Japanese FIs

Japan has 14 FIs with a formal coal exit policy. The Japanese banking industry — with more than US$21 trillion[62] of assets and insurance industries with premiums of more than US$3.23 trillion[63] of assets — is among the largest financial industries in the world. However, only eight banks and five insurers/reinsurers in Japan have formally committed to restrict financing coal projects. Some of the top banks missing in the list are Japan Post Bank, which is the second-largest Japanese bank with assets over US$1.9 trillion, and Fukuoka Financial Group, which owns assets worth more than US$239 billion.[64] The top insurers such as Japan Post Insurance (total assets of US$520 billion) and Meiji Yasudhas (total assets of US$310 billion) do not have any coal divestment policies.[65] Similarly, Government Pension Investment Fund, which is the largest public pension fund in the world with AUM of more than US$1.7 trillion, has no formal coal exit policy.[66]

The overall coal exit policies of Japanese FIs are relatively less stringent compared to their European counterparts. For example, except for Mitsubishi UFJ Financial Group (MUFG)[67] and Mizuho Financial Group,[68] none of the Japanese FIs mention a complete phase out from the coal sector. MUFG and Mizuho have announced their plans to phase out coal by 2040, but their targets only apply to project financing and not to corporate finance. This represents a significant loophole in their

[61] We discuss the coal divestment policies of the FIs in emerging markets in a later section.
[62] Statista. Banking industry in Japan – statistics & facts. 28 September 2022.
[63] Toa Reinsurance Company Ltd. Japan's Insurance Market 2022. September 2022; General Insurance Association of Japan. General Insurance in Japan Fact Book (2020-2021). 27 December 2021.
[64] Refinitiv. December 2022.
[65] Statista. Leading life insurance companies in Japan in fiscal year 2020, by total assets. 7 December 2022.
[66] WTW. World's largest pension funds reach new US$23.6 trillion record. 7 September 2022.
[67] MUFG. MUFG Progress Report: Moving towards Carbon Neutrality. April 2022.
[68] Mizuho Financial Group. Strengthening our sustainability action. 17 May 2022.

policies that would allow them to continue investing in coal companies. Some of the other Japanese FIs with a formal coal divestment policy are Asset Management One, Resona Holdings and Sumitomo Mitsui Trust Bank.[69]

Further, Japanese FIs' coal exit policies are weaker compared to other G7 countries, most of which have committed to decarbonise their electricity sector by 2035 and to end fossil fuel subsidies by 2025.[70]

2.2.2.2 South Korean FIs

Prior to 2019, there were no South Korean banks or insurers/reinsurers with coal divestment policies. Now there are 13 South Korean FIs on our list that have announced a formal coal exclusion policy. These include six insurers/reinsurers, five banks and two ECAs. Although six of these policies were announced in 2021 — that is, six years after the 2015 Paris Agreement — the policies are not stringent. In fact, the policies are very similar to those of their Japanese counterparts as most of these FIs have not committed to a complete coal phase-out.

Some of the notable South Korean FIs in the list are Hana Financial Group,[71] Woori Bank, Samsung Life Insurance and Kyobo Life Insurance Company.[72]

One notable FI missing from the list is the National Pension Service (NPS), the third-largest pension fund in the world with assets worth more than US$797 billion. We had included NPS in the list when it pledged to divest from the coal sector in May 2021.[73] However, we had to remove NPS from the list as more than a year after its pledge it has still not published its formal policy on coal exclusions.[74]

2.2.2.3 Australian FIs

We include 12 Australian FIs that have established coal divestment policies in the list, comprising five banks, four asset managers/owners and three insurers/reinsurers. Most of the FIs upgraded their policies in 2021. However, most of the FIs do not mention any plans to completely phase out their exposure to the coal sector.

The list includes all of the top four banks in Australia — ANZ Bank, Commonwealth Bank, National Australia Bank (NAB) and Westpac, which updated its policy in 2022. The NAB, with assets worth US$668 billion,[75] introduced its first coal exit policy in 2017 and updated it in 2021,[76] committing to cease lending to new thermal coal power plants and coal mining projects. However, NAB only plans to phase out from the coal mining sector by 2030.

[69] IEEFA. Coal Divestment website.
[70] Germanwatch. G7: What happened in Elmau and what's next. August 2022.
[71] Hana Financial Group. Big Step for Tomorrow: 2021 ESG Report. 2021.
[72] IEEFA. Coal Divestment website.
[73] Bloomberg. World's Third-Largest Pension Fund to Limit Coal-Linked Bets. 28 May 2021.
[74] Bloomberg. A $700 Billion Fund Is Under Pressure Over Plans to Curb Coal. 12 August 2022.
[75] NAB. Annual Report 2022. November 2022.
[76] NAB. Annual Review 2021. November 2021.

Bendigo and Adelaide Bank, a relatively smaller bank with assets worth US$65.73 billion,[77] introduced its coal policy almost 10 years ago in 2014.[78] It adopted a policy of no project level lending to coal and coal seam gas sectors. The policy did not mention anything about a coal phase-out timeline or corporate level lending to coal companies.

