

TCFD REPORT

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

2021



Crédit Mutuel
ARKEA

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INTRODUCTION

For the second year running, Crédit Mutuel Arkéa has published its climate report, drawn up in accordance with the recommendations of the Task force on Climate-related Financial Disclosures. Crédit Mutuel Arkéa aims to be transparent in its disclosure of information related to its business and change, and is committed to continuous improvement in the fight against global warming and the development of its business model in line with these challenges.

The challenges of climate change are significant and require a **transition of business models**. As an economic player, particularly rooted in territories and in close proximity to its stakeholders, the Crédit Mutuel Arkéa group wishes to assume this responsibility and the major role it must play in **accelerating social, environmental and climate action**.

Crédit Mutuel Arkéa has always placed assistance and support for 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 in a position to make **an active contribution, be it financial**, through financing for example, **and/or extra-financial**, by providing advice and expertise.

True to its cooperative and collaborative DNA, Crédit Mutuel Arkéa also participates in marketplace initiatives aimed at **developing and structuring sustainable finance at international level**. All stakeholders must **take**

into account the effects of global warming:

- through the prism of **risk management**, which must be measured, supervised and monitored with increased attention and demanding measures,
- and also with a **vision conducive to the development of opportunities for the territories and their actors**, thanks to the creativity of the teams and to innovation.



In each of its business lines¹, the **Crédit Mutuel Arkéa** group is committed to carrying out this exercise, which it details in this TCFD report.

During the course of 2021, the governance and expertise dedicated to sustainable finance and climate were strengthened within the group. The resources are fully mobilised and show great commitment.

The consideration of climate in risk management has been strengthened by its inclusion in the risk appetite framework.

The group is pursuing its Climate Strategy both in terms of risk management and opportunities seizing. During the past year, experiments were carried out in collaboration with stakeholders. For example, corporate clients were supported in taking into account the first requirements of the European Taxonomy. New products were launched and certain offers were strengthened to better meet the needs of customers and members - individuals, companies, institutions - in terms of financing energy renovation, renewable energy, green savings, equity investments to help accelerate transitions, etc.

Today, the methodologies for measuring results have to be tested. Data, its collection, monitoring and reliability are real challenges for measuring the performance of the systems put in place. The group has chosen to share, in this report, the various experiments conducted in 2021 as well as the associated limits and challenges.



In the face of the climate emergency, and despite an uncertain and particularly shifting context, economic actors must accelerate in the fight against global warming.

To do this, it is necessary to innovate, test and share successes and challenges in order to progress together. At Crédit Mutuel Arkéa, we have chosen to mobilise our resources to make an active contribution to priority transitions.

Through this second TCFD report, we are presenting our concrete actions in favour of the climate transition, with a strong ambition: to make continuous progress.

Crédit Mutuel Arkéa is positioning itself as a player in a world that is conceived in the long term and takes into account the planet's major societal and environmental challenges for its stakeholders and for future generations.»



Hélène BERNICOT
Chief Executive Officer - Crédit Mutuel Arkéa

¹ https://www.cm-arkea.com/banque/assurance/credit/mutuel/ecb_5006/en/our-businesses



GOVERNANCE

I. GOVERNANCE

Crédit Mutuel Arkéa is a cooperative and collaborative banking group. This strong identity is reflected in the significant involvement of its governance and the mobilisation of its stakeholders in defining the group's strategy, its objectives, its commitments and their implementation. **Crédit Mutuel Arkéa's governance guarantees the group's sustainability approach.**

Governance and organisation must be adapted in terms of committee structure and expertise to meet current and future regulatory requirements. These changes should allow for a better integration of climate change issues in the transition of Crédit Mutuel Arkéa's business model, based on opportunities and risks.

In 2021, significant changes were made to strengthen the integration of sustainability issues, particularly climate issues, into the entire group's decision-making:

- creation of a Sustainable Finance Executive Committee
- appointment of two ESG-climate directors
- creation of a Sustainable finance division

1. Involvement of Crédit Mutuel Arkéa's Board of Directors in monitoring climate-related risks and opportunities

Crédit Mutuel Arkéa's Board of Directors approves the group's strategic orientations. It then oversees their implementation through the executive bodies and monitors them regularly. As part of its duties, it discusses the group's main sustainability policy guidelines every year. **In 2021, the Board of Directors' operating rules were amended to formalise its responsibilities in the area of ESG and Climate Transition.**

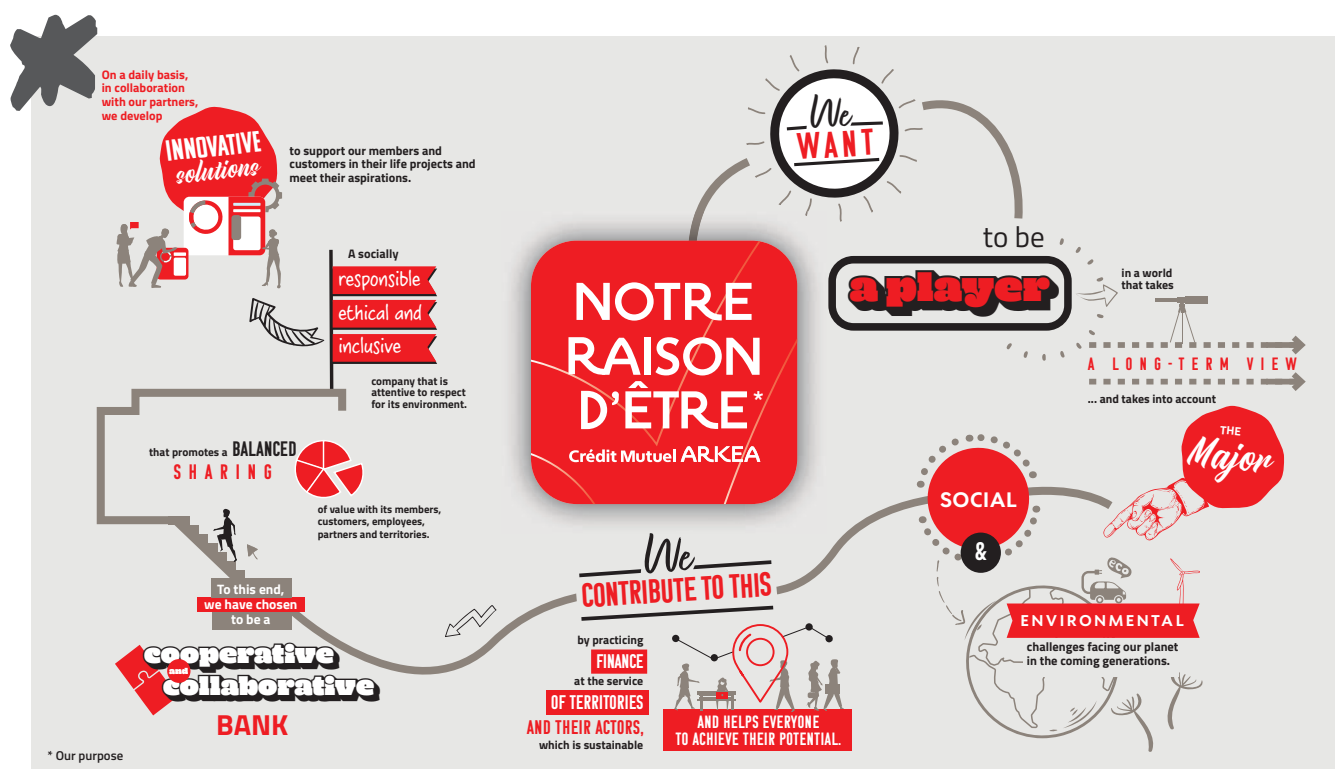
It materialises the fact that the Board of Directors takes into account environmental, climate, social and governance issues when validating strategic orientations, policies and significant operations and defines the level of risk appetite associated with them.

Thus, the Board has a major role in monitoring climate risks and its appetite framework. In 2021, the Board of Directors endorsed the following appetite principles relating to environmental risks, including climate change:

- ensure that risk-taking is consistent with the commitments made through the group's Raison d'être (Purpose) and Climate Strategy and reduce the carbon footprint of the conglomerate's activities;
- integrate environmental risks and their transmission mechanisms to other types of risks (mainly credit risk) into the systems integrate progressively.

At the same time, the Board of Directors has included an indicator for the sectoral exposure of coal in its risk appetite framework.

Raison d'être (Purpose)



In 2019, the Board of Directors validated Crédit Mutuel Arkéa's **Raison d'être** (Purpose). In 2020, it was also particularly involved in drawing up the Transitions 2024 strategic plan, which places environmental issues at the heart of the group's strategy, in line with its Raison d'être.

Climate Strategy and Sectoral policies



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

1. Strengthen the group's commitment to the climate transition with regard to companies and regions
2. Integrate climate as a performance and risk factor in the management of the group's activities



The Board of Directors adopts the first **sectoral policies** of the group and validates their updates:

- **Coal policy** in force since 2019
- **Oil and gas policy** adopted in 2021

The Board will also be involved in defining future sectoral policies for low-carbon transition key sectors.



In addition to the attention paid to climate issues in the context of the presented projects, a **half-yearly progress report** on the implementation of the commitments of the group's Climate Strategy is presented to the Board of Directors, as well as an **annual progress assessment**, as part of the group's strategic plan monitoring.

1.1. Managing climate issues

Crédit Mutuel Arkéa's directors' charter was amended in 2021 to reflect the need to address environmental issues, including climate change, social issues and corporate governance, in terms of opportunities and risks. This skills development is supported by the contribution of specialised committees and the training provided to directors. This commitment aims to strengthen the consideration of these issues in all the work carried out and the decisions taken by the Board of Directors.

The contribution of specialised committees

To validate the group's strategic orientations and main action plans, and to ensure 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.

The particular attention to be paid to the consideration of environmental, social and governance (ESG) issues, including climate change, is formalised in the charter of each committee.

These committees are particularly involved in addressing the climate issue from a strategic and risk monitoring perspective.

> Strategy and Social Responsibility Committee

This committee monitors the progress of the group's strategic project, ensures that Corporate Social Responsibility is integrated into the heart of the strategy. In this respect, it has analysed, among other things, during the year 2021:

- the new strategic plan;
- the overall performance measurement approach (see *Pillar 4: Indicators and objectives «Measuring overall performance» p.67*);
- the group's participation in market initiatives favouring more sustainable finance (see *Pillar 2.Strategy «Market commitments and initiatives in favour of a more sustainable economy» p.30*);
- the thermal Coal financing and investment framework Policy revision;
- the new Oil and Gas Sector Policy.

In 2021, the committee met 8 times.

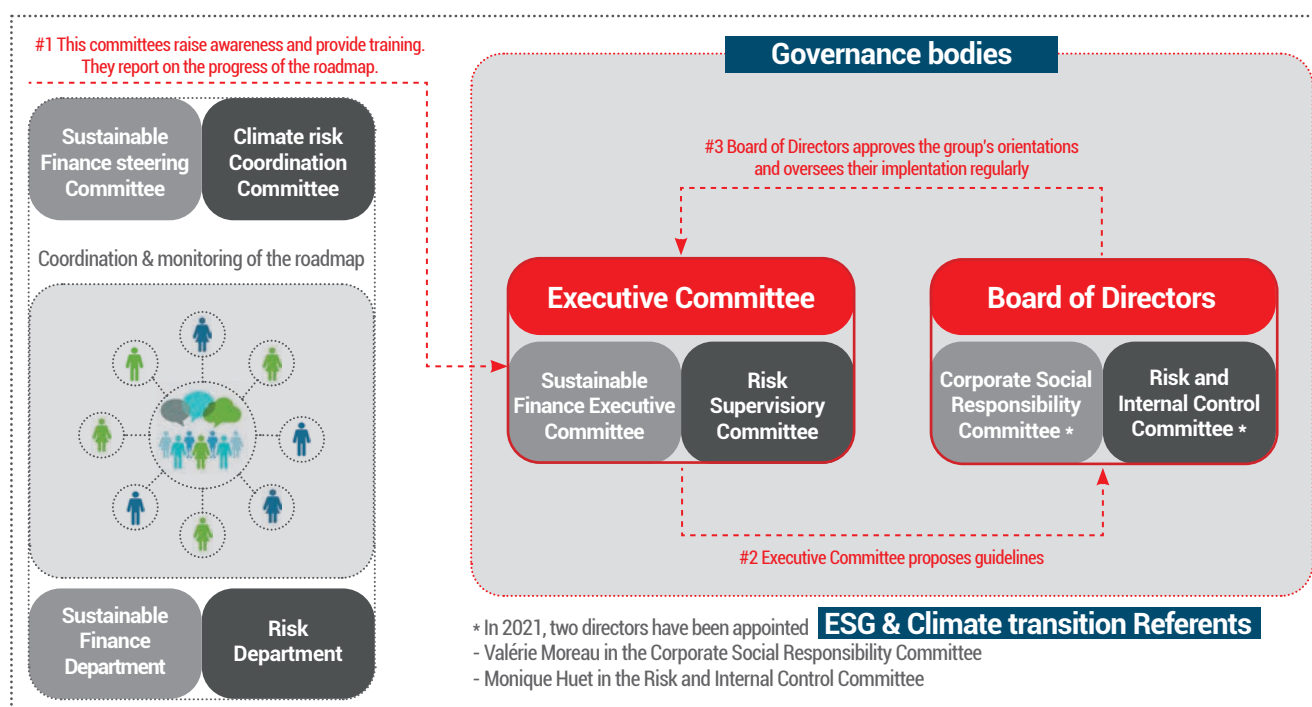
> Risk and Internal Control Committee (CRCI)

The mission of this committee is to assist the Board of Directors in its responsibility for overseeing Crédit Mutuel Arkéa's risks and internal control system. This committee is responsible for formulating the group's risk appetite framework and monitoring compliance with it.

As such, at the end of 2021, CRCI worked on the integration of environmental risks - including climate risks - into the group's risk appetite framework for the year 2022.

Throughout the year, CRCI monitored compliance with the Coal Policy and the disposal of residual positions via the quarterly risk dashboard.

In 2021, the committee met 10 times. The monitoring of action plans used to progressively integrate ESG issues, including climate change, into the group's risk and internal control systems are an integral part of this committee.



In 2021, **Crédit Mutuel Arkéa** strengthened its governance on **ESG & Climate transition** issues by appointing two directors to the Strategy and Corporate Social Responsibility Committee and the Risk and Internal Control Committee: Valérie MOREAU and Monique HUET.

