



# TCFD CLIMATE REPORT

2022

Crédit Mutuel  
**ARKEA**

NEW CONNECTIONS TO CHANGE TOMORROW

- 03 A cooperative and collaborative banking group
- 04 Our approach and commitments
- 05 Introduction
- 06 2022 highlights

## 07

### Governance

---

- 09 Involvement of Crédit Mutuel Arkéa's Board of Directors in overseeing climate-related risks and opportunities  
-----
- 16 Involvement of Crédit Mutuel Arkéa's executive in assessing and managing climate-related risks and opportunities  
-----
- 19 Operational organisation around climate issues

## 24

### Strategy

---

- 25 Climate risks and opportunities identified by Crédit Mutuel Arkéa for the short, medium and long term  
-----
- 34 The impact of climate risks and opportunities on Crédit Mutuel Arkéa's activities, strategy and financial planning  
-----
- 51 The resilience of the company's strategy, taking into account different climate scenarios, including a temperature rise of 2°C or less

## 56

### Risk management

---

- 57 Processes for identifying and assessing climate risks  
-----
- 62 Environmental risk management processes  
-----
- 67 Integrating processes into overall risk management

## 71

### Indicators and objectives

---

- 72 Measuring the impacts of the group's activity on climate change and their overall contribution to the objectives of the Paris Agreement  
-----
- 75 Managing climate-related risks and opportunities in the group's business model  
-----
- 81 Outlook



# A cooperative and collaborative banking group

## INDIVIDUAL AND PROFESSIONAL MARKET



## CORPORATE AND INSTITUTIONAL MARKET



## INSURANCE AND ASSET MANAGEMENT PRODUCT DEVELOPMENT



## BTOB MARKET AND SERVICES



## NON-BANKING ACTIVITIES





## Our approach

2019

First bank in France to formalise its "Raison d'être" (Purpose) (adopted in 2020).

Adoption of a framework policy for financing and investment in activities exposed to coal.

2020

Formalisation of a Climate Strategy.

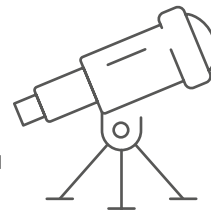
2021

Adoption of a framework policy for financing and investment in activities exposed to oil and gas.

2022

Adoption of the status of Company with a mission.

Commitment to the Net Zero Banking Alliance, a programme launched under the United Nations Environment Programme Finance Initiative (UNEP-FI).



## Our commitments

2024

GHG emissions reduction (excluding financing and investments):  
- 15,000 TEQ CO<sub>2</sub> between 2019 and 2024.

2027

Total phase-out of the coal sector by the end of 2027.

2030

Phase-out of the unconventional fossil fuel sector by the end of 2030 (oil and gas).

2050

The group is committed to aligning its investments and portfolios with the net zero emissions target (NZBA) by 2050 and to setting an interim target for 2030 or earlier, using the alliance's guidelines.

# INTRO-DUCTION

**In line with its Climate Strategy, Crédit Mutuel Arkéa publishes an annual climate report, drawn up in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures. The 2022 report is a further illustration of the group's commitment to transparency when it comes to disclosing information about its activities and their impact on the climate. Crédit Mutuel Arkéa is committed to continuously improving and changing its business model to meet the challenges of climate change.**

**T**he challenges posed by climate change are significant and require a transition of business models. As an economic player with strong regional roots and close ties to its stakeholders, the Crédit Mutuel Arkéa group is keen to take on this responsibility and the major role it must play in speeding up the social, environmental and climate transitions.

Crédit Mutuel Arkéa has always put helping and supporting its customers and members at the

heart of its strategy. In the context of future transitions, this positioning is more relevant than ever. The group is able to make an active contribution, whether financial, by providing financing for example, and/or non-financial, by providing advice and expertise.

True to its cooperative and collaborative DNA, Crédit Mutuel Arkéa also participates in market-wide initiatives and projects aimed at developing and structuring sustainable finance at an international level.

Faced with the urgency of climate change, and despite an uncertain and changing environment, the financial sector has a key role to play in speeding up the shift to a more sustainable economic growth model. This includes taking non-financial (ESG) issues, including climate change, into account alongside financial criteria. At Crédit Mutuel Arkéa, we are firmly committed to meeting these challenges. This commitment is now anchored in the long term with the adoption of Company with a mission status in May 2022."

 **Hélène Bernicot,**  
**CEO of Crédit Mutuel Arkéa**

All stakeholders must take into account the effects of global warming:

- through the prism of risk management, which needs to be measured, managed and steered with increased attention and stringent processes,
- and also with a vision for developing opportunities for the regions and their stakeholders, thanks to the creativity of our teams and innovation.

In each of its business lines, the Crédit Mutuel Arkéa group is committed to carrying out this exercise, which it details in this TCFD report.

# 2022 highlights



**+46%**

Increase in annual production  
of for environmental  
transition loans  
from 2021 to 2022,  
i.e. €860 million in 2022



## **Pronoveo and Agrinoveo**

New loan solutions to finance  
renewable energy production,  
energy renovation, energy efficiency  
equipment and sustainable mobility  
projects for professional customers  
and the agricultural market



## **Launch of the Sustainable Housing Platform**

An application designed for  
individual customers and prospects,  
to raise awareness and support  
them in the process of renovating  
their homes for energy efficiency



**X2**

Increase in gross inflows  
of savings for  
environmental transition,  
i.e. €182 million in 2022



## **AutoFocus Transition Climat**

Paris-Aligned Benchmark (PAB)  
labelled.

Arkéa Investment Services  
launches France's first Towards  
Sustainability fund



## **First Green Bond**

launched by Crédit Mutuel Arkéa for  
institutional investors (€500 million  
over ten years), aimed at financing  
renewable energy projects in the  
regions, for which loans are granted  
by the Environmental Transition  
teams of our Corporate and  
Institutional Banking Division



## **GRETA**

(Global Risk ESG Topics  
Assessment)

Deployment of an ESG risk  
questionnaire for corporate  
customers with revenues  
in excess of €10 million



**5,500**

Number of  
employees made aware  
by the Climate Fresk



**48,774 Teq CO<sub>2</sub>**

Group's 2022 carbon footprint  
(scopes 1, 2 and partial 3  
excluding financing  
and investments)



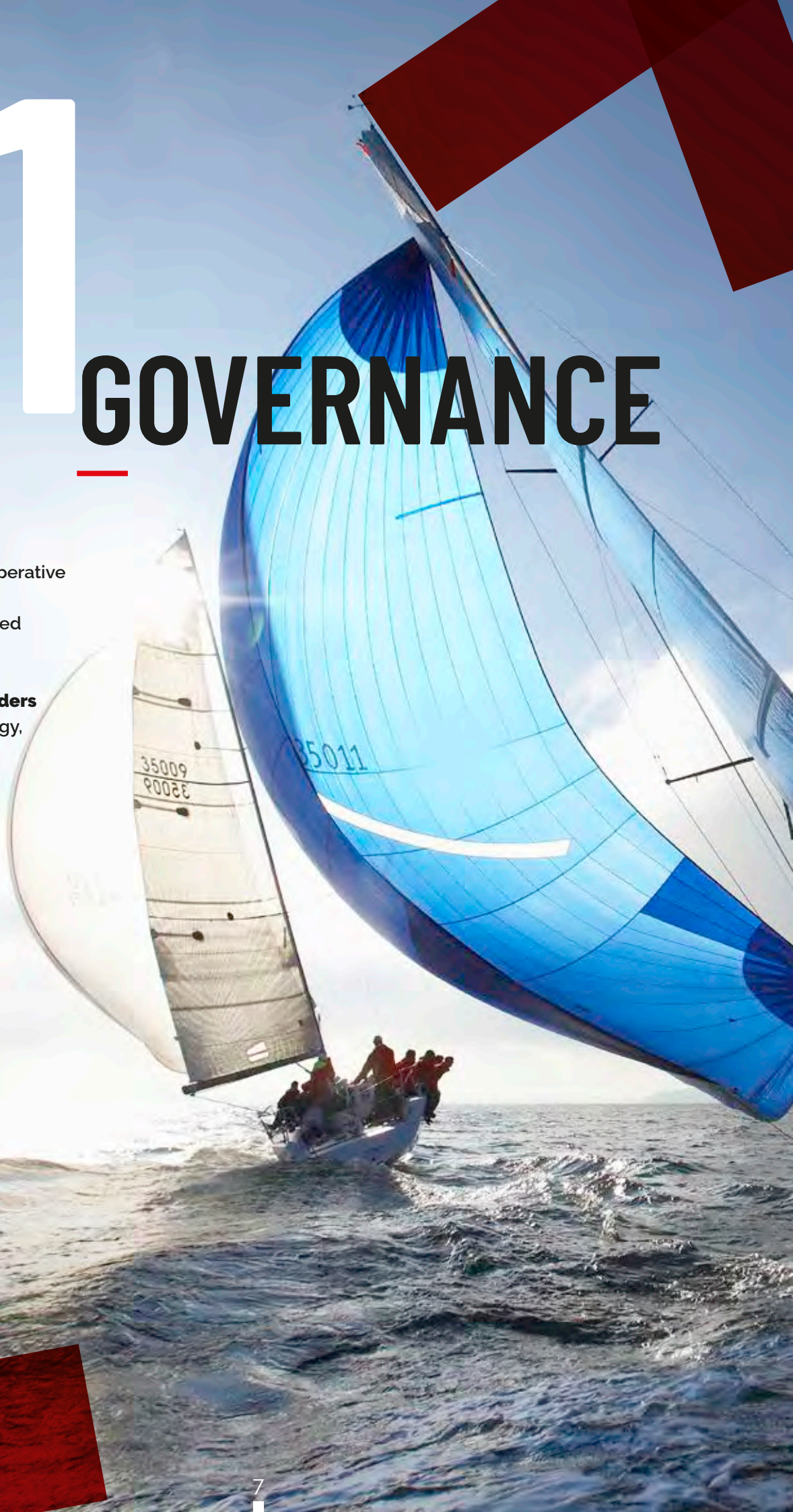
# #1

# GOVERNANCE

Crédit Mutuel Arkéa is a cooperative and collaborative bank.

This strong identity is reflected in a **strong commitment to governance** and the **involvement of its stakeholders** in defining the group's strategy, objectives, commitments and implementation.

**Crédit Mutuel Arkéa's corporate governance guarantees the group's sustainability approach.**



**O**ur governance and organisation must be fine-tuned in terms of committee structure and expertise to meet current and future regulatory requirements. These changes should enable us to better integrate climate change issues into Crédit Mutuel Arkéa's business model transition, taking into account both opportunities and risks.

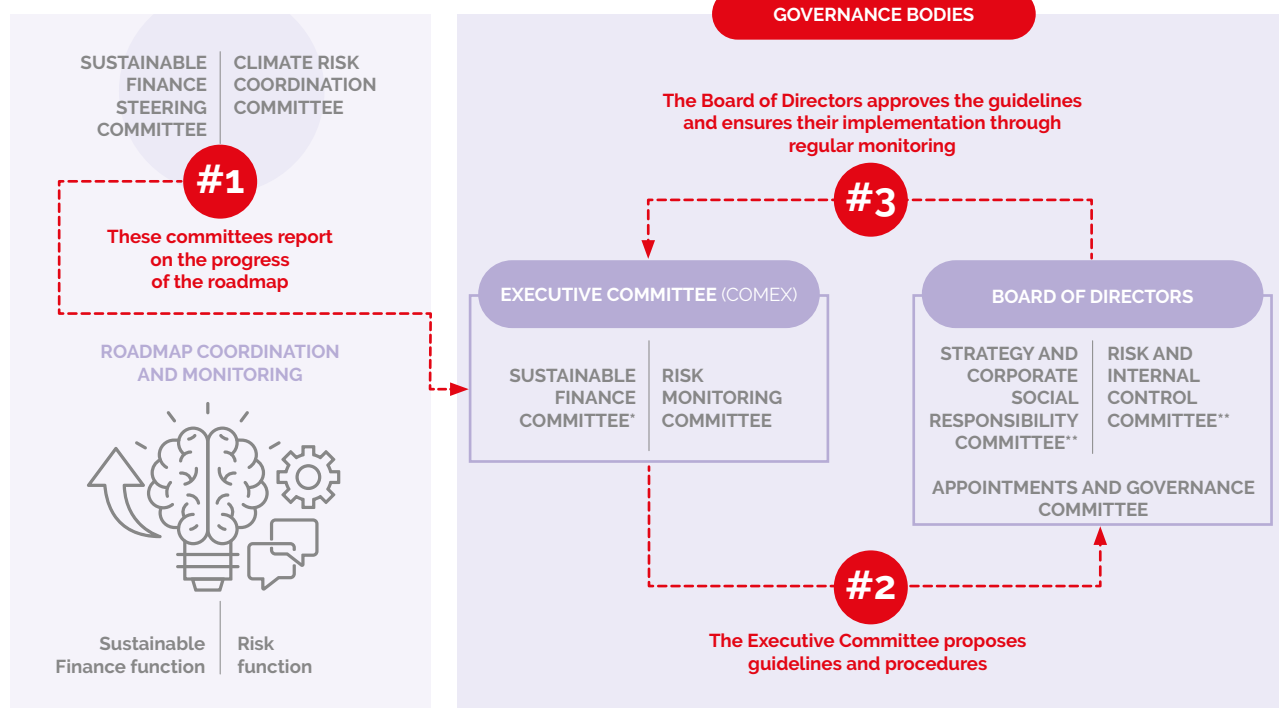


Since 2021, significant changes have been made to strengthen the integration of sustainability issues, and in particular climate issues, into all group decision-making processes.

- Creation of a Sustainable Finance function
- Appointment of two lead ESG-climate Officers

- Creation of a Sustainable Finance General Management Committee, integrated into the General Management Committee since early 2023
- Appointment of ESG risk correspondents within the Risk Management function

#### GOVERNANCE BODIES



\* Integrated into the General Management Committee since early 2023

\*\* In 2021, two directors were appointed lead ESG-climate Officers: Valérie Moreau on the Strategy and Corporate Social Responsibility Committee and Monique Huet on the Risks and Internal Control Committee

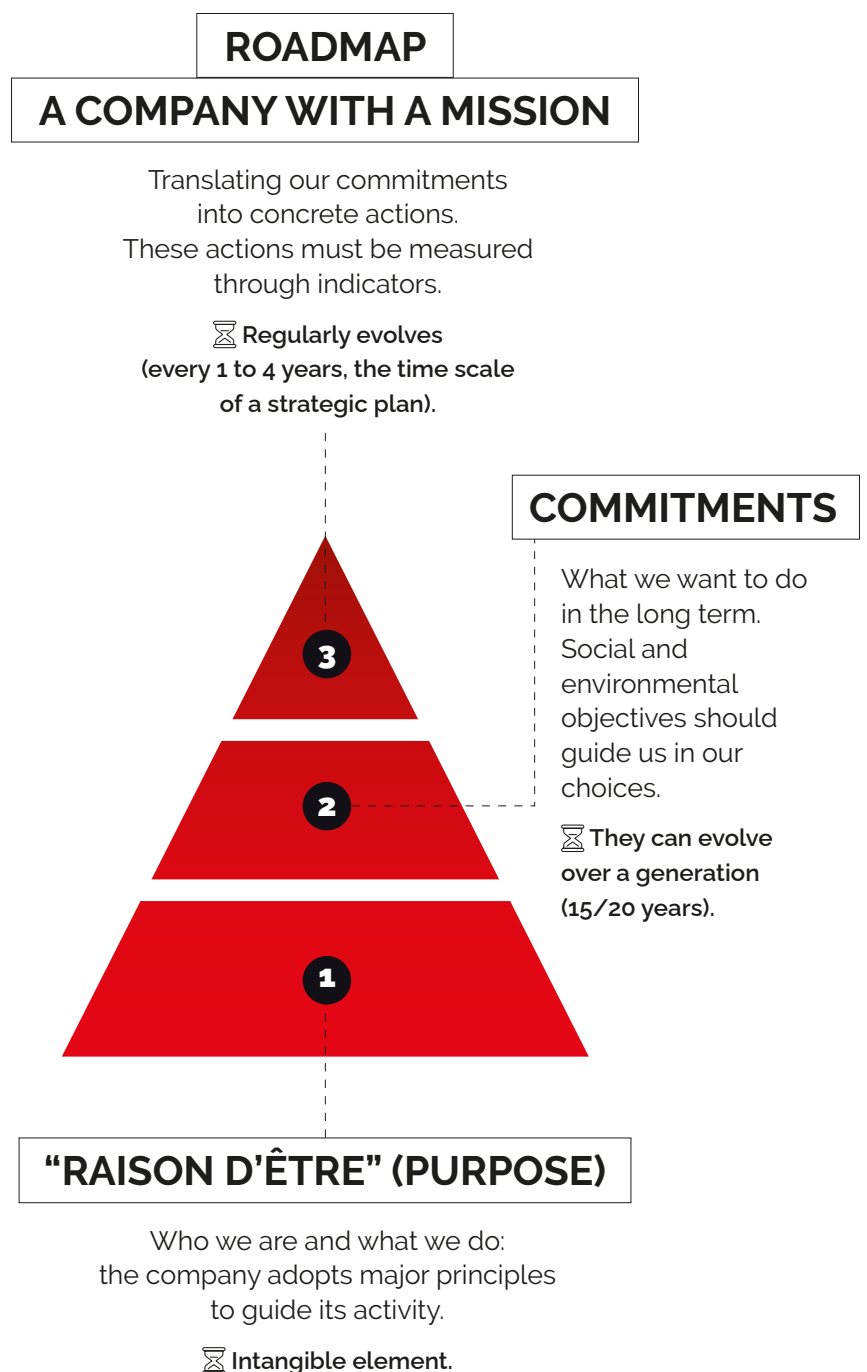


# INVOLVEMENT OF CRÉDIT MUTUEL ARKÉA'S BOARD OF DIRECTORS IN OVERSEEING CLIMATE-RELATED RISKS AND OPPORTUNITIES

The Board of Directors of Crédit Mutuel Arkéa approves the group's strategic guidelines. It then oversees their implementation through the executive bodies and ensures regular monitoring.

As part of its duties, each year it discusses the main guidelines of the group's sustainability policy.

**On 10 May 2022, Crédit Mutuel Arkéa adopted the status of company with a mission, thus confirming the group's commitment to serving the regions and to transition, particularly in terms of the environment.** This status is consistent with the work initiated in 2019 with the definition of its "Raison d'être" (Purpose), then set out in the *Transitions 2024 Medium-Term Plan*.



Crédit Mutuel Arkéa adopted its "Raison d'être" (Purpose) on 14 May 2020. By becoming the first French bank to have a "Raison d'être" (Purpose), Crédit Mutuel Arkéa wanted to redefine the profound meaning it gives to its business lines, its activity and the way

it defines its usefulness to society and the planet. Our "Raison d'être" (Purpose) reflects our ambition and sense of collective purpose in serving our employees, customers and all our stakeholders. It is the foundation of our values and mission.

# P U R

## **"RAISON D'ÊTRE" (PURPOSE)**



We want to be part of a world that takes a long-term view and takes into account the major societal and environmental challenges facing our planet for future generations. We contribute to this by providing finance that serves the regions and their stakeholders in a sustainable way and helps everyone achieve their potential.

To this end, we have chosen to be a cooperative and collaborative bank that promotes a balanced sharing of value with its members, customers, employees, partners and regions. A socially responsible, ethical and inclusive company that focuses on respect for its environment.

Each and every day, we work with our stakeholders to develop innovative solutions that help our members and customers achieve their life goals and fulfil their aspirations. »

# O E

# P S

The group's **Climate Strategy** was adopted by the Board of Directors in November 2020. This strategy is based on two major pillars:

**#1** Strengthening the group's commitment to climate protection for companies and regions

**#2** Integrating climate as a performance and risk factor in the management of the group's activities



Since 2020, this strategy has guided the adoption of new sectoral policies that systematically take climate issues into account.

The Board of Directors is involved in defining sectoral policies for the low-carbon transition, and has approved the following policies:

- Coal policy in force since 2019 and revised annually;
- Oil and Gas policy adopted in 2021 and updated in 2022;

In addition to the climate challenge, the Board of Directors also adopted the Health and Tobacco policies in 2022, which are closely linked to societal and environmental issues.

A half-yearly update on the implementation of the group's Climate Strategy commitments is presented to the Board of Directors, along with an annual assessment of progress, as part of the monitoring of the group's Medium-Term Plan.

The Board of Directors' operating rules formalise its ESG-climate responsibilities. They reflect the fact that the Board of Directors takes account of environmental, climate, social and governance issues when approving strategic guidelines, policies and significant operations. They also define the associated risk appetite.

The Board of Directors plays a major role in managing environmental risks, including climate change, by approving the group's environmental risk appetite principles. In 2022, the Board of Directors approved the following appetite principles relating to ESG risks, including environmental and climate risks:

- ensuring that risk-taking is in line with the commitments made through Crédit Mutuel Arkéa's "Raison d'être" (Purpose), climate strategy and Company with a mission status;
- gradually integrating ESG risks and their transmission mechanisms to other types of risk;
- taking into account the impact of climate risks, in particular by monitoring exposures by ESG rating, by sector (according to their sensitivity to physical risk and transition risk) and by geographic location;
- controlling the carbon footprint generated by the banking conglomerate's activities.

At the same time, in 2022, the Board of Directors included in its risk appetite framework an indicator relating to oil and gas sector exposure, to complement the indicator relating to coal sector exposure added in 2021.



## MANAGING CLIMATE ISSUES

**Crédit Mutuel Arkéa's Directors' Charter** was amended in 2021 to reflect the need to manage environmental issues, including climate, social and corporate governance issues, in terms of opportunities and risks. Skills development is supported by the contribution of specialised committees and the training provided to the directors. This commitment is designed to ensure that these issues are taken into account in all the work carried out and decisions made by the Board of Directors.

### The contribution of specialised committees

To validate the group's strategic guidelines and the main action plans, and to perform its risk monitoring role, the Board of Directors relies on the informed opinions of **specialised committees**, including the Strategy and Corporate Social Responsibility Committee and the Risk and Internal Control Committee.

Each committee's charter formalises the need to take into account environmental, social and governance (ESG) issues, including climate change.




Committee	Role	Number of meetings during which the climate theme was addressed	Main climate-related topics addressed in 2022
<b>Strategy and Corporate Social Responsibility Committee</b>	<ul style="list-style-type: none"> <li>Monitors the progress of the group's strategic project</li> <li>Ensures that Corporate Social Responsibility is at the heart of the group's strategy</li> </ul>	6 times	<ul style="list-style-type: none"> <li>Monitoring the progress of the medium-term plan, including implementation of the Climate Strategy</li> <li>Sustainable Finance roadmap monitoring</li> <li>Review of coal and oil/gas sector policies</li> <li>Regular updates on work carried out as part of the 1.5°C alignment trajectory and the Committee's opinion on Crédit Mutuel Arkéa's commitment to the Net Zero Banking Alliance</li> <li>Monitoring the vigilance plan, including climate issues</li> <li>Opinion on the 2022 TCFD Report</li> </ul>
<b>Risk and Internal Control Committee</b>	<ul style="list-style-type: none"> <li>Assists the Board of Directors in overseeing Crédit Mutuel Arkéa's risk management and internal control system.</li> <li>Is responsible for formulating the group's risk appetite framework and monitoring compliance with it.</li> </ul>	8 times	<ul style="list-style-type: none"> <li>Work on enriching ESG risks, including environmental and climate risks, in the group's risk appetite framework for the 2023 financial year: <ul style="list-style-type: none"> <li>Year-round monitoring of compliance with the Coal policy and the Oil &amp; Gas policy, as well as the disposal of residual positions, via the quarterly risk scorecard,</li> <li>Monitoring the level of sectoral exposure of corporate banking outstandings to physical and transitional risks,</li> <li>Monitoring Crédit Mutuel Arkéa's direct CO<sub>2</sub> emissions (scope 1, scope 2 and partial scope 3),</li> <li>Monitoring of counterparties with poor ESG ratings.</li> </ul> </li> <li>Environmental risk assessment for 2021</li> <li>Presentation of current events with the European supervisor (climate stress tests and the European Central Bank's Thematic Review on Climate and Environmental Risks)</li> <li>Presentation of Crédit Mutuel Arkéa's first physical climate risk assessment for its operating real estate</li> </ul>

Since 2021, Crédit Mutuel Arkéa has strengthened its governance on ESG-climate issues. It is supported by two lead directors who sit on the Strategy and Corporate Social Responsibility Committee and the Risk and Internal Control Committee: **Valérie Moreau** and **Monique Huet**.



## VALÉRIE MOREAU

Valérie Moreau holds a Master's degree in human sciences and business coaching and specialises in human resources and management. After starting her career as an advisor at Pôle Emploi, France's national employment agency, she worked there for 10 years as a manager and as a branch manager, while also carrying out training assignments at a management university. In 2020, she created the firm Auxilium Talents and works as a business coach.



The world is changing... Humanity has had the capacity to adapt for millions of years. Environmental and societal transitions are underway. The challenge for the business world is to support all the transitions we need to make in order to prepare our future and that of future generations towards energy sobriety. Involving society is essential if we are to change our practices and preserve resources. At the heart of the company, it is the commitment of the teams of people that will enable the business model to evolve, for the benefit of all the group's stakeholders. We face a real challenge in generating and measuring the positive impact of our actions on the environment, social life and local and regional vitality. By working together, open to the world around us and sharing our skills and knowledge, we can come up with the right solutions for tomorrow's major challenges."