Aware Super, with AUM of US$145 billion,[79] includes the coal mining sector in its divestment policy but does not mention any restrictions related to coal power generation projects.[80] Macquarie Group, one of the largest asset managers globally with assets worth A$399 billion (US$270 billion),[81] has stated it will reduce its limited remaining equity and lending exposures to the coal sector, which are expected to run off by 2024.[82]

2.2.2.4 Singaporean FIs

We include three FIs from Singapore in the list, which are all banks. The FIs are the three largest banks in Singapore — DBS Bank, OCBC Bank and United Overseas Bank (UOB). DBS, which upgraded its policy in 2021, has announced it will cease financing new clients that derive more than 25% of their revenue from thermal coal and will stop financing its existing customers that derive more than 50% of revenue from coal starting January 2026.[83] UOB has the worst divestment policy among its two peers with coal policies, as it only considers divestment in relation to thermal coal power plants and does not mention coal mining.[84] Similarly, OCBC's coal divestment policy has a lenient threshold, excluding only new thermal coal power plants and coal mining firms whose revenue from coal exceeds 50%.[85]

2.2.3 North American FIs

The North American region comprises 27 FIs with formal coal divestment policies — 21 in the U.S., four in Canada and one each in Mexico and Bermuda.[86]

2.2.3.1 U.S. FIs

The U.S. FI list comprises eight banks, six insurers/reinsurers, five asset managers/asset owners, one MDB and one ECA. While the U.S. has the highest number of FIs in the list, and coal power is in terminal decline in the US electricity sector, dropping from over 40% market share in 2013 to below 20% share in 2023[87] (with no new coal plants reaching a financial investment decision (FID) in the last decade), the policies are not stringent compared to their EU counterparts. For example, Citigroup has one of the most stringent policies among the U.S. FIs. It is the first U.S. bank to have

[77] Refinitiv. June 2022.
[78] Bendigo Bank. Our statement about lending to projects in the coal and coal seam gas sectors. 10 June 2014.
[79] Aware Super. Annual Report 2022. October 2022.
[80] Aware Super. Climate Change Portfolio Transition Plan – one year on. July 2021.
[81] Macquarie Group. Annual Report: Year ended 31 March 2022. May 2022.
[82] Macquarie Group. Supporting the transition to a net zero economy. May 2021.
[83] DBS. DBS Bank commits to zero thermal coal exposure by 2039. 16 April 2021.
[84] UOB. Energy Sector Policy. 31 August 2021.
[85] OCBC. Building a sustainable future. 30 April 2019.
[86] Note, while Bermuda is a self-governed British Overseas Territory, it is physically located in North America and has been included in that region for ease of reference. Further, the FI headquartered in Bermuda is AXIS Capital which is listed on the New York Stock Exchange and has a majority of its offices in the U.S.
[87] EIA. Short Term Energy Outlook. 7 March 2023.

adopted a phase-out plan from coal power by 2030 in OECD countries and by 2040 in the rest of the world. However, there are gaping loopholes in the policy such as the phase-out will be only for companies that derive more than 25% of their revenue from coal mining. It also does not exclude coal developers or coal mining companies from its existing portfolio.[88]

Some of the world's largest FIs and the Big Three asset managers either do not have exclusion policies or their policies contain several loopholes (see 'Box A: Coal exit strategies of the Big Three asset managers' above). For example, JP Morgan, with assets worth more than US$3.6 trillion,[89] mentions in its coal exit policy that it will phase out only those companies that generate a majority (more than 50%) of their revenue from coal mining by 2024, one of the weakest formal policies we have reviewed.[90] This will allow the bank to invest in companies generating significant revenue from coal even after 2024.

The Bank of America, with assets worth more than US$3 trillion,[91] upgraded its policy in June 2022. The policy states that the bank will not directly finance the construction of new coal-fired power plants or the expansion of existing plants, and will not directly finance new thermal coal mines or the expansion of existing mines. However, its phase-out policy is quite weak as it plans to phase out only those companies that derive more than 25% of their revenue from coal mining by 2025.[92]

2.2.3.2 Canadian FIs

There are only four globally significant FIs in Canada that have a formal coal exclusion policy. This includes two banks, one asset manager/owner and one ECA. Desjardins Group of Canada has one of the most robust coal divestment policies globally, similar to its French counterparts. It has committed not to invest in or provide finance to companies that operate or develop coal mines; that build, extend, or renovate coal mines, power plants or infrastructure; or that have greater than 10%, or 5GW, of installed coal power generation capacity. It plans to completely phase out coal by 2030 in European and OECD countries, and by 2040 for the rest of the world.[93]

Caisse de dépôt et placement du Québec (CDPQ), the second-largest Canadian public pension fund with net assets worth C$420 billion (US$308 billion),[94] also has a robust coal divestment policy. Since joining the NZAOA in 2020, it has upgraded its policy significantly. The policy states that CDPQ will not fund any new thermal coal projects, and will phase out most of its coal exposure in industrialised countries by 2030 and remaining exposure globally by 2040.[95]

[88] Citi. Environmental and Social Policy Framework. March 2022.
[89] Refinitiv. December 2022.
[90] JP Morgan Chase. JPMorgan Chase Expands Commitment to Low-Carbon Economy and Clean Energy Transition to Advance Sustainable Development Goals. 25 February 2020.
[91] Refinitiv. December 2022.
[92] Bank of America. Bank of America Corporation Environmental and Social Risk Policy (ESRP) Framework. June 2022.
[93] Desjardins. Desjardins's Position on Coal. December 2020.
[94] CDPQ. Investing in a sustainable future: Annual Report 2021. May 2022.
[95] CDPQ. 2021Sustainable Investing Report. April 2022.

2.2.4 Divestment momentum in emerging markets

Rising energy demand and limited financial resources to deploy clean energy projects has kept fossil fuels as the primary energy source in emerging markets.[96] However, the strong momentum of coal divestments by globally significant FIs, and rising risk of stranded fossil fuel assets accentuated by the consistent declining cost of clean energy generation, seems to be influencing FIs in emerging markets to introduce their own coal exit policies.