Arkéa Capital, the group's private equity subsidiary, and Arkéa Banque Entreprises et Institutionnels, which provides local support to companies, local public and institutional players and real estate professionals, have also appointed ESG-climate directors to their Supervisory Board in 2021.



> ESG-climate directors

Valérie MOREAU

Valérie Moreau holds a master's degree in human sciences and business coaching and is specialised in human resources management and management. After starting her career as an advisor at the Pôle Emploi, she worked as a manager for 10 years, as a branch director, while at the same time carrying out training missions in a management university. Since 2020, she has created the firm Auxilium Talents and works as a professional coach.



The challenges of transition are major in our society. Environmental and societal transitions are extremely linked and essential to prepare our future and that of future generations. The mobilisation of society is essential to change our practices and preserve resources.

At the heart of the company, it is the commitment of all that will enable the business model to evolve, in favour of all the group's stakeholders. We have a real challenge ahead of us to generate positive impacts on the

environment, social life and local and regional vitality. It is together, thanks to collective intelligence, that we invent solutions adapted to climate challenges."

**Valérie MOREAU**

Director of Crédit Mutuel Arkéa,
ESG-climate referent within the Strategy and
Corporate Social Responsibility Committee



Crédit Mutuel Arkéa, whose Raison d'être includes taking into account major social and environmental issues, recognised the urgency of the climate problem very early on and took concrete action to promote the transition to a more environmentally friendly economy. Today, banking regulations are being strengthened and are leading us to measure climate risk more and more precisely. We are actively working on this, as it contributes to a better supported and shared awareness.

As far as the actions undertaken are concerned, we are aware of the complexity: the ecological transition must go hand in hand with a societal transformation. Bringing together complementary skills within the boards of directors allows us to make more solid decisions, integrating all the issues, in order to aim both for the preservation of natural capital and an inclusive and balanced society in the territories. "

Monique HUET

A graduate of HEC, Monique Huet has spent her career in the energy sector within the EDF and Gaz de France groups. She was Financial Director of GDF Production Nederland BV in Holland and then Director of the Exploration & Production Business Unit of the GDF-Suez group (Engie).

She is currently active in consulting and training. She is a certified administrator from Sciences Po - Institut Français des Administrateurs.



Monique HUET

Director of Crédit Mutuel Arkéa,
ESG-climate referent within the Risk
and Internal Control Committee

Training of directors

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

During 2020, all members of Crédit Mutuel Arkéa's Board of Directors and Executive Committee received a training on climate issues for the financial sector from a consulting firm specialised in strategy and environment, prior to reviewing and approving the Climate Strategy in November 2020.

In 2021, a specific module on climate risk was delivered to the Board of Directors.

At the beginning of 2021, an e-learning module on sustainable finance was delivered to all the directors of the group, its subsidiaries and its federations. This training was completed by a second module, dedicated to climate issues for a financial player. By the end of 2021, 140 directors at the second level - from the subsidiaries and the boards of directors of the Crédit Mutuel de Bretagne and Crédit Mutuel du Sud-Ouest federations - have taken this module.

In October 2021, during a seminar, the directors also attended a round table on climate issues, with a speech by Pierre Ducret, President of I4CE.

In November 2021, the members of the Board of Directors were made aware of the importance of climate risk management in a dedicated training course.



The governance bodies of some of the group's entities have benefited from dedicated training.

Beginning of 2019, in the area of asset management, **Arkéa Investment Services** - which brings together the expertise of several asset management companies and the group's private banking business - has been conducting an awareness-raising and training programme on climate issues for its governance bodies. The programme included evolution of European regulations and the application of these issues to the heart of the investment process in terms of issuer selection and risk monitoring.

The members of the Supervisory Board of **Suravenir**, Crédit Mutuel Arkéa's life insurance, pension and provident fund subsidiary, receive annual trainings on sustainable finance issues. They were made aware of climate risks in 2020 and 2021.

2. Involvement of Crédit Mutuel Arkéa's executive in the assessment and management of climate-related risks and opportunities

The main role of Crédit Mutuel Arkéa's Executive Committee is to assist the group's general management in its strategic management. It proposes strategic orientations to the Board of Directors and then oversees the implementation of the strategy approved by the Board of Directors and the monitoring of the arising risks.

Within the framework of its prerogatives and powers, in order to ensure the relevance and quality of its decisions, Crédit Mutuel Arkéa's general management has structured its organisation around cross-functional committees. These committees are made up of managers in charge of business lines and support functions.

2.1. The creation of a Sustainable Finance Committee

In September 2021, a General Management Committee dedicated to Sustainable Finance was set up. Its missions are:

- to propose to Comex and the Board of Directors **strategic orientations and commitments in terms of sustainable finance**, in line with Crédit Mutuel Arkéa's Raison d'être, as well as **the related framework measures**;
- to ensure that these measures are **applied to all the group's businesses and processes** and that they are properly integrated;
- monitor their implementation and **report on their progress** to Executive Committee and the Board of Directors every six months.

From September to December 2021, the committee met twice. **Climate issues are discussed at each meeting.**



2.2. The role of the transversal committees

The Sustainable Finance Executive Committee provides a global vision of sustainable finance. It complements the actions of existing committees which, at their level, integrate sustainability issues into their decision-making. This is particularly the case for the following bodies:

The group **Risk Surveillance Committee** contributes, on behalf of and by delegation from the Executive Board, to the governance and overall management of the group's risks, including environmental risks. Since the members' awareness of climate risks in 2019, many topics related to this theme have been addressed, such as the plan to integrate climate risk management within the risk management department or the pilot exercises of climate stress tests of the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and the European Banking Authority (EBA).

In 2021, out of the 15 meetings of the RSC, climate risks were specifically addressed on 5 occasions during the committees.

- The **February 2021** session was devoted to the pilot climate **stress test exercise** of the Autorité de Contrôle Prudentiel et de Résolution (ACPR).
- The **March 2021** session was devoted to the validation of the **risk map** integrating climate and environmental risks.
- The **April 2021** session concerned the validation of the action plan for **compliance** with the European Central Bank's (ECB) «Climate and Environmental Risk Guide»

- The **October 2021** session provided an opportunity to hear the **feedback from the Joint Supervisory Team (JST)** on the self-positioning and action plan for compliance with the European Central Bank's (ECB) «Climate and Environmental Risk Guide»;
- Finally, the **November 2021** session led to the validation of the **risk appetite framework** integrating the principles of environmental risk appetite complemented by quantitative indicators.

The group **Counterparty Committee** acts under the delegation granted by General Management and within the limits set - and reviewed at least once a year - by the Board of Directors of Crédit Mutuel Arkéa.

It includes in its work the **ESG (environment, social and governance) analysis of the market issuers submitted for validation**. The ratings obtained complement the traditional credit risk analysis. **Depending on the score given following the ESG analysis, the committee may refuse certain listing requests**. Its position may be reviewed over time in the event of a change in this ESG rating/analysis. **Environmental issues, including climate change, are fully addressed in the ESG analyses carried out, through the environmental dimension (E).**

In 2021, the committee met **14 times**. Climate issues were addressed in all meetings through specific reports or presentations.

The **Listing Committee** acts under the delegation of General Management and within the framework of Crédit Mutuel Arkéa's prudential system. In this

respect, it aims to optimise and secure the purchasing policy for financial products and services applied by all Crédit Mutuel Arkéa entities (on its own account and on behalf of third parties). Since the Disclosure Regulation came into force, this committee has implemented a process taking into account, in its listing decision, the level of maturity of the management company studied in terms of assessing sustainability risks, including climate risks.

In 2021, the committee met **8 times**. Climate issues were addressed in all sessions through specific presentations or ESG and sustainability risk analyses associated with each listing file.

Other management committees in the group are strengthening the integration of climate-related issues in their field of intervention. These changes have been formalised in their operating charter in 2021: credit committee, customer commitment committee.

This consideration of ESG issues, including climate change, by the governance bodies is also carried out at the level of the group's subsidiaries.

Within **Arkéa Investment Services**, an ESG officer has been appointed to the Executive Committee. This person is the Head of Financial and ESG Research.

In 2019 and 2020, **Federal Finance Gestion** and **Schelcher Prince Gestion** have carried out an awareness-raising and training programme on climate issues for their governance bodies (Management Committees, Boards of Directors and Supervisory Boards) and for all their employees.

Similar approaches have been deployed jointly at Swen Capital Partners and Mandarine Gestion, other Arkéa Investment Services' management companies.

In 2021, all **Suravenir** employees, including the members of the management committee, were made aware of climate issues (sustainable finance and climate risks). In addition, since 2021, a formal review of the ESG situation of the mandate entrusted by Suravenir to Federal Finance Gestion has been carried out during the investment committees where Federal Finance Gestion analysts present monitoring indicators (breakdown of the extra-financial rating, social impact investments and climate indicators). In addition, specific points are made: commitment actions, a focus on the lowest rated issuers, extra-financial monitoring of that were made. At the end of 2021, Suravenir began to implement the group's governance framework: a quarterly Sustainable Finance Committee has been in place since April 2022.



3. The operational organisation of climate issues

In line with the changes made to its governance, the group is continuing to **optimise its operational organisation** in order to take greater account of the climate issue and to implement the **two pillars** of its Climate Strategy:

- **strengthen Crédit Mutuel Arkéa's commitment to the climate with regard to companies and regions;**
- **integrate climate as a performance and risk factor in the management of the group's activities.**

3.1. An increase in skills

By the end of 2021, **more than 5,000 group employees had completed the e-learning module dedicated to climate issues for a financial player.** This module was delivered as of June 2021.

In order to complete this awareness-raising, «**Climate Fresco**» workshops were held by certain subsidiaries and central departments of the group. 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 cause-and-effect links between the various components of climate change.

In addition to increasing the skills of existing teams in 2020 and 2021, **the group has also strengthened its ESG-climate expertise by recruiting external ESG or energy transition specialists, both in the central structures (notably the sustainable finance department) and in the subsidiaries (notably Arkéa Banque Entreprises et Institutionnels and Federal Finance Gestion).**



3.2. Coordination of actions

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

In order to best coordinate the integration of these issues and actively contribute to this approach, **the group relies on an organisation based around a dedicated Sustainable Finance division.**

The Sustainable Finance division is made up of the **Sustainable Finance Managers** of the group's entities (subsidiaries, federations, central services departments) and **a central team: the Sustainable Finance Department.**

It proposes sustainable finance frameworks, such as sectoral policies, and implements the associated action plans.

The central team of the Sustainable Finance Department, which is part of Crédit Mutuel Arkéa's General Secretariat and Corporate Communications Department, has eight employees.

Its role is to:

- **to lead the Sustainable Finance division and the group's governance** on these subjects;
- **coordinate cross-functional projects** related to the integration of ESG-Climate issues, whether they are specific to the group's commitments or regulatory;
- formalise **frameworks** and produce sustainable finance reports;
- contribute to sustainable finance **communications**, particularly when approached by external parties within the scope of Crédit Mutuel Arkéa.

A Sustainable Finance Steering Committee was created at the beginning of 2021. It brings together the Sustainable Finance Managers of the entities, 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. **The main tasks of this new committee are to:**

- **propose approaches/strategies on ESG & Climate issues** to the group's governance bodies;
- monitor the progress of the Sustainable Finance Roadmap through the presentation of a **monitoring dashboard**;
- ensure the **implementation of sustainable finance framework policies and the regulatory compliance of the entities**;
- guarantee the use of **group tools and methods**, adapted to the specificities of the business;
- **to present and share market watch and good practices** to the different members.

This committee met 9 times in 2021.

In addition to the Sustainable Finance Managers, specific expertise related to climate and environmental issues is also present in some of the group's entities.

In asset management, an ESG expertise unit has been developed at **Arkéa Investment Services: Federal Finance Gestion** and **Schelcher Prince Gestion** have a joint ESG research team working in conjunction with financial research. This team is responsible for:

- the analysis of issuers on the extra-financial dimension,
- the development of the proprietary scoring model with the Data Analytics and Innovation teams,
- the dissemination of these ESG analyses to the management teams and to **Suravenir** within the framework of the management delegation,
- reflection on reporting models and educational documents for clients,
- monitoring of sustainable finance regulations and their integration into business models with the legal and compliance departments,
- opportunity research for new product development with marketing and management,
- monitoring of sustainable finance issues and more specifically environmental issues, in particular by participating in working groups.

In the banking sector, an **Environmental Transition unit** was created in 2020 within Arkéa Banque Entreprises et Institutionnels.

It aims in particular to:

- accelerate and structure the development of territorial financing linked to renewable energy, renovation and energy efficiency projects;
- bringing together the bank's know-how to form a solid and experienced team capable of covering all the issues related to the financing of the environmental transition;
- optimise the bank's privileged links with all the stakeholders (public and private sectors) involved in an environmental transition process.

3.3. Risk management

Crédit Mutuel Arkéa Risk Management

The Risk Department has been in charge of managing environmental risks, including climate change, since June 2019. The work of integrating these risks within the Risk Department has led to the appointment of **dedicated correspondents**, particularly by type of risk, under the responsibility of the departments in charge of managing them at the group's level (credit risk, operational risk, market risk....). These correspondents have been regularly made aware of climate risks, during plenary sessions from 2019 and during bilateral exchanges in 2021.

This cross-functional organisation makes it possible to **respond to the challenges** of these matrix risks by taking into account their transmission to other risks, including credit risk. It has thus made it possible to build an **action plan to comply with the European Central Bank's «Guide to Climate and Environmental Risks»**, which was presented to the supervisory authorities in May 2021.

Quarterly climate risk coordination committee

A quarterly climate risk coordination committee has been in place since 2020. Chaired by Crédit Mutuel Arkéa's Risk Director, it is made up of the various **Risk Department** managers - in charge of credit and counterparty risk management, operational risk, market risk, the **Financial Steering Department** and the **General Secretariat and Corporate Communication Department**. The main tasks of this committee are as follows:

- **monitor projects of climate risks integration** into the Risk Management Function;
- **report on the implementation of the climate risk strategy**, in particular to arbitrate on possible blocking points identified during operational committees;
- carry out the **budgetary monitoring** of the project;
- **inform and train** its members on certain technical or quantitative points, in order to help them better understand the issues at stake and the related decisions.

The quarterly Climate Risk Coordination Committee met 3 times during 2021.



3.4. Valuing progress

In order to mobilise all employees to take better account of climate issues, the profit-sharing agreement (within the scope of the Economic and Social Unit) has included, since 2017, a criterion for increasing the envelope linked to the reduction of the group's carbon footprint.

