Mitigation or adaptation? Climate change no longer leaves us a choice



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The summer of 2026 confirmed that climate change and ecosystem degradation are no longer distant risks but realities already affecting economic activity. Across Europe, pressure on water resources and ecosystems reached exceptionally high levels. According to Copernicus, European rivers recorded their lowest summer flows in more than three decades[1].

These environmental risks are now translating into tangible financial impacts. Allianz estimates that this year's European heatwaves alone will generate well more than €100 billion[2] in direct costs, including physical damages, production losses, reduced agricultural yields and increased healthcare expenditures. These direct costs are compounded by indirect effects such as supply chain disruptions, pressure on water and energy resources, and business interruptions that challenge the resilience of certain business models.

Against this backdrop, mitigation remains more essential than ever, but it is no longer sufficient. Adaptation is now emerging as a strategic imperative for governments, corporates and investors.

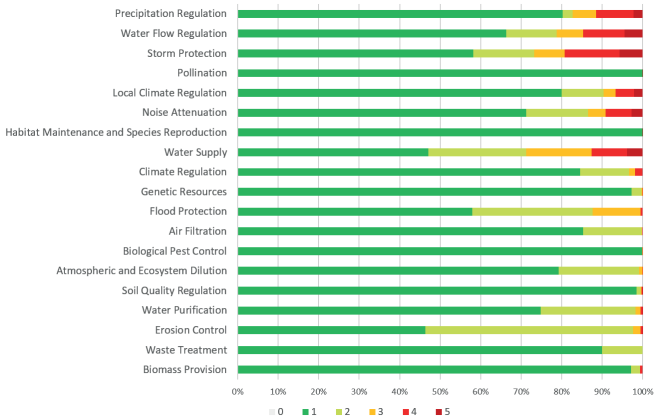
Beyond Reporting: Putting Business Model Resilience to the Test

- **From Climate to Nature: Assessing the Vulnerability of Our Investments**

The assessment of environmental and social risks lies at the core of LBP AM's sustainable investment framework[3] and risk management process. All our investments are subject to a physical climate risk assessment based on the TCFD[4] classification and subsequently incorporated into the ESRS[5] framework. This assessment covers both acute risks, linked to extreme weather events, and chronic risks, associated with long-term shifts in climatic conditions. We quantify the exposure of our assets to physical risks by aggregating potential physical damages and business interruption losses, considering asset vulnerability, geographical location and hazard probability. LBP AM also contributes to research initiatives led by the Banque de France on corporate exposure to physical climate risks.

However, these risks extend beyond climate considerations alone. This is why the Group also assesses the dependence of economic activities on natural capital. Our analysis shows that ecosystem services related to water resources and climate hazards (such as storms and precipitations) represent major or critical issues for approximately 20% of our investments.

Physical Risk Score by Ecosystem Service (% of Assets Under Management)[6]



- **Strengthening corporate climate resilience through engagement**

In this context, climate adaptation and resilience to physical risks are key priorities within LBP AM's stewardship and engagement policy[7]. Since 2025, the Group has conducted dedicated engagement campaigns[8] targeting portfolio companies with the highest exposure to physical risks. These engagements encourage issuers to identify and assess their risks, implement adaptation measures, enhance resilience to climate change, and establish robust governance and monitoring frameworks over time. While companies generally remain less mature on adaptation than on transition-related issues, their perspective has evolved significantly as extreme weather events become more frequent. What was once perceived as a distant and abstract concern is increasingly recognized as a material operational risk, and in some cases, a prerequisite for the long-term viability of business models. For more advanced companies, this may be reflected in the publication of dedicated performance indicators, such as the proportion of material agricultural commodities sourced from water-stressed regions, or in targeted adaptation measures designed to protect assets and operations from climate hazards, including the safeguarding of critical infrastructure. LBP AM is also an active participant in the Valuing Water Finance Initiative, which encourages companies to strengthen governance frameworks and risk management practices related to water resources. Such collaborative initiatives help combine financial, scientific and technical expertise to improve the assessment of corporate climate resilience pathways.

LBPAM

[1]Copernicus: Record heat stress and low river flows marked Europe's 2026 summer | Copernicus
[2]https://www.allianz-trade.com/en/news/allianz-trade-climate-economy-study-2026.html
[3]https://www.lbpam.com/publication/ComplianceDoc/LBPAM_Politique_Biodiversite_2025.pdf
https://www.lbpam.com/publication/ComplianceDoc/Politique_climat_LBPAM.pdf
[4]Final Report: Recommendations of the Task Force on Climate-related Financial Disclosures
[5]ESRS E1 Delegated act 2023-5303-annex-1_en.pdf
[6]Risk score (5 being the highest), considering the sector of activity of the investments (dependencies on ecosystem services) and the state of these ecosystem services at the location of the investments. The rating methodology was built by Caisse des Dépôts and CDC Biodiversité, following the recommendations of Finance for Biodiversity and the TNFD's LEAP framework, then adapted into a tool for assessing the risks of the LBP AM listed corporate portfolio. More details on the methodology will be available in the next Groupe La Banque Postale climate and nature report.
[7]https://www.lbpam.com/publication/ComplianceDoc/Politique_d%27engagement_2025_Groupe_LBP_AM_EN.pdf
[8]https://www.lbpam.com/publication/ComplianceDoc/rapport_engagement_2025.pdf

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