A total of 22 FIs operating in emerging markets have implemented formal restrictions on coal financing.

A total of 22 FIs operating in emerging markets have implemented formal restrictions on coal financing. The South African FIs are at the forefront of this movement, with five banks having established a coal exit policy, followed by China, Malaysia and Turkey each with three FIs that have implemented coal financing restrictions. Two FIs in Poland and Brazil have also adopted similar policies, while in India, Côte d'Ivoire, Mexico and the Philippines, only one FI in each country has established a formal coal exit policy.

2.2.4.1 South African FIs

All of the top five banks of South Africa, with cumulative assets worth US$457 billion,[97] have established formal coal exit policies. Nedbank, the third-largest bank in South Africa, was the first to announce a coal divestment policy in April 2018 and last upgraded its policy in April 2021. The bank has committed to stop financing thermal coal mines outside of South Africa. Further, it will not provide project financing for new thermal coal mines, regardless of jurisdiction, from 1 January 2025.[98]

Standard Bank of South Africa, the largest bank in the country, has a relatively weaker coal exclusion policy. While it prohibits the financing of the construction of new coal-fired power plants and the expansion in generating capacity of existing coal-fired power plants, it will continue financing new coal mines when there is an overall positive environmental impact.[99]

2.2.4.2 Chinese FIs

We include three FIs from China that have established a formal coal policy. AIIB, an FI headquartered in China, has a relatively stronger formal coal policy already discussed in Section 2.1.3.

Bank of China, the fourth-largest bank in China with assets over US$4.2 trillion,[100] introduced its first coal exit policy in September 2021. It states that the bank will no longer provide financing for new coal mining and new coal power projects overseas starting from the fourth quarter of 2021, except

[96] We follow the International Monetary Fund's classification to identify a country as an emerging market country. IMF. Miles to Go. 2021.
[97] Statista. Leading banks in South Africa as of 2022, by assets. 28 November 2022.
[98] Nedbank. Energy Policy. 22 April 2021.
[99] Standard Bank of South Africa. Standard Bank Group Climate Policy. March 2022.
[100] Refinitiv. December 2021.

for projects already signed.[101] Ping An Bank, with assets over US$774 billion, has also introduced a very weak coal policy,[102] committing to not build any new coal-fired power projects abroad in line with Chinese President Xi Jinping's declaration at the United Nation's 76th General Assembly in September 2021 that "China will not build new coal-fired power projects abroad".[103] Both these FIs have not committed to any exclusion policies in relation to several coal assets within China. Although we have listed both of these FIs in our coal exit list, we will monitor them closely to see if they extend their policies to cover coal assets within China.

Overall, China, the second-largest economy in the world has too few FIs with coal exit policies. There are several large banks such as Industrial and Commercial Bank of China (ICBC), with assets over US$5.52 trillion, and China Construction Bank, with assets over US$4.75 trillion, which have no formal coal divestment policies to date.

> **Overall, China, the second-largest economy in the world has too few FIs with coal exit policies.**

2.2.4.3 Malaysian FIs

There are three FIs in Malaysia that have introduced coal divestment policies. All the FIs are banks — CIMB, Maybank and RHB Bank. CIMB, Malaysia's second-largest financial group with assets over US$149 billion, has a relatively stronger policy among all the FIs in emerging markets. CIMB's upgraded policy in September 2022 commits to reduce the group's financing and investment exposure to the thermal coal mining sector to 50% by 2030 as an interim target and to phase out coal from its portfolio by 2040.[104] Malayan Banking Berhad (Maybank), the largest bank in Malaysia, has also committed to stop financing companies generating more than 25% of their revenue from business activities involving coal.[105] RHB Bank Bhd, the fourth-largest Malaysian bank, has committed to stop financing new coal power plants and coal mines after 2022.[106] Given that these three banks have together provided total finance of US$4.9 billion[107] to the coal sector between 2010 and 2019, their divestment policies could result in a major shift away from coal financing in the country.

2.2.4.4 Indian FIs

Compared to FIs in the other emerging markets, Indian FIs are a long way behind in terms of formulating coal divestment policies with only one Indian bank in the list. Federal Bank, the eighth-largest bank of India with assets of US$30 billion,[108] is the only FI in the country with a formal coal

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[101] Bank of China. Bank of China formulated the "Bank of China Service 'Carbon Peak, Carbon Neutral' Goal Action Plan". 24 September 2021.
[102] Ping An Group. Ping An Bank on Coal Lending Statement. December 2021.
[103] Permanent Mission of the People's Republic of China to the UN. Statement by President Xi Jinping at the General Debate of the 76th Session of the United Nations General Assembly. 21 September 2021.
[104] CIMB. CIMB establishes Scope 3 financed emissions baseline towards achieving net zero ambition; sets interim sector climate targets for thermal coal and cement. 28 September 2022.
[105] Maybank. Sustainability Report 2021. September 2022.
[106] RHB Bank Bhd. Sustainability Report 2021. 2021.
[107] MarketForces. Malaysian Banks' Dirty Habit. February 2020.
[108] Refinitiv. March 2022.

exclusion policy.[109] The policy was announced in October 2021 on account of the 4.99% equity stake acquisition of the bank in July 2021 by the International Finance Cooperation.[110] It states that the bank will not finance any new coal power plants, coal mines or the expansion of existing coal projects. However, the policy does not mention any restrictions at the corporate finance level.

3 Restrictions beyond direct financing, underwriting and investments in coal

Our review of the coal exit policies of globally significant FIs shows that they vary beyond exclusions that simply restrict direct financing, underwriting or investing in coal-based projects. Several FIs with a divestment policy have introduced policy restrictions for entire businesses that derive a certain percentage of revenue from either coal mining or thermal coal power. This helps ensure that restrictions cover the entire gamut of coal activities, alleviating investor concerns around loopholes in fossil fuel policies.