Non-financial criteria are also integrated into the individual criteria for the variable remuneration of the group's corporate officers, senior managers and executives.





STRATEGY

II. STRATEGY

Climate change has impacts on the planet, on states, on economic actors and on citizens. Like every company, Crédit Mutuel Arkéa is therefore concerned by climate issues in its strategy and operations.

The integration of all aspects of climate into Crédit Mutuel Arkéa's activities is a continuous improvement process. The diversity of its business lines means that it takes into account climate change in different ways, but in a coordinated manner.

1. Climate risks and opportunities identified by Crédit Mutuel Arkéa over the short, medium and long term

The 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, on its own scale, to the achievement of the objectives of limiting global warming, it is necessary **to assess the impact on the climate of the activities of Crédit Mutuel Arkéa, its customers and the players it finances**. This assessment should provide a better understanding of the impacts in order to better manage them in the long term.
- In addition, **the risks and opportunities of climate change for the Crédit Mutuel Arkéa group, its customers and the stakeholders it supports financially must be identified**, in line with the group's Climate Strategy, which commits to *«integrate climate as a performance and risk factor in the management of the group's activities»*.
 - > **The analysis of climate risks** is the subject of an identification and assessment process

integrated into the bank's risk management systems (see *Pillar 3.Risk management, p.54*).

- > **Opportunities** are identified for the group and for each of its business lines, in conjunction with the business line experts (see *Pillar 2.Strategy «The impact of climate risks and opportunities on Crédit Mutuel Arkéa's activities, strategy and financial planning», p.29*).

1.1. Description of the short, medium and long term horizons

The short-term horizon, less than 2 years, corresponds to the operational horizon, including commercial issues. In the short term, the integration of new regulations or market practices is also achievable.

The medium-term horizon, less than 5 years, corresponds to the duration of Crédit Mutuel Arkéa's medium-term plan. The Transitions 2024 strategic plan includes a number of climate-related commitments, such as developing financing

offers dedicated to supporting the environmental transition of customers and members, and offering customers green savings products. These areas are broken down into concrete actions.

The long-term horizon is defined as more than 5 years: a time frame that allows us to see the concrete results of decisions taken to combat global warming. This time horizon corresponds to the commitments set out in the group's *raison d'être*: Crédit Mutuel Arkéa is committed to supporting its customers over the long term in their transition to a more sustainable future, particularly in terms of climate change and the preservation of natural capital. The sectoral policies adopted by the group, which aim to move away from the fossil fuel and non-conventional hydrocarbon sectors, therefore have a long-term horizon (2022-2030).

1.2. The main risks identified

Definitions

In order to detect the climate risks to which the group is exposed, the definitions of the European Central Bank (ECB) have been used.

Climate risks are mainly of two kinds:

- **Physical risk** refers to the financial effects of climate change (such as increased extreme weather events and gradual changes in climate) and environmental degradation (such as air, water and land pollution, water stress, biodiversity loss and deforestation). Physical risk can be described as «acute» when it arises from extreme events, such as drought, floods and storms, and «chronic» when it results from gradual changes, such as rising temperatures, sea level rise, water stress, biodiversity loss, land use change, habitat destruction and resource scarcity.

It can have **direct consequences**, such as damage to property or reduced productivity, or **indirect consequences**, such as disruption of supply chains.

- **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.

It may arise, for example, from the relatively abrupt adoption of climate and environmental regulations, such as policy actions that seek to limit contributions to the adverse effects of climate change or policy actions that seek to promote adaptation to climate change. This may take the form, for example, of the introduction of a carbon tax. Companies in sectors with high CO₂ emissions are exposed to the **risk of stranded assets**. These assets will lose their value due to their incompatibility with a low-carbon economy. **Technology risk contributes to transition risk.** Technological improvements

or innovations that support the transition to a low-carbon, energy-efficient economic system can have a significant impact on organisations that are dependent on high-carbon, inefficient energy. Changes in market sentiment and preferences as well as supply and demand mechanisms could be impacted by the consideration of climate and environmental opportunities and risks.



Liability risk is the amount of damages a legal entity would have to pay if it were found responsible for global warming.

This risk is closely related to legal and reputational risks. The group considers that climate risks could give rise to liability risk due to:

- damage caused to third parties as a result of climatic events;
- Crédit Mutuel Arkéa's public commitments to the climate;
- the increase in the number of lawsuits against states for climate inaction;
- tabling of resolutions at general meetings of listed companies that do not have a climate strategy (Say on climate)...

Characteristics of climate risks

From a financial point of view, environmental risks have a number of characteristics. These should help to understand and therefore manage the particularity of these risks.

According to Crédit Mutuel Arkéa's vision, they can be summarised as follows:

- climate risks are **universal**, as they impact the whole planet to different degrees in different geographies;
- climate risks are **certain in terms of occurrence and uncertain in terms of magnitude**. Indeed, there are many climate scenarios and uncertainties regarding climate change;
- climate risks have **no history**, in the sense that there is an absence of climate crisis data;
- climatic risks are **temporal** since the risk materializes in the longer term (30-50 years), unlike other risks (3-5 years);
- climate risks are **not yet an incentive** in the sense that there is no monetary incentive for banks to integrate green finance rather than conventional finance;
- climate risks are **matrixed**, as they are a **risk category in their own right** but also a vulnerability factor for existing risks (credit risk, market risk, operational risk, liquidity risk...).
- climate risks are inherently **polymorphic and cross-cutting**, as they are considered by the ECB to be the component of several risk factors;



Group-wide risk analysis

According to the group's analysis, acute physical risks may have a direct impact on Crédit Mutuel Arkéa's activities, strategy and financial planning in the short term and an indirect impact via financed activities and investments.

The frequency and severity of natural climatic disasters are increasing and lead one to consider that **the risk horizon is short-term**. The direct impacts would **damage the group's real estate assets for example**. Operational risk would be impacted in the short term by the acute physical risk. Indirect impacts would concern Crédit Mutuel Arkéa's corporate clients whose main activity is in a sector sensitive to physical risk, such as real estate or agriculture.

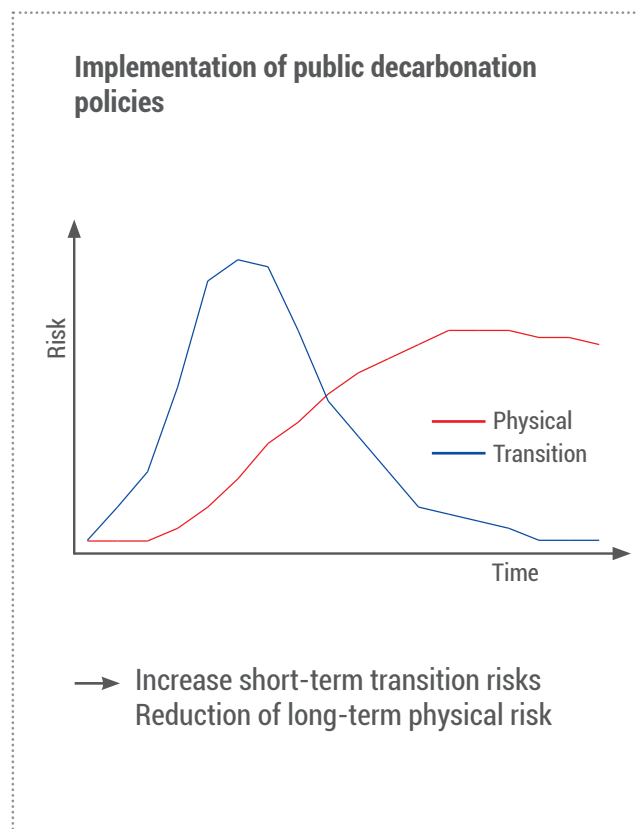
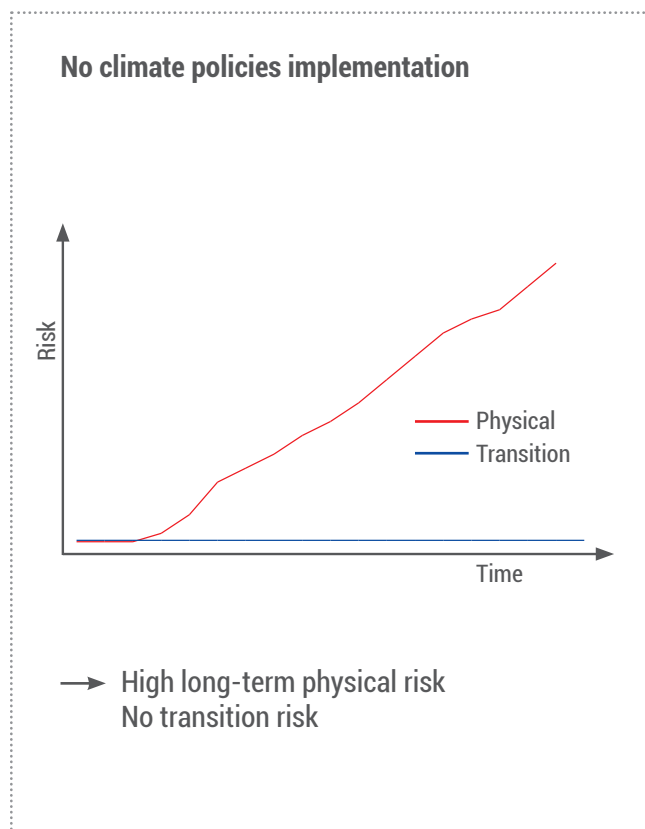
Chronic physical risks, which will take longer to materialise and have direct and indirect impacts, **should be considered over a medium to long term**.

Transition risks are complex to assess as they are highly dependent on regulatory changes and consumer and investor preferences. However, Crédit Mutuel Arkéa bases its analyses on the national low-carbon strategy, which aims to be carbon neutral by 2050. The risk of transition is already materialized today by the Paris Agreements and the Energy and Climate Law. This regulatory arsenal will have to be tightened up over time to achieve carbon neutrality. These considerations lead the Risk Department to estimate that **the transition risk will materialise in**

the medium and long term. It will **mainly have indirect impacts via the activities financed and supported**. Credit and market risks will be impacted by these risks in the medium to long term.

Furthermore, the public commitments made by Crédit Mutuel Arkéa in terms of climate and the increase in the number of lawsuits against States or the tabling of resolutions at the general meetings of listed companies that do not have a climate strategy lead us to consider that **climate risks could lead to legal and reputational risks in the short/medium term**.

The temporality of these two risks is different, as illustrated in the following graph.



Sectoral analysis

At the level of the group's corporate lending perimeter, the sectors most exposed to physical and transition risks are:

Physical risk:

- Real estate activities
- Construction
- Agriculture, forestry and fisheries

Transition risk:

- Manufacturing industry
- Transport and storage
- Production and distribution of electricity, gas, steam and air conditioning



1.2. Identified opportunities

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

A summary of these main opportunities is presented below.

Context	Trades concerned	Opportunities for the group	Scope of activity concerned *	Time horizons
The need to support stakeholders in their environmental transition and in the face of the challenges of adapting to global warming	Retail banking Corporate and Institutional Banking	Increasing funding for the energy transition of customers and prospects. Develop new financing solutions/products to support customers (individuals, companies, institutions) in their climate and environmental transition. Strengthen customer relations through awareness-raising and advice (e.g. energy renovation). Imagining financial solutions to accompany adaptation to global warming	CMB, CMSO, ABEI, Arkéa Crédit Bail	ST/MT/LT MT/LT
	Corporate and Institutional Banking	Strengthen interactions and partnerships with stakeholders at the heart of ecosystems (local authorities, etc.)	ABEI, Arkéa Crédit Bail	ST/MT/LT
	Consumer credits	To evolve from a role as a distributor of consumer credit to that of a financier of environmental and societal transitions, by positioning itself as a key player in the green mobility and home energy renovation markets. Capitalise on the know-how acquired and the BtoBtoC partnerships developed, to meet the challenges of a changing environment.	Financo	ST/MT
	Private equity	Increase deal flow by differentiating from the competition through local support for participations and sharing best practices in terms of corporate social responsibility Creating value by supporting participations to better address climate issues	Arkéa Capital	ST/MT/LT MT/LT
	Corporate and Institutional Banking	Accelerate the development of staff skills so that they can advise and support clients beyond the financial solution (renovation aid, rights, etc.)	CMB, CMSO, ABEI, Arkéa Crédit Bail	ST/MT
	Life insurance / asset management Private equity	Supporting stakeholders in their transition by actively engaging with stakeholders and issuers	Suravenir, AIS, Arkéa Capital	ST/MT/LT

Context	Trades concerned	Opportunities for the group	Scope of activity concerned *	Time horizons
Increased customer interest in transition-related financial products	Retail banking	Increase the collection of savings products that promote the climate and environmental transition.	Group (Suravenir, CMB, CMSO, AIS, Arkéa Direct Bank, CM-Arkéa)	CT/MT/LT
	Online banking			
	Life insurance / asset management	Develop thematic savings products in line with the expectations of a demanding clientele.		
	Trading room			
	Property and casualty insurance	To position itself as an innovative player by thinking about the optimisation of the entire value chain of property and casualty insurance contracts for individuals	Suravenir Assurances, CMB CMSO	MT/LT
	Life insurance / asset management	Strengthen the group's leverage by encouraging good practices among stakeholders (management companies and distributors) in the development of sustainable financial products and by actively engaging with holdings and issuers	Group (Suravenir, CMB, CMSO, AIS, CM-Arkéa)	CT/MT/LT
Growing interest of institutional investors in sustainable investment	Private equity	Attracting a clientele of sophisticated institutional investors who are sensitive to CSR issues	Arkéa Capital	CT/MT/LT
	Trading	Refinancing the group by issuing Green and Social Bonds Meeting the expectations of institutional investors by being present on the Green Bond market	Group	CT/MT
Development of innovative companies and green projects on the market seeking funding	Private equity	Strengthen equity investments in sustainable investments	Arkéa Capital	CT/MT/LT
	Trading room	Increasing the green and social share of investments made in the context of treasury investments	Group	CT/MT

These opportunities will be regularly re-evaluated to take into account the external context in which the group is evolving as well as the evolution of its various businesses.