— Valérie Moreau,  
Director at Crédit Mutuel Arkéa, lead ESG-climate  
Officer on the Strategy and Corporate Social  
Responsibility Committee



## MONIQUE HUET

A graduate of HEC, Monique Huet spent her career in energy within the EDF and then Gaz de France groups. She was Chief Financial Officer of GDF Production Nederland BV in the Netherlands and then of the Exploration & Production Business Unit of the GDF-Suez group (Engie). She now works in consulting and training. She has a board of directors' certificate from Sciences Po - Institut Français des Administrateurs.



Crédit Mutuel Arkéa, whose "Raison d'être" (Purpose) includes the consideration of major social and environmental issues, was quick to grasp the urgency of the climate change situation, and has taken concrete action to promote the transition to a more environmentally friendly economy. Today, banking regulations are being tightened, leading us to measure climate risk ever more precisely: we are actively working on this, as it contributes to a better-founded and shared awareness. As far as our actions are concerned, we are fully aware of their complexity: the ecological transition will have to go hand in hand with a societal transformation. Bringing together complementary skills on our Boards of Directors enables us to make more solid decisions, taking into account all the issues at stake, with a view to both preserving our natural capital and building an inclusive, balanced society in the regions."

**Monique Huet,**  
**Director of Crédit Mutuel Arkéa,**  
**lead ESG-climate Officer on the**  
**Risk and Internal Control Committee**

Like Crédit Mutuel Arkéa, several group subsidiaries have appointed lead ESG-climate Officers to their Supervisory Boards.

This was the case in 2021 for:

- **Arkéa Capital**, the group's private equity subsidiary;
- **Arkéa Banque Entreprises et Institutionnels**, which provides local support to companies and public and institutional players as well as real estate developers.

They were joined in this approach by another entity in 2022:

- **Arkéa Crédit Bail**, the subsidiary specialising in equipment and real estate leasing.



## Training directors

Training directors in the opportunities and risks associated with climate change is one of the key commitments of Crédit Mutuel Arkéa's Climate Strategy. It is reflected in a dedicated action plan, starting in 2020.

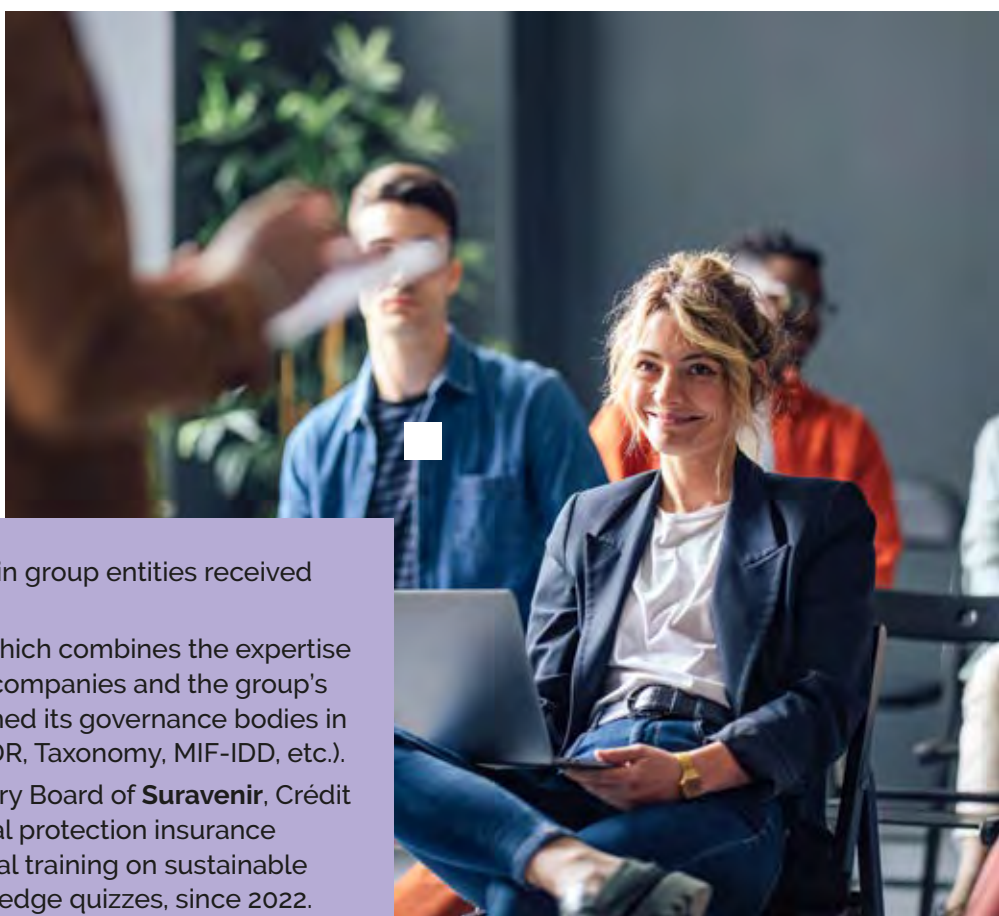
All members of Crédit Mutuel Arkéa's Board of Directors and Executive Committee received **training in climate issues for the financial sector**, provided by a consulting firm specialising in strategy and the environment. This training was offered to them prior to the adoption of the Climate Strategy. In 2021, the members of the Board of Directors were also made aware of climate risk management. More broadly, all the directors of Crédit Mutuel Arkéa, its subsidiaries and the federations have completed a **Sustainable Finance e-learning module**, explaining the climate issues for a financial player.

In 2022, all second-tier directors were provided with an e-learning module on the **appetite framework incorporating environmental risks, including climate risks**. During a seminar, they were briefed on the project to calculate the **trajectory of alignment** of loan portfolios with the Paris Agreement targets. They also attended a **talk by climatologist Jean Jouzel**.

As climate and biodiversity are intimately linked, the members of

the Board of Directors received training in November on the subject of **biodiversity** and the challenges it poses for a financial player.

More specifically, Monique Huet, lead ESG-climate Officer on the Risks and Internal Control Committee, was trained in **environmental risk management**, including climate and biodiversity issues, and made aware of the **Trajectory of alignment** of loans with the Paris Agreement targets.



The governance bodies of certain group entities received dedicated training in 2022:

- **Arkéa Investment Services** - which combines the expertise of several asset management companies and the group's private banking business - trained its governance bodies in ESG and regulatory issues (SFDR, Taxonomy, MIF-IDD, etc.).
- The members of the Supervisory Board of **Suravenir**, Crédit Mutuel Arkéa's life and personal protection insurance subsidiary, have received annual training on sustainable finance topics, including knowledge quizzes, since 2022.
- The directors of the Corporate and Institutional Division (comprising the entities **Arkéa Banque Entreprises et Institutionnels**, **Arkéa Capital** and **Arkéa Crédit Bail**) were trained on the Climate Fresk and made aware of the issue during a round-table conference entitled "Sustainable finance, customer support and expectations".
- The federal directors of **Crédit Mutuel de Bretagne** also took part in a workshop dedicated to the Climate Fresk.
- The members of the Management Committee and Board of Directors of **Suravenir Assurances**, the group's non-life insurance subsidiary, were trained in climate issues.



## INVOLVEMENT OF CRÉDIT MUTUEL ARKÉA'S EXECUTIVE IN ASSESSING AND MANAGING CLIMATE-RELATED RISKS AND OPPORTUNITIES

**T**he main role of Crédit Mutuel Arkéa's **Executive Committee** (Comex) is to assist the group's Executive Management in strategic steering. Accordingly, **it proposes strategic guidelines to the Board of Directors and then oversees the implementation of the strategy approved by the Board of Directors and the monitoring of the resulting risks.**

As part of its prerogatives and powers, and to ensure the relevance and quality of its decisions, Crédit Mutuel Arkéa's Executive Management has structured its organisation around cross-functional committees. These committees are made up of executives in charge of business lines and support functions.

## SUSTAINABLE FINANCE COMMITTEE

The **Sustainable Finance Committee** met 7 times in 2022, with the following duties:

- proposing to the Executive Committee and the Board of Directors strategic guidelines and commitments in the area of sustainable finance that are aligned with Crédit Mutuel Arkéa's "Raison d'être" (Purpose), as well as the related framework measures;
- coordinating the roll-out of these measures to all the group's business lines and processes and ensuring that they are properly integrated;
- monitoring their implementation and reporting on progress to the Executive Committee and the Board of Directors every six months.

Climate issues were discussed at each meeting.

**At the beginning of 2023, it was decided to integrate sustainable finance issues into the General Management Committee, thereby increasing the number of participants in the work (Chief Executive Officers of the Crédit Mutuel de Bretagne and Crédit Mutuel du Sud-Ouest federations as well as certain central departments).**

## THE RISK MONITORING COMMITTEE

the group **Risk Monitoring Committee** (RMC) contributes, on behalf and by delegation of Executive Management, to the governance and overall management of the group's risks, including environmental risks. Since raising members' awareness of climate risks in 2019, a number of related topics have been discussed, such as the plan to integrate climate risk management into the Risk Management Function (RMF) and the pilot climate stress test exercises of the French Prudential Supervisory and Resolution Authority (ACPR) and the European Banking Authority (EBA).

In 2022, out of the 13 RMC meetings, climate risks were more specifically addressed on 9 occasions during committee meetings. The following ESG topics were discussed during the various meetings:

- environmental risk assessment for 2021;
- work with the European supervisor on climate stress tests, the climate thematic review and the follow-up of the action plan to comply with the European Central Bank's "ECB guide on climate-related and environmental risks";
- integrating environmental and climate risks into Crédit Mutuel Arkéa's risk management systems with environmental risk mapping, as the risk appetite framework incorporates ESG risk appetite principles supplemented by quantitative indicators and the Environmental Risk Management Policy (ERMP);
- physical climate risks with the Physical Risks Internal Scoring Model (PRISM), a tool used to assess geographical exposure to physical climate risks on Crédit Mutuel Arkéa's operating real estate.





## THE ROLE OF THE CROSS-FUNCTIONAL COMMITTEES

The Sustainable Finance Committee and the Risk Monitoring Committee complement the actions of the existing committees, which incorporate sustainability issues into their decision-making at their own level. This is particularly the case for the following bodies:

► The group **Counterparties Committee** acts under the delegation granted by Executive Management and within the limits set –and reviewed at least once a year– by Crédit Mutuel Arkéa's Board of Directors. Its work includes ESG (environmental, social and governance) analysis of market issuers subject to its approval. The ratings obtained complement traditional credit risk analysis. Depending on the rating awarded following the ESG analysis, the committee may refuse certain listing requests. Its position may be revised over time in the event of a change in this ESG rating/analysis. Environmental and climatic issues are fully addressed in our ESG analyses, through the environmental dimension (E). In 2022, the committee met 12 times. Climate issues were addressed at all sessions through ESG analyses, reports and specific presentations.

► the **listing Committee** acts under the authority granted by Executive Management and within the framework of Crédit Mutuel Arkéa's prudential system. As such, it aims to optimise and secure the policy for the purchase of financial products and services practised by Crédit Mutuel Arkéa as a whole (on its own behalf and on behalf of third parties). Since the entry into force of the Disclosure Regulation, this committee has set up a process aimed at taking into account, in its listing decision, the level of maturity of the asset management company studied in terms of sustainability risk assessment, including climate risks. In 2022, the committee met 7 times. Climate issues were addressed at all meetings through ESG and sustainability risk analyses associated with each listing application.

► The group **Credit Committee** acts under the delegation granted by Executive Management and within the limits set –and reviewed at least once a year– by Crédit Mutuel Arkéa's Board of Directors. The role of this committee is to rule on customer loan applications whose amounts or characteristics exceed the powers granted to the lower-level committees. As part of the challenges related to climate risks and ESG criteria, the group Credit Committee is gradually integrating the inclusion of an ESG-climate analysis into the decision-making process relating to the granting of loans. In 2022, climate issues were addressed through ESG analyses associated with each customer loan application of the Arkéa Banque Entreprises et Institutionnels subsidiary, representing the majority of requests made to the group Credit Committee.

Other group management committees, such as the Customer Commitments Committee, are stepping up the integration of climate-related issues into their remit. These changes have been formalised in their operating charter.

**ESG issues, including climate change, are also taken into account by the group's corporate governance bodies at subsidiary level.**



The General Management Committee proposes to the Executive Committee and the Board of Directors strategic guidelines and commitments in terms of sustainable finance, in line with the group's "Raison d'être" (Purpose)."

# OPERATIONAL ORGANISATION AROUND CLIMATE ISSUES

Following on from the changes made to its governance in recent years, the group is continuing to optimise its operational organisation to take greater account of the climate challenge, in order to deploy the two pillars of its Climate Strategy:

- reinforcing Crédit Mutuel Arkéa's commitment to the climate with respect to companies and regions;
- integrating climate as a performance and risk factor in the management of the group's activities.



## Focus on THE CLIMATE FRESK

A number of "Climate Fresk" meetings were organised. These are fun, participatory and creative workshops on climate change. Based on collective intelligence, they aim to raise participants' awareness of the climate and help them understand the causal links between the various components of climate change. More than 5,500 employees were invited. Following the same concept, the "Biodiversity Fresk" was offered to employees of the following central functions within the group: Sustainable Finance, Risk Department, Crédit Mutuel de Bretagne and Crédit Mutuel du Sud Ouest in charge of environmental issues.

## SKILLS ENHANCEMENT

In 2021, more than 5,000 group employees completed the e-learning module dedicated to **climate issues for a financial player**.

In 2022, depending on the needs identified, more specialised training and awareness-raising were provided.

► As part of the process of defining the group's alignment trajectory, the entities' Sustainable Finance managers benefited from expert input, such as:

- an awareness-raising event on climate and agriculture, organised by Solagro;
- a presentation on energy-climate scenarios by Enerdata, an economic consultancy specialising in the energy sector and its interaction with the environment;
- a talk by Stéphane La Branche (climatologist and sociologist, IPCC member).

► A training course on biodiversity issues provided by an expert firm, BL Evolution, was organised by the Sustainable Finance Department for the group's Sustainable Finance managers.

► Specific ESG training courses for account managers were organised by the Corporate and Institutional Division entities.



## COORDINATION OF ACTIONS

All of the group's business lines and functions are gradually taking climate into account in their operations.

To coordinate the integration of these challenges and actively contribute to this approach, the group has set up a dedicated Sustainable Finance function.

The Sustainable Finance function consists of the **Sustainable Finance Managers** of the group's entities (subsidiaries, federations, central departments) and a central team: the **Sustainable Finance Department**. It proposes sustainable finance frameworks, such as sectoral policies, and implements the associated action plans.

Crédit Mutuel Arkéa's **Sustainable Finance Department**, which is part of the General Secretariat and Corporate Communication Department, has a core team of ten employees. Its activity is structured around:

- **the group's Sustainable Finance commitments:** the Sustainable Finance Department guides the development of commitments designed to ensure that the group's strategy takes greater account of environmental and social issues. At the same time, it contributes to increasing the skills of the business lines.
- **ESG methodologies:** the Sustainable Finance Department supports the various business lines in integrating ESG into their business processes, helps steer the group's trajectory, processes and enriches raw data to create value, and coordinates the Sustainable Finance function and the group's governance on these subjects;
- **the promotion of the group's commitments** on environmental and social issues: the Sustainable Finance Department contributes in particular to responding to external requests (non-financial rating agencies, journalists, NGOs, etc.) within the Crédit Mutuel Arkéa scope.

A **Sustainable Finance Steering Committee** was created in early 2021. It brings together the entities' Sustainable Finance Managers, the Sustainable Finance Department and certain central departments such as the Risk Department, the Compliance and Permanent Control Department, the Finance Department and the Legal Department. Its main tasks are to:

- propose ESG-climate approaches and strategies to the group's governing bodies;
- monitor the progress of the Sustainable Finance roadmap and report on it by presenting a monitoring scorecard;
- ensure the implementation of sustainable finance framework policies and the entities' regulatory compliance;
- guarantee the use of group tools and methods, adapted to the specific needs of each business line;
- present and share intelligence and best practices among members.

This committee met 7 times in 2022.

A **Sustainable Finance Doctrine Committee** was also set up in 2021, led by the Legal Department and involving the Compliance Department, Sustainable Finance and the relevant business lines. Its purpose is to support the integration of sustainable finance regulations by the group's various entities.

### ROADMAP COORDINATION AND MONITORING



Sustainable Finance function



## RISK MANAGEMENT

**With a view to integrating the short-, medium- and long-term effects of environmental risks, Crédit Mutuel Arkéa has optimised its organisational and operational structure in line with changes in corporate governance.**

### > The Crédit Mutuel Arkéa Risk Department

The Risk Department has been in charge of managing environmental risks, including climate risks, since June 2019. This activity was first structured within the Risk Summary Department of the Cross-Functional Risk Management Department, which coordinates the Risk Management Function (RMF) and also handles consolidated risk monitoring (dashboards, URD, etc.) and emerging and cross-functional risks (model risk and climate risk).

In order to support Crédit Mutuel Arkéa's ambitions in terms of ESG risks and to cope with the significant growth in the expectations of the regulator and supervisor, a new organisation was set up in 2022 with the creation of an "ESG Risks" department, composed of 4 employees, including 2 hires in 2022, to reflect the extension of the scope to other non-financial risks.

The main duties of the "ESG Risks" department are:

- ▶ the integration of emerging ESG-type risks into risk areas;
- ▶ assisting subsidiaries with their own integration, in line with the systems set up by Crédit Mutuel Arkéa's Risk Department.

In order to align itself with the regulatory framework, the recommendations of voluntary initiatives and as part of its action plan to comply with the European Central Bank's "Guide on climate-

related and environmental risks", Crédit Mutuel Arkéa's Risk Department has set up a cross-functional organisation to meet the challenges of these matrix risks by taking into account their transmission to other risks.

### > The Risk function

The Risk function has been integrated into the group's climate management system. In 2022, Crédit Mutuel Arkéa's Risk Management Department appointed ESG risk correspondents within its Risk Department, with the aim of extending and implementing ESG risk management at all levels of the group, drawing on its network of local RMF (Risk Management Function) managers. Given the cross-functional nature of ESG risks, and the need to deal with them using a matrix approach, the ESG risk correspondent is generally the RMF manager.

In 2022, the entities' RMF managers were made aware of the challenges of climate risks on numerous occasions. The Risk Department is continuing to train and enhance the skills of RMF managers in the specificities of ESG risks through:

- an understanding of the ESG risk issues faced by Crédit Mutuel Arkéa's various subsidiaries according to the specific nature of their respective activities;
- support for the entities in their process of integrating and implementing the group's ESG risk management systems;
- specific and personalised support provided by a consulting firm to 9 subsidiaries in their process of integrating and implementing the group's ESG risk management systems.



Crédit Mutuel Arkéa's Risk Department has set up a cross-functional organisation to meet the challenges of these matrix risks, taking into account their transmission to other risks."

In 2022, RMF managers were made aware of and encouraged to integrate climate risks into the appetite framework for their entity. The Cross-functional Risk Management Department is responsible for the consolidated monitoring of climate risk management for the group by supporting 21 subsidiaries in implementing climate risk monitoring and adapting the group's systems at their respective levels.

The work to integrate environmental risks, including climate risks, within the Risk Department has led to the appointment of dedicated correspondents for each type of risk, under the responsibility of the dedicated departments (credit risk, operational risk, market risk, etc.). The latter have been regularly made aware of climate risks, during plenary sessions or bilateral exchanges.

For example, the Cross-Functional Risk Management Department and the Credit and Counterparty Risk Department have worked together to draw up a joint roadmap for integrating ESG risks into credit and counterparty risk activities. Among other things, this roadmap makes it possible to:

- share the target vision of ESG risk integration within credit and counterparty risk;
- provide an overview of the work to be carried out in this context;
- identify the work to be carried out and determine the associated roles and responsibilities.

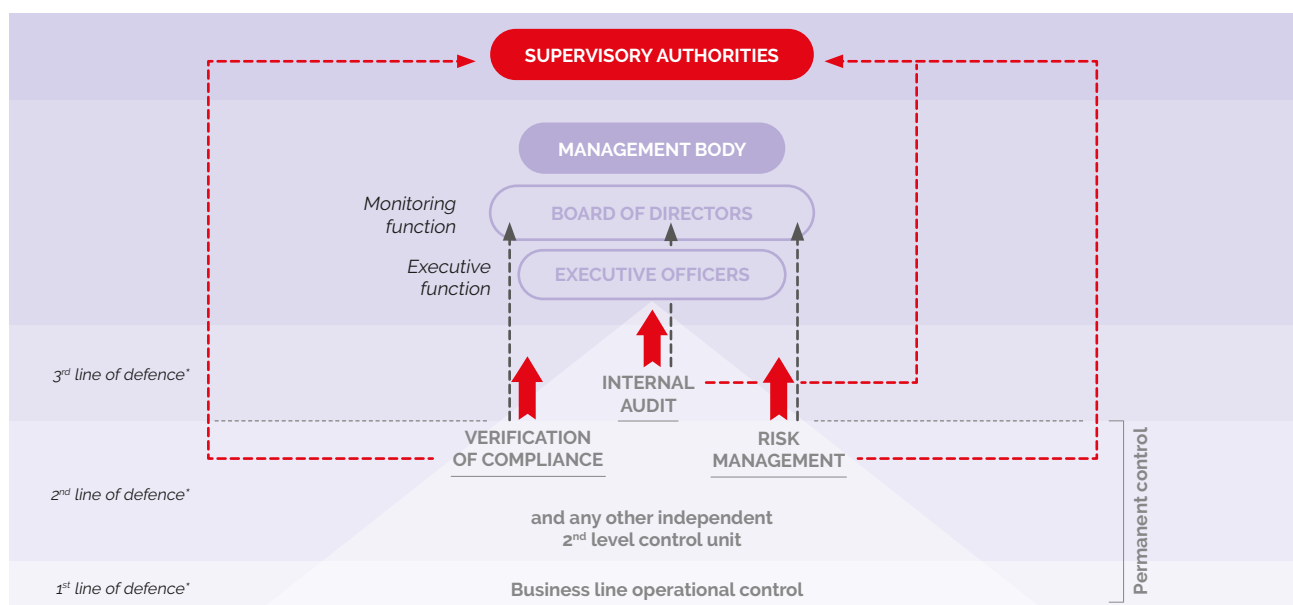
This organisation is a deliberate response to the challenge posed by the matrix nature of ESG risks.

#### > Internal audit

Audit functions have now taken environmental risks into account. In 2022, the General Inspection and Periodic Control Department received training in climate risks. In addition, the first internal audit assignment on "monitoring the climate commitments of funds managed by Federal Finance Gestion and Schelcher Prince Gestion" took place in early 2022.



#### INTERNAL CONTROL ORGANISATION DIVIDED INTO "3 LINES OF DEFENCE"

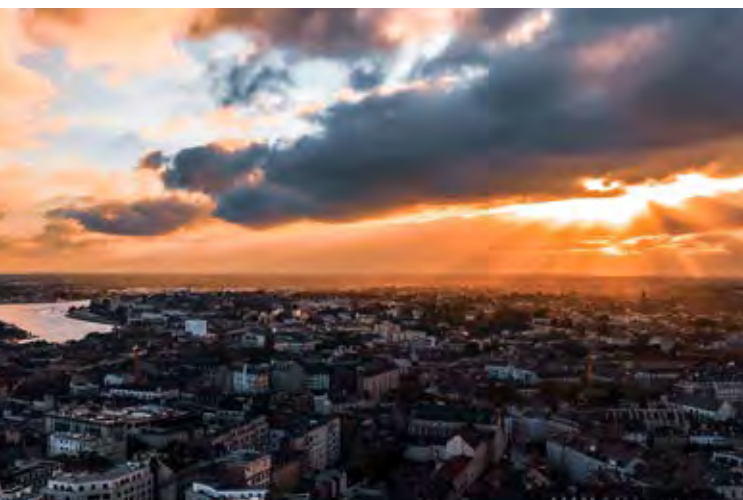




**A Climate Risk Coordination Committee** has been in place since 2020. Chaired by Crédit Mutuel Arkéa's Head of Risk Management, it is made up of the various heads of the Risk Department – responsible in particular for managing credit and counterparty risks, operational risks, market risks, the Financial Steering Department and the General Secretary and Corporate Communication Department. The main duties of this committee are to:

- monitor projects to integrate climate risks into the Risk Management Function;
- report on the implementation of the climate risk strategy, in particular to arbitrate on any sticking points identified during operational committees;
- monitor the project budget;
- inform and train its members on certain technical or quantitative points, to help them better understand the issues and related decisions.

The Climate Risk Coordination Committee met twice during 2022 and mainly addressed topics relating to the European Central Bank's supervision of climate risks, such as climate stress tests, the climate and environment thematic review and compliance with the Guide on climate-related and environmental risks.



## REWARDING PROGRESS

In order to involve all employees in taking greater account of climate issues, the profit-sharing agreement (Arkade Economic and Social Unit scope) has since 2017 included a criterion for increasing the budget linked to a reduction in the group's carbon footprint.

Non-financial criteria are also included in the individual variable compensation criteria for the group's corporate officers, senior executives and senior managers.