> **Several FIs with a divestment policy have introduced policy restrictions for entire businesses that derive a certain percentage of revenue from either coal mining or thermal coal power.**

The restrictions also vary in the level of detail and ambition for both subsidiaries and group holding companies. For some FIs — such as the U.S.-based insurer MetLife, OCBC Bank in Singapore and Folksam Group in Sweden — their exit policies are entirely based on excluding financing for companies with revenue or coal power production above a certain threshold, with no details on how that threshold is arrived at and how it reduces over time. This provides some scope for FIs to finance coal companies (and their coal projects) that are below the threshold. In contrast, several other FIs have more detailed exclusion policies with financing and/or investing thresholds that reduce to zero over a period of time. A large majority of these policies refer to phase-out dates of 2030 in EU and OECD countries, and 2040 for the rest of the world.[111] Some notable examples of FIs having time bound phase-out policies include Barclays Bank, European Insurer Aegon, Hong Kong based AIA, Axa from France, BBVA from Spain and CDPQ from Canada. Such policies still leave scope for coal financing/investing, but provides more clarity on how FIs intend to divest from coal over time.

An example of an all-encompassing robust policy is that of Crédit Mutuel Alliance Federale of France, which provides exclusions for both projects and companies. The policy has a blanket ban on financing new coal mines and power plants and has a time bound plan to stop financing companies that derive more than 20% of revenue from coal-based economic activities.

[109] Federal Bank. Environmental & Social Management System (ESMS) Policy. October 2021.
[110] Mercom. Federal Bank to Discontinue Financing New Coal Projects. 8 October 2021.
[111] Climate Analytics. Global and regional coal phase-out requirements of the Paris Agreement: Insights from the IPCC Special Report on 1.5°C. September 2019.

4 Disconnect between size of firm and depth of policy commitments

As the world accelerates its transition to a low carbon future, globally significant financial institutions can decisively shape the speed and character of this movement. Among the 202 FIs in the list are some of the world's largest banks, which collectively yield significant influence over the flow of global capital. An ambitious and robust exit policy by these entities can in turn help shift capital away from coal globally and provide more headroom for lending towards low carbon technologies. More importantly, a robust policy will also help to counter climate risks faced by the financial sector globally. The U.S. Federal Reserve Board's recent pilot climate scenario analysis exercise is an example of a central bank trying to deepen its understanding of climate-related financial risks. Under the pilot scenarios, six of the largest banks in the U.S. will analyse transition risks related to climate on certain assets in their portfolios.[112] Coal being highly susceptible to transition risks will be an important sector to consider in such exercises.

> **"An ambitious and robust exit policy by these entities can in turn help shift capital away from coal globally and provide more headroom for lending towards low carbon technologies.**

There are variations in exit policies of the largest banks in the list (Table 2). These banks are among the top five in their particular jurisdictions in terms of asset size. For a robust exit policy (detailed in Appendix 3), exclusions for both coal mining and coal-based power projects, as well as companies engaged in such projects, are crucial. Further, in addition to no new coal financing, the phase-out of existing portfolios of coal financing is required, within an appropriate time frame.

The banks in Table 2 all have a coal exit policy that showcases the decarbonisation momentum building globally. A majority of those banks also have a coal phase-out plan, which is imperative for the world to achieve its net zero ambitions.

That said, the ambitions to exit coal need to be enhanced across all banks in the list, with some needing to work more than the others. There is a disconnect between the size of these banks and their exit policies, which is also representative of the ambitions of other FIs in their particular jurisdictions. BNP Paribas has a robust policy that covers coal mining and coal-based power across projects and companies and has an exit policy in line with objectives set out in the Paris Agreement, even though its exit policy applies at the subsidiary level as opposed to the group level.[113] Bank of America needs policy coverage for companies engaged in coal-based power generation, and not just exit policies for coal mining. For HSBC, it needs to further firm up its policy of providing loans to companies with "credible transition plans". These thresholds need to be explicitly mentioned in the coal exit policy and be robust enough to warrant credible progress from borrowing entities. For Japan's Mizuho, the bank needs to extend the coverage to both projects and companies at the very

[112] Board of Governors of the Federal Reserve System. Pilot Climate Scenario Analysis (CSA) Exercise: Participant Instructions. January 2023.
[113] Climate Analytics. Coal phase-out.

least. While the policy of DBS in Singapore is better than its regional peers, it still needs to review its exclusion thresholds, which are much higher than other global peers. Lastly, Bank of China, among the largest banks globally in terms of asset size, excludes financing new coal projects outside of China only and has yet to establish a phase-out plan for financing projects within China (if at all).

Table 2: Exit policy comparison of globally significant banks[114]

Financial institution	Asset size (US$ billion)	Country	Exit policy coverage	Coal phase out plan
Bank of China	4,025	China	New coal mining and coal power projects overseas. Does not cover coal financing in China	No coal phase-out plan
BNP Paribas	2,856	France	Coal mining and power projects and companies	Phase-out of the coal mining and power sector in the EU/OECD by 2030 and worldwide by 2040
Bank of America	3,051	United States	Coal mining and power projects. No policy covering coal power companies	By 2025, phase out all financing of companies deriving ≥ 25% of their revenue from thermal coal mining
HSBC Holdings	2,966	United Kingdom	Coal mining and power projects and companies	Phase-out of the coal mining and power sector in the EU/OECD by 2030 and worldwide by 2040
Mizuho Financial Group	1,922	Japan	Coal power projects and coal mining projects	Phase out coal power project financing by 2040
DBS Group Holdings	743	Singapore	Coal mining and power projects and companies	Phase out lending to thermal coal by 2039

Source: Bloomberg; IEEFA analysis

5 Conclusion

Coal is the single most carbon intensive commodity in the world, which contributes massively towards climate change. Today, coal is mostly used in the electricity sector. Thermal power contributed 64% towards the global power mix in 2021, underlining the enormous influence the commodity still has on the global energy market.[115] As well as being the major source of greenhouse gas emissions globally, coal is also a sector that is highly susceptible to transition risks arising from policy, technology and consumer choices in response to climate change.