* CMB = Crédit Mutuel de Bretagne, CMSO = Crédit Mutuel du Sud-Ouest, ABEI = Arkéa Banque Entreprises et Institutionnels, AIS = Arkéa Investment Services, CM-Arkéa = Crédit Mutuel Arkéa

2. The impact of climate risks and opportunities on Crédit Mutuel Arkéa's activities, strategy and financial planning

2.1. The impact on the group perimeter

The impact on the group's business model

The risks and opportunities associated with the climate issue, as described above, have already led to strategic changes and are changing the way the Crédit Mutuel Arkéa group conducts its business on a daily basis, through:

- making **public commitments** to more sustainable finance and **contributing to market work**;
- the definition of commitments dedicated to the climate issue through the adoption of a **Climate Strategy** specific to the group;
- the definition of risk appetite and the integration of risk management indicators.

The work carried out to assess climate risks, both current and future, enables Crédit Mutuel Arkéa to feed the strategic plan **to mitigate these risks and take advantage of identified opportunities**.

By monitoring and analysing climate risks and opportunities, Crédit Mutuel Arkéa is able **to adapt its strategy and strengthen its commercial position**, thereby enabling a positive transformation.

Among the main works, **scenario analysis** is an integral part of Crédit Mutuel Arkéa's risk management, strategic orientation and financial planning. The group is currently working on **its own stress test methodology** in parallel with the methodologies developed for the

first climate stress tests requested by the ACPR and then the ECB, which will aim to respond to the various regulatory stress test exercises (ACPR, EBA, ECB) and **to develop or adapt internal stress test practices** necessary for the proper management of risks as well as for the planning and allocation of Crédit Mutuel Arkéa's resources



> Commitments and participation in market initiatives for a more sustainable economy

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

It is important to specify that Crédit Mutuel Arkéa's climate objectives do not cover all the environmental issues it recognises as important (respect for biodiversity, protection of the oceans, etc.). These issues are themselves **dependent on the societal challenges** to which Crédit Mutuel Arkéa intends to be a committed player.

In 2021, the group joined several recognised initiatives, thus reaffirming its commitment, already formulated in its Raison d'être, to orient its business model towards a better consideration of these issues.

It is also an opportunity for Crédit Mutuel Arkéa and various financial players involved to **share best practices** in terms of methodology and reporting and to formulate **clear commitments** into action.

Moreover, by joining these initiatives, **Crédit Mutuel Arkéa is encouraging all companies to be more transparent** about their actions to combat global warming and to adapt their business model.

WE SUPPORT



United Nations Global Compact

Crédit Mutuel Arkéa has been a signatory of the United Nations Global Compact principles since 2015. Aware of its particular responsibility, towards its stakeholders, the group wishes to support the objectives of the United Nations Global Compact, through its 10 universal principles relating to the respect of human rights, international labour standards, the environment and the fight against corruption.



Principles for Responsible Banking (PRB)

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

- *analyse the current impact of its activities on society,*
- *set progress targets and define the improvement levers to be activated for this purpose,*
- *publish an annual report with his results.*



Finance For Biodiversity Pledge

The Crédit Mutuel Arkéa group joined the Finance For Biodiversity Pledge in 2021 with the aim of strengthening the consideration of biodiversity issues in its businesses. The Finance For Biodiversity Pledge invites its members to exchange and collaborate on different assessment methodologies, measures and targets related to biodiversity, as well as the development of positive impact financing solutions. By becoming a signatory, the group has made a public commitment to contribute to the protection of biodiversity and ecosystems.

By 2024, it will :

- *assess the positive and negative impacts of financing/investment activities on biodiversity,*
- *establish and disclose targets on significant negative impacts,*
- *publish an annual report on positive and negative contributions and progress towards the targets set.*



Finance for Tomorrow

Finance for Tomorrow is an initiative of Paris Europlace that aims to redirect financial flows towards a low-carbon and inclusive economy. Finance for Tomorrow brings together all private, public and institutional players who wish to commit to a finance that is based on a sustainable future and combines long-term investment with consideration of environmental and social challenges. Crédit Mutuel Arkéa's membership of Finance for Tomorrow in 2021 will enable it to participate in commissions and working groups on major issues for the financial centre, notably on impact, just transition, biodiversity and regulatory changes in the field of sustainable finance. The Crédit Mutuel Arkéa group and Suravenir contribute to the Sustainable Finance Observatory.



CDP (ex-Carbon Disclosure Project) et Taskforce on Climate-Related Financial Disclosures (TCFD)

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

Crédit Mutuel ARKEA

WE SUPPORT



Crédit Mutuel Arkéa has been a signatory of the United Nations Global Compact principles since 2015, through its 10 universal principles relating to the respect of human rights, international labour standards, the environment and the fight against corruption.



Signatory of



Subsidiaries



Principles for Responsible Investment
Participation in «Observatoire de la Finance durable»



Principles for Responsible Investment
CDP – ex Carbon Disclosure Project
Signatory of «Appel de Paris»
Signatory of «Global Investor Statement on Climate Change» de l'UNEPFI
Climate Action 100+
Finance for Biodiversity Pledge
Membership of FAIR association (ex-Finansol)



CDP – ex Carbon Disclosure Project
Principles for Responsible Investment
Finance for Biodiversity Pledge
Membership of FAIR association (ex-Finansol)



Initiative Climat International
Principles for Responsible Investment
Equality charter of France Invest

> The Climate Strategy

In addition to its participation in these commitments, Crédit Mutuel Arkéa has defined a **2020-2024 Climate Strategy**. The opportunities associated with the fight against global warming and adaptation are at the heart of its roadmap. **Commitments have been formalised.** They represent development opportunities throughout the group, for the various business lines and for stakeholders in the short, medium and long term.

In 2021, **Suravenir** has formalised its Climate Strategy, which is in line with the framework provided by the TCFD. With this new commitment, Suravenir wishes to take an active part in achieving the objectives set by the Paris Agreement. This achievement is part of the «Ambition Suravenir 2024» strategic plan and illustrates the objective of rethinking the life insurance of tomorrow for sustainable finance, through strategic axes centred on the strength of collaboration and on an offer that responds to the major societal challenges of tomorrow. As an institutional investor, Suravenir will notably integrate climate change as an issue in the selection of external units of account and the monitoring of partner management companies, thus influencing the evolution of practices in the sector.

> Financial and extra-financial support for clients and territories in the implementation of their projects

The Crédit Mutuel Arkéa group is committed to raising awareness among its customers and stakeholders, and even training them, about the risks and opportunities associated with mitigating and adapting to global warming.

Through its various distribution networks, Crédit Mutuel Arkéa is a **local financial partner**. Its local presence gives it a **key role**

in supporting its customers and members, both individuals and professionals, in their environmental transition projects, through retail banking (Crédit Mutuel de Bretagne and Crédit Mutuel du Sud-Ouest federations) and banking for businesses and institutions (Arkéa Banque Entreprises et Institutionnels and Arkéa Crédit Bail). See *Pillar 2.Strategy «Impact at business level», p.39.*

The group is also strengthening its support for companies that develop solutions to combat global warming, specifically through its banking and private equity businesses.

Since 2016 **Arkéa Capital** has been managing **We Positive Invest**, Crédit Mutuel Arkéa's first impact fund. This €20 million capital investment fund supports innovative companies with a social or environmental impact.

In six years, We Positive Invest has made twelve investments: Cozynergy (energy-efficient home renovation), Osmia (bee pollination services), Algo Paint (algae-based bio-sourced paints), iQspot (real-time consumption measurement and analysis solutions for tertiary buildings), Newcyc (reusable cups for vending machines), Phenix (intelligent management of unsold food and food waste), TokTokDoc (telemedicine solution for the medico-social sector), Ascor Communication (online professional training), Andjaro (HR platform for internal employee mobility), Edflex (platform that simplifies access to online training content in companies), Gaïago (soil and plant bio-stimulation solutions) and Maskott (training management and content creation platform for national education and professional training).

> Monitoring and engagement with the most emissive 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 in relation to the most emissive sectors.

Sectoral policy Coal

In the face of the climate emergency, certain sectors of activity must profoundly evolve because their model, resulting in high greenhouse gas emissions, is not compatible with the objective of the Paris Agreement. This is the case of the coal industry, which accounts for a large share of CO₂ emissions from the combustion of fossil fuels.

Against this backdrop, a **group-wide policy to limit financing and investments in thermal coal** was introduced in 2019. At

the end of 2020, **Crédit Mutuel Arkéa strengthened its financing and investment framework for companies whose activity is linked to coal** (extraction and energy production), with the aim of directing financial flows towards technologies and resources that are low in CO₂.

At the beginning of 2021, Crédit Mutuel Arkéa decided on a total exit from thermal coal by the end of 2027.

The group's coal policy is **identical for all business lines, including the asset management business** (Federal Finance Gestion and Schelcher Prince Gestion), which is committed to exiting the sector by 2027, with the exception of products for which the specificities require a differentiated approach (formula funds, index funds, structured



funds, funds of funds in asset management as well as dedicated funds or mandates for which the constraints are imposed by clients).

The exposures relating to this policy are presented at Pillar 4 of this report.



Oil and Gas Sector Policy



In 2021, a policy to manage financing and investments with oil and gas related activity has also been adopted by the group. The group is committed to an exit from unconventional fossil fuels by the end of 2030. This includes players whose unconventional fossil fuels account for more than 10% of annual fossil fuel production or who are developing existing unconventional fossil fuel capacity.

Beyond this exit trajectory, criteria for the supervision of new financing and investments have been applied since 1 January 2022.

For the entire scope, excluding asset management¹, the group is prohibited from financing/investing in players whose Non-Conventional Fossil Energy (NCFE) represents more than 10% of annual fossil energy production. Financing/investment in players that are developing their existing capacity (conventional or NCFE) is also prohibited.

In addition to the commitments made regarding corporate financing, no financing or investment in a project dedicated to NCFEs (exploration, capacity development, infrastructure, processing), or exploration/development of conventional capacities is permitted, regardless of the player that is carrying it.

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

The group's asset management companies will implement (individual or collective) engagement actions 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 accompany the transformation of the sector.



¹ The scope of the activities concerned within Crédit Mutuel Arkéa 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, own-account investments by Keytrade (in run-off), with the exception of structured and indexed funds; dedicated mandates; multi-management; indirect assets where Suravenir's control ratio is less than 50%; unit trusts invested in trackers/index funds and structured products and real estate underlying assets. A commitment strategy will be put in place for UCs backed by UCITS, which will be followed by the adoption of benchmarking criteria. These exceptions are intended to be reviewed annually.

> The search for the positive impact of funding and investments

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

- **deploy and increase the measurement of green activities share** in its investment and financing activities;
- **mobilise savings for the energy and ecological transition** through the development of green and innovative products.

> Adopting an alignment path

As part of its Climate Strategy, the **Crédit Mutuel Arkéa group has committed to adopting a low-carbon pathway, by 2022**, in line with the objectives of the Paris Agreement. **Measuring this alignment should make it possible to assess the effectiveness of the decisions taken by the group, both in terms of supporting business sectors in their climate transition, green financing and sectoral policies, using a dynamic management indicator.**

To this end, **in 2021, the group carried out several methodological tests on different asset perimeters to an approach** (see *Pillar 4. Indicators and objectives «Measures to align with the objectives of the Paris Agreement», p.63*). This work will continue in 2022 to define an alignment trajectory for the Bank's perimeter and then developing an appropriate action plan.



The impact on internal operations

As part of its direct environmental trajectory (relating to its internal operations), **the group has decided to reduce its greenhouse gas emissions by 16% by 2024** (compared to 2019). This progress trajectory will notably lead to a reduction in the costs associated with travel and in its energy expenses.

> Employee travel

Crédit Mutuel Arkéa is taking **proactive steps to limit the number of journeys** made and to promote eco-mobility.

Mobility plans are thus deployed in many of the group's entities.

- For business trips, **the use of the train is favoured and made compulsory for journeys of less than 3.5 hours.**
- After the revision of telework agreements in 2020, **the expansion**

of telework continued in 2021 in the context of the health crisis and the measures to combat the Covid-19 pandemic (including containment). The use of videoconferencing and remote document sharing tools has thus become widespread, with the direct consequence of a significant reduction in business travel and commuting.

The car fleet policy has been modified to encourage the choice of plug-in hybrid or electric «company» vehicles and make it compulsory for employees travelling less than 25,000 km/year. **Since 2018, electric service vehicles have been offered for short-distance travel** by employees in central services, particularly for travel between sites.

Charging stations have also been installed for employees of the central services who use an electric vehicle for their home-to-work journeys.

> Purchasing and choice of suppliers

Crédit Mutuel Arkéa signed up to the **Responsible Supplier Relations Charter in 2017** and is committed to implement recommended good practices in its relations with its service providers.

To identify the CSR risks borne by its suppliers, **the group uses the AFNOR risk map**. The risk assessments are based on three areas: **fair practices and ethics, the environment, respect for human rights and social conditions.**

A questionnaire on the CSR practices of suppliers, including specific questions on climate risks, has also been introduced for all new calls for tender and for contract renewals.

The supplier code of conduct, attached to the contracts, includes three clauses related to the environment, including one dedicated to limiting greenhouse gas emissions.



> Energy consumption

The group pays attention to the energy performance of its operating buildings.

For example, in 2021 :

- Since 1 January 2021, the group has been consuming energy with the following characteristics: **the electricity supplier undertakes to inject into the network a quantity of electricity of renewable origin corresponding to 100% of the sites' consumption.** The gas supplier undertakes to supply «green» gas directly from the production of French biomethane, subject to availability.
- The group aims to be **a committed player in the field of energy in real estate by taking part in conferences and debates**, such as the EnerJmeeting energy efficiency trade fair, to share its experience.
- In 2021, the group obtained **new energy saving certificates premiums** for energy improvement work and also continued to work on the energy improvement of its buildings, both in terms of physical improvement and operational optimisation.
- After obtaining a **new environmental certification in operation according to the BREEAM standard for an office building in investment property in 2020**, the group has undertaken new studies to certify other buildings.
- From a regulatory point of view, the operational implementation of the missions relating to the tertiary sector decree «Dispositif éco-énergie tertiaire» (DEET) and the BACS decree were initiated at the beginning of 2021.
- The programmes for future new buildings drawn up in 2021 have integrated the desire to **comply with the future «RE 2020» environmental regulations** and the objectives of environmental certification.
- As regards the real estate activity of social landlord, in an ongoing process aimed at improving the energy performance of the buildings and social housing under management, the Armorique Habitat subsidiary has undertaken in 2021 a significant energy renovation operation of more than 100 housing units in Morlaix (29). In addition, in 2021, Armorique Habitat has chosen to become a company with a mission, as allowed by the *Loi Pacte*.