# #2

## STRATEGY

Climate change has an impact on the planet, on individual countries, on economic players and on individual citizens. Like any company, the Crédit Mutuel Arkéa group is therefore concerned by climate issues at the level of its strategy and operations. The group's Climate Strategy was adopted by the Board of Directors in November 2020. Integrating all aspects of the climate into Crédit Mutuel Arkéa's activities is a process of ongoing improvement. The diversity of our business lines requires differentiated but coordinated integration of climate issues.



# CLIMATE RISKS AND OPPORTUNITIES IDENTIFIED BY CRÉDIT MUTUEL ARKÉA FOR THE SHORT, MEDIUM AND LONG TERM

**T**he analysis of the impact of climate change on the Crédit Mutuel Arkéa group's business model is based on a **dual materiality** approach.

In order to contribute, at its own level, to achieving the objectives of limiting global warming, it is necessary to assess the impact on the climate of the activities of the Crédit Mutuel Arkéa group, its customers and the stakeholders it finances. The aim of this assessment is to gain a better understanding of impacts, so as to better manage them over the long term. This corresponds to the work carried out as part of the 1.5°C portfolio alignment.

## ENVIRONMENTAL MATERIALITY (IN CO<sub>2</sub>)



In addition, the risks and opportunities resulting from climate change for the Crédit Mutuel Arkéa group, its customers and the stakeholders it supports financially need to be identified, in line with the group's Climate Strategy, which commits it to "integrating climate as a performance and risk factor in the management of all its activities".

- Climate risk analysis is the subject of an identification and assessment process integrated into the bank's Risk Management systems.

👁️ *Pillar 3 • Risk Management • p.56*

- Opportunities are identified within the group scope and for each of its business lines, in conjunction with business line experts.

👁️ *Pillar 2 • Strategy*

*"The impact of climate risks and opportunities on Crédit Mutuel Arkéa's activities, strategy and financial planning" • p.34*

## FINANCIAL MATERIALITY (IN €)





## DESCRIPTION OF SHORT-, MEDIUM- AND LONG-TERM HORIZONS



**The short-term horizon, less than 3 years**, corresponds to the operational horizon, including commercial issues. On a short-term horizon, integration of new market regulations or practices is achievable.



**The medium-term horizon, less than 10 years**, includes the duration of the Crédit Mutuel Arkéa group's medium-term plan and involves the group's tactical challenges. The Transitions 2024 strategic plan includes a number of commitments relating to the climate, translated into concrete actions, such as the development of financing offers dedicated to supporting the environmental transition of customers and members, and the provision of green savings products for its customers. The sectoral policies adopted by the group to address the climate issue, which aim to move away from fossil fuels and unconventional hydrocarbons, have a medium-term horizon (by 2030).



**The long-term horizon, defined as more than 10 years**, enables us to see the concrete results of decisions taken to combat global warming. This time horizon corresponds to the strategic commitments set out in the group's "Raison d'être" (Purpose): Crédit Mutuel Arkéa is committed to supporting its customers over the long term as they make the transition, particularly in terms of climate change and preserving natural capital.

-----

**This segmentation enables us to adapt to the specificities of climatic risks, which can materialise over both short and long time horizons.**

-----



## THE MAIN RISKS IDENTIFIED

### Definitions

To identify the climate risks to which the group is exposed, we have adopted the **definitions of the European Central Bank (ECB)**.

Climate change and environmental degradation are sources of structural changes that can affect economic activity and, as a result, the financial system.



► **Physical risk** refers to the **financial effects of climate change** (including an increase in extreme weather events and gradual changes in climate) **and environmental degradation** (such as air, water and land pollution, water stress, loss of biodiversity and deforestation).



► **Transition risk** refers to the **financial loss that an institution may incur, directly or indirectly, as a result of the process of adapting to a low-carbon and more environmentally sustainable economy**.



► **In addition to physical risks and transition risks, a liability risk may materialise.** The latter corresponds to the damages that a legal entity would have to pay if it were deemed responsible for global warming. This risk may arise from legal action.  
A legal entity may be held liable for damage caused to third parties as a result of weather events, or for public commitments it has made on climate issues.



► **Reputational risk** corresponds to the fact that **the public, the bank's counterparties and/or investors could associate the bank with negative effects on the environment**. It could manifest as difficulty in attracting and retaining customers, employees, business partners and investors if a company has a reputation for harming the environment.



### Focus on BIODIVERSITY

Nature-related financial risks arise from the **impacts and dependencies of organisations on nature**. They are of two types: physical and transition risks.

**Physical risks refer to the direct financial losses associated with damage caused by declining ecosystem services and biodiversity.**

These risks can arise when natural systems are compromised, due to the impact of climate events (e.g. drought), geological events (e.g. earthquakes) or shifts in ecosystem balances, such as changes in soil quality or ocean chemistry. They can be acute, chronic or both.  
**Transition risks refer to the economic consequences of implementing a new model.** Developments aimed at halting or reversing damage to nature, such as regulations and policies, technological changes, market developments, disputes and shifts in consumer preferences, may lead to transition risks.



## Physical risks and transition risks

### DEFINITIONS AND EXAMPLES OF PHYSICAL RISKS

Type of risk	Definition	Examples
<b>Acute</b>	Acute physical risks arising from extreme events	Drought Flooding Storms
<b>Chronic</b>	Chronic physical risks are the result of gradual change	Rising temperatures Sea level rise Water stress

Source: ECB Guide on climate-related and environmental risks, 2020.



### DEFINITIONS AND EXAMPLES OF TRANSITION RISKS

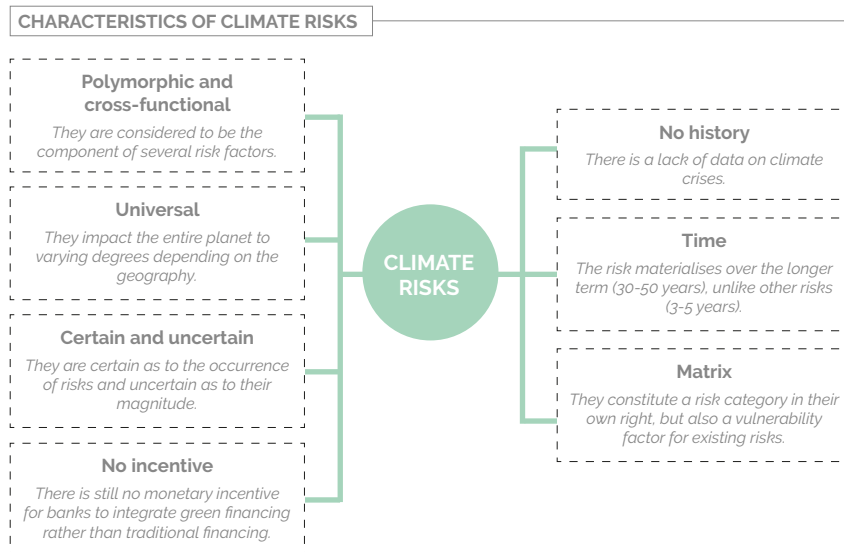
Type of risk	Definition	Examples
<b>Regulations</b>	Climate risks are among the emerging risks. The regulatory framework is constantly evolving. Thus, regulatory risk can materialise in the relatively abrupt adoption of climate and environmental regulations, such as political actions that seek to limit contributions to the adverse effects of climate change, or political actions that seek to promote adaptation to climate change.	Rising carbon prices Transparency obligations Product and service regulations
<b>Markets</b>	The risk of changes in market preferences contributes to transition risk, and is a sub-component. Indeed, changes in market sentiment and preferences, as well as supply and demand mechanisms, could be impacted by the recognition of climate- and environment-related opportunities and risks, with the emergence of new markets geared towards green investment and financing.	Consumer behaviour Cost of raw materials Uncertainty about market signals
<b>Technology</b>	Technological risk contributes to transition risk; it is a sub-component. Indeed, the technological improvements and innovations needed to make a successful transition to a low-carbon, energy-efficient economic system are not yet implemented in organisations that are dependent on high-carbon, inefficient energies. These technological improvements may require massive investments to achieve carbon neutrality. Other technologies will become obsolete and become stranded assets.	Low-carbon innovations Investment and R&D uncertainty

Source: ECB Guide on climate-related and environmental risks, 2020.



## Characteristics of climate risks

From a financial point of view, **environmental risks have a number of characteristics**. These should help us to understand and manage their particularities. According to Crédit Mutuel Arkéa's vision, they can be summarised as follows:



Source: Crédit Mutuel Arkéa, 2022.

## The impact of climate risks on the economy and finance

Crédit Mutuel Arkéa's approach to physical and transition risks is based on a **dual materiality approach**, i.e. considering:

- **environmental impacts on Crédit Mutuel Arkéa;**
- **Crédit Mutuel Arkéa's impact on the environment.**

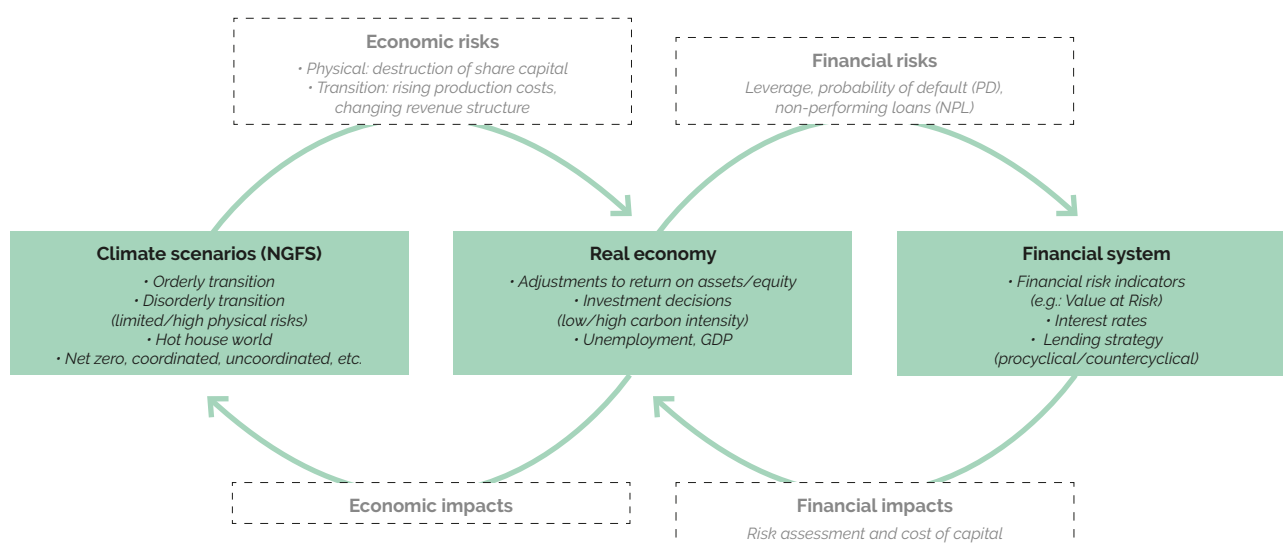
Climate risks have **impacts on corporate performance** (profitability, cost of capital and investment decisions in high- and low-carbon activities), and more broadly **on economic performance**.

Banking and financial institutions, which are exposed to companies through securities and loans, may be subject to **adjustments to their financial risks (probability of default, non-performing loans, etc.)**.

Banks' assessment of financial risks will change **companies' access to credit and investment decisions**, depending on their energy performance and exposure to climate risks, resulting in a **transformation of the economic environment**.



## DUAL MATERIALITY OF CLIMATE RISKS IN THE ECONOMY AND FINANCE



Source: Gourdel et al., "The double materiality of climate physical and transition risks in the euro area".





### Risk analysis at the Crédit Mutuel Arkéa level

Crédit Mutuel Arkéa has drawn up a **climate risk materiality matrix** to assess **the potential impact of climate risks on all "traditional" banking risks**. The purpose of the materiality matrix is to provide a suitable detection and measurement process for assessing the materiality of climate and environmental risks to our business over different time horizons (short, medium and long term).

The materiality matrix distinguishes, **independently**:

- the impact of physical risks on all "traditional" banking risks, according to the **IPCC's SSP5-8.5 scenario**.

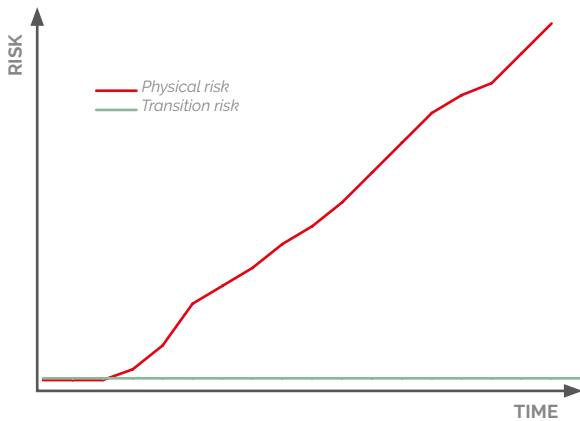
The timing of physical and transition risks is different in this scenario.

- the impact of transition risks on all "traditional" banking risks, according to the NGFS orderly transition scenario. The timing of physical and transition risks is different in this scenario.

This is the scenario that assumes an immediate, measured reduction in greenhouse gas emissions, in order to achieve clear, predefined climate targets through the introduction of ambitious climate policies.

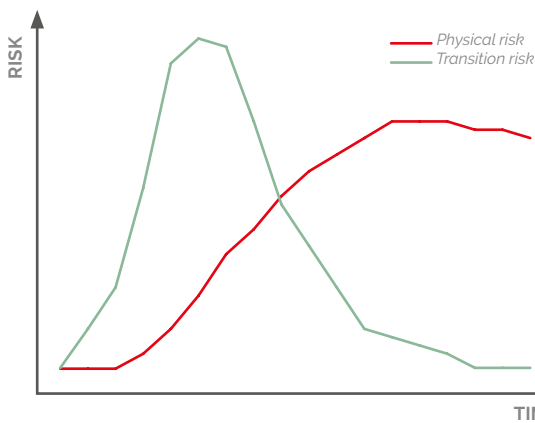
This is the the IPCC's worst-case scenario. In this scenario, current levels of greenhouse gas emissions are almost doubled by 2050. The global economy is growing rapidly, but this growth is fuelled by the use of fossil fuels and energy-intensive lifestyles. Climate policies are not being adopted.

TIMING OF CLIMATE RISKS ACCORDING TO THE IPCC SSP5-8.5 SCENARIO



Source: Crédit Mutuel Arkéa, 2022.

TIMING OF CLIMATE RISKS ACCORDING TO THE NGFS ORDERLY TRANSITION SCENARIO



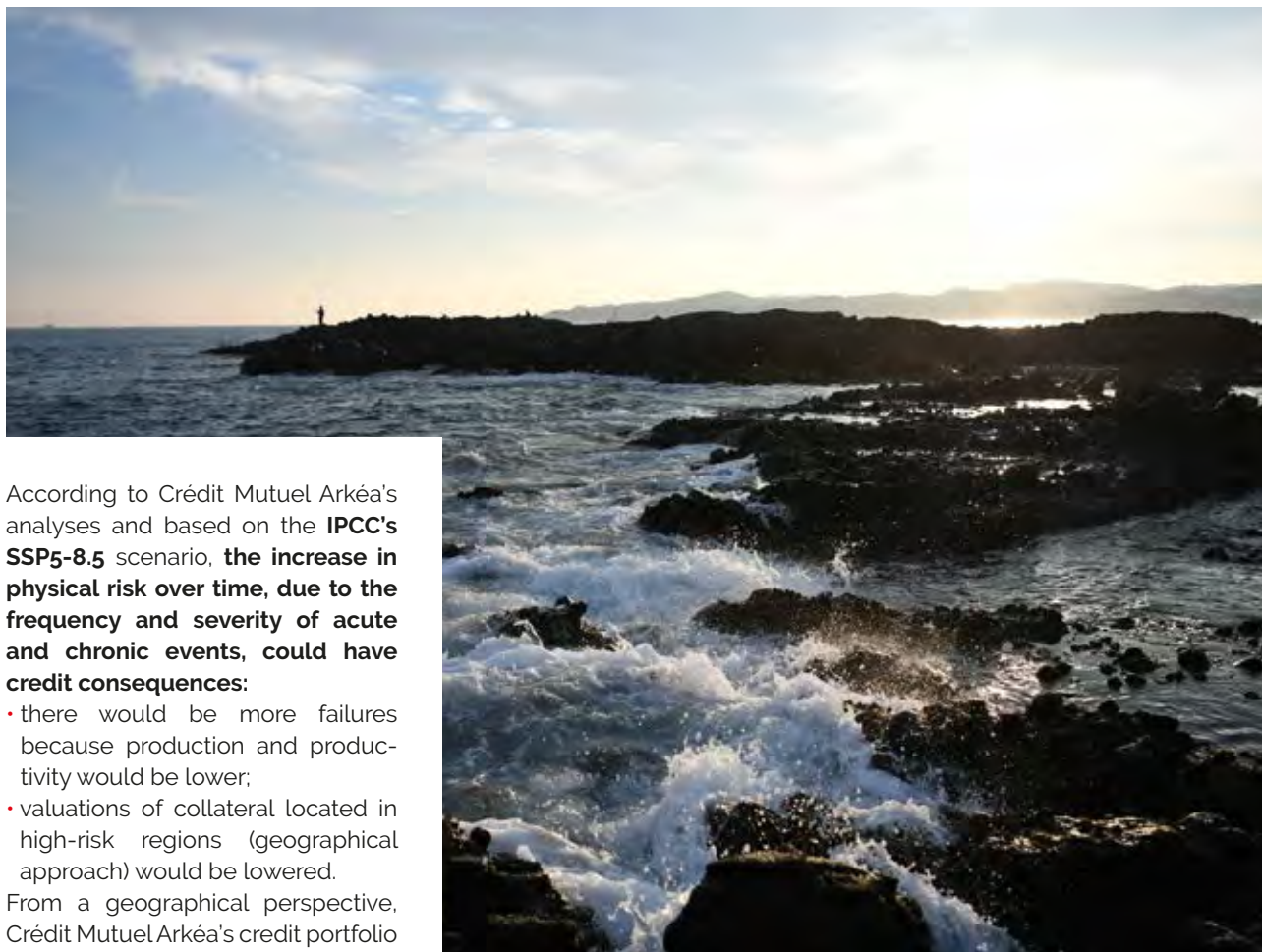
Source: Crédit Mutuel Arkéa, 2022.



CRÉDIT MUTUEL ARKÉA CONSOLIDATED MATERIALITY MATRIX

Risk category / Horizon	Physical risk			Transition risk		
	Short-term < 3 years ⌚	Medium-term 3-10 years ⌚⌚	Long-term > 10 years ⌚⌚⌚	Short-term < 3 years ⌚	Medium-term 3-10 years ⌚⌚	Long-term > 10 years ⌚⌚⌚
Credit risks	+	++	+++	+	+++	++
Operational risks	+	++	+++	+	++	++
Market risks	+	++	++	+	++	++
Interest rate risks	+	+	+	+	+	+
Liquidity risks	+	+	+	+	+	+
Conglomerate insurance risks	++	++	++	+	++	++
Equity and portfolio company risks	+	+	+	+	+	+
Strategic and business risks	+	+	++	++	+++	+++

Source: Crédit Mutuel Arkéa, 2022.



According to Crédit Mutuel Arkéa's analyses and based on the **IPCC's SSP5-8.5** scenario, **the increase in physical risk over time, due to the frequency and severity of acute and chronic events, could have credit consequences:**

- there would be more failures because production and productivity would be lower;
- valuations of collateral located in high-risk regions (geographical approach) would be lowered.

From a geographical perspective, Crédit Mutuel Arkéa's credit portfolio is heavily concentrated in France, where the risk is relatively low, although this needs to be qualified given the exposure to the Atlantic region. From a sectoral perspective, among the sectors that are highly sensitive to physical risk, Crédit Mutuel Arkéa's credit portfolio is more exposed to agriculture and real estate. The remainder of the main concentrations concern sectors with low or medium exposure to physical risk.

These factors may lead to a gradual deterioration in the quality of the credit portfolio.

Crédit Mutuel Arkéa also believes that **physical risk may materialise on its physical assets and therefore have impacts on operational risks.**

**The increase in transition risk by 2030**, in line with the NGFS orderly transition scenario, which corresponds to the low-carbon alignment strategy and the medium-term horizon of the materiality matrix, is the **result of non-compatible low-carbon activities and/or excessive environmental upgrade investments**. This, in turn, would have **credit consequences in the form of major business failures**. After 2030, with the market cleansed of non-compatible low-carbon companies, credit risk would be lower.

Geographically, Crédit Mutuel Arkéa's credit portfolio is heavily concentrated in France, where the risk is relatively high. From a sector perspective, Crédit Mutuel Arkéa's

credit portfolio is more exposed to agriculture and real estate, which carry a medium risk.

These factors would lead to a gradual deterioration in the quality of the credit portfolio.

Crédit Mutuel Arkéa also believes that **transition risk**, due to the adoption of a low-carbon strategy and the increase in standards and regulations in favour of transition (e.g. carbon tax), **could have impacts on the group's main activities** (e.g. investments and stranded assets for asset management and insurance activities or increased defaults for banking activities) **leading it to gradually adapt its strategy and business model.**



## OPPORTUNITIES IDENTIFIED

The Sustainable Finance Department has identified climate-related opportunities for the group's main business lines, by time horizon, with the help of business line experts.

A summary of these main opportunities is presented below.

### MAIN OPPORTUNITIES IDENTIFIED

⌚ Short-term (< 3 years)

⌚⌚ Medium-term (3-10 years)

⌚⌚⌚ Long-term (> 10 years)

Background	Business lines concerned	Opportunities for the group	Scope of activity concerned	Time horizons
<b>Need to support stakeholders in their environmental transition and in adapting to global warming</b>	Retail, corporate and institutional banking Consumer loans	Support customers (individuals, companies, institutions) by raising awareness and providing advice Develop new financing solutions/products Increase financing for the energy transition of customers and prospects Speed up the upskilling of employees so that they can advise and support customers beyond the financial solution (renovation grants, rights, etc.) Strengthen interactions and partnerships with stakeholders at the heart of ecosystems (local authorities, etc.)	<ul style="list-style-type: none"> <li>• Crédit Mutuel de Bretagne</li> <li>• Crédit Mutuel du Sud-Ouest</li> <li>• Arkéa Banque Entreprises et Institutionnels</li> <li>• Arkéa Crédit Bail</li> <li>• Financo</li> <li>• CFCAL</li> </ul>	⌚ - ⌚⌚
	Life insurance / asset management Private equity	Support stakeholders in their transition by actively engaging with portfolio companies and issuers	<ul style="list-style-type: none"> <li>• Suravenir</li> <li>• Arkéa Investment Services</li> <li>• Arkéa Capital</li> </ul>	⌚ - ⌚⌚
<b>Increased customer interest in transition-related financial products</b>	Retail banking Online banking Life insurance / asset management Trading room activities	Increase inflows to savings products that promote climate and environmental transition Develop thematic savings products to meet the expectations of a demanding customer base	<ul style="list-style-type: none"> <li>• Group (Suravenir, Crédit Mutuel de Bretagne, Crédit Mutuel du Sud-Ouest, Arkéa Investment Services, Arkéa Direct Bank, Crédit Mutuel Arkéa)</li> </ul>	⌚ - ⌚⌚
	Non-life insurance	Position ourselves as an innovative player through discussions on optimising the entire value chain of non-life insurance policies for individuals	<ul style="list-style-type: none"> <li>• Suravenir Assurances</li> <li>• Crédit Mutuel de Bretagne</li> <li>• Crédit Mutuel du Sud-Ouest</li> </ul>	⌚⌚
<b>Institutional investors' growing interest in sustainable investments</b>	Trading room	Meet the expectations of institutional investors by entering the Green Bond market Refinance the group by issuing green and social bonds	<ul style="list-style-type: none"> <li>• Crédit Mutuel Arkéa</li> </ul>	⌚
<b>Development of innovative companies and green projects on the market in search of financing</b>	Trading room	Increase the green and social share of investments made as part of cash investments	<ul style="list-style-type: none"> <li>• Crédit Mutuel Arkéa</li> </ul>	⌚

These opportunities will be regularly reassessed, in order to take into account the external context in which the group operates as well as the development of its various business lines.

# THE IMPACT OF CLIMATE RISKS AND OPPORTUNITIES ON CRÉDIT MUTUEL ARKÉA'S ACTIVITIES, STRATEGY AND FINANCIAL PLANNING

## IMPACT ON THE GROUP SCOPE

### Impact on the group's business model

The risks and opportunities associated with climate change, as described above, have already led to **strategic changes** and are changing the way **Crédit Mutuel Arkéa** conducts its **business** on a day-to-day basis:

- making **public commitments** to more sustainable finance and **contributing to financial market initiatives**;
- **defining commitments** dedicated to climate issues through the adoption of a group-specific Climate Strategy;
- setting up systems to assess the impact of the group's activities on the climate;
- developing new solutions to support stakeholders in their transition to a low-carbon and resilient world;
- implementing **remediation actions** in the face of risks;
- defining an **appetite** and integrating climate risk **management indicators**.

By monitoring and analysing climate risks and opportunities, Crédit Mutuel Arkéa is able to adapt its strategy and strengthen its commercial positioning, thus enabling a **positive transformation**. For example, the various commitments made by Crédit Mutuel Arkéa through its sectoral policies affect the group's business model by redi-

recting certain financial flows (coal phase-out by 2027 and phase-out of unconventional fossil fuels by 2030). Scenario analysis is an integral part of Crédit Mutuel Arkéa's risk management system, strategic guidelines and financial planning. The group is currently working on its own stress test methodology, in order to develop or adapt the internal stress testing practices required for sound risk management and the planning and allocation of Crédit Mutuel Arkéa's resources. Climate stress tests include a balance sheet projection that takes into account the group's sector policies and development plans.