Over the last few years, there has been increased momentum among globally significant FIs to exit coal. The Glasgow Financial Alliance for Net Zero, set up in April 2021, brings together more than 550 financial institutions from 50 plus jurisdictions globally to expand the number of FIs committed to net zero by 2050 and to tackle net zero transition challenges.[116]

IEEFA’s analysis of coal exits by globally significant FIs digs deeper to understand the level of ambition in global FIs’ coal exit policies and areas where they can be improved. The momentum of coal exits among these FIs, especially since 2019, is a positive development which showcases that

[114] As per latest available figures; Asset Size refers to total reported assets.
[115] Enerdata. Electricity Production. 2021.
[116] GFANZ. About Us.

global capital is shunning coal. Moreover, the several policy upgrades witnessed over the last two years demonstrates that the level of ambition within these FIs is also increasing.

One likely reason for the rising number of exit policies and upgrades is an increased understanding of climate risk being a source of financial risk and ultimately systemic risk for the global financial system. Key stakeholders such as central banks and other financial sector regulators are coming up with regulations to address this imminent risk.[117]

The momentum also demonstrates that the shareholders and boards of FIs recognise the risk and potential costs of stranded assets in coal-related projects and a change in dynamics led by the clean energy transition.

IEEFA also notes that while the momentum on coal exit policies has been increasing, FIs need to keep raising their ambitions to completely diversify away climate risks arising from exposure to coal assets. This requires upgrades to enhance the depth and coverage of existing policies and align them with net zero goals.

The ultimate test for FIs is whether they implement a comprehensive coal exit policy and remain committed to their policy commitments. It is clear that FIs must manage conflicting views from various stakeholders such as investors, regulators, civil society and management incentives, which could lead to winding back their stated policies. The global energy crisis has prompted several countries globally to return to coal to provide near-term energy security, potentially locking in coal assets for decades to come. At the same time, the momentum of FIs divesting from coal is evidence that financial markets do not see exposure to coal assets as a viable investment in the long term. As low carbon technologies attain scale and achieve commercial viability, and as action on climate-related risks to financial markets accelerate, fossil fuels such as coal will keep losing interest both in the real and the financial economy.

[117] Net-Zero Knowledge Hub. Climate-related regulations for the financial sector.

Appendix

A1. List of financial institutions with coal exit policy

The table below includes all the financial institutions listed on IEEFA's coal exit list. See IEEFA Coal Divestment website for full details, including summary of FIs' restriction policies.

Table A1.1: List of globally significant financial institutions with coal exit policy

Financial institution	Type	Headquarters	Latest restriction
ABN Amro	Bank	Netherlands	2021
ABP / APG	Asset Manager / Owner	Netherlands	2021
Absa Group	Bank	South Africa	2020
Achmea	Insurer / Reinsurer	Netherlands	2021
Aegon N.V.	Insurer / Reinsurer	Netherlands	2022
African Development Bank Group (AfDB)	Multilateral Development Bank	Côte d'Ivoire	2022
AG2R La Mondiale	Insurer / Reinsurer	France	2020
Ageas	Insurer / Reinsurer	Belgium	2020
Agence Française de Développement (AFD)	Multilateral Development Bank	France	2019
AIA Group	Insurer / Reinsurer	Hong Kong	2021
AIG	Insurer / Reinsurer	US	2022
AkademikerPension	Asset Manager / Owner	Denmark	2022
Akbank	Bank	Turkey	2021
Alecta	Asset Manager / Owner	Sweden	2021
Allianz	Insurer / Reinsurer	Germany	2021
Amundi	Asset Manager / Owner	France	2022
ANZ (Australia and New Zealand Banking Group)	Bank	Australia	2021
Asian Infrastructure Investment Bank (AIIB)	Multilateral Development Bank	China	2022
ASR	Insurer / Reinsurer	Netherlands	2021
Asset Management One	Asset Manager / Owner	Japan	2022
ATP Group	Asset Manager / Owner	Denmark	2021
Autriche Oesterreichische Kontrollbank AG (OeKB)	Export Credit Agency	Austria	2021
Aviva	Insurer / Reinsurer	UK	2021
Aware Super	Asset Manager / Owner	Australia	2021