The Crédit Mutuel Arkéa group committed to a «Trajectoire Immobilier Durable» initiative

The real estate sector is one of the sectors most concerned by the transition issues.

The **Crédit Mutuel Arkéa** group is a major player in the sector thanks to its many areas of expertise in real estate (financing, investment, social landlord, marketing, etc.).

As part of its strategic plan to 2024, the group has set up a cross-functional initiative called «**Trajectoire Immobilier Durable**». This project aims to strengthen and accelerate the collective consideration of environmental and social transition issues. This action is intended to be relevant both in the financial support of the group's stakeholders, through housing finance for example, and in the implementation of the group's property projects. The Sustainable Real Estate Trajectory places the issues of energy, sustainability and positive social impact as major pillars of its achievements. A dedicated organisation has been in place since 2020 to coordinate, lead and steer this approach at group level.



Through our banking and insurance activities, we are partners with all the players in the real estate value chain. Our group can therefore contribute to encouraging changes in practices by providing solutions"

Bertrand Blanpain,
Deputy Chief Executive Officer of Crédit Mutuel Arkéa,
in charge of the Corporate and Institutional Division

Examples of achievements to support clients and partners in their transitions:

- The **Crédit Mutuel de Bretagne** and **Crédit Mutuel du Sud-Ouest** federations have deployed the PEPZ programme among their sales teams in order to advise and assist their customers in carrying out their home energy improvement projects, in particular by identifying sources of public subsidies that can help reduce the remaining costs (MaPrimRénov', CEE, ANAH grants, etc.).
- Extra-financial analyses based on ESG grids co-constructed by the various entities concerned and used, for example, for the selection and listing of real estate products (properties and investments). The financial analyses are thus supplemented by extra-financial analyses that include criteria relating to the climate and the footprint of investment properties (energy, greenhouse gases, low-carbon construction, biodiversity, soil artificialisation, interfaces with mobility issues, etc.).

2.2. Impact at the business level

The various commitments made by the group are implemented at the level of its different business lines, according to schedules and action plans adapted to their specificities.

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

The impact at bank level

> Knowledge and consideration of the environmental and climate performance of clients

In the banking sector, for a committed financial player such as Crédit Mutuel Arkéa, the climate issue means **developing new products or new offers for individuals, companies and institutions to support their climate transition**. In order to support them in the best possible way, it is necessary

to know their level of environmental performance as well as their exposure to climate risks.

Arkéa Banque Entreprises et Institutionnels has initiated the process of taking into account the environmental performance of its corporate and institutional customers when making financing decisions. **A large proportion of the applications submitted to the Arkéa Banque Entreprises et Institutionnels credit committee include an analysis**

of the customer's ESG maturity. This assessment addresses environmental issues.

Work was carried out in 2021 and will continue in 2022 to strengthen this approach and build a sectoral ESG assessment grid, with a trusted third party specialising in ESG. This grid will be a tool for both the company and the bank to **identify the company's strengths and its levers for improvement** in order to improve its long-term performance.



Focus: Experimentation of the European Taxonomy - Arkéa Banque Entreprises et Institutionnels

Crédit Mutuel Arkéa has a real role to play in helping its customers integrate the Green Taxonomy. The group seeks to facilitate this process by sharing resources, knowledge and best practices to accelerate their transition without constraining their development.

An experiment on Taxonomy was carried out in 2021 with the corporate customers of Arkéa Banque Entreprises et Institutionnels. The aim of this project was to transform the regulatory requirement into an opportunity to support customers in their transition.

Initially, the objective was to raise awareness and provide support to companies, in particular by organising «Shaker days»: days dedicated to meet with clients to discuss climate-related regulatory requirements and better understand their challenges and expectations in terms of support.

With the support of I Care & Consult, the group has co-constructed tools to assist in the analysis, in the form of two questionnaires:

1. at the level of corporate customers to assess the green share of their turnover and capital expenditure. This questionnaire was accompanied by an educational webinar;
2. at project level to assess the alignment of projects financed by Crédit Mutuel Arkéa group entities. This questionnaire has been developed in eight versions with around 40 sub-sections covering key projects that Arkéa Banque Entreprises et Institutionnels wishes to support, such as renewable energies, real estate, mobility and transport infrastructure. It is now used by the Environmental Transition Division to analyse the projects it wishes to support. The aim is also to identify project financing that could be used for future green bonds issued by Crédit Mutuel Arkéa.

This cross-functional collaborative project has therefore helped Crédit Mutuel Arkéa, Arkéa Banque Entreprises et Institutionnels and the corporate customers who took part in the experiment to gain experience in key sectors such as real estate, industry and transport by familiarising themselves with the first technical criteria of the green taxonomy.

For those clients who agreed to test the scheme, the objective was also to have an initial assessment of the level of alignment of their turnover and capital expenditure with the first climate change mitigation objective.

Testing the NEC methodology

This experimentation also made it possible to test another environmental performance metric: the NEC.

The NEC is a multi-issue environmental impact indicator developed by a consortium of asset managers.

It is calibrated on a scale ranging from -100% to +100%, with 0% corresponding to the average environmental performance of companies in the same sector.

The NEC thus covers all economic sectors with specific benchmarks for each.

The NEC was used to assess the green share of several companies in **Arkéa Banque Entreprises et Institutionnels'** portfolio, which were not covered by the European taxonomy due to their sector of activity.

> New products development

Arkéa Banque Entreprises et Institutionnels : 1st bank to offer a PACT loan to SMEs and SMLs

Arkéa Banque Entreprises et Institutionnels was a pioneer in creating the PACT loan: this loan includes an ESG assessment and long-term strategic support to assist SMEs and SMLs in their social and environmental transformation. 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 who are starting out and need tools to structure their approach.

This product encourages the borrower to commit to such an approach, by means of two levers: a reduction in the cost of the loan in the event of progress and support. The borrower's regular ESG assessment is based on extra-financial indicators that include climate issues.

In order to guarantee the neutrality of the assessments, Arkéa Banque Entreprises et Institutionnels uses the expertise of the extra-financial analysis agency Ethifinance, which specialises in the assessment of SMEs and SMLs. Ethifinance measures annual progress, which will be the central element of a report submitted and commented on by the bank to the client.

In 2021, a dozen new clients were won over by the PACT loan. More than 90 PACT loans have been signed for a total commitment of over 500 millions euros.



> Financing of projects dedicated to the environmental and climate transition

> A sector dedicated to the environmental transition

The **Environmental Transition Division** was created in 2020 within **Arkéa Banque Entreprises et Institutionnels**. It is a cross-functional department that supports all of the bank's customers in financing renewable energy projects, energy renovation of buildings (public and private) and energy efficiency.

It relies on a solid and experienced team, capable of **covering all the issues related to the financing of the**

environmental transition, responding to new needs and providing the best solution, whatever the size and nature of the projects, particularly those with a local dimension. The sector's scope of intervention supports two axes:

- **the financing of renewable energies:** photovoltaic, wind, hydrogen, geothermal, anaerobic digestion...
- **energy renovation of buildings and energy efficiency:** energy storage, heating networks, smart grids, electrical stations...

The sector provides solutions both in project financing through its role as agent, arranger or account holder and through the banking solutions it offers: asset financing, investments, corporate financing, etc. It actively participates in the animation of the local ecosystem by organising events and developing partnerships.

This entity is growing rapidly: the team's workforce has doubled by 2021.



> Dedicated offers for the projects of private customers, farmers, winegrowers and professionals

Since the beginning of 2022, the local branches affiliated to the federations of **Crédit Mutuel de Bretagne** and **Crédit Mutuel du Sud Ouest** have been marketing a specific energy transition

offer dedicated to professional, agricultural and business markets. It enables financing of renewable energy production projects, energy renovation, energy efficiency equipment and sustainable mobility.

In response to the needs of its retail customers, the **Crédit Mutuel Arkéa** group aims to become a key player

in the energy transition by offering financing for energy-efficient home renovations, the purchase of low greenhouse gas emission vehicles (e.g. electric or hybrid vehicle loans) and loans to finance energy audits.

Financo, a subsidiary of Crédit Mutuel Arkéa specialising in the design and distribution of BtoC and BtoBtoC consumer loans for individuals and professionals, has made the environmental and climate change transition a central part of its strategy. It is positioned in particular on the home improvement market.

The financial company's ambition is to become a trusted third party in the energy transition, supporting its clients in two ways that represent real opportunities for Financo:

- support for energy renovation - due to the need for housing market change;
- the financing of green mobility - in connection with the evolution of the manufacturers' offer and regulatory changes (traffic restrictions, taxation).

Market opportunities	Ambitions
<p>Energy efficiency in housing:</p> <ol style="list-style-type: none"> 1. Toughening of the Energy Performance Diagnostic (DPE) for homeowners 2. Carbon neutrality target for housing by 2050 3. 500,000 homes to be renovated per year by 2050 	<p>Energy renovation of housing:</p> <p>1.2 billion market (2020 figures / ASF* scope) in which FINANCO aims to account for 20% by 2025.</p> <p>Its market share is 13.7% in the first half of 2021.</p> <p><small>* ASF : Association des Sociétés de Financement (i.e. outside the retail banking market)</small></p>
<p>Automotive:</p> <ol style="list-style-type: none"> 1. Tightening of the bonus/malus 2. End of the thermal car in 2035 3. Development of Low Emission Zones (LEZ) in metropolises 	<p>Plug-in hybrid and electric cars:</p> <p>1.46 billion market (2020 data / ASF scope). The objective is to finance a proportion of 1/3 clean vehicles (plug-in hybrids and electric) by 2025.</p> <p>825 million of auto financing, the share of clean vehicles financed is about 10%, regardless of the type of product financed.</p> <p><small>* ASF : Association des Sociétés de Financement (i.e. outside the retail banking market)</small></p>

> The issuance of sustainable bonds

In order to support the development of financing dedicated to sustainable projects, **Crédit Mutuel Arkéa has developed a framework for issuing Green and Social Bonds in 2019 and issued its first Green Bond in late 2020.**

«Sérénité Globe» and «Perspectives Globe», structured investments marketed since 2020 and 2021 respectively by the local branches affiliated to the federations of Crédit Mutuel de Bretagne and

Crédit Mutuel du Sud-Ouest, are **two savings products, eligible for life insurance and ordinary securities accounts, based on a green bond issue.**

The funds raised in these first green bonds are intended **to refinance eligible renewable energy and energy transition projects:**

- Loans dedicated to the acquisition, development, operation and decommissioning of renewable energy activities: photovoltaic plants.

- Loans for energy saving works: installation of solar panels (individuals and SMEs).

In addition, the performance of these structured products is assessed according to the evolution of the EURO iSTOXX® Ocean Care 40 Decrement 5% Index, an index composed of 40 companies from the STOXX® universe, selected as the best in implementing sound policies for efficient water management.



The impact as a life insurance company

> Taking climate into account in investment decisions

Suravenir, the group's life insurance subsidiary and a signatory of the PRI (Principles for Responsible Investment) since 2018, **incorporates an ESG framework into its investment policy that includes extra-financial risks in the investment process.** To do this, on the scope of financial assets excluding unit-linked products, **it relies on the ESG expertise of Federal Finance Gestion (see Pillar 2. Strategy «The impact on asset management», p. 46).**

In the area of real estate investments, Suravenir works with its main real estate managers, Primonial REIM and Crédit Mutuel Arkéa, to take ESG issues into account in the investment process and in the monitoring of assets, in particular by systematically taking ESG criteria into account in the selection process for new acquisitions.

Another important area of progress is **the increase in the «green share» of the portfolio, i.e. investments linked to activities with a positive environmental impact (renewable energy, water, waste management, circular economy, clean transport, positive energy buildings, etc.).**

> The development of sustainable savings products

Suravenir has developed a new range of products to meet customer demand to participate in a more sustainable economy, particularly one geared towards the energy transition. **Suravenir now offers 466 funds in its catalogue of units of account open to subscriptions that**

meet the requirements of the Loi Pacte: 451 funds are SRI-labelled, 24 GreenFin funds and 9 Finansol funds. A fund can benefit from several labels. The total «Loi Pacte» takes this possibility into account possibility in order to avoid double counting. In 2021, Suravenir has reinforced these ESG requirements when listing the units of account:

- **Suravenir now favours the listing of units of account classified as article 8 and article 9 within the meaning of the SFDR regulation at the expense of units of account classified as article 6.**
- **For issuers of structured products, Suravenir undertakes to comply with the minimum requirements in terms of taking into account extra-financial factors according to Federal Finance Gestion's proprietary methodology by refraining from listing securities issued by E-rated issuers when the information has been shared with the issuer.**
- **For real estate units of account, Suravenir now favours SRI labelling.**

Suravenir has defined **an indicator to monitor the assets under management and the inflows into «sustainable» units of account.** To meet the definition of a sustainable unit of account, **the fund must have at least one label (SRI, Greenfin, Finansol, Relance, LuxFlag ESG, Towards Sustainability), or be classified under article 9 SFDR, or be categorised as «sustainable structured products».**

The total amount of sustainable unit-linked products amounted to €4,329 million at the end of 2021, i.e. 23% of total unit-linked products, an increase of 48% over one year on a constant reference basis (reference basis at end 2021). The indicators of gross inflows into sustainable finance unit

trusts follow this trend, with the latter standing at €734m, up 67% and representing 24% of total gross inflows.

> A player committed to its ecosystem

Suravenir wishes to be a player in the ecosystem on the subject of sustainable savings by:

- **Increased interaction with stakeholders and support for partners to redirect assets towards sustainable savings solutions and raise awareness of changes in unit-linking practices.** For example, in 2021, the main internet partners were made **aware of European regulations on sustainable finance** and their impact on Suravenir's offer.
- **The implementation of a commitment strategy dedicated to management companies mainly focused on the energy transition, through the coal and oil/gas sectoral policies. In the listing file, Suravenir systematically requires the comparison of these sectoral policies of the management company with those of Crédit Mutuel Arkéa.**
- **The listing of new management companies whose convictions are in line with those of Suravenir. Thus, Suravenir limits the new referencing of units of account to UCITS managed by companies that are signatories of the PRI in order to ensure minimum standards in terms of taking into account extra-financial considerations in the management of these funds.**

The impact on asset management

In the field of asset management, the strategy of the group's management companies is illustrated in particular by the increase in the number of labelled funds, **the intensification of shareholder engagement, and the creation and development of thematic funds.**

> Taking the climate into account in management

Federal Finance Gestion and Schelcher Prince Gestion are deploying an approach **that integrates ESG issues at the heart of their investment process.** This allows them to carry out a 360° analysis of issuers. To this end, Federal Finance Gestion and Schelcher Prince Gestion have deployed **a proprietary approach and dedicated tools that enable them to carry out an in-depth analysis of issuers.** ESG analysis is based on a combination of **two complementary approaches, one normative and the other best-in-class.**

The normative approach **ensures that investments comply with the major challenges of sustainable development** (application of sectoral policies on coal and hydrocarbons, exclusion of the most controversial companies, particularly on

environmental issues). The Best in Class approach is designed to **highlight the companies that, within their sectors of activity, demonstrate the best management of their sustainable development issues, particularly environmental issues.** In this context, Federal Finance Gestion and Schelcher Prince Gestion rely mainly on data acquired from Sustainalytics.