### Commitments and participation in market initiatives to promote a more sustainable economy

Crédit Mutuel Arkéa contributes to the development and standardisation of market practices that encourage the financial sector to take on board sustainability issues, including climate change.

It is important to point out that Crédit Mutuel Arkéa's climate objectives do not exhaust the scope of all the environmental issues it recognises as important (respect for biodiversity, protection of the oceans, etc.). These themes are themselves dependent on the societal issues in which Crédit Mutuel Arkéa intends to play a committed role.

**Since 2020, the group has joined a number of recognised initiatives, thus reaffirming its**

**commitment, already formulated in its "Raison d'être" (Purpose), to gear its business model towards greater consideration of sustainability issues.**

It is also an opportunity for Crédit Mutuel Arkéa and the various committed financial players to share best practices in terms of methodology and reporting. Together, they are able to formulate commitments, translated into concrete joint actions.

Furthermore, by joining these initiatives, Crédit Mutuel Arkéa encourages all companies to be more transparent about their actions to combat global warming and to adapt their business models.

## MARKET COMMITMENTS AND INITIATIVES JOINED BY CRÉDIT MUTUEL ARKÉA

### UNITED NATIONS GLOBAL COMPACT



Since 2015, Crédit Mutuel Arkéa has been involved in the United Nations Global Compact social responsibility initiative and its 10 principles on human rights, labour standards, the environment and the fight against corruption.

### PRINCIPLES FOR RESPONSIBLE BANKING (PRB)

Crédit Mutuel Arkéa became a signatory to the Principles for Responsible Banking (PRB) in 2021. PRBs constitute an international framework, established by the United Nations, which aims to align the strategy of signatory players with the Sustainable Development Goals (SDGs) and the Paris Climate Agreement.

The Crédit Mutuel Arkéa group is committed to:

- analyse the current impact of its activities on society;
- set progress targets and define the improvement measures to be implemented for this purpose;
- publish its results in the form of an annual report.



### CDP (FORMERLY CARBON DISCLOSURE PROJECT) AND TASKFORCE ON CLIMATE- RELATED FINANCIAL DISCLOSURES (TCFD)



Crédit Mutuel Arkéa has joined two complementary initiatives to encourage companies to take greater account of climate change in their business models and promote transparency. The group thus became a member of the CDP (formerly the Carbon Disclosure Project) and a signatory to the TCFD recommendations in 2021.

In 2022, the group took part in the CDP's Non-Disclosure Campaign (NDC), alongside other players, to encourage companies to respond to disclosure requests.

### NET ZERO BANKING ALLIANCE (NZBA)

Crédit Mutuel Arkéa joined the Net Zero Banking Alliance in 2022. This is a programme launched in April 2021 as part of the United Nations Environment Programme Finance Initiative (UNEP-FI). The group is thus committed to aligning its investments and portfolios with the goal of zero net emissions by 2050, and to setting an interim target for 2030 or earlier, using the alliance's guidelines. The Net Zero Banking Alliance aims to accelerate the implementation of decarbonisation strategies while providing an international framework for the ecological transition of the financial sector.

### FAIR



Crédit Mutuel Arkéa is a member of the FAIR association, which was created in 2021 from the merger of Finansol, a long-standing player in solidarity finance, and iLab, an impact innovation laboratory. FAIR is the umbrella organisation for social impact finance players in France, and a French centre of expertise in this field at international level, bringing together over 120 committed players. FAIR manages the Finansol label, which distinguishes solidarity savings products

### FINANCE FOR BIODIVERSITY PLEDGE



Crédit Mutuel Arkéa joined the Finance for Biodiversity Pledge initiative in 2021 with the aim of strengthening the consideration of biodiversity-related issues in its business lines. Finance for Biodiversity Pledge invites its members to share ideas and collaborate on different valuation methodologies, measures and targets related to the biodiversity theme, as well as the development of positive impact financing solutions.

By becoming a signatory, Crédit Mutuel Arkéa has made a public commitment to help protect biodiversity and ecosystems. By 2024, it will:

- assess the positive and negative impacts of financing/ investment activities on biodiversity;
- establish and disclose targets for material adverse impacts;
- publish an annual report on positive and negative contributions as well as progress on the targets set.

### PARIS INSTITUTE FOR SUSTAINABLE FINANCE



In early 2023, Finance For Tomorrow became the Paris Institute for Sustainable Finance (*Institut de la finance durable*), a Paris Europlace initiative that aims to redirect financial flows towards a low-carbon, inclusive economy. The Paris Institute for Sustainable Finance brings together all the players, whether private, public or institutional, who want to commit to a form of finance that focuses on a sustainable future and combines long-term investment with consideration of environmental and social challenges. Crédit Mutuel Arkéa's membership in 2021 allows it to participate in commissions and working groups on issues of major importance for the financial market, including impact, just transition, biodiversity and regulatory developments in sustainable finance.





MARKET COMMITMENTS AND INITIATIVES JOINED BY  
**SUBSIDIARIES**



Principles for Responsible Investment



Membership of the FAIR association



Principles for Responsible Investment  
CDP – formerly Carbon Disclosure Project  
Signing of the Paris Appeal  
Signing of the UNEP FI “Global Investor Statement on Climate Change”,  
Climate Action 100+  
Finance for Biodiversity Pledge



CDP – formerly Carbon Disclosure Project, Principles for Responsible Investment, Finance for Biodiversity Pledge



Manifesto of the International Climate Initiative (2019)  
Principles for Responsible Investment  
France Invest Gender Parity Charter



Principles for Responsible Investment




## Climate strategy

In addition to participating in these market initiatives, Crédit Mutuel Arkéa has defined its own **2020-2024 climate strategy**. The opportunities associated with the fight against global warming and adaptation are at the heart of its roadmap. A number of commitments have been formalised. They represent development opportunities for the group as a whole, for the different business lines, and for its stakeholders in the short, medium and long term.

### Financial and non-financial support for customers and regions in the implementation of their projects

The Crédit Mutuel Arkéa group is committed to educating and raising awareness among its customers and stakeholders of the risks and opportunities associated with mitigating and adapting to global warming.

Through its various distribution networks, Crédit Mutuel Arkéa positions itself as a local financial partner. Its regional roots give it a key role in supporting its customers and members, both individuals and professionals, in their environmental transition projects, via retail banking (Crédit Mutuel de Bretagne and Crédit Mutuel du Sud-Ouest federations) and corporate and institutional banking (Arkéa Banque Entreprises et Institutionnels and Arkéa Crédit Bail).

 Pillar 2 - Strategy

"Impact at the business line level", p.42

**The group is also stepping up its support for companies developing solutions to combat global warm-**

Several group subsidiaries have developed their own climate strategy, in line with the group's strategy and their business lines:

- In 2021, **Suravenir** formalised its climate strategy, in line with the framework provided by the TCFD. It is part of the company's "Ambition Suravenir 2024" strategic plan, and illustrates the objective of rethinking life insurance for sustainable finance, through strategic priorities focused on the strength of collaboration and on an offering that responds to major societal challenges. As an institutional investor, Suravenir takes climate change into account when selecting external unit-linked vehicles and monitoring partner management companies, thereby influencing changes in industry practices.
  - In 2022, **Suravenir Assurances** defined its climate strategy, which formalises its objectives in terms of reducing greenhouse gas emissions both within the scope of its direct action and that of its stakeholders and financial investments.
-  Pillar 2 • Strategy • "The impact on property and casualty insurance", p.50
- Also in 2022, **Arkéa Capital** formalised its Trajectory 2024\* climate strategy and began work on its strategy for alignment with the Paris Agreement targets on scopes 1, 2 and 3.

ing, specifically through its banking and private equity businesses.

### Monitoring and engagement with the most polluting sectors

Faced with climate-related risks and opportunities, the group and its subsidiaries are committed, through the adoption of sectoral policies, to changing their practices with regard to the most polluting sectors.

#### > Coal sector policy\*\*

Faced with the urgency of climate change, certain business sectors must undergo profound change as a matter of priority, because their model, with its high greenhouse gas emissions, is not compatible with the

objectives of the Paris Agreement. This is the case for the coal industry, which accounts for a significant proportion of CO<sub>2</sub> emissions from fossil fuel combustion. Against this backdrop, **a group-wide policy was put in place in 2019 to limit financing and investment in coal-exposed activities. In early 2021, Crédit Mutuel Arkéa committed to a total phase-out of thermal coal by the end of 2027.**

The group's coal policy is identical for all business lines, including asset management (Federal Finance Gestion and Schelcher Prince Gestion), which is committed to exiting the sector by the end of 2027, with the exception of products with specific features that require a differentiated approach\*\*\*.

\* [www.arkea-capital.com/Medias/Fichier/Rapport%20Climat%20Ark%C3%A9a%20Capital%20VF.pdf](http://www.arkea-capital.com/Medias/Fichier/Rapport%20Climat%20Ark%C3%A9a%20Capital%20VF.pdf)

\*\* [www.cm-arkea.com/banque/assurance/credit/upload/docs/application/pdf/2022-12/politique\\_charbon\\_2022\\_web.pdf](http://www.cm-arkea.com/banque/assurance/credit/upload/docs/application/pdf/2022-12/politique_charbon_2022_web.pdf)

\*\*\* such as formula funds, index funds, structured funds, funds of funds in asset management as well as dedicated funds or mandates for which constraints are imposed by customers.

> **Oil & Gas  
sectoral policy\***

In 2021, the group also adopted a policy to limit financing and investments in oil and gas-related activities.

The group is committed to phasing out its involvement in Unconventional Fossil Fuels (UFF) by the end of 2030. This includes all players whose unconventional fossil fuels account for more than 10% of annual fossil fuel production, as well as conventional and unconventional developers.

In addition to this exit trajectory, new financing and investment criteria have been applied since 1 January 2022, and were supplemented in early 2023:

► For the entire scope excluding asset management\*\*, the group will refrain from funding (financing and investments) players whose unconventional fossil fuels (UFF) account for more than 10% of annual fossil energy production. Also prohibited are financing and investments for players who are expanding their existing capacity (conventional or UFF), as well as financing and investments for midstream players who develop pipelines or expand LNG terminal capacity. In addition to the commitments made concerning corporate financing, **no financing or investment in a project dedicated to fossil fuels** (upstream and midstream) is authorised.

► Within the scope managed by Federal Finance Gestion and Schelcher Prince Gestion (excluding management carried out for Suravenir and Suravenir Assurances): new financing and investments to players whose unconventional fossil fuels account for more than 30% of annual fossil fuel production are prohibited. Any new direct investment in an Unconventional Fossil Energy project (exploration, capacity development, infrastructure, processing) is also prohibited.

The group's asset management companies will implement engagement actions (individual or collective) with companies in the sector to support them in their energy transition and ask them to adopt a low-carbon alignment strategy, in order to support the sector's transformation.

👁️ Exposures related to these two policies are presented in Pillar 4 • "Indicators and objectives", p.80



## Search for the positive impact of financing and investment

Crédit Mutuel Arkéa wants to increase its positive environmental impact to contribute to the low-carbon transition. To this end, it has undertaken, in particular, to:

- roll out the measurement of the share of green activities and drive it forward, as part of its investment and financing business lines;
- collect savings in favour of the energy and ecological transition, through the development of green and innovative products.

\* [www.cm-arkea.com/banque/assurance/credit/upload/docs/application/pdf/2022-12/politique\\_petrole\\_et\\_gaz\\_2022\\_web.pdf](http://www.cm-arkea.com/banque/assurance/credit/upload/docs/application/pdf/2022-12/politique_petrole_et_gaz_2022_web.pdf)

\*\* The scope of the activities in question within the Crédit Mutuel Arkéa group is as follows: financing activities for professionals and companies, carried out by Crédit Mutuel de Bretagne, Crédit Mutuel du Sud-Ouest, Arkéa Banque Entreprises et Institutionnels and Arkéa Crédit Bail, private equity activities for companies, managed by Arkéa Capital, asset management activities carried out by Federal Finance Gestion and Schelcher Prince Gestion, investments made by Suravenir and Suravenir Assurances, cash investments by Crédit Mutuel Arkéa's trading room, Keytrade's own investments (run-off), with the exception of structured and index funds; dedicated mandates; multi-management; indirect assets where Suravenir's exposure ratio is less than 50%; unit-linked funds invested in trackers/index funds and structured products and real estate underlyings. A commitment strategy will be put in place for unit-linked funds backed by UCITS, followed by the adoption of listing criteria. These exceptions will be reviewed annually.



## Towards the adoption of an alignment trajectory

After conducting several tests of low-carbon alignment methodologies during 2021, the group carried out studies in 2022 to estimate the emissions financed within the banking scope and assess the reduction efforts to be achieved as part of a 1.5°C trajectory aligned with the Paris Agreement. For this work, the group was supported by a specialised consulting firm.

This approach is in line with the group's Climate Strategy and reflects the need for all economic players to contribute to the Paris Agreement. The group has the following long-term objectives:

- ▶ confirming its commitment to its stakeholders;
- ▶ defining and managing long-term actions;
- ▶ contributing to efforts to limit global warming and the transition to a low-carbon economy;
- ▶ reducing exposures to stranded assets.

👁️ The results obtained are presented in Pillar 4 • "Indicators and objectives", p.72-73

This initial work will be expanded in 2023 to include medium/long-term emissions reduction targets for priority sectors, as part of the group's commitment to the Net Zero Banking Alliance (NZBA).

Prior to this, the group wants to continue to work to:

- improve the reliability of the status report, through a sustained effort to collect data (both real and statistical), and to pursue methodological studies and scope coverage;

- optimise operational action plans in collaboration with the business lines to better support customers in their transition to a low-carbon economy, by developing concrete, tailored offerings.



In 2022, the group carried out work to estimate the emissions financed within the banking scope and assess the reduction efforts to be achieved as part of a 1.5°C trajectory."



## Impact on internal operations

Reducing the Crédit Mutuel Arkéa group's greenhouse gas emissions is one of the major challenges defined in the "Transitions 2024" strategic plan, through an initiative called "CO<sub>2</sub>actor".

The group's goal, defined in relation to the objectives set by the Paris Agreement, is to reduce its direct footprint by 15,000 t<sub>eq</sub>CO<sub>2</sub> by 2024 (excluding emissions from financing and investments), a decrease of 25%. This objective is gradually being achieved through concrete actions to mitigate and adapt to climate change, while preserving natural resources.

Five levers for action have been identified to help reduce their impact:

- **#1** commuting;
- **#2** business travel;
- **#3** impact supplies;
- **#4** sustainable real estate;
- **#5** responsible digital technology.

To steer this cross-functional initiative, a community of around 40 "owners" has been set up. Each of them represents a group entity: subsidiary or central management, and acts as guarantor of the progress of the "CO<sub>2</sub>actor" initiative within his or her structure. Regular reports on progress are submitted to management bodies.

## Employee travel

Crédit Mutuel Arkéa takes a proactive approach to travel, whether commuting or business travel.

Commuting is the main contributor to the group's carbon footprint, accounting for over a quarter of emissions. It is therefore the first lever of reduction. To encourage people to adopt eco-mobility practices, the group has set up a number of incentive programmes. Two key areas for reducing commuting emissions have been identified:

- **#1** use of teleworking;
- **#2** development of soft mobility.

In 2022, teleworking expanded even further. The use of videoconferencing and remote document sharing tools has become widespread, with the direct consequence of reducing travel. 95% of group entities have already

validated or are in the process of negotiating/renegotiating a teleworking agreement.

At the same time, Crédit Mutuel Arkéa aims to change its employees' travel habits by supporting soft and sustainable mobility, with a target of reducing CO<sub>2</sub> emissions by 1,500 t<sub>eq</sub>CO<sub>2</sub> by 2024. In 2022, the group developed and updated its mobility plans. To encourage employees to travel more responsibly, new agreements have been signed by several entities, under which all or part of the costs incurred by employees in commuting between their usual place of residence and their place of work will be reimbursed.

With regard to business travel, three key areas for reducing emissions have been defined: reducing travel, use of trains and greening of the car

fleet. Starting in 2021, Crédit Mutuel Arkéa has set itself the target of reducing business travel by 30%, and maintaining this level every year until 2024. Whenever possible, employees are invited to take part in a videoconference meeting rather than travel.

Crédit Mutuel Arkéa wants to replace the use of planes and cars with trains. This means that 80% of journeys lasting less than three and a half hours must be made by train.

The company's vehicle fleet policy has been adjusted, with the aim of achieving a 100% electric or hybrid fleet by 2024 for users of company vehicles who travel less than 25,000 km/year. For those who travel more than 25,000 km/year, the group is aiming for a target of 50% electric or hybrid vehicles by 2024.

**99%**  
green electricity  
consumption

## Purchases of supplies and services

When it comes to purchasing supplies and services, Crédit Mutuel Arkéa promotes a responsible approach that takes into account the environmental impact of the products and services it buys, as well as their entire life cycle.

The group has identified three key areas for reducing its emissions in this area: paper, office supplies and promotional items. Crédit Mutuel Arkéa is particularly vigilant about the environmental impact of its catering services and waste management.

As a financial sector player, Crédit Mutuel Arkéa's consumption of natural resources remains limited compared to other business sectors. They mainly concern paper consumption. Crédit Mutuel Arkéa's goal is to consume 100% certified and/or recycled paper by 2024. In 2022, the proportion of certified and/or recycled paper already accounted for 99% of orders for stationery and paper used for reprography and desktop publishing. The group's main lever for reducing paper consumption for its customers is the digitalisation and electronic signature of its offers. By 2024, Crédit Mutuel Arkéa wants 50% of new office supplies to be eco-designed. By 2022, the threshold of 52% had already been reached. 100% of goodies and promotional items must be eco-designed and plastic-free, or made in France.

Crédit Mutuel Arkéa is committed to working with responsible suppliers by selecting those who have developed a binding environmental and social policy in line with the group's values.

Furthermore, since 2021, the supplier knowledge questionnaire on CSR practices has included new issues, including climate risk. This self-assessment questionnaire has been sent to all service providers in charge of critical or important services, and is systematically included in all calls for tender.

## Sustainable real estate

Crédit Mutuel Arkéa constantly strives to optimise the energy efficiency of its buildings. The new regulations on office buildings, entitled Tertiary Decree, help formalise this vigilance and set quantified and planned objectives that are in line with those of the group. In addition to the buildings and their technical characteristics, Crédit Mutuel Arkéa works on their use and the well-being of the occupants. The group has identified four areas for reducing its emissions: energy improvements in buildings, sustainability, optimising space and exemplary construction. In 2022,

the group initiated several actions as part of the cross-functional Sustainable Real Estate Trajectory initiative.

Between 2021 and 2022, buildings subject to the Tertiary Decree underwent an energy audit. The group has "green electricity" contracts for around 99% of its electricity consumption, and green contracts for 94% of its gas consumption. For example, Crédit Mutuel Arkéa has launched a programme of thermal insulation, low-energy lighting and optimisation of heating and cooling systems.





## 2022, the year of energy sobriety

At the end of 2022, against the backdrop of the climate and energy crisis, Crédit Mutuel Arkéa stepped up its drive for energy sobriety with the implementation of a group-wide sobriety plan.

The first measures, implemented in October, included heating buildings to a temperature of 19°C, turning off ventilation after 7 pm, turning off outdoor signs when the building is closed, using cold water in washrooms, and increasing the time computer equipment remains switched off.

Initial results show a 14.5% drop in consumption over the period November 2022 to February 2023 compared with the previous year.

## Responsible digital technology

With the acceleration of digital business practices, multi-channel exchanges are multiplying, and the environmental impact of digital technology is increasing sharply. User equipment (PCs, screens, smartphones) and their use account for a significant proportion of the group's overall digital footprint. Crédit Mutuel Arkéa has identified three areas for reducing its emissions, and is currently developing initiatives in these areas: rationalisation of IT equipment, energy efficiency in data centres and promotion of responsible digital use.

## IMPACT AT THE BUSINESS LINE LEVEL

The various commitments made by the group are implemented at the level of its various business lines, according to timetables and action plans tailored to their specific needs.

The priorities and initial achievements are described below for each of the group's family of activities most concerned by climate issues: banking, life insurance, asset management, private equity and non-life insurance.

### The impact at the bank level

#### Knowledge and consideration of customers' environmental and climate performance

In the banking sector, for a committed financial player like Crédit Mutuel Arkéa, the climate challenge means developing new products and offers for individuals, companies and institutions to support their climate transition. **To provide them with the**

**best possible support, we need to know not only their level of environmental performance, but also their exposure to climate risks.**

For several years, Arkéa Banque Entreprises et Institutionnels has conducted a qualitative assessment of its counterparties' CSR maturity. This grid is designed to assess the structure's degree of CSR maturity and broaden the customer's vision, by addressing the issues of human capital, regional footprint, the environment and relations with stakeholders (suppliers/partners and customers). Work was carried out in 2021 and 2022 to strengthen this approach and build a sector-specific ESG assessment grid, with a trusted third-party ESG specialist. This grid will be rolled out in 2023, and will be a tool for both the company and the bank to identify the company's strong points, its levers for progress and to enhance its non-financial performance. This grid, known as "SPARK", is based on the customer's voluntary agreement to undergo this assessment.

To support our corporate and institutional customers in their progress, **Arkéa Banque Entreprises et Institutionnels** has lowered the threshold for access to the **PACT loan** to allow more SMEs and mid-caps to benefit from it. It is aimed at all Arkéa Banque Entreprises et Institutionnels markets: institutional, corporate and real estate, as well as those already involved in a CSR approach and those just starting out who need tools to structure their approach.

This product encourages borrowers to commit to such an approach, through two levers: a reduction in the cost of credit in the event of progress, and personalised support (carbon assessment, interview and ESG action plan).

In addition, to specifically assess ESG risks when granting credit, a questionnaire was developed and gradually rolled out in the second half of 2022 for companies in high-risk sectors and with revenues of more than €10 million.

👁️ *Pillar 3 • Risk management*  
*"The individualised ESG risk assessment approach", p.59*

## A sector dedicated to environmental transition

The Environmental Transition Department was created in 2020 within Arkéa Banque Entreprises et Institutionnels to support the bank's customers in financing of

► renewable energy projects: photovoltaic, wind, hydrogen, geothermal, methanisation, etc.

► energy renovation of buildings and energy efficiency: energy storage, heating network, smart grids, power stations, etc.

More specifically, in 2022, wind power, photovoltaic, heating networks, biomass, energy storage and natural gas for vehicles projects were supported throughout France. We have a strong local presence, mainly in the group's traditional regions. The customers we support recognise the expertise of the 11-strong team who focus on this activity.

The Environmental Transition Department will continue to expand in 2023, thanks in particular to its experience with new technologies and its ability to adapt to regulatory changes, enabling it to support new valuation methods (Corporate PPAs, Merchant Model, Network Services) that have been marginally used until now and are now preferred for the construction of new models.

In 2022, the Environmental Transition Department completed 33 deals for a total production of €352 million, i.e. 117% of the annual target. In terms of non-financial results, the carbon emissions avoided represented 27,500 tCO<sub>2</sub>, equivalent to 81,000 round-trips from Paris to Nice, and 868 GWh of energy production saved, equivalent to the electricity consumption of around 560,000 homes per year.

By the end of 2022, 95% of the projects supported by the Environmental Transition Department were fully aligned with the European Taxonomy.

## Financing projects dedicated to the environmental and climate transition

Since early 2022, the Crédit Mutuel de Bretagne and Crédit Mutuel du Sud-Ouest federations have marketed a specific energy transition offer dedicated to the professional, agricultural and corporate markets: **Pronoveo and Agrinoveo**. This offer can be used to finance renewable energy production projects, energy renovation, energy efficiency equipment and sustainable mobility.

The group's federations offer a range of loans to finance energy renovation work for their individual customers: the regulated zero interest rate Eco-loan, the complementary zero interest rate Eco-loan and the **Rénové** loan. The latter offers preferential loan conditions to finance energy-saving equipment for main, secondary or rental homes. Since 2022, the two federations have offered the Sustainable Housing platform, in partnership with Société Économie d'Énergie SAS, on their respective websites. Aimed at existing and prospective customers, this application enables them to estimate the energy performance of their home, identify the work that needs to be carried out, find out the amount of associated grants and project the energy savings envisaged. The purpose of the Sustainable Housing platform is to raise awareness and support individuals in **the energy renovation of their homes**.





In December 2022, Crédit Mutuel Arkéa issued its first Green Bond for institutional investors."

### The impact on consumer credit

### Issuing sustainable bonds

To support the development of financing for sustainable projects, the group developed a framework for issuing Green and Social Bonds in 2019.

Crédit Mutuel Arkéa's trading room has strong ambitions for Green Bond issues (public issues, structured investments, Negotiable European Commercial Paper (NEU CP) - with ESG characteristics, etc.).

In December 2022, Crédit Mutuel Arkéa issued its first Green Bond for institutional investors (€500 million with a ten-year maturity), aimed at financing renewable energy projects in the regions, for which loans are granted by the teams of Arkéa Banque Entreprises et Institutionnels' Environmental Transition Department.