Financial institution	Type	Headquarters	Latest restriction
AXA	Insurer / Reinsurer	France	2019
AXIS Capital	Insurer / Reinsurer	Bermuda	2022
Bâloise Holding	Insurer / Reinsurer	Switzerland	2021
Banco Bilbao Vizcaya Argentaria (BBVA)	Bank	Spain	2021
Banco National de Comercio Exterior (Bancomext)	Export Credit Agency	Mexico	2021
Banco Santander	Bank	Spain	2021
Bank J. Safra Sarasin	Bank	Switzerland	2022
Bank of America	Bank	US	2022
Bank of China	Bank	China	2021
Banque de France (BdF)	Central Bank	France	2021
Barclays	Bank	UK	2022
Bayerische Landesbank (BayernLB)	Bank	Germany	2021
Belfius Bank	Bank / Insurer	Belgium	2019
Bendigo and Adelaide Bank	Bank	Australia	2014
BlackRock	Asset Manager / Owner	US	2022
BNDES (Brazilan Development Bank)	Development Finance Institution	Brazil	2021
BNP Paribas	Bank	France	2022
Caisse de dépôt et placement du Québec (CDPQ)	Asset Manager / Owner	Canada	2022
Caisse des Dépôts Consignations (CDC)	Asset Manager / Owner	France	2022
CaixaBank	Bank	Spain	2022
California Public Employees' Retirement System (CalPERS)	Asset Manager / Owner	US	2017
California State Compensation Insurance Fund	Insurer / Reinsurer	US	2017
Cathay Financial Holdings	Bank	Taiwan	2020
Chiba Bank	Bank	Japan	2019
Chubb	Insurer / Reinsurer	US	2019
CIMB	Bank	Malaysia	2022
Citi	Bank	US	2022
Commerzbank	Bank	Germany	2021
Commonwealth Bank of Australia	Bank	Australia	2021
Compañía Española de Seguros de Crédito a la Exportación (CESCE)	Export Credit Agency	Spain	2021

Financial institution	Type	Headquarters	Latest restriction
Covea Finance	Asset Manager / Owner	France	2022
Crédit Agricole Group	Bank	France	2020
Crédit Mutuel Alliance Fédérale	Bank	France	2022
Credit Suisse	Bank	Switzerland	2021
Dai-ichi Life	Insurer / Reinsurer	Japan	2019
Danske Bank Group	Bank	Denmark	2022
DB Insurance	Insurer / Reinsurer	South Korea	2021
DBS Bank	Bank	Singapore	2021
Deka Investment	Asset Manager / Owner	Germany	2020
Desjardins Group	Bank	Canada	2020
Deutsche Bank	Bank	Germany	2020
DNB ASA	Bank	Norway	2016
DZ Bank	Bank	Germany	2021
E.SUN FHC	Bank	Taiwan	2022
Eksport Kredit Fonden (EKF)	Export Credit Agency	Denmark	2021
Erste Group	Bank	Austria	2021
Euler Hermes Aktiengesellschaft	Export Credit Agency	Germany	2021
European Bank for Reconstruction and Development (EBRD)	Multilateral Development Bank	UK	2018
European Investment Bank (EIB)	Multilateral Development Bank	European Union	2019
Export Development Canada (EDC)	Export Credit Agency	Canada	2021
Export-Import Bank of Korea (KEXIM)	Export Credit Agency	South Korea	2021
Export-Import Bank of the United States (EXIM Bank)	Export Credit Agency	US	2021
Federal Bank Limited	Bank	India	2021
Fidelity International	Asset Manager / Owner	UK	2021
Finnvera	Export Credit Agency	Finland	2021
First Republic Bank (BankFWD)	Bank	US	2021
FirstRand Limited	Bank	South Africa	2021
FMO	Development Finance Institution	Netherlands	2021
Folksam Group	Insurer / Reinsurer	Sweden	2021

Financial institution	Type	Headquarters	Latest restriction
Första AP-fonden (AP1); Fourth Swedish National Pension Fund (Fjärde AP-fonden AP4); and Sjunde AP-fonden (AP7)	Asset Manager / Owner	Sweden	2021
Generali Group	Insurer / Reinsurer	Italy	2022
Goldman Sachs	Bank	US	2019
Government Pension Fund Global (GPFG)	Asset Manager / Owner	Norway	2019
Groupama	Insurer / Reinsurer	France	2020
Hana Financial Group	Bank	South Korea	2021
Hannover Re / Talanx Group	Insurer / Reinsurer	Germany	2022
Hanwha Group	Insurer / Reinsurer	South Korea	2021
HESTA	Asset Manager / Owner	Australia	2019
HSBC Holdings	Bank	UK	2022
Hyundai Marine & Fire Insurance	Insurer / Reinsurer	South Korea	2021
IAG	Insurer / Reinsurer	Australia	2020
IFM Investors	Asset Manager / Owner	Australia	2021
Ilmarinen	Insurer / Reinsurer	Finland	2021
ING Group	Bank	Netherlands	2019
Inter-American Development Bank (IDB)	Bank	US	2020
Intesa Sanpaolo	Bank	Italy	2021
Investec	Bank	South Africa	2020
Ircantec	Asset Manager / Owner	France	2021
Itaú Unibanco	Bank	Brazil	2022
JPMorgan Chase & Co	Bank	US	2020
KB Financial Group	Bank	South Korea	2021
KBC Group	Bank	Belgium	2022
KfW	Development Finance Institution	Germany	2019
KLP	Asset Manager / Owner	Norway	2019
Korea Development Bank (KDB)	Bank	South Korea	2021
Korea Trade Insurance Corporation (K-SURE)	Export Credit Agency	South Korea	2021
Korean Re	Insurer / Reinsurer	South Korea	2022
Korporacja Ubezpieczén Kredytów Eksportowych (KUKE)	Export Credit Agency	Poland	2021
Kyobo Life Insurance Co., Ltd.	Insurer / Reinsurer	South Korea	2021