In addition, climate issues are monitored on the basis of data acquired from S&P Trucost.

> The development of sustainable savings products

> Labelling of funds

The continuous improvement of the ESG approach at Federal Finance Gestion and Schelcher Prince Gestion was reflected in 2021 by a **labelling plan for new open-ended funds. This approach will continue in 2022 towards the SRI Label and also the LuxFlag Label.** Federal Finance Gestion also has **two GreenFin labelled funds in its range that are oriented towards the environmental transition.**

This fund labelling approach was chosen **to facilitate investors' access to sustainable savings products** by guaranteeing a robust process for integrating ESG issues.

> Thematic or impact funds

Federal Finance Gestion created a fund dedicated to green bonds in January 2020: **Federal Finance Global Green Bonds.** This fund enables the financing of projects in line 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 finally, in a transversal manner, **the fight against climate change** (Goal 13). **The fund follows the Green Bond Principles and is GreenFin certified.**

The two management companies have also created **the Autofocus low carbon fund**, whose index is composed of stocks from the euro zone, selected according to **their strategy to reduce the carbon footprint** of their activities and the results obtained by these strategies.

Federal Finance Gestion is developing management mandates that include the **«Paris Aligned Benchmark» and «Climate Transition Benchmark» climate indices.**



Infrastructure Transition Platform by Schelcher Prince Gestion

In 2021, **Schelcher Prince Gestion**, an asset management company affiliated to **Arkéa Investment Services**, Crédit Mutuel Arkéa's archipelago of asset management and private banking specialists, created the Infrastructure Transition Platform. This platform is designed to finance the development of green infrastructure.

This creation was motivated by the fact that the European Union's «European Green Pact» (€1,000 billion by 2030) places investment in transitional infrastructure at the heart of the strategy for a sustainable carbon-neutral Europe in 2050. The aim is also to use climate change as an opportunity as regulatory changes such as the European Taxonomy will allow a reallocation of capital to sectors contributing to green and sustainable growth.

The main objective of the Infrastructure Transition Platform developed by Schelcher Prince Gestion is to finance the fight against climate change (SDG 13 - measures related to the fight against climate change) by investing in projects that contribute positively to one of the 6 objectives of the European Taxonomy. Schelcher Prince Gestion will thus develop two infrastructure debt strategies that integrate European Taxonomy alignment objectives.

These infrastructures, which mainly meet the SDG 13, will also avoid tons of CO₂ and be in line with the warming trajectory of the Paris Climate Agreement. These strategies can also allocate part of the funds to digital infrastructures that provide a concrete response to SDG 9 (Innovation and Infrastructures).

This development is based on collaborative work within the Crédit Mutuel Arkéa group on the appropriation of the European Taxonomy (see page 40).



Swen Capital Partners supported by the group

Swen Capital Partners is a leading player in private equity Responsible Investment and an example for all the group's entities. The group financially supports Swen Capital Partners in the creation and development of its thematic impact funds, classified under article 9 of the Disclosure Regulation:

- **SWEN Impact Fund for Transition:** In 2019, Suravenir supported Swen Capital Partners in the creation of the first impact fund in France dedicated to decarbonising the gas sector and financing its transition, through investments mainly in anaerobic digestion units, gas refuelling stations and hydrogen infrastructures qualified as «green». All the investments made aim a positive impact on the social and environmental dimensions (reduction of CO₂ emissions, job creation, circular economy...). Suravenir is a member of the impact committee in charge of monitoring the fund's impact objectives. In 2022, Suravenir will renew its support by investing in the second rising of this fund.
- **Blue Ocean Fund:** Fund dedicated to innovative solutions for ocean regeneration, through investments in solutions that address threats such as overfishing, pollution and climate change, in order to transform high-growth, job-creating markets such as aquaculture and marine energy. In 2021, Crédit Mutuel Arkéa was one of the first investors in Blue Ocean.

On each theme, Swen Capital Partners has developed a proprietary impact measurement methodology based on science-based indicators to measure both the positive impacts generated by the fund's investments and to limit any negative impacts.

Crédit Mutuel Arkéa's commitment is fully in line with the group's ambition to strengthen the integration of environmental issues in its investment and financing activities. This partnership gives the group's asset management teams easier access to cutting-edge expertise on climate change issues.

> A player committed to climate with companies

In addition, the ESG Research team's analysts carry out individual engagement with companies.

This approach targets companies with poor extra-financial performance, a significant lack of communication or ESG-related controversies.

The themes of engagement are defined according to their materiality and the company's performance on these subjects. **In 2021, 70 engagement actions were carried out, with the majority of the topics discussed with the companies relating to the environment and, in particular, climate.**

Management companies are also undertaking collective engagement initiatives, such as **taking part in the 2021 CDP Main Disclosure Campaign.**

The impact on private equity investment

In the field of private equity, Arkéa Capital's strategy is to **integrate ESG criteria** into its investment policy and to **support its investments**.

Arkéa Capital wants to position itself as a key player concerning ESG-climate issues. It therefore aims to attract new partnerships both by opening up to external investors and by developing differentiating offers. It also seeks to promote the creation of value from its holdings.

To this end, **the management company implements the group's Climate Strategy and formalises a dedicated action plan:**

- the consideration of environmental and climate risk performance by :
 - **strengthening the collection and reliability of data** enabling the calculation or an accurate estimation of the greenhouse gas (GHG) emissions of holdings;
 - **measuring the exposure of its portfolio** to climate change risks.
- supporting companies in analysing their climate risks and transitioning to a low-carbon model.

> The inclusion of environmental and climate performance and risks in shareholdings

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

Before investing, Arkéa Capital's team conducts an **internal ESG review**, using a sector-specific tool to help analyse ESG investment opportunities. The tool's analysis criteria are based on the study of **four major extra-financial issues** directly related to sustainable development: **governance, human capital, environment and external stakeholders. Climate change issues are studied in the Environment issue.** The ESG review can be based on discussions with company managers, a due diligence questionnaire and, if necessary, an external ESG audit.

Post-investment, Arkéa Capital conducts **annual ESG reporting** on all its holdings. Arkéa Capital has included questions relating to scopes 1 and 2 of GHG emissions to help holdings calculate their carbon

footprint. The management company also encourages portfolio companies to measure and reduce their GHG emissions.

In 2021, Arkéa Capital strengthened its risk analysis system by developing a **sectoral sustainability risk matrix that includes climate change risks.** Arkéa Capital has also developed a tool to assess the CSR maturity of its holdings, which includes an **environmental component.**

Since 2021, following the answers to the annual monitoring questionnaire, Arkéa Capital has been providing **personalised feedback to the companies** in which it is the main investor. This includes identifying **possible areas for improvement** and actions to be taken. In some cases, Arkéa Capital goes further in its support and may, for example, offer to take in charge of the carbon assessment or to put the company in touch with an external consultant.



> Supporting the participations

Arkéa Capital has implemented a climate awareness **and training programme for its entire investment team**. This has enabled the team to **increase its skills and provide guidance and support to their investments**.

The management company has also systematised **the process of exchanging information on ESG issues with its holdings**, both prior to investment and during the life of the investment. These actions are proved to be relevant: some companies have decided to build a plan to reduce their GHG emissions.

Arkéa Capital proposes to communicate these climate-friendly actions put in place by companies initiatives, to **highlight good practices and inspire other players**.

ESG opinions in the context of Crédit Mutuel Arkéa's direct equity investments

When Crédit Mutuel Arkéa acquires stakes or carries out external growth operations directly, an ESG report that includes climate issues is now systematically issued. This is an integral part of the decision-making process presented to the governance bodies. The ESG opinion is 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 the manager and/or director if necessary;
- issuance of a consolidated ESG opinion, based on the 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 issue and the expected evolution.

This advice makes part of the final investment decision.



The impact on property and casualty insurance

In the field of property and personal insurance, the group's strategy is to **support its customers with dedicated or adapted offers.**

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

- water damage, fire and theft detection systems;
- des alertes et conseils dédiés à l'arrivée d'une tempête.

In terms of car insurance, support for **reducing the carbon footprint** of policyholders is strengthened by **pricing incentives based on the use of vehicles** (depending on the number of kilometres driven, or the number of days the vehicle is used) or **on the CO₂ consumption of insured vehicles** (pricing advantages for electric vehicles).

Through its home insurance offer, **Suravenir Assurances also encourages the production of renewable electricity** by supporting policyholders who are equipped in the event of a claim to protect their installation and cover the financial loss due to the cessation of production.

Finally, this environmental concern is also reflected in **the reduction of printing of contractual documents** by dematerialising them and making them available on the clients' online profiles.

In addition to supporting its customers, **Suravenir Assurances wishes to contribute to the mitigation of global warming by optimising the carbon impact throughout the life of the insurance contract.** The objective is to quantify and qualify the carbon footprint of the entire value chain and to develop **optimisation solutions.**



3. The resilience of the company's strategy, taking into account different climate scenarios, including the scenario of a 2° temperature increase or less

In order to test its resilience to climate risks, the group voluntarily participated in the ACPR and EBA pilot climate exercises. It will also participate in the ECB's mandatory climate stress test in 2022.

The exercise proposed by the ACPR focused on three transition scenarios in which the objective of carbon neutrality by 2050 and the objective of limiting the rise in temperature to less than 2° by 2100 are respected. It was conducted in two stages.

3.1. A projection of our balance sheet to 2050 on three transition risk scenarios

A **methodological approach** was developed for the exercise. These projections were made on the basis of outstanding loans by sector at the end of 2020. To estimate the CO₂ emissions financed by these credits, the group converted:

1. in the first instance, every euro of credit in turnover;
2. in a second step, each euro of turnover in kg of CO₂e.

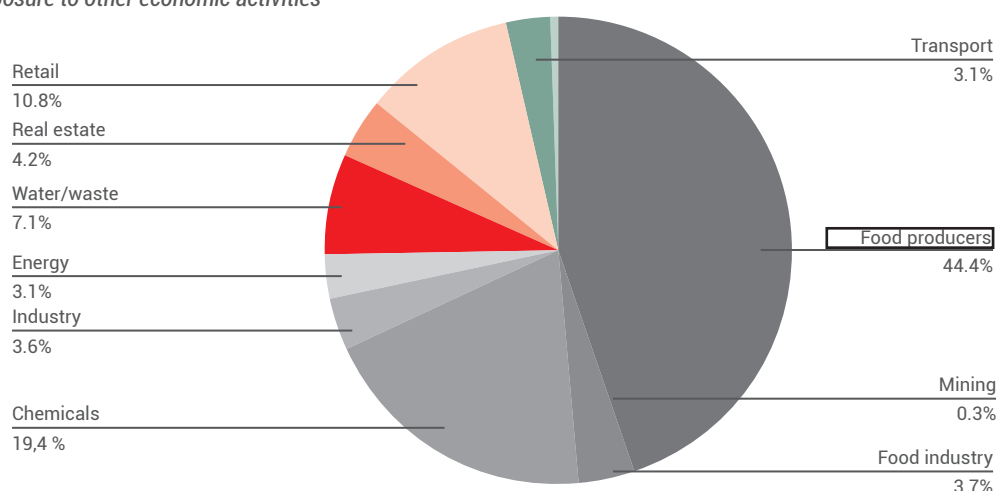
For this purpose, the group has chosen to use databases published by recognised national or European organisations:

- the Bach database of the Banque de France, which makes it possible to associate, for each sector, a turnover with a debt;
- the EuroStat database, which makes it possible to associate, for each sector, CO₂ emissions with a turnover.

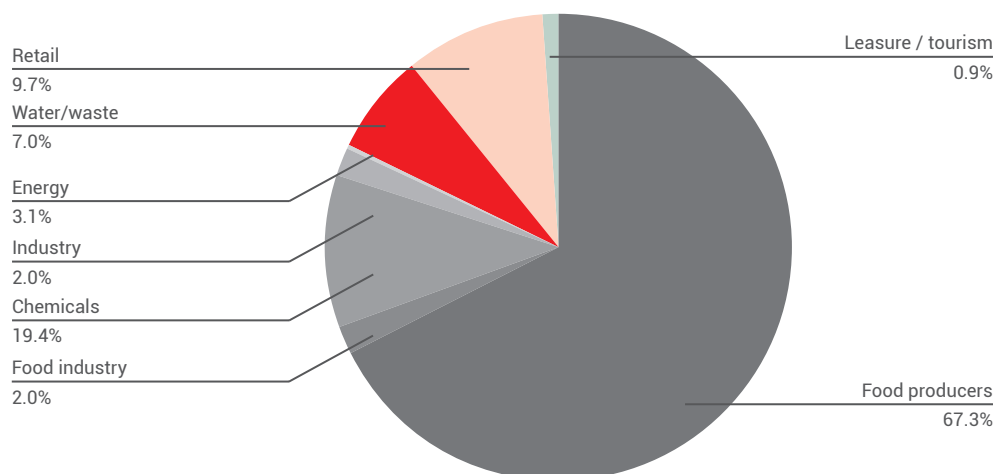
The following estimates were made:

- CO₂ emissions to date, based on credits, by sector;
- **Projected CO₂ emissions to 2050:**
 - on the basis of credits, by sector, to 2050;
 - and on the basis of compliance with an emission reduction trajectory by sector.

Sectorial breakdown of CO₂ emissions financed by credit in 2020*
*excluding exposure to other economic activities



Sectoral breakdown of projected CO₂ emissions to 2050 financed by credit*
**excluding exposure to other economic activities*



It should be noted that the outstanding loans have been projected to 2050 by integrating the group's sectoral policies and tangible medium-term development plans. On the other hand, the group did not wish to artificially limit the outstanding amounts in emissive sectors for which no policy is in place.

These results supported the group's development plans in sectors such as renewable energy production, water treatment and waste management.