The "Sérénité Globe" and "Perspectives Globe" products, structured investments from the trading room marketed since 2020 and 2021 respectively by the local banks affiliated to the Crédit Mutuel de Bretagne and Crédit Mutuel du Sud-Ouest federations, are two savings products, eligible for life insurance and ordinary securities accounts, based on a Green Bond issue. The funds raised through these Green Bond issues are intended to refinance eligible projects dedicated to renewable energies and the energy transition:

- ▶ loans dedicated to the acquisition, development, operation and decommissioning of renewable energy activities, in particular photovoltaic power plants;
- ▶ loans to finance energy-saving work: installation of solar panels (individuals and SMEs).

In addition, the performance of these structured products is benchmarked on the performance of the EURO iSTOXX® Ocean Care 40 Decrement 5% index, which is made up of 40 companies in the STOXX® universe, chosen as being the best in implementing sound policies for efficient water management. In 2022, Crédit Mutuel Arkéa's trading room produced nearly €73 million of "Sérénité Globe" and "Perspectives Globe" structured investments, distributed by the Crédit Mutuel de Bretagne and Crédit Mutuel du Sud-Ouest networks,


Crédit Mutuel Arkéa's trading room has also set up a NEU CP ESG programme for institutional investors. The first issues since April 2022 have been used to refinance green housing loans granted by Crédit Mutuel de Bretagne and Crédit Mutuel du Sud-Ouest to their members and customers, to support their environmental transition.

Financo, Crédit Mutuel Arkéa's subsidiary specialising in consumer credit, has made financing the environmental and climate transition a key part of its strategy. It supports its customers' transition through two major initiatives: energy renovation and green mobility. A number of initiatives are carried out with customers, such as the presentation of available grants for energy-efficient home renovation, the creation and distribution of adapted products, and a partnership with Soliha, an association that helps disadvantaged, fragile and vulnerable people to access and remain in their homes.

In the mobility market, green production – which accounts for 22% of Financo's car financing production – increased considerably in 2022. That same year, a partnership was developed with Rev Mobilities, a company specialising in retrofitting (the conversion of internal combustion vehicles to electric vehicles).

### The impact on leasing

Arkéa Crédit Bail, the group's leasing subsidiary, is also incorporating climate issues into its strategy, notably by helping the group to green its vehicle fleet and by considering new offers.

 Pillar 2 • Strategy "Impact on internal operations / Employee travel", p.40

## The impact as a life insurance company

### Taking climate into account in investment decisions

Suravenir, the group's life insurance subsidiary and a signatory to the Principles for Responsible Investment (PRI) since 2018, incorporates an ESG framework into its investment policy that includes non-financial risks in the investment process. To do this, it draws on the ESG expertise of Federal Finance Gestion for financial assets excluding unit-linked products.

👁️ Pillar 2 • Strategy

"Impact on asset management", p.46

In order to help limit global warming and reduce the financial risks resulting from the energy transition in the short to medium term, Suravenir defined and published a climate strategy in 2021, aligned with that of Crédit Mutuel Arkéa and incorporating specific aspects related to its business lines. This climate strategy is available on the Suravenir website\*.

In terms of euro fund management, 2022 was marked by:

- a €150 million commitment to a dedicated "Suravenir Infrastructures Vertes" infrastructure fund managed by Swen Capital Partners. The aim of the fund is to finance, directly or indirectly, infrastructure projects – mostly brownfield projects in Organisation for Economic Co-operation and Development (OECD) countries – to facilitate the transition to a sustainable economy and a low-carbon world. 70% of the assets financed must be aligned with the European Taxonomy;
- a €150 million commitment to the Infrastructure Transition Platform developed by Schelcher Prince Gestion, aimed at financing European Taxonomy-aligned environmental transition

infrastructure. Suravenir is the main sponsor.

👁️ Pillar 2 • Strategy

Focus "Deployment of the Transition Infrastructure Platform", p.47

- launch of the Suravenir Actions Internationales Climat fund (€50 million in assets under management). This is a passive management fund benchmarked on the Paris Aligned Benchmark and the Climate Transition Benchmark.

Suravenir regularly measures the temperature of its portfolio of equities and corporate bonds to steer its decarbonisation trajectory. It also measures the carbon footprint of its direct corporate portfolio by asset class and climate sub-sector. Flows are monitored and targeted against a benchmark representative of the investment universe.



Suravenir regularly measures the temperature of its portfolio of equities and corporate bonds."

### Developing sustainable savings products

**For the unit-linked (UL) portfolio,** Suravenir has real leverage by integrating ESG criteria into its listing policy for management companies and the investment vehicles they offer.

- The new listings only concern vehicles managed by management companies that are signatories to the PRI. Since 1 January 2022, they must be classified as Article 8 or 9 as defined by the Sustainable Finance Disclosure Regulation (SFDR). Any request for **listing of a new UCITS management company** is now accompanied by a commitment to completely exit the coal business (excluding structured, index funds and real estate).
- Since 1 July 2022, already-registered management companies wishing to have **a new fund listed** must demonstrate that it is covered by a coal sector policy.

In 2022, a new discretionary management mandate was launched: Conviction Labels\*\*, made up of 50% unit-linked products with a sustainable European finance label and 50% euro funds.

For several years now, Suravenir has been committed to offering labelled unit-linked products in the policies it markets. All policies marketed by Suravenir include at least one SRI, Greenfin and Finansol unit-linked vehicle in their product range, in accordance with the Pacte law. In addition to these unit-linked products, Suravenir has added a Relance UL and a so-called "Low Carbon" UL, i.e. an Article 9 unit-linked product as defined by the SFDR whose objective is to reduce greenhouse gas emissions. Real estate funds, meanwhile, must have at least the SRI, Finansol or other European label for integrating ESG criteria.

\* [www.suravenir.fr/wp-content/uploads/2021/09/Strategie-Climat-Suravenir-2021-1.pdf](http://www.suravenir.fr/wp-content/uploads/2021/09/Strategie-Climat-Suravenir-2021-1.pdf)

\*\* [www.suravenir.fr/wp-content/uploads/2022/05/Le-Credit-Mutuel-Arkea-lance-Conviction-Labels-un-mandat-darbitrage-propose-en-assurance-vie-1.pdf](http://www.suravenir.fr/wp-content/uploads/2022/05/Le-Credit-Mutuel-Arkea-lance-Conviction-Labels-un-mandat-darbitrage-propose-en-assurance-vie-1.pdf)



## A player committed to its ecosystem

When it comes to sustainable savings, Suravenir is committed to its ecosystem.

- The insurance company has stepped up its interactions with stakeholders and support for partners to raise awareness of changes in unit-linked listing practices and steer assets under management more towards sustainable savings solutions. In 2021, for example, Suravenir's main internet partners were made aware of European regulations on sustainable finance and their impact on Suravenir's offering. In 2022, Suravenir completed its actions by publishing documentation for its customers on its website: "Sustainable finance, our responsibility", which presents the fundamentals and pillars of sustainable finance according to Suravenir\*.
- Suravenir encourages the management company Federal Finance Gestion and Schelcher Prince Gestion to engage directly with issuers whose non-financial ratings are low compared with those of their competitors. In addition, since the end of 2021, Suravenir has asked Federal Finance Gestion to initiate a specific dialogue with the portfolio companies that

represent the greatest pressures on the climate, measured in terms of greenhouse gas emissions, or that have particularly high temperature projections. Suravenir also delegates its voting rights policy to Federal Finance Gestion.

## The impact on asset management

The strategy of the asset management companies Federal Finance Gestion and Schelcher Prince Gestion is illustrated in particular by the increase in the number of labelled funds, the stepping up of shareholder engagement, and the creation and development of thematic funds.

## Taking climate into account in asset management

Federal Finance Gestion and Schelcher Prince Gestion have incorporated ESG issues into their investment processes. This enables them to carry out an in-depth analysis of issuers. To achieve this, Federal Finance Gestion and Schelcher Prince Gestion have

developed a proprietary approach and dedicated tools. ESG analysis is based on a combination of two complementary approaches, a normative approach and a best-in-class approach.

The normative approach ensures that investments comply with the major challenges of sustainable development (notably by applying sector-specific policies on coal and hydrocarbons and excluding the most controversial companies, especially on environmental issues). The best-in-class approach is intended to highlight companies which, within their business sectors, demonstrate the best management of their sustainable development challenges, particularly those relating to the environment.

\* [www.suravenir.fr/wp-content/uploads/pdf/Vg-AVRIL\\_LA\\_FINANCE\\_DURABLE\\_NOTRE\\_RESPONSABILITE.pdf](http://www.suravenir.fr/wp-content/uploads/pdf/Vg-AVRIL_LA_FINANCE_DURABLE_NOTRE_RESPONSABILITE.pdf)



## Developing sustainable savings products

### > Fund labelling

Since 2021, the continuous improvement of the ESG approach at Federal Finance Gestion and Schelcher Prince Gestion has been reflected in a plan to obtain labels for the new open-ended funds, and in particular the SRI Label and the LuxFlag Label. In 2022, the labelling process was strengthened and extended: 20 funds have obtained the GreenFin, Towards Sustainability, LuxFlag, Relance or SRI label.

This fund labelling process was chosen to make it easier for investors to access sustainable savings products, by guaranteeing a robust process for integrating ESG issues.

### > Thematic or impact funds

To support the transition to a low-carbon model, Arkéa Investment Services and its asset management subsidiaries have developed various types of funds:

► in 2020: Federal Finance Global Green Bonds, a fund dedicated to green bonds to finance projects aligned with some of the Sustainable Development Goals, mainly the use of renewable energies (Goal 7), the establishment of resilient infrastructures and the promotion of sustainable industrialisation (Goal 9) and, lastly, the fight against climate change (Goal 13). This GreenFin labelled fund follows the Green Bond Principles;

► 2021 saw the creation of Autofocus Low Carbon, whose benchmark is made up of Eurozone equities selected on the basis of their strategy to reduce the carbon footprint of their activities and the results achieved by these strategies. 2021 was also marked by the launch of new management mandates incorporating the Paris Aligned Benchmark and Climate Transition Benchmark climate indices;



#### **Autofocus Transition Climat, aligned with the Paris Aligned Benchmark, is the first French labelled formula fund.**

Launched in September 2022, Autofocus Transition Climat is a Towards Sustainability-labelled formula fund. It is offered to customers of the Crédit Mutuel de Bretagne, Crédit Mutuel du Sud-Ouest and Fortuneo online banking networks. It meets savers' needs for meaningful investments by helping to meet climate challenges.

This fund contributes to the transition to a low-carbon economy, by investing directly in companies that are aligned with the requirements of the Paris Climate Agreement, and that make a significant contribution to the development of the French economy.

The fund's benchmark (S&P France 40 Paris-Aligned Transition ESG 5% Decrement Index) is made up of the 40 most virtuous major French companies in terms of decarbonisation.



#### **Rollout of the Infrastructure Transition Platform**

In 2022, **Schelcher Prince Gestion** rolled out the Infrastructure Transition Platform, which aims to finance vital infrastructure for sustainable development. The Infrastructure Transition Platform is made up of a team of seven people. It also draws on the sustainable and responsible investment expertise of Arkéa Investment Services' teams.

Two multi-investor infrastructure debt funds were launched\*:

- Schelcher Euro Core Infrastructure Transition Debt for long-term senior debt financing of environmental and digital transition projects in Europe (classified Article 8 SFDR);
- Schelcher Euro Impact Infrastructure Transition Debt for junior debt financing of energy transition players and projects in Europe (classified Article 9 SFDR).

Both of these funds incorporate ambitious targets for aligning the projects financed with the European Taxonomy and, in the case of the second, with Crédit Mutuel Arkéa's impact fund framework.

The first investments were made in 2022 in renewable energies, the rollout of fibre optic networks and the construction of a highly energy-efficient data centre.

► in 2022, Arkéa Investment Services developed the "Transition / Climate" product range with:

- the launch of the Suravenir Actions Internationales Climat FPS;
- the launch of AutoFocus Transition Climat, aligned with the Paris Aligned Benchmark and with the

Towards Sustainability label. This is the first French labelled formula fund;

- the launch of Territoires Avenir, an SRI-certified property investment company (SCI) whose aim is to minimise the environmental impact of its assets.

\* [www.schelcher-prince-gestion.com/gestion/actives/cval\\_83583/fr/dette-infrastructure-transition](http://www.schelcher-prince-gestion.com/gestion/actives/cval_83583/fr/dette-infrastructure-transition)

## Our climate commitment in our engagement with companies

The ESG Research team's analysts also engage with companies on an individual basis. This approach targets companies with poor non-financial performance, a significant lack of communication or ESG-related controversies. Areas of engagement are defined according to their materiality and the company's performance on these subjects. These exchanges are intended to encourage them to:

- ▶ adopt responsible policies and behaviours with regard to non-financial issues that are not addressed or are insufficiently addressed;
- ▶ identify their negative non-financial impacts and reduce them to limit the risk exposure of investments and funds held by customers.

Federal Finance Gestion and Schelcher Prince Gestion represent minority shareholders who hold shares via funds or management mandates at company Annual General Meetings. Exercising voting rights enables asset management companies to defend their customers' interests

and express their expectations as responsible investors. The voting and commitment policies of these management companies specifically provide for support for resolutions relating to environmental or social issues.

## The impact on unlisted investments

In private equity, Arkéa Capital's strategy involves integrating ESG criteria into its investment policy, applying the group's sector-specific policies and providing specific support for portfolio companies. Arkéa Capital aims to position itself as a key player in ESG-climate issues. It aims to attract new partnerships both by opening up to external investors and by developing differentiating offerings.

By signing the International Climate Initiative manifesto in 2019\*, Arkéa Capital pledged to contribute, at its level, to the COP 21 objective of limiting global warming to two degrees, to help reduce the greenhouse gas emissions of its portfolio companies and to ensure the sustainability of performance.

In 2020 and 2021, Arkéa Capital commissioned an external consultant to analyse its portfolio companies' exposure to climate change risks. The carbon footprint of Arkéa Capital's portfolio companies was also estimated as part of this analysis.

In 2022, Arkéa Capital formalised its Trajectory 2024\*\* climate strategy.

This strategy is based on four pillars:

- involving governance and all employees in climate change issues;
- building a trajectory of alignment with the objectives of the Paris Agreement in 2023;
- supporting its portfolio companies' environmental transition;
- strengthening the integration of climate change issues into the investment cycle.

Arkéa Capital has also begun work on building its strategy for alignment with the Paris Agreement targets on scopes 1, 2 and 3.

In 2022, Arkéa Capital contributed to the work of the Climate Initiative France's "Materiality of the climate challenge" working group, which led to the publication of the guide "Assessing the materiality of climate risks by ICI" (Climate Initiative International).

\* [www.cm-arkea.com/banque/assurance/credit/upload/docs/application/pdf/2019-10/arkea\\_capital\\_rejoint\\_initiative\\_climat\\_international\\_1.pdf](http://www.cm-arkea.com/banque/assurance/credit/upload/docs/application/pdf/2019-10/arkea_capital_rejoint_initiative_climat_international_1.pdf)

\*\* [www.arkea-capital.com/Medias/Fichier/Rapport%20Climat%20Ark%C3%A9a%20Capital%20VF.pdf](http://www.arkea-capital.com/Medias/Fichier/Rapport%20Climat%20Ark%C3%A9a%20Capital%20VF.pdf)



## Consideration of environmental and climate performance and risks in the portfolio companies

Since 2018, Arkéa Capital has formalised the consideration of ESG criteria in its investment decisions for the Arkéa Capital Investissement, Arkéa Capital Managers, Arkéa Capital 1 and 2, Arkéa Capital Partenaire, Breizh Ma Bro and We Positive Invest 1 and 2 vehicles.

Arkéa Capital integrates ESG criteria at every stage of the investment cycle.

During the investment phase, each investment opportunity is subject to an ESG analysis carried out by a dedicated team, comprising:

- ▶ a qualitative analysis of the company's sensitivity to sustainability risks;

▶ a summary of the in-depth analysis, incorporating internal research and discussions with management where appropriate;

▶ the definition of points for attention that will be regularly monitored and measured by Arkéa Capital in respect of non-financial performance.

In-depth ESG audits of the company can be carried out, with the support of an external consulting firm, depending on the materiality of ESG issues for the company.

During its annual post-investment ESG reporting campaign, Arkéa Capital collects non-financial data from its portfolio companies to analyse and monitor these companies' non-financial performance. Arkéa Capital's approach is to open a dialogue with its portfolio companies, based on reporting, in order to help improve their ESG practices,

mitigate sustainability risks and promote greater transparency on the environmental, social and governance issues of the investee companies.

## Support for portfolio companies

Arkéa Capital has rolled out a climate awareness and training programme for its entire investment team. This skills enhancement enables them to guide and support their portfolio companies. The management company also systematically discusses ESG issues with the portfolio companies in which Arkéa Capital is a reference financial investor, prior to investments and during the life of the investment. These actions are proving their worth, leading some companies, for example, to draw up an action plan to reduce their greenhouse gas emissions. Arkéa Capital promotes these climate-friendly actions carried out by the portfolio companies through communication initiatives, to highlight best practices and inspire other players.

Since 2021, following the responses to the annual follow-up questionnaire, Arkéa Capital has been providing personalised feedback to the portfolio companies in which it is a reference investor. Possible areas for improvement and actions to be taken are identified. In some cases, Arkéa Capital goes a step further, offering to pay for part of the cost of consulting assignments carried out by external consultants. These assignments may involve, for example, carrying out a carbon footprint assessment, building a CSR roadmap, etc.

## ESG opinions

PRIOR TO DIRECT

EQUITY INVESTMENTS

BY CRÉDIT MUTUEL ARKÉA

When Crédit Mutuel Arkéa acquires stakes in companies or carries out acquisitions directly, an ESG opinion incorporating climate issues is systematically issued, supplementing the risk analyses carried out as part of the prior approval process. This opinion thus forms an integral part of the decision-making document presented to the governance bodies. ESG opinions are issued by the Sustainable Finance Department on the basis of a defined process:

- analysis of documents during due diligence, and drafting of an ESG questionnaire for the company;
- interview with manager(s) and/or executive(s) as required;
- issue of a consolidated ESG opinion, based on an analysis of the company's and/or fund's ESG strategy, its ESG approach, its internal environmental, social and governance practices, the resources deployed on the theme and planned developments.

This opinion guides the final investment decision.

*For example, in 2022, Crédit Mutuel Arkéa acquired direct equity stakes in companies such as Le Train, Rev mobilities, etc. Crédit Mutuel Arkéa also invested in green infrastructure funds classified as Article 9 SFDR, such as Andera Smart Infra, as well as in impact funds that promote, inter alia, climate transition objectives: 2050.ventures and French Food Capital Positive Impact.*



## The impact on property and casualty insurance

### Focus on

#### THE ECOLOGICAL TRANSITION APPROACH

#### OF SURAVENIR ASSURANCES\*, THE GROUP'S PROPERTY AND

#### CASUALTY INSURANCE SUBSIDIARY

**In 2022, Suravenir Assurances stepped up its efforts to combat global warming through three initiatives:**

- 1. defining and implementing a low-carbon strategy;**
- 2. eco-design of offers and services;**
- 3. training and involving employees in climate issues through a collaborative responsible enterprise "fresh".**

The aim is to align the company's business model with the Paris Agreement and act responsibly to limit its environmental impact across its entire value chain. In 2022, Suravenir Assurances worked on the four pillars:

##### GOVERNANCE

- ▶ Training for members of the Executive Committee and Board of Directors in climate issues and in reading the company's carbon footprint.
- ▶ Raising awareness among all employees at a seminar on ecological transition, environmental issues and the impacts of the company's activities on its value chain.
- ▶ Creation of a cross-functional steering committee to ensure the overall consistency of the project and compliance with the strategic ambition in its operational implementation.

##### STRATEGY

- ▶ Definition of its climate strategy using the ACT framework launched by the French Environment and Energy Management Agency (ADEME) in partnership with the NGO CDP. It is looking ahead to 2050

and has set out a decarbonisation trajectory to limit global warming to 2°C or even 1.5°C, by integrating Suravenir Assurances' direct and indirect emissions across its entire value chain. This was approved by the Board of Directors and will be monitored on a regular basis.

▶ Implementation of concrete measures in the short, medium and long term (2025, 2030, 2050). Here are a few examples:

- Launch of a new, more virtuous MultiRisques Habitation (MRH) insurance offer from 2023, and planning work to adapt the entire range of offers and services.
- On the direct footprint: strengthening of the community of CSR ambassadors, called the Écollectif, responsible for proposing awareness-raising actions in all areas of CSR. In 2023, their roadmap: contributing to a more responsible office life, promoting the circular economy among colleagues, raising awareness of sustainable and civic-minded gestures, and supporting the use of soft mobility.

##### RISK MANAGEMENT

- ▶ Definition of a climate risk management policy, the aim of which is to present the main management systems, describing in particular the organization, the systems in place to control them, reporting to the Management Committee, and the controls carried out in relation to these risks. This policy was approved by its Board of Directors. The policy includes in particular the use of non-financial ratings on investment flows from 2023 onwards and portfolio temperature with 2027 and 2030 targets.

##### INDICATORS AND OBJECTIVES

Inclusion of climate risk monitoring indicators in the quarterly risk scorecard monitored by the Suravenir Assurances Management Committee and presented twice a year to the Board of Directors.

Suravenir Assurances' new climate strategy complements the features that have already been part of our product range for several years.

In terms of adapting to global warming, the prevention and development of a risk culture among policyholders is reflected in home insurance policies by:

- water damage, fire and theft detection systems;
- dedicated storm warnings and advice.

In terms of car insurance, support for policyholders in reducing their carbon footprint is reinforced by pricing incentives based on vehicle use (according to the number of kilometres driven, or the number of days the vehicle is used) or on the CO<sub>2</sub> emissions of insured vehicles (pricing advantages for electric vehicles).

Through its home insurance offer, Suravenir Assurances also encourages the production of renewable electricity by assisting policyholders who have installed such equipment in the event of damage in protecting their equipment and covering the financial loss due to the suspension of power generation.

\* [www.suravenir-assurances.webkitchen.fr/Strategie-Climat-Suravenir-Assurances-Janvier-2023.pdf](http://www.suravenir-assurances.webkitchen.fr/Strategie-Climat-Suravenir-Assurances-Janvier-2023.pdf)

# THE RESILIENCE OF THE COMPANY'S STRATEGY, TAKING INTO ACCOUNT DIFFERENT CLIMATE SCENARIOS, INCLUDING A TEMPERATURE RISE OF 2°C OR LESS

---

**T**he backward-looking approach, traditionally used in financial risk analysis, is based on extrapolating historical data, with the underlying idea of continuity between past, present and future. However, unlike economic crises, there is no record of a major international climate crisis. This **lack of history** and **uncertainty** means that we need to accept **more**

**forward-looking breakthrough methodologies** and adopt a **forward-looking** approach, **such as scenario analysis** to project the multiple consequences of climate risks and opportunities.

Forward-looking tools using climate scenarios, such as climate stress tests or alignment trajectories, have operational, tactical and strategic uses.



## CLIMATE SCENARIOS USED BY CRÉDIT MUTUEL ARKÉA

Organisation	Scenario	Trajectory (in °C)	Horizon	Use within Crédit Mutuel Arkéa
International Energy Agency (IEA)	Net Zero Emissions by 2050	1.4	2100	Climate scenario analyses Alignment
Network for Greening the Financial System (NGFS)	Net Zero 2050	1.5	2050	Climate scenario analyses Voluntary and mandatory climate stress tests with supervisors Materiality matrix
	Below 2°C	1.7		
	Delayed Transition	1.8		
	Nationally Determined Contributions	~ 2.5		
	Current Policies	3+		
Intergovernmental Panel on Climate Change (IPCC)	SSP2-4.5	2.7	2100	Climate scenario analyses Indirectly, via the above-mentioned scenarios PRISM physical risks Materiality matrix
	SSP5-8.5	4.4		

Source: Crédit Mutuel Arkéa, 2022.

## FEEDBACK ON THE ECB'S CLIMATE STRESS TESTS

The European Central Bank (ECB) held its exercise in 2022. The response to the European supervisor was provided in a timely and quality manner, capitalising on previous voluntary exercises with the EBA and the ACPR (in 2021).

The exercise consisted of three mandatory modules:

### > Module 1: Questionnaire

This module includes 77 questions enabling a qualitative, standardised assessment of the internal stress test framework (teams impacted, data, parameters, difficulties, etc.).

### > Module 2: Benchmark

This module includes interest, fees and commissions generated by companies with the highest CO<sub>2</sub> emissions, as well as financed CO<sub>2</sub> emissions involving the most polluting companies. It aims to identify the dependence of banking institutions on the flows generated by these companies.

### > Module 3: Stress test framework

This module includes the assessment of transition risk (according to three scenarios on a short-term horizon of three years and a long-term horizon of 2050) and physical risk (according to a flood scenario and a drought scenario of one year) on credit risk.

Operational and reputational risks have also been incorporated into the climate stress test framework to assess the economic and financial impacts, as well as the consequences of transition risk and physical risk.

Many **lessons were learned from this exercise**.