Financial institution	Type	Headquarters	Latest restriction
Landesbank Baden-Württemberg (LBBW)	Bank	Germany	2021
Länsförsäkringar AB	Insurer / Reinsurer	Sweden	2020
Laurentian Bank	Bank	Canada	2021
Legal & General Investment Management Limited (LGIM)	Asset Manager / Owner	UK	2022
LGT Group	Asset Manager / Owner	Liechtenstein	2022
Liberty Mutual	Insurer / Reinsurer	US	2019
Lloyd's	Insurer / Reinsurer	UK	2020
Lloyds Banking Group	Bank	UK	2022
LocalTapiola	Asset Manager / Owner	Finland	2021
M&G	Asset Manager / Owner	UK	2022
Macif Group	Insurer / Reinsurer	France	2020
Macquarie Group	Asset Manager / Owner	Australia	2021
MACSF	Insurer / Reinsurer	France	2021
Malayan Banking Berhad (Maybank)	Bank	Malaysia	2021
Man Group	Asset Manager / Owner	UK	2018
MAPFRE	Insurer / Reinsurer	Spain	2021
MetLife	Insurer / Reinsurer	US	2020
Mitsubishi UFJ Financial Group (MUFG)	Bank	Japan	2022
Mizuho Financial Group	Bank	Japan	2022
Morgan Stanley	Bank	US	2022
MS&AD Holdings	Insurer / Reinsurer	Japan	2021
Munich Re	Insurer / Reinsurer	Germany	2022
National Australia Bank (NAB)	Bank	Australia	2021
Natixis	Bank	France	2020
NatWest Group (previously Royal Bank of Scotland, RBS)	Bank	UK	2021
Nedbank	Bank	South Africa	2021
New York City Employees' Retirement System	Asset Manager / Owner	US	2021
New York State Common Retirement Fund	Asset Manager / Owner	US	2020
Nippon Life	Insurer / Reinsurer	Japan	2018
NN Group	Insurer / Reinsurer	Netherlands	2019

Financial institution	Type	Headquarters	Latest restriction
NORD/LB	Bank	Germany	2021
Nordea	Bank	Finland	2022
Nordic Investment Bank (NIB)	Multilateral Development Bank	Finland	2021
Norinchukin Bank	Bank	Japan	2020
Norwegian Export Credit Guarantee Agency (Garantiinstituttet for eksportkreditt (GIEK))	Export Credit Agency	Norway	2021
OCBC Bank	Bank	Singapore	2019
Pensioenfonds van de Metalektro (PME)	Asset Manager / Owner	Netherlands	2021
Pensioenfonds Zorg en Welzijn (PFZW)	Asset Manager / Owner	Netherlands	2022
Pension Insurance Corporation (PIC)	Asset Manager / Owner	UK	2021
Pictet Group	Asset Manager / Owner	Switzerland	2020
Ping An Bank	Bank	China	2021
PKO Bank Polski	Bank	Poland	2020
PNC	Bank	US	2019
Prudential Plc	Insurer / Reinsurer	UK	2021
QBE	Insurer / Reinsurer	Australia	2021
Rabobank	Bank	Netherlands	2020
Raiffeisen Bank International AG	Bank	Austria	2021
Resona Holdings	Bank	Japan	2019
RHB Bank Bhd	Bank	Malaysia	2021
Rizal Commercial Banking Corporation (RCBC)	Bank	Philippines	2022
RobecoSAM (owned by ORIX Europe, a subsidiary of ORIX Corporation)	Asset Manager / Owner	Netherlands	2022
RSA Insurance Group	Insurer / Reinsurer	UK	2020
Samsung Life Insurance	Insurer / Reinsurer	South Korea	2020
SCOR Global Life (SCOR)	Insurer / Reinsurer	France	2019
Servizi Assicurativi del Commercio Estero (SACE)	Export Credit Agency	Italy	2021
Shinhan Financial Group Co., Ltd	Bank	South Korea	2021
Skandinaviska Enskilda Banken AB (SEB)	Bank	Sweden	2021
Société Générale (SocGen)	Bank	France	2020
Sompo Holdings	Insurer / Reinsurer	Japan	2022
Standard Bank	Bank	South Africa	2022

Financial institution	Type	Headquarters	Latest restriction
Standard Chartered	Bank	UK	2022
Storebrand	Asset Manager / Owner	Norway	2020
Sumitomo Mitsui Banking Corporation (SMBC), a subsidiary of Sumitomo Mitsui Financial Group (SMFG)	Bank	Japan	2022
Sumitomo Mitsui Trust Bank (SMTB)	Bank	Japan	2022
Suncorp	Insurer / Reinsurer	Australia	2021
Svensk Exportkredit (SEK)	Export Credit Agency	Sweden	2021
Svenska Handelsbanken	Bank	Sweden	2022
Swedbank	Bank	Sweden	2022
Swiss Export Risk Insurance (SERV)	Export Credit Agency	Switzerland	2021
Swiss Reinsurance Company (Swiss Re)	Insurer / Reinsurer	Switzerland	2021
The Hartford Financial Services Group	Insurer / Reinsurer	US	2019
Toho Bank	Bank	Japan	2020
Tokio Marine Holdings	Insurer / Reinsurer	Japan	2021
Triodos Bank	Bank	Netherlands	2022
Türk Eximbank	Export Credit Agency	Turkey	2021
UBS Group	Bank	Switzerland	2021
UK Export Finance (UKEF)	Export Credit Agency	UK	2021
UniCredit	Bank	Italy	2022
Union Investment	Asset Manager / Owner	Germany	2020
UNIQA Group	Insurer / Reinsurer	Austria	2019
United Nations Joint Staff Pension Fund (UNJSPF)	Asset Manager / Owner	US	2020
United Overseas Bank (UOB)	Bank	Singapore	2021
Varma Mutual Pension Insurance Company (Varma)	Insurer / Reinsurer	Finland	2022
Vienna Insurance Group (VIG)	Insurer / Reinsurer	Austria	2021
Westpac	Bank	Australia	2022
Woori Bank	Bank	South Korea	2020
World Bank	Multilateral Development Bank	US	2020
Yapi Kredi	Bank	Turkey	2021
Zurich Insurance Group	Insurer / Reinsurer	Switzerland	2019