3.2. A projection of risk parameters and measurement of financial impacts

The credit risk management parameters (probability of default, provisions, etc.) were **statistically modelled**. These models made it possible to project credit risk parameters to 2050.

The Place results showed that banks' provisions were likely to increase for each of these scenarios. This clearly shows that **the consequences of transition risk must be studied closely by the banks**. Beyond the increase figures, which are based on assumptions, it

is the trend that should be noted. Indeed, in an orderly transition scenario, the increase in provisions would be less than in the other two adverse scenarios (accelerated transition and delayed transition). In any case, the anticipated increase in provisions shows **how important it is for banks to identify, measure and manage these risks now**.

At this stage, the results of the stress tests have no impact on the banks' provisions. The exercise was voluntary and in a «test &

learn» format, i.e. it allowed banks to familiarise themselves with the particularities of climate risks and to start developing methods for modelling these risks on provisions.



RISK MANAGEMENT

III. RISK MANAGEMENT

1. Procedures for identifying and assessing climate risks

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

This implementation has already begun and the Crédit Mutuel Arkéa group wishes to accelerate the pace of its implementation through the following action levers:

- strengthen the consideration of climate by the Risk Management Function on the action plan basis adopted by the group's bodies, in order **to take into account the recommendations of the European and national supervisors** (ACPR, EBA, ECB, etc.);
- have a first **comprehensive assessment of climate risks** (physical and transition risks) on significant financing and investment portfolios, during 2021 firstly;
- progressively integrate these results into financing and investment decision support tools in order **to better control the level of climate risks**, and complement them with a metric for analysing the environmental performance of large companies.

1.1. Identification of climate risks

1.1.1. Risk mapping

Environmental risks, including climate risks, have been integrated into Crédit Mutuel Arkéa's risk mapping via two specific categories:

- **transition risk**
- **physical risk**

They have all been valued in the internal classification scale (according to an assessment as of the date and with a three-year outlook). They represent **a relatively low risk for the bank over this time horizon**, in view of the other risks on the map, such as credit risk or liquidity risk.



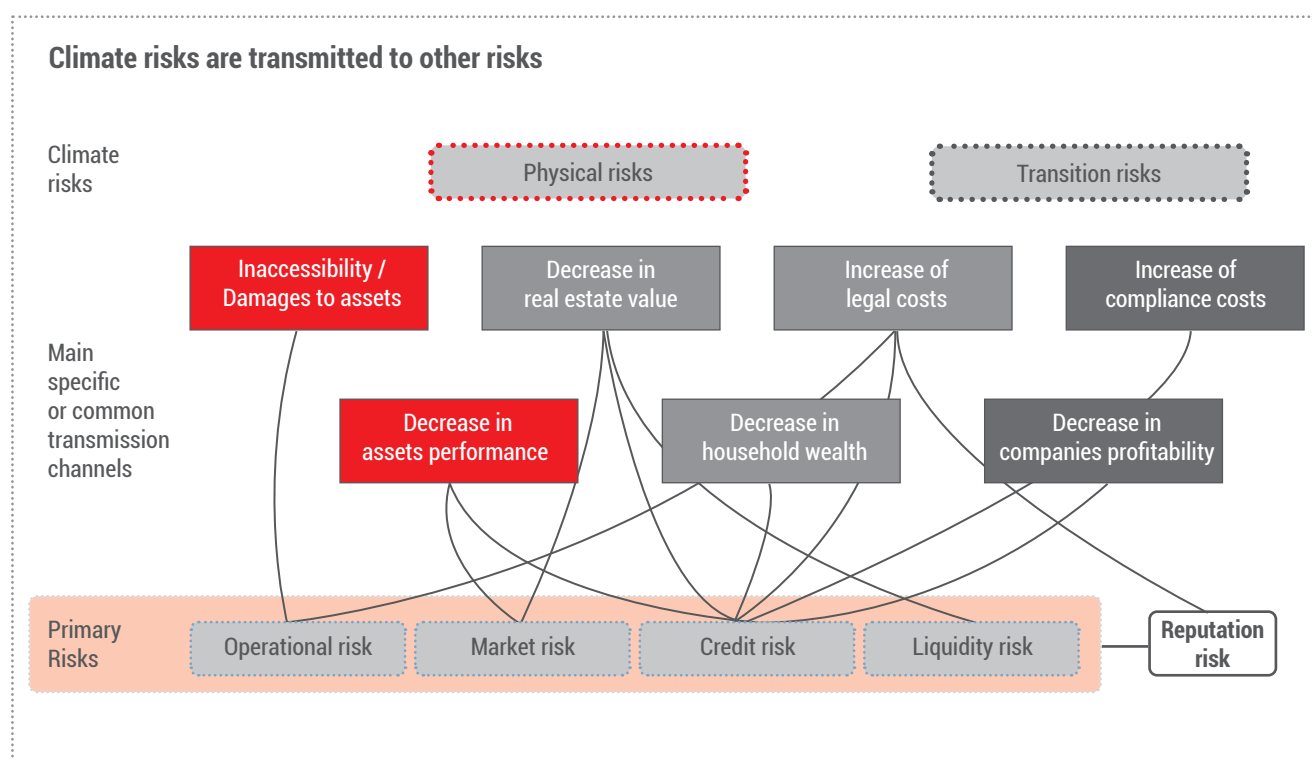
1.1.2. The transmission of climate risks to other types of risks

Climate risks, embodied in physical and transition risks, impact economic activities, which in turn impact the financial system. **Impacts can be direct and indirect.**

For example, there may be a direct impact on real estate assets and an indirect impact via the provision of credit or supported activities when these counterparties are themselves subject to climate risks.

To this end, **climate risks can have impacts on other risk categories, such as legal and reputational risk, credit, operational and market risks, and liquidity risk.**

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



For example, the occurrence of a flood may result in damage to computer servers and may have operational risk consequences of jeopardising business continuity and restoration costs. **The bank may be held liable for the consequences**

of climate change. This liability risk may materialise in the form of sanctions, fines and therefore legal and reputational risk.

This liability can lead to operational risk for the bank, such as claims for

compensation. Increased compliance costs required for example for environmental compliance may impact the ability to repay and therefore the credit risk.

1.2. Climate risk assessment

1.2.1. A retrospective assessment: the climate risk benchmark

In a context where the understanding of Crédit Mutuel Arkéa's exposure to climate risks is complex and the external analysis frameworks are insufficiently detailed and sometimes contradictory, **the need to create a sectoral framework of exposure to climate risks** has been identified for credit and counterparty risks.

It is drawn up by the Risk Department and is **based primarily on studies by recognised organisations** such as the OECD, the United Nations, etc. These qualitative studies make it possible **to objectify the level of climate risks associated with a sector of activity**. This step concerns both physical and transitional risks.

In the case of transition risk, it is relevant to **consider that the sectors that emit the most CO₂ will be strongly impacted by the transition to a low carbon economy**. The analysis of CO₂ emissions by sector of activity makes it **possible to refine the qualitative approach described above with a quantitative indicator**. Moreover, this approach is completed by the

presence or absence of sectors of activity in the ECB's climate stress tests. By deduction, if the ECB questions European banks about the projection of their outstanding amounts and credit parameters on these sectors according to climate scenarios, it can be considered that these sectors have an exposure to transition risk.

In the case of physical risk, no quantitative indicator was found to complete the approach. **The approach is therefore only qualitative** for this risk.

Finally, the exposures of the sectors are classified according to a **3-level scale: low, medium, high**.

In terms of perspectives, the framework gives an idea of the exposure to climate risks of a company due to its sector of activity. **This is a first approach by sectoral approximation which gives an estimate exposure to climate risks**.

The approach to physical risks in 2021 consisted of creating a sectoral analysis framework. This **sectoral approximation approach** is intended to be **supplemented by a**

geographical analysis. Indeed, the locations of a company, its main sites and its suppliers expose it to different climatic hazards.

In order to refine this geographical approach, **work has been carried out on research into climatic databases**. Some databases make it possible, according to a geographical location to be defined: country, department, postcode or even GPS coordinates, to estimate a level of exposure to a climatic hazard (storm, flood, drought, etc.) according to a defined scenario and time horizon. Other databases will make it possible to identify the geographical areas that have been subject to climatic disasters in recent decades. The study of these databases, their degree of detail and the relevance of applying their content to Crédit Mutuel Arkéa's data is continuing in 2021.



1.2.2. A prospective assessment: climate scenarios

The use of scenarios is relevant to the study of climate risks. Indeed, in the absence of historical climate crisis data, trying to replicate past trends to imagine the future is not appropriate.

The scenarios have several purposes:

- study of the resilience of the business model to different climate change impacts;
- balance sheet sensitivity analysis;
- analysis and quantification of impacts on other risk categories in a stress test logic;
- reflection on the strategic adjustments to be considered;
- estimation of the financial impacts linked to climate;
- estimation of the economic capital to be mobilised.

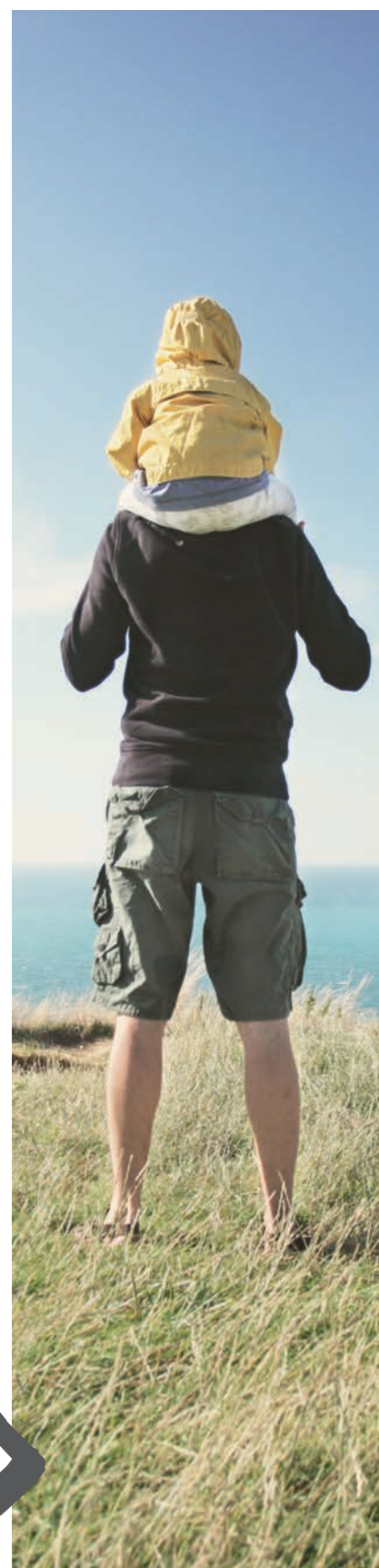
The regulators take turns conducting pilot stress test exercises against climate scenarios. The aim is to allow banks to familiarise themselves with the exercise and to develop methodologies for taking climate scenarios into account.

Based on the first stress test exercises of the ACPR, EBA and ECB, Crédit Mutuel Arkéa will eventually propose its own stress test methodology.

Crédit Mutuel Arkéa has launched a project dedicated to climate scenarios. In line with the commitments made in the ECB guide's action plan, its aim is to

study the possible translation of scientific and recognised climate scenarios such as those of the IPCC into macro-economic indicators and, ultimately, into impacts on Crédit Mutuel Arkéa's various activities.

These scenarios can feed into various risk management processes ranging from economic impact studies for the banking environment to work on the Internal Capital Adequacy Assessment Process (ICAAP).



2. Environmental risk management procedures and integration into the risk management system

Like all the material risks listed in the Crédit Mutuel Arkéa group's risk map, **environmental risks are gradually being integrated into the organisation and tools available within the risk management department.** In this context, the Climate Strategy is being translated into an environmental risk management policy for the various group entities.

In addition to the contribution of the various stakeholders and the different areas of expertise mobilised within the Crédit Mutuel Arkéa group, the introduction and deployment of environmental risk management tools, including climate risk management tools, are based on external sources and best practices in the marketplace. **The ECB's guide to climate and**

environmental risks is one of the reference texts on which the cross-functional approach is based. The multi-year action plan for compliance with this guide, validated by the Executive Board, was submitted to the supervisory authorities in May 2021.

2.1. From the appetite framework to the ICAAP

In connection with the identification of environmental risks and their inclusion in the risk map, **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 entire Crédit Mutuel Arkéa.

These risks have been qualitatively included in the risk appetite statement validated in 2020 by the Board of Directors of Crédit Mutuel Arkéa.

In 2021, this qualitative statement was supplemented by quantitative indicators developed to monitor these risks both at operational level and for supervision by the management body via the risk appetite framework.

These indicators relate to :

- **sectoral exposure levels to physical and transition risks;**
- **direct CO₂ emissions (scope 1, scope 2 and partial scope 3) of Crédit Mutuel Arkéa;**
- **issuers with downgraded ESG ratings.**

This series of indicators specific to environmental risks, including climate risks, is **supplemented by relevant and efficient internal limits.** These limits allow for informed management of environmental risks, **including climate risks, their evolution and their anticipation.** The monitoring framework is part of the risk appetite framework already put in place by the Risk Department. The threshold levels already defined for all Crédit Mutuel Arkéa's key risks are therefore associated with it.

The monitoring of these indicators is carried out at the operational level and at the level of the governance bodies according to their responsibilities and in line with the ACPR and ECB recommendations on the governance of climate risks.

The purpose of the appetite framework is to determine the Crédit Mutuel Arkéa group's sensitivity to environmental issues, including climate change, and therefore

its intrinsic level of appetite. It ensures that these risks are gradually integrated into existing systems.

The possible coverage of this risk by a level of internal capital sufficient to cover the anticipated consumption of this risk by Crédit Mutuel Arkéa is being studied as part of the internal capital adequacy exercise (ICAAP). An in-depth analysis is being carried out and highlights the various work in progress on the identification, measurement and management of climate risks. This work has confirmed the need to work on the implementation of climate risk scenarios.

2.2. Climate risk management policy

In order to structure the management of environmental risks, the Risk Management Department has drawn up an **environmental risk management policy that aims to manage, model, measure, monitor and manage these risks**. The assimilation and management of environmental risks, including climate risks, are documented in order to

report on the group's commitments and the implementation of its Climate Strategy. Policies are drafted as work progresses, thus ensuring **traceability and monitoring of the actions** taken over time.

This policy makes it possible to meet both **the internal challenges of the group in the objectives it has set**

itself, such as the Climate Strategy, and **the commitments made externally**, in particular those related to the expectations of the ECB guide on climate and environmental risks.