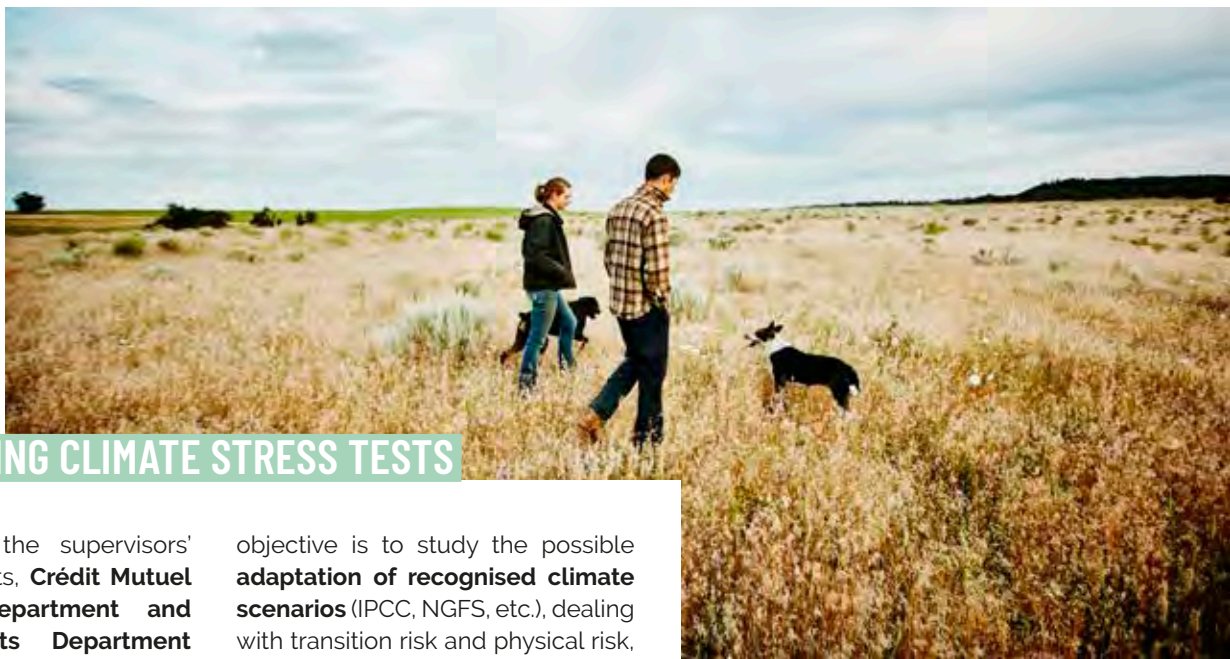
Firstly, and in connection with the first module, Crédit Mutuel Arkéa identified the need to **internalise stress testing processes** on climate risks (transition risk and physical risk) and to **collect the required ESG data** (energy performance diagnosis -EPD- of financed assets, for example).

Secondly, in connection with the second module, Crédit Mutuel Arkéa assessed the **dependence** of its business model **on companies with high CO<sub>2</sub> emissions**. In addition, the collection of **CO<sub>2</sub>-related data and the use of proxies** is a major challenge for the group.

Thirdly, and in connection with the last module, Crédit Mutuel Arkéa noted that, for credit risk, **provisions increase significantly** according to the three transition scenarios proposed for each of the time horizons. On the other hand, **the results of the physical scenario are difficult to use** because of the one-year horizon and the low granularity (at the level of each department).

Crédit Mutuel Arkéa has also identified the need to **integrate the effects of climate risks into operational and reputational risk processes**.





## INTERNALISING CLIMATE STRESS TESTS

In parallel with the supervisors' climate stress tests, **Crédit Mutuel Arkéa's Risk Department and Financial Markets Department jointly launched a project dedicated to climate scenarios at the end of 2021**. Continued in 2022, it will contribute to the development of a proprietary stress test methodology. Thanks to preliminary modelling work, the

objective is to study the possible **adaptation of recognised climate scenarios** (IPCC, NGFS, etc.), dealing with transition risk and physical risk, in **macroeconomic and financial indicators** and, ultimately, in **impacts on Crédit Mutuel Arkéa's activities by 2050**.

The project consists of five distinct stages.

### Identifying objectives and exposures

The objectives of the climate stress tests are as follows:

- ▶ **Identifying** opportunities to diversify Crédit Mutuel Arkéa's activities in the event of a change in the markets caused by a sharp reduction in CO<sub>2</sub> emissions and, conversely, the activities at risk;
- ▶ **Assessing** the vulnerability of Crédit Mutuel Arkéa's business model, activities and assets in the event of major climate change, particularly in terms of balance sheet impact, profitability, capital or business model;
- ▶ **Measuring** the financial impact of a climate shock on Crédit Mutuel Arkéa's critical variables such as non-performing loans, provisions, expected credit losses, capital requirements, etc.

### Choosing climate scenarios

Crédit Mutuel Arkéa considers **the climate scenario narrative as the entry point for scenario analysis**. The scenario narrative is a qualitative, written description of the future, structured around determinants of various kinds. The narrative is the framework of relevance for all the input assumptions and quantitative projections used to describe the future.

Crédit Mutuel Arkéa has compiled an **inventory of climate scenarios** from around ten different organisations, with characteristics derived from each narrative (trajectory in °C, time horizon, main assumptions, etc.). This inventory enabled us to identify three families of scenarios likely to be suitable for the climate stress test project and to be used for the POC (proof of concept):

- Intergovernmental Panel on Climate Change (IPCC);
- Network for Greening the Financial System (NGFS);
- International Energy Agency (IEA).

CLIMATE SCENARIO

ANALYSIS PROCESS



1  
IDENTIFYING OBJECTIVES  
AND EXPOSURES



2  
CHOOSING CLIMATE SCENARIOS



3  
ASSESSING THE ECONOMIC  
AND FINANCIAL IMPACTS



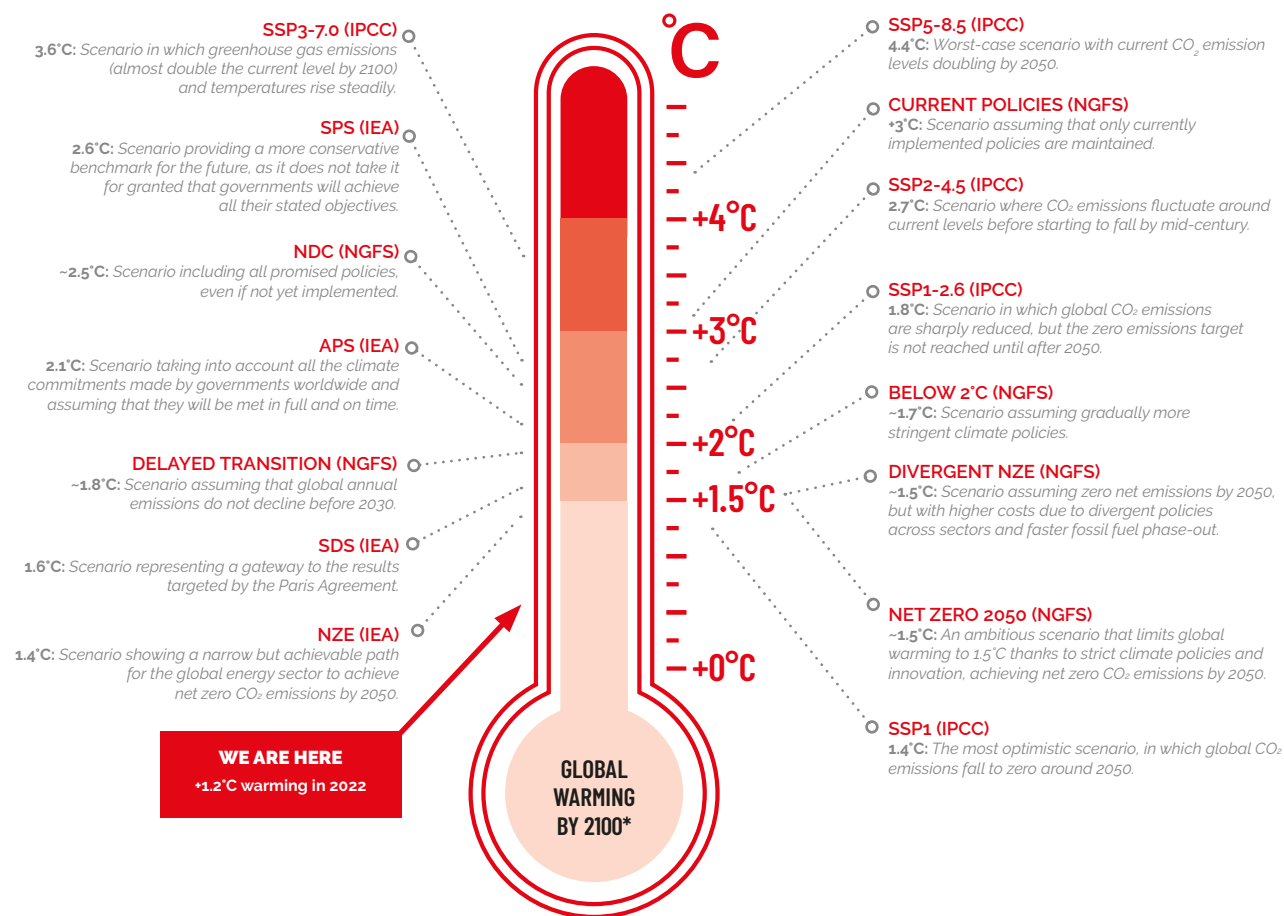
4  
COMMUNICATING RESULTS



5  
USING THE RESULTS

Source: Requirements for scenario-analysis, NGFS, 2020, and adapted by Crédit Mutuel Arkéa, 2022.

## IPCC, NGFS AND IEA TEMPERATURE SCENARIOS



\* Compared with pre-industrial average temperature  
Source: Risk Management Department, Crédit Mutuel Arkéa, 2022.

## Assessing the economic and financial impact

Crédit Mutuel Arkéa is supported by TAC Economics in the development of the quantitative tool **SPICE** (*Scénarios Prospectifs des Impacts Climatiques sur l'Économie* – Forward-Looking Scenarios for Climate Impacts on the Economy), which **model the economic and financial consequences of a climate scenario** on a set of indicators:

- **Market indicators:** sovereign credit spreads, listed equity markets (CAC 40, S&P 500, Euro Stoxx 50), yield curves, etc.

- **Macroeconomic indicators:** GDP, inflation, unemployment, etc.

- **Departmental indicators:** GDP, population, etc.

In order to test the tools and prepare for future climate stress test exercises, **at the end of 2022 Crédit Mutuel Arkéa launched an internal climate stress test exercise in collaboration with its Risk function.**

The work continues into 2023.

👁️ *Pillar 3 • Risk management, p.56*



## What the experts say

### TAC ECONOMICS'

#### CONTRIBUTION

##### Can you tell us about TAC Economics?

TAC ECONOMICS is a leading provider of economic and financial consulting services, offering solutions and expertise in data, models and analysis.

Founded in the early 90s, TAC ECONOMICS pioneered the development of artificial intelligence tools to forecast financial crises in emerging economies and prevent major macroeconomic risks.

This expertise has been cultivated over more than 30 years by a team of experienced economists and data scientists, who support banks, asset managers and major corporations in identifying major risks (country, sector, ESG) and assessing investment opportunities.

##### How did this collaboration come about?

TAC ECONOMICS and Crédit Mutuel Arkéa's Financial Markets Department have been working together for several years on macroeconomic and financial issues.

Thanks to its risk expertise and innovative nature, TAC ECONOMICS was asked by Crédit Mutuel Arkéa's Risk Management and Financial Markets Departments to develop a methodology for translating climate scenarios into macroeconomic and financial variables.

This close collaboration between the teams has enabled us to co-construct, over the course of 2022, quantitative tools for assessing the economic and financial impacts of climate scenarios at national, departmental and sectoral level, up to 2050.

##### What have you brought to Crédit Mutuel Arkéa?

The objectives of this project were to:


- ▶ Strengthen the process of applying climate stress tests by developing a structured internal methodology tailored to Crédit Mutuel Arkéa's needs and based on robust, reliable and transparent scientific models.
- ▶ Develop quantitative tools to assess different climate scenarios and measure their economic and financial impacts at national, departmental and sectoral levels.

##### What were the project's key success factors?

At the end of this project, the success factors for strengthening the diagnosis of climate risks are of three types:

- ▶ Enhancing the collection of relevant data for assessing transitional and physical risks in France. The search for sources of information and the exploitation of precise, relevant indicators are a key step in the development of climate risk analysis tools.
- ▶ The development of economic impact models to assess the impact of various climate scenarios on a wide range of macroeconomic and financial indicators (activity, inflation, monetary policy, bond rates, credit spreads, public finance, stock market indices, exchange rates, etc.). We have co-developed long-term econometric tools based on fundamental concepts, leading to high-performance models.
- ▶ Development of transition and physical risk mapping at national and sector level. A classification of risk types adapted to Crédit Mutuel Arkéa's business: acute and chronic physical risks, as well as transition risks. This mapping can also be used to construct GDP scenarios at departmental level and value added scenarios by sector.





As part of its Climate Strategy, the group has undertaken to "put in place, by 2021, tools to assess the climate risks weighing on its activities in order to ensure the best possible control".

# #3 RISK MANAGEMENT




**Crédit Mutuel Arkéa has decided to accelerate the pace at which these issues are investigated by focusing on the following levers for action:**


- strengthening the Risk Management function's consideration of the climate on the basis of action plans adopted by the group's governance bodies, taking particular account of the recommendations of European and national supervisors (ACPR, EBA, ECB. etc.);
- having an initial comprehensive assessment of climate risks (physical risks and transition risks) on significant financing and investment portfolios;
- gradually integrating these results into financing and investment decision-making tools to better control the level of climate risks, and complementing them with a metric for analysing the environmental performance of major companies.

Crédit Mutuel Arkéa's commitment to risk management is reflected in three actions:


- having processes, devices and tools for identifying and assessing climate risks;

 *Pillar 3 • Risk management*  
*"Processes to identify and assess climate risks", p.57*

- defining its climate risk appetite, via the various risk management processes;

 *Pillar 3 • Risk management*  
*"Environmental risk management processes", p.62*

- integrating processes, systems and tools for identifying and assessing climate risks into overall risk management according to risk appetite.

 *Pillar 3 • Risk management*  
*"Integrating processes into overall risk management", p.67*



## PROCESSES FOR IDENTIFYING AND ASSESSING CLIMATE RISKS

**C**rédit Mutuel Arkéa has set up various processes, systems and tools to identify and assess activities and exposures that are sensitive and vulnerable to environmental risks.

## THE SECTORAL APPROACH

In a context where understanding exposure to environmental risks is complex, and where external analysis standards are insufficiently detailed and sometimes contradictory, Crédit Mutuel Arkéa has identified the need to create a **sector reference framework for exposure to environmental risks**. This reference framework is currently used for credit and counterparty risk management, to measure the proportion of outstanding loans at risk.

Since 2021, the Risk Department has developed a climate sector reference framework for physical and transition risks, capable of providing **a company's exposure to climate risks as a result of its business sector**. The aim is to provide a gross exposure to climate risks by sectoral approximation.

Established according to the European sectoral classification (NACE\* classification), the climate sector reference framework is based primarily on studies by recognised organisations such as the OECD, the United Nations, the TCFD, etc. These studies make it possible to objectify the level of climate risk associated with a business sector.

In the case of transition risk, it is relevant to consider that the sectors that emit the most CO<sub>2</sub> will be strongly affected by the transition to a low-carbon economy. An analysis of CO<sub>2</sub> emissions by business sector enables us to refine the qualitative approach described above with a quantitative indicator. In addition, this approach is complemented by the presence or absence of business sectors in the European Central Bank's (ECB) climate stress tests. By deduction, if the supervisory authority questions European banks on the projection of their outstandings and credit parameters on these sectors according to

## Focus on BIODIVERSITY

As with the work carried out on the sector reference framework for climate risks, Crédit Mutuel Arkéa is extending its approach to other non-climate environmental risks through the development of a **sector reference framework for risks related to the loss of biodiversity**.

**This framework is based on the analysis and aggregation of sectoral studies produced by recognised and verifiable sources (TNFD\*\*, UNEP\*\*\*, IPBES\*\*\*\*, SBTN\*\*\*\*\*, etc.).**

These studies make it possible to objectify the **level of risk associated with the loss of biodiversity associated with a business sector on a three-point scale: low, medium, high**.

The aim is to provide an approach based on **sector approximation** through gross exposure to risks related to the loss of biodiversity.

This work, currently underway, will be tested in 2023, before being validated by the Board of Directors.

The two sector reference frameworks (climate and biodiversity loss) are designed with **the aim of integrating a comprehensive reference framework on environmental risks** as work progresses.

climate scenarios, Crédit Mutuel Arkéa believes that these sectors should be considered as exposed to transition risk.

In the case of physical risk, no quantitative indicator has been found to complete the approach. The approach to this risk is therefore purely qualitative.

**Lastly, sector exposures are classified according to a three-point scale: low, medium, high.**

As part of a continuous improvement approach, the work carried out

in 2022 focused on **improving the granularity of the reference framework** for transition risk. To this end, indicators defined as relevant and objective, both quantitative and qualitative, are aggregated and weighted. This new version of the reference framework, incorporating regulatory and technological components **covering the various aspects of transition risk**, is being tested in 2023 before being validated by the company's governing bodies and applied.

\* Statistical Classification of Economic Activities in the European Community

\*\* Taskforce on Nature-related Financial Disclosures

\*\*\* United Nations Environment Programme

\*\*\*\* Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services

\*\*\*\*\* Science Based Targets Network

## THE GEOGRAPHICAL APPROACH

In 2022, Crédit Mutuel Arkéa developed an **internal tool dedicated to the assessment and geographical measurement of physical climate risks, at the municipal level** (granularity: postcode) for mainland France and **covering the six climate risks** according to two previously described sub-categories:

👁️ *Pillar 2 • Strategy • The main risks identified "Definitions", p.27*

- ▶ **Acute physical risks:** floods, droughts and storms-hail-snow;
- ▶ **Chronic physical risks:** rising air temperatures, changes in rainfall patterns and rising sea levels.

This tool, called **PRISM** (Physical Risk Internal Scoring Model), is based on **scientific databases for identifying national** (Georisques, DRIAS) **and international** (PREPdata) **risks and climate projections.**

Because of their nature and characteristics, acute physical risks are based on **historical data**, while chronic risks are based on **projected data to 2050, thus combining a backward-looking and forward-looking approach.**

**The PRISM tool is intended to be refined** over time, by moving down to a finer level of geographical granularity and covering a wider spectrum of climate risks, in order to measure risk more accurately.

## THE INDIVIDUALISED ESG RISK ASSESSMENT APPROACH

Crédit Mutuel Arkéa believes it is essential to **complement the two approaches mentioned above with an analysis at customer and counterparty level.**

### For corporate customers

As part of its corporate lending activities, and in order to comply with the European Banking Authority's guidelines for granting and monitoring loans, **Crédit Mutuel Arkéa is gradually rolling out an ESG risk questionnaire.**

Called **GRETA** (for Global Risk ESG Topics Assessment), it is designed to **collect ESG risk data from large corporate borrowers to determine**

**their ESG risk rating.** In particular, it aims to **assess the measures taken by companies to mitigate the ESG risks** to which they are exposed, notably as a **result of their business sector.**

**At the end of 2022, the questionnaire focused on two environmental factors** (physical climate risks and transition risks). It will be enriched with three new ESG factors (biodiversity, employee health & safety and human rights, product compliance) during 2023, in order to capitalise on the climate approach and extend this approach beyond climate.



## For market counterparties

**Market counterparties are subject to ESG ratings.** This rating is derived from an internal model, based on Sustainalytics data. **Quest (Quantitative ESG Scoring Tool),** the name given to the rating database, is one of the tools used for research. Based on a large number of criteria, chosen by analysts for each business sector according to their materiality, Quest provides an overall view of the ESG positioning of the companies analysed. By

controlling the parameters of this rating tool, each analyst can adapt Quest to the non-financial issues identified.

**The criteria chosen belong to the three main areas of ESG: environment (including climate), social and governance.** They enable us to take a global approach to the strategies and practices, responsible or not, of the companies studied.

Our methodology for integrating ESG criteria is based on a **best-in-class** approach. Issuers are ranked on a **scale ranging from A for the most ESG-compliant companies to E for those in which non-financial issues are still poorly addressed.** **This framework is supplemented by a normative approach.**



## THE SCENARIO-BASED APPROACH: CLIMATE SCENARIOS

The backward-looking approach, traditionally used in financial risk analysis, is based on extrapolating historical data, with the underlying idea of continuity between past, present and future. However, as mentioned above, unlike past economic crises, **there has never been a major international climate crisis.** This lack of history and the uncertainty of this situation means that we need to accept **more forward-looking breakthrough methodologies,** such as scenario analysis and stress tests, to project the multiple consequences of climate risks.

After the ACPR and EBA stress tests, **the ECB's 2022 climate stress test** was designed to analyse the impact on the banking sector of various climate scenarios, broken down into macroeconomic indicators provided by the ECB, on credit, operational and reputational risks. These initial stress tests by regulatory and supervisory authorities have helped **Crédit Mutuel Arkéa to develop its own stress test methodology, thereby meeting expectation**

**no.11 of the ECB Guide on climate-related and environmental risks.**

The methodology, adapted to the needs and characteristics of Crédit Mutuel Arkéa, enables us to:

- ▶ **manage the climate strategy,** in particular by helping to create optimal conditions for financing an orderly transition to a sustainable economy;
- ▶ **communicate with supervisors** on our exposures and management of climate risks;
- ▶ **build a key tool for monitoring and anticipating risks,** based on internally defined climate scenarios. As mentioned above, in 2021 Crédit Mutuel Arkéa launched a project dedicated to climate scenarios, which was accelerated in 2022, in order to define its own climate stress test methodology in the short term. **In order to test the tools and prepare for future regulatory exercises,** at the end of 2022 Crédit Mutuel Arkéa initiated an **internal climate stress test exercise in collaboration with its Risk function,** which will continue in 2023.

**DATA**

**Overcoming the lack of non-financial data is a major challenge** for identifying, assessing and managing climate risks. The main limitations of climate data are as follows:


- ▶ **availability;**
- ▶ **consistency;**
- ▶ **comparability.**

### **A coordinated, cross-functional vision**

To remedy the lack of ESG data, **Crédit Mutuel Arkéa has adopted a cross-functional, coordinated strategy.**

The group may use approximation methods, in which case a methodological note details the limitations and biases of the approach used. The lack of data will persist to some extent in the years to come. The use of estimation approaches will therefore remain significant for Crédit Mutuel Arkéa, which uses **ESG data providers.**

Internally, the **Non-Financial Data Programme (PDEF)** has been in place at Crédit Mutuel Arkéa since 2021. It aims to ensure the governance of ESG data and to centralise its management in order to pool the needs (collection, storage, etc.) of the various departments, divisions or entities, and to coordinate projects. As an example, the PDEF has started to improve the collection of data relating to the energy performance diagnosis (EPD) of homes with regard to the different uses identified within Crédit Mutuel Arkéa.

 *Pillar 2 - Strategy*

*"Feedback on the ECB's climate stress tests", p.52*

**The Risk Department**, for its part, has **developed capabilities and skills within its Project Management department**, with the aim of facilitating the internal and external challenges associated with ESG data. In fact, some employees are specifically assigned to improving the collection of and structuring ESG data within Crédit Mutuel Arkéa's information system. In addition, a major **collection of ESG data from corporate customers** was launched in 2022 as part of the drive to comply with EBA guidelines on origination, via the ESG risk questionnaire, GRETA.

### **Reflections on a new sectoral approach**

**The use of existing sector classifications is not without its challenges.** In fact, the classification of economic activities is **insufficiently detailed for environmental and climate applications.** For example, in the energy sector, it would be useful to distinguish between renewable energies and fossil fuel-based energies.

However, current sector classifications do not allow for this. In addition, it is difficult to classify companies with multiple or mixed business sectors in different sectors, which may lead to potential risk estimation errors.

**Crédit Mutuel Arkéa is working to enhance its sector risk monitoring system.** The aim of this project is to **gradually fill in the gaps** inherent in the various classifications, and to **integrate criteria from the European Taxonomy** so as to be able to set up a relevant ESG sector risk monitoring system. The European Taxonomy will be **supplemented by an internal taxonomy**, to be defined, making it possible to classify assets according to their environmental risks.

On the basis of this finalised classification, further work will be carried out to examine the possibilities of **risk management for assets classified by sector and by risk.**







# ENVIRONMENTAL RISK MANAGEMENT PROCESSES

---

**C**rédit Mutuel Arkéa draws on its various stakeholders and experts to develop and roll out tools for managing environmental risks, including climate change. These tools are based on marketplace best practices (TCFD) and the requirements of European and national supervisors (ACPR, EBA, ECB, etc.). The ECB Guide on climate-related and environmental

**risks is one of the reference texts on which the group's cross-functional approach is based.**

The multi-year action plan to ensure compliance with this guide, approved by Executive Management, was submitted to the supervisory authorities in May 2021. Its implementation is monitored by the group's governance bodies.

## RISK MAPPING

Environmental risks, including climate change, have been integrated into Crédit Mutuel Arkéa's risk mapping via the main risk factors:



- **transition risk;**
- **physical risk;**
- **liability risk;**
- **reputational risk.**

Climate risks impact economic activities, which in turn affect the financial system both directly and indirectly. For example, there may be a direct impact on real estate assets and an indirect impact through lending or supported activities when these counterparties are themselves subject to climate risks.

In this respect, climate risks can have an impact on other risk categories within a banking institution, such as credit, operational and market risks, as well as liquidity risk.