Source: IEEFA analysis

A2. Divestment vs engagement

Coal divestment versus engagement with coal companies has been an ongoing debate among investors for many years. Those advocating for engagement over divestment usually argue that divestment is merely the changing of hands between investors and consider it as a substantial deviation from sound investment practice. However, such arguments fail to realise that divestment is a defensive tool employed to protect investors from the loss of value. A report by IEEFA provides a detailed account of the financial case for divestment.[118] Furthermore, a recent academic research paper titled ‘Voice through Divestment’ provides evidence that the share prices of all high carbon emitters, even those without significant divestment, have been negatively impacted by divestment commitments that have gone viral.[119]

FIs’ coal divestment has achieved several outcomes. First, the divestment strategy has successfully stigmatised the whole fossil fuel sector as it did to the gambling, tobacco and controversial weapons industries over the last two decades. This has raised serious concerns especially among investors around the long-term viability of fossil fuel assets in general and coal specifically. Secondly, research[120] shows that early adopters of divestment policies are also those which rank higher on engagement with companies while those with no divestment policy rank lower on engagement. This suggests that FIs without a formal coal divestment policy are actually using engagement as an excuse to continue investing into the coal sector. Finally, as the divestment momentum continues to expand across financial markets and various FIs, the supply of capital will eventually reduce, and the cost of capital will start to rise for coal projects. This will further deteriorate the mid to long term economic viability of the coal mining and generation sectors.

There are several instances which provide evidence of the impact of divestment on hampering coal companies growth. Peabody, a leading coal producer, stated in its 10-K filing of 2021 that financial institutions and insurance companies’ unfavourable policies related to environmental concerns may limit its financing and insurance options. Negative opinions about Peabody’s environmental and social efforts may also harm its image among investors and exclude its securities from consideration.[121]

Finally, divestment is considered sound fiduciary practice by the International Association of Insurance Supervisors. This is not just a matter of good practice derived from the experience of a few funds that have learned from their lesson. Not having an exclusion or divestment option renders shareholder agendas ineffective as a matter of policy.[122]

[118] IEEFA. Two economies collide: Competition, conflict, and the financial case for fossil fuel divestment. 13 October 2022.
[119] ECGI Working Paper. Voice Through Divestment. 13 March 2023.
[120] Capital Monitor. Analysis: Divestment and engagement go hand in hand. 21 February 2022 (updated).
[121] Peabody Energy Corporation. Form 10-K. 2021.
[122] IAIS. Application Paper on the Supervision of Climate-related Risks in the Insurance Sector. May 2021.

A3. What makes a robust exit policy

A robust coal exit policy is a culmination of several strategic shifts in a FI's operation. A well-rounded policy will be more than a tick box exercise and will lead to decarbonising the FIs' current and future portfolio. The table below outlines some of the key aspects of a robust policy.

Table A3.1: Aspects of a robust coal exit policy

Criterion	Threshold
Sector Coverage	● Coal mining and coal-based power. ● Coal used as a process fuel, where technologically and commercially feasible (e.g., steel sector).
Investment/Insurance Coverage	● Investments/Insurance for new, expansion and retrofit projects. Also includes projects functionally related to coal (e.g., road leading to a coal plant).
Scope of Coverage	● Individual projects and companies (subsidiaries and group holding company).
Depth of Coverage	● Blanket exclusion for all coal-based projects irrespective of absolute emissions and/or reduction in emissions (in case of retrofits). ● In jurisdictions where a blanket ban is not feasible due to dependency on coal and lack of current alternatives, detailing thresholds (including for technologies) that align with domestic transition pathways/transition roadmaps established by bodies such as the International Energy Agency (IEA). Also detailing reduction in support in line with these roadmaps.
Engagement with Companies	● Clear policy in terms of absolute/relative thresholds while doing business with companies engaged in coal-related economic activities/using coal as part of operations. ● Thresholds based on science-based targets/aligned with local energy transition pathways/industry best standards. ● Defining criterion which needs to be met by such companies for continued business engagement with the FI. This should include material, ambitious and verifiable time bound targets.
Coal Phase Out Plans	● Clear policy detailing the coal phase-out targets of the FI with long-term and intermediate targets. ● IPCC recommendations on coal phase-out across regions is an important yardstick to compare individual phase out plans.[123] ● Geographical phase-out plans and reasons for the difference in timelines, if any. ● Sectoral phase-out plans (coal mining, power generation) and reasons for difference in timelines, if any.
Climate Transition Risk from Coal	● Climate risk incorporated in portfolio decision-making and risk analytics framework. Identifying relevant climate scenarios to check the resilience of portfolios for transition risk related to exposure to coal. Conducting stress tests of key assumptions identified in these scenarios.
Disclosures	● Consistent, comparable and verifiable disclosures on progress towards meeting coal exit targets through channels accessible to all stakeholders. ● Disclosing results or climate stress tests and scenario analysis.

Source: IEEFA analysis

[123] Climate Analytics. Global and regional coal phase-out requirements of the Paris Agreement. September 2019.

About IEEFA

The Institute for Energy Economics and Financial Analysis (IEEFA) examines issues related to energy markets, trends and policies. The Institute's mission is to accelerate the transition to a diverse, sustainable and profitable energy economy. www.ieefa.org

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