The illustration below provides an overview of the transmission factors from climate risks to so-called primary risks, and to reputational risk.

TRANSMISSION CHANNELS FROM MAIN CLIMATE RISKS TO OTHER RISKS

EXAMPLES OF IMPACTS		OPERATIONAL RISK	MARKET RISK	CREDIT RISK	LIQUIDITY RISK	REPUTATIONAL RISK
 <b>PHYSICAL RISKS</b>	Inaccessibility / damage to assets	✓				
	Decline in asset performance		✓	✓		
	Decline in real estate value		✓	✓	✓	
	Decline in household wealth			✓	✓	
 <b>TRANSITION RISKS</b>	Increase in legal costs	✓		✓		✓
	Increased cost of compliance			✓		
	Decline in corporate profitability			✓		

For example, a flood could cause damage to computer servers, resulting in operational risks, business continuity and restoration costs. In another example, the bank may be held liable for the consequences of climate change, leading to a liability risk that may result in sanctions, fines and therefore a legal and reputational risk.

As previously mentioned, **Crédit Mutuel Arkéa uses a climate risk materiality matrix to assess the potential impact of climate risks on the conglomerate's other risks.** The materiality of climate risks is assessed in the light of Crédit Mutuel Arkéa's risk appetite and in comparison with the other risk categories in the risk map.

 **Pillar 2 - Strategy**

"Risk analysis at the Crédit Mutuel Arkéa level", p.30





## THE RISK APPETITE FRAMEWORK

The management of environmental risks identified and included in risk mapping is based on an environmental risk appetite statement and the integration of these risks into the risk appetite framework. **The Board of Directors of Crédit Mutuel Arkéa has approved the inclusion of these risks in the risk appetite framework in order to integrate them in a visible and detailed way for the whole of Crédit Mutuel Arkéa.**

The purpose of the risk appetite framework is **to measure and limit the Crédit Mutuel Arkéa group's risk in relation to environmental issues, including climate change, and thus to formalise its intrinsic level of risk appetite.** It is gradually integrating environmental risks, including climate risks.

### THE APPETITE FRAMEWORK IS THE CORNERSTONE OF RISK MANAGEMENT AND IS FORMALISED IN TWO DOCUMENTS



**The risk appetite statement**, which describes the group's appetite for each of the risks it faces



**The limit system** to manage these risks

- #1** Investments and financing in coal sector companies
- #2** Investments and financing in oil and gas sector companies
- #3** The carbon footprint of the conglomerate's activities
- #4** Sector-specific indicators of exposure to physical and transitional risks
- #5** Companies with an ESG rating of E
- #6** Operating real estate exposed to high acute physical risk not covered by a business continuity plan



### The risk appetite statement

**ESG risks, including environmental risks, were included in the risk appetite statement, which was approved by Crédit Mutuel Arkéa's Board of Directors in 2020.**

Crédit Mutuel Arkéa's ESG risk appetite principles are as follows:

- ensuring that risk-taking is in line with the commitments made through the group's "Raison d'être" (Purpose), Company with a mission status and climate strategy;
- gradually integrating ESG risks and their transmission mechanisms to other types of risk (mainly credit risk);
- taking into account the impact of climate risks, in particular by monitoring exposures by ESG rating, by sector (according to their sensitivity to physical risk and transition risk) and by geographic location;
- controlling the carbon footprint generated by the conglomerate's activities.



### The limit system

**In 2021 and 2022, the statement was gradually supplemented by quantitative indicators** developed for monitoring these risks both at operational level and by the management body via the limit system (the latter being alerted if a threshold is exceeded).

Crédit Mutuel Arkéa's limit indicators relate to:

### **#1 Investments and financing in coal sector companies**

Coal is the fossil fuel that emits the most CO<sub>2</sub>, and is therefore extremely exposed to transition risk. Crédit Mutuel Arkéa has therefore decided to reduce its exposure to companies in this sector, with the aim of exiting by the end of 2027, with annual intermediate milestones. A sector-specific policy has been drawn up to govern this exit, available on the group's website\*.

The indicator used is that of amounts invested in companies whose activity thresholds exceed those authorised by the coal sector policy in force.

### **#2 Investments and financing in oil and gas sector companies**

Crédit Mutuel Arkéa pays particular attention to unconventional fossil fuels, and has decided to gradually reduce its exposure to companies in this sector, with the aim of exiting by the end of 2030, with annual intermediate milestones. A sector-specific policy has been drawn up to provide a framework for this exit process\*\*.

The indicator used is that of amounts invested in companies whose activity thresholds exceed those authorised by the "oil and gas" sector policy.

### **#3 The carbon footprint of the conglomerate's activities**

Crédit Mutuel Arkéa's activities generate CO<sub>2</sub> emissions. If we are to achieve the objectives of the Paris Agreement, we need to reduce CO<sub>2</sub> emissions from all economic

activities. As part of its medium-term action plan, the group has decided to set a target of reducing its emissions by 10,000 tonnes of CO<sub>2</sub> equivalent by 2024 compared with the level recorded in 2019. This target, accompanied by concrete actions to reduce CO<sub>2</sub> emissions, helps limit Crédit Mutuel Arkéa's transition risk.

The measurement of partial scopes 1, 2 and 3 emissions and their reduction over time therefore constitute a transition risk indicator. Crédit Mutuel Arkéa's emissions reduction target was recently raised from 10,000 to 15,000 tonnes CO<sub>2</sub> equivalent by 2024 compared with the level recorded in 2019. This new objective will be incorporated into the next revision of the risk appetite framework.

### **#4 Sector-specific indicators of exposure to physical and transitional risks**

As mentioned above, Crédit Mutuel Arkéa has drawn up a sector reference framework for exposure to physical and transitional climate risks, backed up by internal and external documentary sources.

The indicator measures bank outstandings for companies belonging to sectors that are at risk from a climate standpoint, in terms of physical risks on the one hand, and transition risks on the other, according to the internal sector reference framework.

### **#5 Companies with an ESG rating of E**

The companies monitored by the Counterparties Committee are classified by ESG rating. The group relies on ESG ratings produced by

its asset management subsidiary, Arkéa Investment Services. These ratings range from A for the best-rated companies to E.

The indicator used is the amount of E-rated investments that are in breach, i.e. that have not complied with the rules and procedures laid down by the Counterparties Committee.

### **#6 Operating real estate exposed to high acute physical risk not covered by a business continuity plan**

To date, Crédit Mutuel Arkéa relies on an external tool developed by the Sustainable Real Estate Observatory to assess the exposure of its operating real estate to acute physical risks at a fine granularity level (postal address).

The indicator used is the percentage in m<sup>2</sup> of operating real estate exposed to acute physical risk and not covered by a business continuity plan.



Crédit Mutuel Arkéa's emissions reduction target was recently raised from 10,000 to 15,000 tonnes CO<sub>2</sub> equivalent by 2024 compared with the level recorded in 2019."

\* [www.cm-arkea.com/banque/assurance/credit/upload/docs/application/pdf/2022-12/politique\\_charbon\\_2022\\_web.pdf](http://www.cm-arkea.com/banque/assurance/credit/upload/docs/application/pdf/2022-12/politique_charbon_2022_web.pdf)

\*\* [www.cm-arkea.com/banque/assurance/credit/upload/docs/application/pdf/2022-12/politique\\_petrole\\_et\\_gaz\\_2022\\_web.pdf](http://www.cm-arkea.com/banque/assurance/credit/upload/docs/application/pdf/2022-12/politique_petrole_et_gaz_2022_web.pdf)

**This series of indicators specific to environmental risks, including climate change, is complemented by relevant and efficient internal limits.** These limits make it possible to manage and anticipate environmental risks, including climate change. The monitoring framework is part of the risk appetite framework already put in place by the group. It therefore includes the threshold levels already defined for all of Crédit Mutuel Arkéa's key risks. These indicators are monitored at operational level and by the governance bodies according to their responsibilities, in line with the ACPR and ECB recommendations on climate risk governance.

**The risk appetite framework is intended to be enhanced in line with with Crédit Mutuel Arkéa's environmental (and ESG or non-financial) commitments and the rollout of risk management systems.**

## ENVIRONMENTAL RISK MANAGEMENT POLICY

**In order to structure environmental risk management, the Risk Department has drawn up an internal environmental risk management policy** which complements pre-existing internal policies by type of risk, and aims to:

- present the general framework and the context of environmental risks (definitions, issues, regulatory framework);
- organise risk management, particularly in terms of governance;
- identify and measure risks;
- define risks;
- monitor and manage risks;
- control risks;
- communicate.

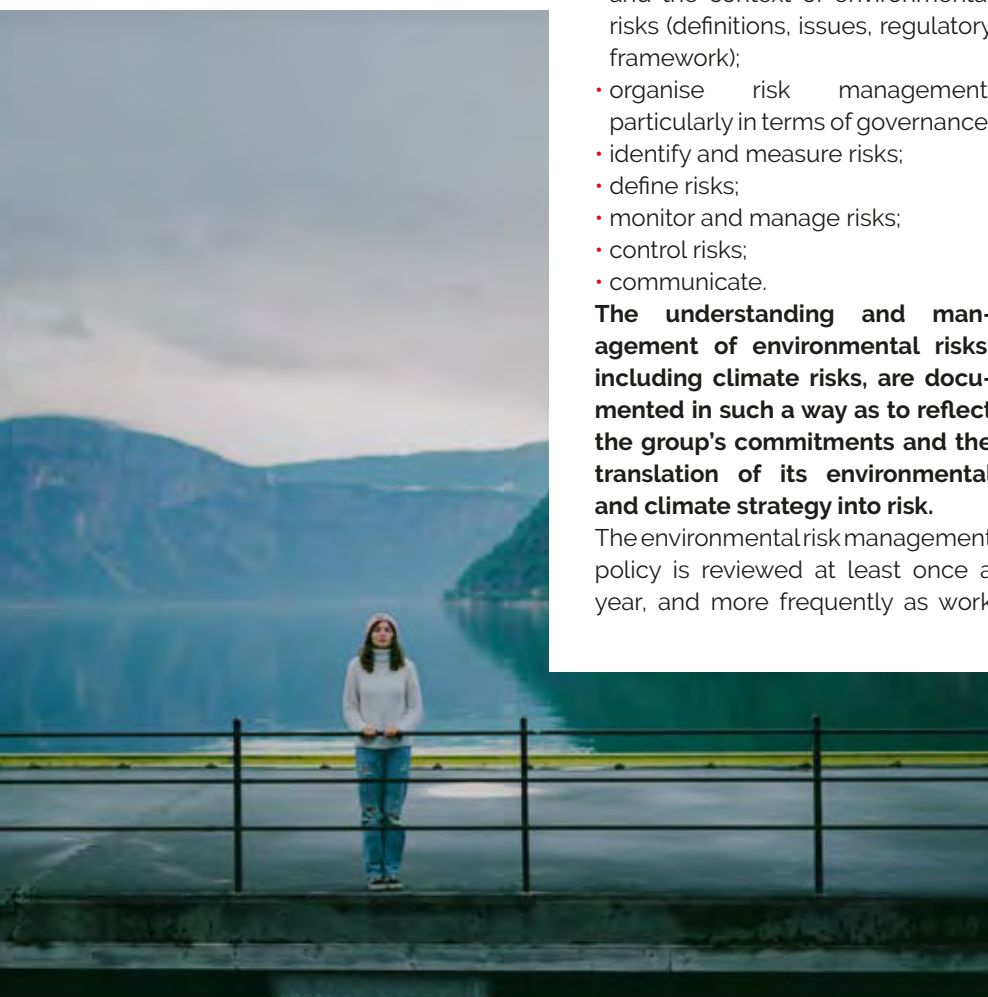
**The understanding and management of environmental risks, including climate risks, are documented in such a way as to reflect the group's commitments and the translation of its environmental and climate strategy into risk.**

The environmental risk management policy is reviewed at least once a year, and more frequently as work

progresses, to ensure traceability and monitoring of actions taken over time.

This policy makes it possible to meet both the group's internal challenges in terms of the objectives it has set itself, such as the climate strategy, and the commitments made externally and regulatory requirements, in particular those linked to the expectations of the ECB Guide on climate-related and environmental risks.

**Policies for other types of risk (credit, operational, liquidity, market) are being enriched and are gradually taking these issues into account, thereby contributing to the environmental risk management.** For example, the legal risk management policy was drafted in 2021 and includes liability risk. Similarly, the credit risk management policies take into account the methods and thresholds of current sectoral policies (coal, oil and gas).



# INTEGRATING PROCESSES INTO OVERALL RISK MANAGEMENT

**E**nvironmental and climate risks are gradually being integrated into the existing organisation and tools of the Risk Management function.



## INTEGRATION INTO FINANCING, INVESTMENT AND SAVINGS DECISIONS

In 2021, Crédit Mutuel Arkéa launched a project to integrate ESG risk analysis into the credit process. This project meets several challenges:

- ▶ the ESG-climate roadmap, which calls for ESG assessments to be increasingly applied to the group's various business lines;
- ▶ the response to the regulator's expectations (EBA guidelines on granting).

Since mid-2022, the ESG risk questionnaire, called GRETA, has been gradually rolled out across the Crédit Mutuel Arkéa group. The ESG risk rating is integrated into the credit granting process and formalised in the bank credit decision (Commitments and Credit Committees study reports).

The market counterparties monitored by Crédit Mutuel Arkéa's Counterparties Committee are **ESG rated**.

**It is mandatory for counterparties (except for "French authorities" and similar sectors and "supranational organisations") that are subject to listing and/or limit requests submitted to Crédit Mutuel Arkéa's Counterparties Committee to have an internal ESG rating.**

ESG ratings, and ESG analyses where they exist, complement traditional credit rating and analysis. They enable committee members to **assess the credit and ESG risk** of market issuers submitted for approval. Depending on the rating and ESG analysis, **the Counterparties Committee may refuse certain listing requests.**

For savings products offered to customers, subject to the requirements of Regulation (EU) 2019/2088 SFDR (known as the Disclosure Regulation), the results of the assessment of sustainability risks, including climate risks, are made available to the managers

of Federal Finance Gestion and Schelcher Prince Gestion, so that they can take into account the impact of their investments on the variation in the level of sustainability risk in their portfolios. Sustainability risk monitoring for portfolios is covered by the Federal Finance Gestion and Schelcher Prince Gestion risk committees.

## INTEGRATION IN THE INSURANCE SECTOR

**The material consequences of climate risks are an integral part of the risks specific to the insurance sector.** The increasing frequency and severity of events is at the heart of Suravenir Assurances' thinking when it comes, for example, to determining financial protection in the event of extreme events (reinsurance arrangements).





Focus on

**CLIMATE RISK**

**MANAGEMENT AT**

**SURAVENIR ASSURANCES**

By their very nature, physical climate risks are taken into account by Suravenir Assurances in its underwriting risk management (the non-life insurance business is by nature exposed to these risks). The management of climate risks as an independent type of risk is more recent and continues to be rolled out across the Crédit Mutuel Arkéa group. In order to limit the impact of climate risks on Suravenir Assurances' business, risk management systems have been put in place at various levels within Suravenir Assurances, the main ones being:

► **Reinsurance programme:** this risk mitigation mechanism is intended to manage and reduce the insurer's underwriting risk exposure and in particular its natural disaster component. In this respect, the reinsurance programme is Suravenir Assurances' main means of protection against extreme physical climate risks.

► **Annual price renewal process:** this system aims to change the pricing of policies each year in line with forecast changes in claims experience, including climate-related claims, and in the company's competitive environment.

► **Climate risk prevention system:** these systems take the form of weather alerts: Preventive SMS messages or emails sent to policyholders living in areas subject to severe weather warnings.

► **Sectoral investment policies:** in line with the group's climate strategy, Suravenir Assurances has incorporated Crédit Mutuel Arkéa's sectoral exclusion policies, namely coal and oil & gas, into its investment framework.

It should be noted that the climatic events of 2022 had a particularly strong impact on Suravenir Assurances, especially in view of the hail and drought during the summer period.

## THE GROWING MATURITY OF THE RISK MANAGEMENT FUNCTION (RMF)

In line with changes in Crédit Mutuel Arkéa's business model, risk monitoring by the **Risk Management Function has been incorporated into the group's climate management system**, with climate risk management to be gradually rolled out to all group entities.

Preliminary discussions with the RMF managers of the subsidiaries most exposed to climate risks have enabled us to take stock of practices, discuss risk transmission channels and examine the possibility of setting up indicators.

From 2021 onwards, the subsidiaries' RMF managers have been involved in the process of integrating climate risks into their own risk appetite framework, starting with the collection of the data needed to calculate quantitative indicators

specific to their own scope and in line with their business strategy.

As a corollary of the creation of the ESG risk department, within the Cross-Functional Risk Management Department, **ESG risk correspondents were appointed in each subsidiary over the course of 2022, to act as key contacts for the group ESG risk department.** Given the cross-functional nature of ESG risks, and the need to deal with them using a matrix approach, the ESG risk correspondent is, unless otherwise specified, the RMF manager.

**In 2022, RMF managers were involved in the creation of the climate risk appetite framework, which is to be applied at entity level.** The Cross-Functional Risk Management Department is responsible for the consolidated

monitoring of climate risk management for the group, supporting **20 subsidiaries** in the implementation of climate risk monitoring and the adaptation of systems at their respective levels. For example, the various entities are working to implement the group's environmental risk management policy at their own level. The policy sets out the main climate risk management systems put in place by each entity, describing in particular the organisation of risk management, the systems in place to control these risks, and the reporting and controls carried out in relation to these risks.

**Arrangements for coordinating and supporting this new ESG risk correspondent function will continue in 2023.**

## INTEGRATING CLIMATE ISSUES INTO THE ICAAP REGULATORY EXERCISE

Crédit Mutuel Arkéa's Internal Capital Adequacy Assessment Process (ICAAP) is currently examining the possibility of covering environmental risks, including climate change, with a level of internal capital that is sufficient for the anticipated consumption of these risks by Crédit Mutuel Arkéa. An in-depth analysis is carried out, highlighting the various projects underway to identify, measure and manage climate risks.

As mentioned above, **climate risks are by their very nature polymorphous and matrix-like**, since they do not materialise directly and are transmitted to other risks via transmission factors:


- credit risk;

- operational risk;
- market risk;
- liquidity risk;
- liability (legal) risk;
- reputational risk.

With reference to the demands of European and national regulators and supervisors, as well as those of certain international public associations, Crédit Mutuel Arkéa is gradually analysing the impact of physical and transition risks on the level of the various risks listed above.

**Various approaches and methodologies exist to assess the level of risk and the level of own funds required.** They will be analysed in order to select the most relevant for Crédit Mutuel Arkéa.

As mentioned above, **Crédit Mutuel Arkéa has set up a tool dedicated to climate scenarios, with a view to eventually defining its own climate stress test methodology.** This tool and the associated projects should enable Crédit Mutuel Arkéa to **contribute to the work on integrating environmental and climate risks into the ICAAP.**

 *Pillar 3 • Risk management*  
*"A scenario-based approach:  
 climate scenarios", p.60*

In any event, **Crédit Mutuel Arkéa's work in this area is designed to ensure that capital allocation is adequate in relation to the level of expected risks.**

## THE RISK SCORECARD AS A MONITORING AND MANAGEMENT TOOL

Crédit Mutuel Arkéa's Risk Management Department is responsible for managing the integration of climate risks into the business lines. **Crédit Mutuel Arkéa's Risk Management Department produces a quarterly climate risk scorecard to:**

- ▶ **inform governance of the risks incurred and monitor the level of risk taken within the group;**
  - ▶ **translate Crédit Mutuel Arkéa's strategic commitments into risk, including its climate strategy and various sectoral policies.**
- Crédit Mutuel Arkéa's environmental risk scorecard is used to monitor these commitments:
- ▶ **made available to its management body (Risk Monitoring Committee, Executive Committee and Risk and Internal Control Committee);**
  - ▶ **sent to the supervisory authority.**

**In 2021, the risk monitoring scorecard included information on the monitoring of commitments under Crédit Mutuel Arkéa's coal policy.** It ensured that these positions were managed in run-off

mode, as the Board of Directors introduced an indicator in the Risk Appetite Framework relating to coal sector exposure in order to monitor progress towards its commitment to exit the coal sector by the end of 2027.

**In 2022, the scorecard was enriched with other indicators** in line with the enhancements to the risk appetite framework, such as:

- **exposures to the oil and gas sectors** in line with Crédit Mutuel Arkéa's oil and gas policy and commitment to exit unconventional fossil fuels by the end of 2030;
- **sector exposure levels to physical risks and transition risk;**
- **Crédit Mutuel Arkéa's direct CO<sub>2</sub> emissions (scope 1, scope 2 and partial scope 3);**
- **issuers with poor ESG ratings.**

**This risk scorecard is intended** to be further **enriched** as Crédit Mutuel Arkéa's environmental (and ESG or non-financial) commitments and the associated risk management systems are rolled out.





# #4

## INDICATORS AND OBJECTIVES

In order to manage its climate strategy and ensure the effectiveness of its actions, both in terms of impact and risk management, Crédit Mutuel Arkéa is working to develop indicators that aim to:

- ▶ measure the impact of the group's activities on climate change and their overall contribution to the objectives of the Paris Agreement, in order to define effective actions;
- ▶ measure and manage climate-related opportunities and risks for the group's business model.



# MEASURING THE IMPACTS OF THE GROUP'S ACTIVITY ON CLIMATE CHANGE AND THEIR OVERALL CONTRIBUTION TO THE OBJECTIVES OF THE PARIS AGREEMENT

## MEASURES TO ALIGN WITH PARIS AGREEMENT TARGETS

After conducting several tests of methodologies for assessing the low-carbon alignment of portfolios in 2021, the group carried out work in 2022 to estimate the emissions financed within the banking scope and assess the reduction efforts to be achieved as part of a 1.5°C trajectory aligned with the Paris Agreement. The group was supported in this work by a specialist consulting firm.

This approach is in line with Crédit Mutuel Arkéa's CLIMATE STRATEGY. And reflects the need for all economic players to contribute to the Paris Agreement. Through this initial work, the group aims to achieve the following long-term objectives:

- ▶ contributing to efforts to limit global warming and the transition to a low-carbon economy;
- ▶ asserting itself and being recognised as a player committed to stakeholders;
- ▶ defining and managing long-term actions;
- ▶ reducing exposures to stranded assets.

To carry out this exercise, the group has chosen to rely on a science-based methodology recognised in the financial marketplace, which provides a framework and tools for measuring the greenhouse gas emissions of its financing and identifying the targets to be achieved in order to maintain a low-carbon alignment trajectory. The SBTi methodology requires coverage of the following scopes:

- ▶ corporate securities - trading room treasury investments;
- ▶ power generation projects;
- ▶ real estate loans excluding home loans\*;
- ▶ loans to companies with more than 500 employees.

In view of its exposures, the group has also chosen to:

- ▶ cover two scopes, optional in the SBTi framework, for which methodologies exist:
  - loans to companies with fewer than 500 employees;
  - home loans;
- ▶ develop innovative methodologies in collaboration with expert firms on two key areas for the group:
  - loans to agricultural players;
  - sovereign securities.

\* Real estate loans excluding home loans have been included in corporate loans due to identification problems in the information system.



Based on the methodologies adopted in 2022, the estimated emissions financed as of 31 December 2021 are as follows:

**EMISSIONS FINANCED AS OF 31/12/2021**

Scopes analysed	Outstandings initially targeted by the study (in €bn)	Outstandings analysed (in €bn)	Estimated CO <sub>2</sub> emissions (in TqCO <sub>2</sub> )	Comments
Direct footprint (scopes 1, 2 and 3)	NA	NA	35,071	The methodology used here is that of the GHG Protocol. This explains the discrepancy with the carbon footprint published according to the carbon footprint methodology.
Replacements of corporate securities	5.9	5.9	3,947,518	–
Loans for electricity production	0.12	0.047	1,142	The methodology used only evaluates projects in the electricity production phase, which explains the limited volumes of loans analysed.
Home loans	29.3	22.7	226,109	Statistical data have been used for a large part of the portfolio to produce these estimates, in addition to the EPD information available for a more limited portion of the assets financed.
Loans to VSEs/SMEs	21.7	12.3	4,926,598	Statistical data were used for a significant part of the analysis.
Loans to mid-caps*		0.347	619,712	
Replacements of sovereign securities	2.3	1.6	201,274	–

\* Excluding agricultural loans

The results presented above are intended to share the exploratory work carried out in 2022 and an initial snapshot of the issues financed. They will evolve over the next few years, in order to refine methodologies, broaden the scope of coverage and improve data quality.

This initial work will therefore be enhanced in 2023 in order to define emission reduction targets as part of the group's commitment to the Net Zero Banking Alliance (NZBA).

The group therefore decided to continue its work before adopting these medium- to long-term emission reduction targets. This is in order to:

- ▶ ensure the reliability of the starting point for these future objectives, by continuing to collect data (real or statistical), and by pursuing methodological studies and the scopes covered;
- ▶ strengthen operational action plans with the business lines, with the aim of continuing to support customers in their drive towards a less carbon-intensive economy, through concrete, tailored offerings.

## MEASURING AND MANAGING OPERATIONAL GREENHOUSE GAS EMISSIONS

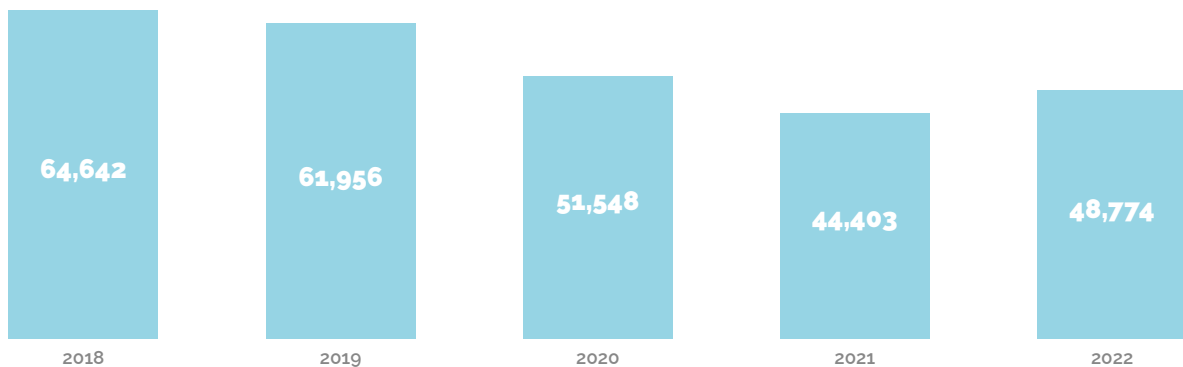
Each year, Crédit Mutuel Arkéa measures its carbon footprint through a group carbon audit. Thus, the group's carbon footprint was calculated in early 2023, based on 2022 data, according to the Association for the Low-Carbon Transition (ABC) method and reviewed for accuracy by an Independent Third Party. By publishing its carbon footprint each year, Crédit Mutuel Arkéa

reports on its progress, while setting out its roadmap for anticipating and complying with regulations, and having a positive impact on its own environment.

Because of its extensive regional coverage, the group has chosen to include commuting in its scope 3. To date, scope 3 does not include the carbon footprint of direct financing and investments.

For fiscal year 2022, the group's carbon footprint is **48,774 TeqCO<sub>2</sub>**, or **4.5 TeqCO<sub>2</sub> per FTE**. The almost 10% increase over 2021 remains an encouraging result, as 2021 cannot be used as a reference year due to the Covid-19 health crisis.

GROUP CARBON FOOTPRINT IN TEQCO<sub>2</sub>  
(SCOPE 1 + SCOPE 2 + PARTIAL SCOPE 3)



## MEASURING OVERALL PERFORMANCE

In October 2021, Crédit Mutuel Arkéa became the first French bank to measure its non-financial impacts in euros, paving the way for measuring its overall performance, combining financial performance and non-financial performance, calculated in euros. This methodology was first applied within the scope of the Arkéa Banque Entreprises et Institutionnels subsidiary, which enabled it to be tested and validated.

Since then, the teams have worked hard to apply this calculation methodology to a wider scope within the group, covering more entities, a greater share of purchases and a larger number of employees. Crédit Mutuel Arkéa is also in the process

of rolling out the methodology to the scope of its investments, in order to be fully exhaustive in the assessment of the impacts generated by its activities on customers.

In 2022, €1 million in financing granted by the group generated on average €168,000 in positive social impact and €18,000 in negative environmental impact\*. As part of this environmental impact, with regard to the climate, greenhouse gas emissions are assessed and monetised using the carbon reference value.



\* [www.cm-arkea.com/banque/assurance/credit/upload/docs/application/pdf/2023-03/vdef\\_-\\_dossier\\_de\\_presse\\_-\\_pr2022.pdf](http://www.cm-arkea.com/banque/assurance/credit/upload/docs/application/pdf/2023-03/vdef_-_dossier_de_presse_-_pr2022.pdf)





## MANAGING CLIMATE-RELATED RISKS AND OPPORTUNITIES WITHIN THE GROUP'S BUSINESS MODEL

### INTEGRATING ESG INTO COMPENSATION POLICIES

ESG criteria are incorporated into the group's compensation policies at several levels:

- ▶ for employees (within the Economic and Social Unit scope), the profit-sharing agreement has since 2017 included a criterion for increasing the budget linked to a

reduction in the group's carbon footprint;

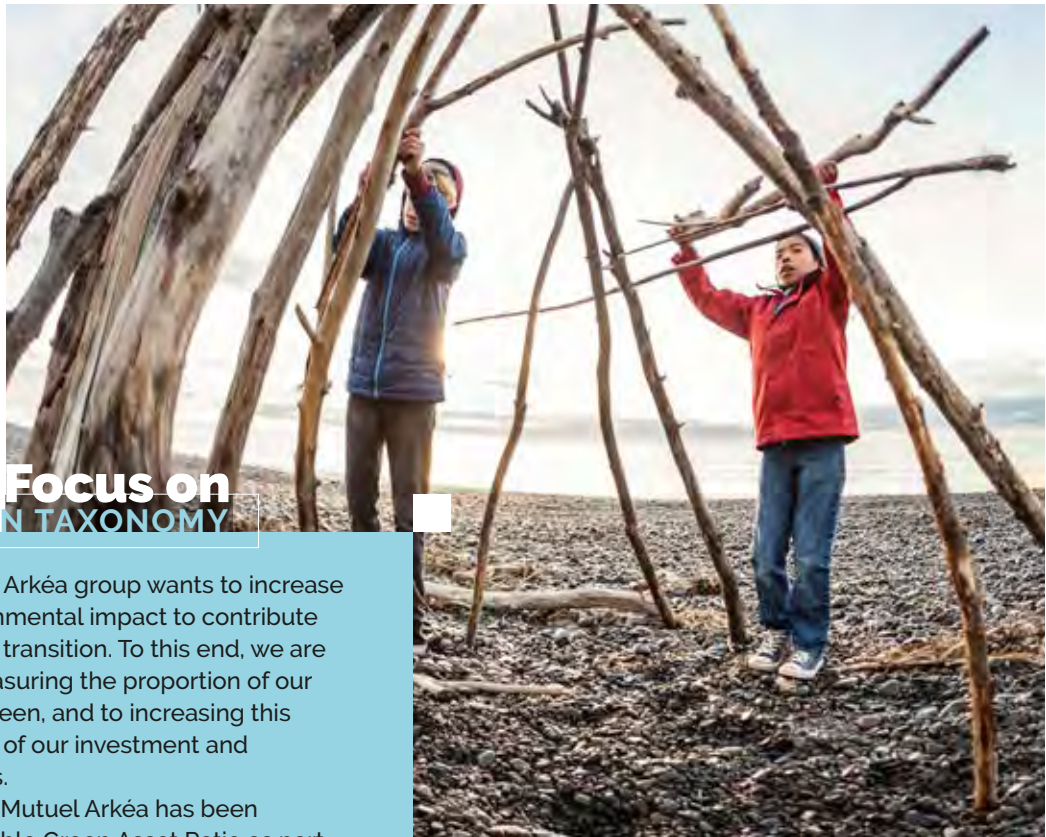
- ▶ for the group's corporate officers, executives and senior managers, financial and non-financial indicators linked to sustainable finance are defined according to business lines and activities.

## MEASURES USED BY CRÉDIT MUTUEL ARKÉA TO ASSESS AND MANAGE CLIMATE-RELATED OPPORTUNITIES

MAIN INDICATORS					
Background	Opportunities for the group	Description of the indicator	Entities concerned	2022 data	2021 data
Need to support stakeholders in their environmental transition and in adapting to global warming	Support customers (individuals, companies, institutions) by raising awareness and providing advice  Develop new financing solutions/products  Increase financing for the energy transition of customers and prospects	Annual production of loans for environmental transition	CMB, CMSO, Financo, ABEI	€860M	€587M
		Outstanding loans to individuals in support of the environmental transition	CMB, CMSO, Financo	€885M	€560M
		Outstanding loans to companies in favour of the environmental transition	CMB, CMSO, ABEI	€609M	€517M
		Outstanding PACT loans	ABEI	€616M	-
		Speed up the upskilling of employees so that they can advise and support customers beyond the financial solution (renovation grants, rights, etc.)	Group	Over 5,000	-
	Increased customer interest in transition-related financial products	Increase inflows into savings products that promote climate and environmental transition.	Gross savings inflows for environmental transition (products made or listed by producers)	Federal Finance Gestion, Schelcher Prince Gestion, Suravenir, Trading room	€182M
Develop thematic savings products that meet the expectations of a demanding customer base.		Share of ESG outstandings	Federal Finance Gestion, Suravenir	69.95%	-
Institutional investors' growing interest in sustainable investments	Meet the expectations of institutional investors by entering the Green Bond market  Refinance the group by issuing green and social bonds	Share of annual refinancing program and structured investment campaigns carried out using Green or Social Bonds	Trading room	12.6%	41%
Development of innovative companies and green projects on the market in search of financing	Increase the green and social share of investments made as part of cash investments	Green and social share of investments made as part of cash investments	Trading room	17%	-

Loan production in favour of environmental transition increased between 2021 and 2022, driven in particular by financing for renewable energy production projects.

On the savings front, the creation of products such as Autofocus Transition Climat has also boosted inflows to savings products supporting environmental transition.



## Focus on THE EUROPEAN TAXONOMY

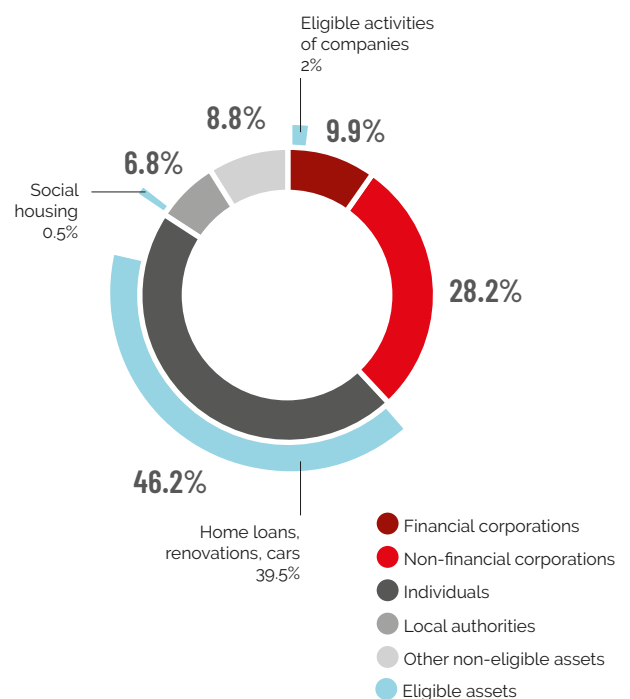
The Crédit Mutuel Arkéa group wants to increase its positive environmental impact to contribute to the low-carbon transition. To this end, we are committed to measuring the proportion of our business that is green, and to increasing this proportion as part of our investment and financing activities.

Since 2021, Crédit Mutuel Arkéa has been measuring its eligible Green Asset Ratio as part of the implementation of the European Taxonomy.

### Article 8 of the delegated act of the EU Taxonomy Regulation Publication on a regulatory basis

	2022	2021
Taxonomy-eligible activities based on the Green Asset Ratio (GAR)	42%	32%
Non-eligible activities based on the Green Asset Ratio (GAR)	20%	32%
Exposure to sovereigns, central banks and supranational issuers as a percentage of total assets	26%	15%
Exposure to hedging derivatives (excluding trading book) as a percentage of total assets	4%	1%
Exposures to entities not subject to NFRD as a percentage of total assets	22%	24%
Trading book as a percentage of total assets	0%	0%
Interbank demand loans as a percentage of total assets	0%	0%
Total Green Asset Ratio (GAR) in €m	100,029	107,900
Total assets in €m	136,640	127,706

### > Details of Green Asset Ratio assets

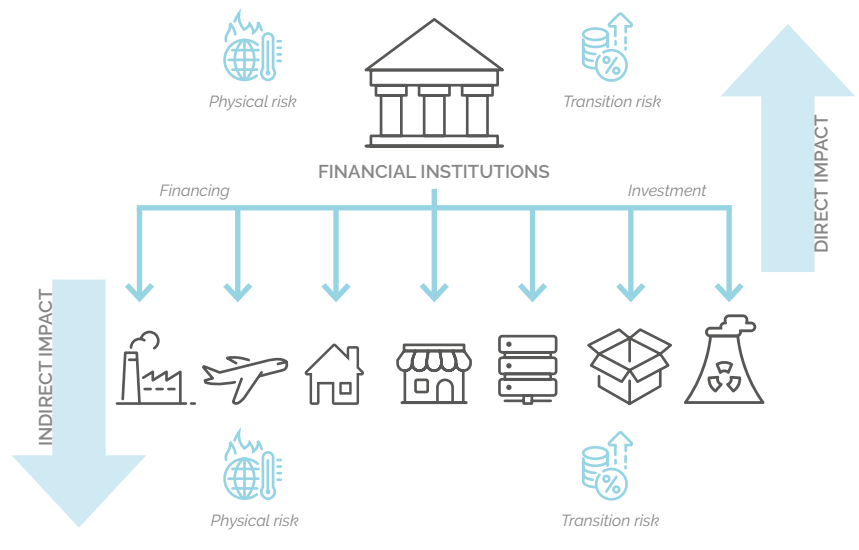




## THE MEASURES USED BY CRÉDIT MUTUEL ARKÉA TO ASSESS AND MANAGE CLIMATE-RELATED RISKS

Assessing and managing climate and environmental risks is a process of continuous improvement, and is enriched over time by the greater availability of the underlying data. Indicators relating to climate and environmental risks enable monitoring at both operational and governance levels. These indicators cover physical and transition risks, whether directly or indirectly borne by Crédit Mutuel Arkéa.

### DISTINCTION BETWEEN DIRECT AND INDIRECT RISK



#### FINANCIAL INSTITUTIONS ARE FACED WITH:

- **climate risks** (physical and transitional) that **they are directly** faced with (e.g. geographical location of their banking network, future regulations from banking and financial authorities);
- **climate risks** (physical and transitional) that **they are indirectly** faced with through the financing and investments of their individual/corporate/institutional customers, whatever their sector of activity (e.g. customers' geographical location, disruptive innovation, stranded assets, etc.).

Source: Crédit Mutuel Arkéa, 2022



### EXAMPLE OF DIRECT AND INDIRECT INDICATORS FOR PHYSICAL AND TRANSITION RISKS



#### PHYSICAL RISK

##### DIRECT RISKS

Operating real estate (in m<sup>2</sup>) with high acute physical risk not covered by a continuity plan (as %)

##### INDIRECT RISKS

Exposures sensitive to the impact of chronic climate change events



#### TRANSITION RISK

##### DIRECT RISKS

Direct CO<sub>2</sub> emissions (scope 1, scope 2 and partial scope 3)

##### INDIRECT RISKS

Investments in coal companies



## Physical risks

To assess physical risks, Crédit Mutuel Arkéa uses both a sectoral and a geographical approach. Physical risks can have direct consequences, such as damage to property or reduced productivity, or indirect ones, such as disrupting supply chains.

### Direct physical risks

#### > Operating real estate

Crédit Mutuel Arkéa measures the exposure of its operating real estate to acute physical risks, and takes remedial action where necessary. This scope covers bank branch buildings, head offices, departmental headquarters and expertise centres of Crédit Mutuel Arkéa entities. This assessment is based on Bat-ADAPT, a tool created by the Sustainable Real Estate Observatory to initiate a vulnerability analysis of real estate assets to physical climatic risks using a geographical approach. The climate risks concerned are heat waves, droughts and SSC (shrinkage and swelling of clay), floods and marine submersions. The tool evaluates exposure to four climate risks in mainland France, with a high level of granularity: postal code or property address, depending on the risk. The indicator used is therefore the proportion of Crédit Mutuel Arkéa's operating real estate in m<sup>2</sup> exposed to acute physical risks not covered by a continuity plan. At the end of 2022, this indicator stood at 0%.

### Indirect physical risks

#### > Sector exposures to physical risks

As previously mentioned, a sector risk reference framework has been deployed by the Cross-Functional Risk Management Department. It is used to measure the level of exposure of outstanding bank loans to companies belonging to risky sectors in terms of physical risks. The aim is to provide an initial approach by sector approximation via a gross exposure to climate risks due to belonging to a business sector. The sectoral reference framework for physical risks is based on studies by recognised organisations (OECD, United Nations, TCFD, etc.) and thus makes it possible to qualify the exposure of the sectors.

#### > Geographical exposures to physical risks

Crédit Mutuel Arkéa measures its sensitive exposures to acute, chronic and acute and chronic physical risks. This assessment is based on an internal tool dedicated to the assessment and geographical measurement of physical climate risks, at the level of municipalities (granularity: postcode) for mainland France.

Called PRISM (Physical Risk Internal Scoring Model), the tool currently covers six climate risks based on scientific databases for identifying national (Georisques, DRIAS) and international (PREPdata) risks and climate projections.

#### • Acute climate risks:

The acute climate risks considered in the assessment are floods, droughts and storms-hail-snow. The indicator used is that of amounts invested and financed that are sensitive to acute physical risks. At the end of 2022 and based on Crédit Mutuel Arkéa's Banking Book, these outstandings represented €2,030 million or 3.35%.

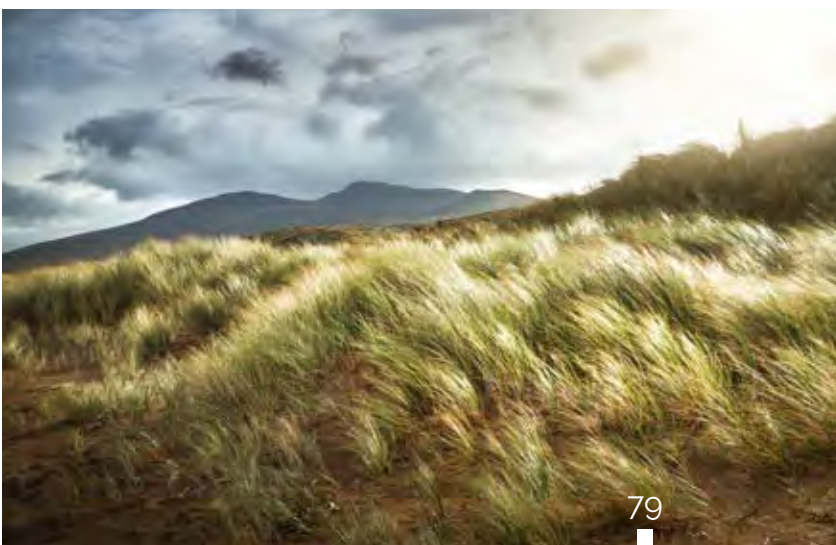
#### • Chronic climate risks:

The chronic climate risks considered in the assessment are rising air temperatures, changes in rainfall patterns and rising sea levels. The indicator used is that of amounts invested and financed that are sensitive to chronic physical risks. At the end of 2022 and based on Crédit Mutuel Arkéa's Banking Book, these outstandings represented €818 million or 1.35%.

#### • Chronic and acute climate risks:

The indicator chosen is that of the amounts invested and financed that are sensitive to both chronic and acute physical risks, i.e. a combination of the two previous indicators. At the end of 2022 and within the scope of Crédit Mutuel Arkéa's Banking Book, these outstandings were zero.

The PRISM tool is intended to be improved over time, by moving down to a finer level of geographical granularity and covering more climate risks.





## Transition risks

To understand transition risk, Crédit Mutuel Arkéa relies on the volume of greenhouse gas emissions. It is generally accepted that transition risks weigh more heavily on companies with the highest emissions, due to their exposure to restrictive climate regulations, stranded assets or variations in market sentiment and preferences.


### Direct transition risk

#### > Crédit Mutuel Arkéa's CO<sub>2</sub> emissions

As part of its medium-term action plan, Crédit Mutuel Arkéa has decided to set itself a target of reducing its direct emissions (scope 1, scope 2 and partial scope 3) by 15,000 tonnes of CO<sub>2</sub> equivalent by 2024 compared with 2019 levels.

The measurement of scope 1, scope 2 and partial scope 3 emissions and their reduction over time constitute a transition risk indicator. Indeed, the higher the CO<sub>2</sub> emissions, the more companies may be exposed to restrictive climate regulations.

For the 2022 financial year, the group's carbon footprint was 48,774 tonnes of CO<sub>2</sub>, or 4.5 tonnes of CO<sub>2</sub> per full-time equivalent.

 *Pillar 4 • Indicators and objectives*  
*"Measuring and managing operational greenhouse gas emissions" • p.74*

### Indirect transition risk

#### > Investments in coal companies

Coal is the fossil fuel that emits the most CO<sub>2</sub>, and is therefore extremely exposed to transition risk. Crédit Mutuel Arkéa has therefore decided to reduce its exposure to companies in this sector. A sectoral policy has been drawn up to provide a framework for this exit mechanism. The indicator used is therefore that of amounts invested in companies whose activity thresholds exceed those authorised by the sector policy in force.

Crédit Mutuel Arkéa's coal policy has been in force since 2019. At the

end of 2022, these outstandings represented €0.3 million. They are managed in run-off mode and will no longer be in Crédit Mutuel Arkéa's balance sheet by the end of 2027, in accordance with current policy.

AMOUNTS INVESTED  
IN COMPANIES WHOSE  
ACTIVITY THRESHOLDS  
EXCEED THOSE  
AUTHORISED BY THE  
CURRENT COAL POLICY

31/12/2020 ► €105.4 M

31/12/2021 ► €97.4 M

31/12/2022 ► €0.3 M

#### > Investments in oil and gas sector companies

Oil and gas are fossil fuels with high CO<sub>2</sub> emissions, and are also particularly exposed to transition risk. In line with its position on coal, Crédit Mutuel Arkéa has therefore decided to reduce its exposure to companies in the oil and gas sector. A sectoral policy has been drawn up to provide a framework for this exit mechanism.

The indicator used is therefore that of amounts invested in companies whose activity thresholds exceed those authorised by the sector policy in force.

Crédit Mutuel Arkéa's oil and gas policy has been in force since January 1, 2022. At the end of 2022, these outstandings represented €210.63 million. They are managed in run-off mode so that they will no longer be held by the end of 2030, in accordance with current policy.

#### > Exposures to the top 20 carbon-intensive companies

Crédit Mutuel Arkéa measures its exposure to the 20 companies worldwide that emit the most greenhouse gases, according to the Carbon Accountability Institute (CAI)\* list.

The indicator used is the amount invested and financed in the 20 companies listed by the Carbon Accountability Institute (CAI). At the end of 2022 and within the scope of Crédit Mutuel Arkéa's Banking Book, these outstandings amounted to €1,164 million, representing 0.004% of the assets covered by the analysis.

#### > Sector exposures to transition risk

As previously mentioned, a sector risk reference framework has been deployed by the Cross-Functional Risk Management Department. It is used to measure the level of exposure of outstanding bank loans to companies in sectors that are risky in terms of transition risk. The aim is to provide an initial approach by sector approximation via a gross exposure to climate risks due to belonging to a business sector.

The sectoral transition risk reference framework is based on studies by recognised bodies (OECD, United Nations, TCFD, etc.) and the level of greenhouse gas emissions for each business sector.

#### > Exposures to issuers with poor ESG ratings

The companies monitored by the Counterparties Committee have ESG ratings, including a climate component, in addition to their credit ratings. Crédit Mutuel Arkéa relies on ESG ratings carried out by Arkéa Investment Services entities. These ratings range from A for the best-rated companies to E.

The indicator used is the amount of E-rated investments that are in breach, i.e. that have not complied with the rules and procedures laid down by the group Counterparties Committee.

\* <https://climateaccountability.org/wp-content/uploads/2020/12/TopTwenty-CO2e-2018-Table.png>





## OUTLOOK

Crédit Mutuel Arkéa is aware that climate issues cannot be measured by a single indicator, but by a combination of different metrics, both static and dynamic, and intends to continue deploying complementary steering and measurement indicators in 2023:

- ▶ construction of low-carbon alignment targets for polluting sectors;
- ▶ continued work to implement the European Taxonomy, in order to be able to measure the alignment Green Asset Ratio;
- ▶ climate risk assessment and consideration in business processes (physical risks and transition risks);
- ▶ assessing biodiversity-related risks and incorporating them into business processes (physical and transition risks);
- ▶ continued work on assessing the ESG risks to which companies are exposed, according to their business sector, in the process of granting bank loans.

Implementing these commitments requires the following key success factors:

- ▶ enrichment of non-financial data, including climate data, financing and investments;
- ▶ development and reliability of measurement methodologies;
- ▶ ongoing support for the development of the skills of the various teams in understanding the challenges and measurement indicators.

# Crédit Mutuel **ARKEA**

1, rue Louis Lichou - 29480 Le Relecq-Kerhuon

Tel.: 02 98 00 22 22

118, av. Champs-Élysées - 75008 Paris

Tel.: 01 56 69 76 00

**cm-arkea.com**

@cmarkea

---

Crédit Mutuel Arkéa, a variable capital limited liability credit cooperative and insurance brokerage company.  
Registered office: 1 Rue Louis Lichou 29480 Le Relecq-Kerhuon - SIREN: 775 577 018 BREST TRADE AND COMPANIES REGISTER

The Crédit Mutuel Arkéa group comprises Crédit Mutuel Arkéa, the Crédit Mutuel de Bretagne and Crédit Mutuel du Sud-Ouest federations and their member local savings banks, as well as some 40 specialised subsidiaries (Fortuneo, Monext, Arkéa Banque Entreprises et Institutionnels, Arkéa Investment Services, Suravenir, Suravenir Assurances, etc.).