Policies for other types of risk (credit, operational, liquidity, market) are gradually integrating these issues.

2.3. The Risk Management Function

In line with the development of Crédit Mutuel Arkéa's business model, the Risk Management Function (RMF) has been integrated into the group's climate management system. The process of integrating the Risk Management Function is structured as follows:

- Discussions with **the heads of the Risk Management Function** of the entities that are a priori most exposed to climate risks made it

possible to carry out **an inventory of practices**, to discuss the channels of transmission of risk to other risks and finally to underline the challenges of constructing and feeding the indicators.

- The Transverse Risk Management Department ensures **the consolidated monitoring of climate risk management for the group**.
- The Risk Management Function managers of the group's entities

have been **trained in climate risks**. They have been involved in the development of the climate risk appetite framework and must now implement it at the entity level. To do this, they must **detect, assess, measure and monitor the climate and environmental risks determined by the group when relevant and according to their specific activity within their entity**.

2.4. Risk monitoring

2.4.1. Impact on different types of risks

As mentioned above, climate risks are inherently polymorphic and part of a matrix, as they do not materialise directly and are transmitted to other risks through transmission factors:

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

With reference to the requests of the European supervisor, the national regulator and certain international public associations, **Crédit Mutuel**

Arkéa will gradually analyse the impact of physical and transitional risks on the level of the various risks listed above. Different approaches will be analysed to assess the level of risk and the level of capital required:

- impact on the value of the bank's assets (shares, bonds). This approach is particularly useful in a portfolio valuation approach;
- set up scenarios, for example to estimate the impact of climate-related scenarios on the internal rating of particularly exposed counterparties.

In any event, Crédit Mutuel Arkéa's work in this area will seek to ensure an adequate level of equity capital in relation to the

level of expected risks. For example, the operational risk management teams study the potential impact of climatic events on the group's assets. They estimate the financial impact of their potential occurrence in terms of an average scenario and an extreme scenario:

- **the probable average scenario** is one of normal activity in terms of both the volumes processed and the nature of the operations themselves;
- **the extreme scenario** is a pessimistic scenario that takes place in an unfavourable or even critical business context, for exceptional volumes processed or even for operations of an atypical nature.

2.4.2. The scoreboard as a steering tool

Crédit Mutuel Arkéa's risk management department is responsible for managing the integration of climate risks in the business lines. It ensures that Crédit Mutuel Arkéa's strategic commitments, including its Climate Strategy and its various sectoral policies, are translated into risks by **producing a quarterly climate risk report**.

The monitoring of commitments, which takes the form of a climate risk scorecard produced by Crédit Mutuel Arkéa, is :

- made available to the Risk Oversight Committee and the Executive Committee;
- forwarded to the Risk and Internal Control Committee.

In 2021, the risk monitoring dashboard includes information on the monitoring of Crédit Mutuel Arkéa's coal policy commitments and ensures that these positions are managed in extinction, as the Board of Directors has introduced an indicator in the Risk Appetite Framework relating to the sectoral exposure of coal in order to monitor the progress of its commitment, namely to exit the coal sector by the end of 2027.

From 2022 onwards, the scoreboard will be enriched with other indicators such as :

- **sectoral** exposure levels to physical and transition risks;
- **Crédit Mutuel Arkéa's direct CO₂ emissions** (scope 1, scope 2 and partial scope 3);
- **issuers with downgraded ESG ratings.**

This risk scorecard will be further developed in line with Crédit Mutuel Arkéa's environmental (and ESG or extra-financial) commitments and the deployment of the associated risk management systems.

2.5. Integration in financing, investment and financial protection decisions

In 2021, Crédit Mutuel Arkéa launched a project **to integrate ESG risk analysis into the credit process**.

This project addresses several issues:

- the ESG-climate roadmap, which calls for ESG assessments to be increasingly carried out in the group's various businesses;
- meeting regulator's expectations (EBA Guidelines on granting).

This project aims to measure the ESG risks to which companies are exposed according to their sector of activity. It will be necessary to assess the mitigation measures implemented by companies and to integrate these analyses into the bank credit granting process.

For savings products offered to

clients, subject to the requirements of Regulation (EU) 2019/2088 (so-called «Disclosure»), the results of the sustainability risk assessment, including climate risk, are made available to Federal Finance Gestion and Schelcher Prince Gestion managers, so that they can take into account the impact of their investments on the variation of the sustainability risk level of their portfolios. The monitoring of sustainability risks for the portfolios is covered by the risk committees of Federal Finance Gestion and Schelcher Prince Gestion.

In the insurance sector, the material consequences of climatic risks are an integral part of the risks specific to this business sector. The increase in the frequency and severity of events is at the heart of Suravenir

Assurances' thinking when it comes, for example, to determine financial protection in the event of extreme events (reinsurance arrangements).



INDICATORS & TARGETS

IV. INDICATORS AND TARGETS

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 reliable and robust indicators. These indicators must be used to:

- measure the impacts 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 monitor climate-related opportunities and risks to the group's business model.

The construction of these indicators is part of a **continuous improvement process**. In 2021, the group tested methodologies to estimate the climate impact of its portfolios and to support its clients. The group is working on analysing the robustness of these methodologies, making these indicators more reliable and collecting new non-financial data.

1. Measuring the impacts of the group's activities on climate change and their overall contribution to the objectives of the Paris Agreement

1.1. Measures to align with the objectives of the Paris Agreement

Crédit Mutuel Arkéa has seized the opportunity of the ACPR 2020 stress tests to build a first methodology, specific to the group, to project greenhouse gas emissions linked to corporate loans.

However, **the group wishes to rely on science-based methodologies.**

In 2021, the Crédit Mutuel Arkéa group conducted several tests of Paris Agreement alignment methodologies. These tests were carried out by the sustainable finance department in collaboration with several group teams: risk management, financial markets management and marketing management.

In addition, Federal Finance Gestion and Suravenir have already implemented **portfolio temperature measures**.

This collaborative approach has helped raise awareness and skills among the teams. Several methodologies were tested according to the data available, which made it possible to **better understand the methodological specificities and to identify the challenges for the group.**



Test 1: Measurement of the temperature of a portfolio managed by Crédit Mutuel Arkéa's Financial Markets Department, using the SBTi methodology

This work was carried out on the replacement portfolio of LCR-eligible assets.

- **SBTi method used:** synthetic temperature measurement of short-term portfolio alignment
- Getting to grips with the models, data and simulation tools made available by SBTi (programming)
- Weighting by outstanding amounts in portfolio (called «WATS» by SBTi) and comparison with other weightings («TETS», «MOTS», «ROTS») based on available data on portfolio companies
- Measuring temperature sensitivity by replacing one company with another (scenarios called «WHAT IF» by SBTi)
- Integration of scopes 1 and 2 of portfolio companies and then scopes 1, 2 and 3 as far as data is available.
- Measuring the impact of oil and gas policy on the temperature of the portfolio
- Ability to benchmark

Challenges and prospects:

- Additional data on portfolio companies (CO₂ emissions, share of investments in the value of the company, etc).
- Taking account of company temperatures in the choice of investments
- Generalise to other portfolios

Results:

- A portfolio temperature of 2.48°C over a 5-year period for corporate bonds, including the effect of the oil and gas policy

Limitations:

- The default temperature for portfolio companies that have not made an Alignment Commitment is 3.2°C to date: this temperature may be reviewed in the light of the IPCC's work on global warming
- Greens bonds, covered bonds and sovereign securities are not currently modelled by SBTi, even though they represent a major share of the outstanding amounts
- The alignment of the portfolio, measured by its temperature, is subject to the compliance of the companies in the portfolio with their commitments to reduce their emissions according to the trajectory that they themselves have communicated
- The scope 3 published by companies takes into account a different perimeter from one company to another, even within the same sector

Test 2: Measuring the temperature of mortgage loans (representing 40% of credits) via the SDA methodology

This work was carried out in collaboration with the customer experience marketing team and allowed us to examine how to recover ECD data from our customers. This test served as a basis for the ECB 2022 stress test exercise.

- Application to housing loans financed by Crédit Mutuel de Bretagne and Crédit Mutuel du Sud Ouest
- Use of public data available from ADEME (EPC: Energy performance certificate) to enrich internal data
- Comparison between average portfolio emissions and the National Low Carbon Strategy
- Sensitivity test of portfolio emissions to the integration of renovation works
- PACTA weighting

Results:

- Estimated GHG emissions from the portfolio of credits analysed = 26.8 kgCO₂ /m²/year compared to
- For 27% of mortgage loans (in number), a match with at least one ADEME EPC was found. This match was made by matching the address of the financed property with the property in the ADEME database

Challenges and prospects:

- Improving the quality and coverage of EPC data
- The results can be used to feed discussions on commercial offer development
- Improvement of the accounting method with weighting by the PCAF method integrating the surface area as well as the value of the property

Test 3: Test of the 2DII - PACTA method via the FBF coordinated approach

- Alignment measure for the corporate credit portfolio
- Eligible sectors: energy, automotive, steel, cement, air transport
- 64M€ of targeted outstanding loans
- For each sector, comparison of expected outstanding loans to respect a warming limited to 2°C, 1.7°C or net zero with the outstanding loans in the portfolio

Results:

- Due to low coverage, the results are difficult to use.

Limits:

- The PACTA method covers only a small part of the group's outstanding loans.

Use of Trucost data on the asset management perimeter

- Application to corporate bonds (excluding green bonds) and equities held directly by Suravenir, i.e. 45% of the portfolio of assets held as a representation of the euro funds.
- Use of S&P Trucost¹ temperature ranges (73% eligible portfolio coverage)
- Comparison with a benchmark representative of the investment universe: 90% Barclays Euro Aggregate 5-7 + 10% Eurostoxx 50
- Comparison of the portfolio's emissions trajectory with that required to limit global warming
- Methodology: identification of companies and stocks aligned or not by a distribution over 4 temperature intervals (below 1.5°C, between 1.5 and 2°C, between 2 and 3°C, above 3°C)

Challenges and prospects:

- Use of intervals that do not allow for the measurement of an accurate portfolio temperature

Results:

- As of 31/12/2021, 43% (in terms of outstanding assets) of the players in Suravenir's portfolio have not defined a strategy to reduce their emissions and are aligned with temperatures greater than or equal to 3°C. The portfolio trajectory is estimated to be between 2°C and 3°C. Suravenir performs better than the benchmark: only 39% of the benchmark has a climate trajectory in line with the Paris Agreement (against 45% for Suravenir). The trajectory of the benchmark is estimated to be above 3°C.
- Efforts have been made in 2021 to shift investments towards a pathway more in line with the Paris Agreement: 55% of purchase flows show a pathway < 2°C.

¹ Source : S&P Trucost Limited © Trucost 2020

Just as the development of a greenhouse gas balance sheet is imperfect, so too are measures to align with the Paris Agreement, but these are necessary:

- **to acculturate the entire company and its stakeholders** to the challenges of climate change;
- **to model** the emissions of the different asset classes financed and their short, medium and long term projections;
- **to develop scientifically a strategic approach** to the fight against global warming.

These initial tests give very partial results due to **the lack of data** and their heterogeneity.

The results are, to date, not pilotable, but they provide complementary views and a better understanding of the strengths and limitations of each methodology.

They also provide **a perspective on the adaptation of the group's commercial offers** and allow work on modelling strategic assets not covered by these methods.

The Crédit Mutuel Arkéa group has therefore set up **an action plan for 2022 to disseminate the use of a single methodology within the group for the entire banking sector and to ensure the reliability of the results, which can then be monitored.**

The objective is to have a snapshot of the group's situation in order to be able **to define objectives and a trajectory that can be managed over time.**

1.2. Measurement and monitoring of operational greenhouse gas emissions

Each year, the group measures and publishes its carbon footprint within the scope of its own activities.

Thus, the group's carbon footprint was carried out at the beginning of 2022, based on 2021 data, and according to the method of the «Bilan Carbone» association.

Because of its strong territorial coverage, the group has chosen

to include commuting to and from work in scope 3.

To date, scope 3 does not include the carbon footprint of the group's financing and investments.

For the year 2021, the group's carbon footprint is 44,403 tonnes of CO₂, or 4.1 tonnes of CO₂ per FTE (full-time equivalent).

Year	2017	2018	2019	2020	2021
Group carbon footprint in tonnes of CO₂ <i>(scope 1+ scope 2 + partial scope 3)</i>	59 780	64 642	61 956	51 548	44 403

- The 14% reduction compared to 2020 is mainly due to the review of emission factors for travel between the employee's home and workplace and for IT equipment.
- The group has set itself the goal of reducing the direct carbon footprint of its operations, with a target of a 16% reduction in greenhouse gas emissions between 2019 and 2024.

1.3. Measuring overall performance

In 2021, Crédit Mutuel Arkéa has implemented a global performance measure - combining financial and non-financial performance.

This unique methodology was designed with technical input from the experts at PwC, to select the relevant extra-financial indicators for the group and its stakeholders and convert them into euros.

The impact of the group's activities on the climate is taken into account in this measurement via CO₂ emissions.

These CO₂ emissions are then converted into euros in order to monetise the impacts.



2. Monitoring and managing climate-related risks and opportunities in the group's business model

2.1. The integration of ESG into remuneration policies

ESG criteria are integrated into the group's remuneration policies at several levels:

For all employees (within the scope of the Economic and Social Unit), the profit-sharing agreement has included, since 2017, a criterion for increasing the envelope linked to the reduction of the group's carbon footprint.

For the group's corporate officers, senior managers and executives, financial and non-financial indicators are defined according to business lines and activities.

2.2. Measures used by Crédit Mutuel Arkéa to assess and manage climate-related opportunities

Measures used at bank level

Trade	Category	Description	Indicators 2021
For the trading room		Portion of the annual refinancing programme and structured investment campaigns realised from Green or Social Bond issues	41%
For the corporate bank Arkéa Banque Entreprises et Institutionnels	Support for transition funding	Outstanding loans to businesses for transition financing (millions of euros)	409
		of which renewable energy financing (millions of euros)	409
	Support for the improvement of CSR practices in companies	Outstanding PACT loans (millions of euros)	500
For the corporate bank CMB / CMSO		Outstanding loans to businesses for transition financing (millions of euros)	108
		of which renewable energy financing (millions of euros)	97
For retail banking CMB / CMSO / Financo	Support for transition funding	Outstanding loans to individuals for transition financing (millions of euros)	560

> Focus on the European taxonomy

At the beginning of 2022, **Crédit Mutuel Arkéa measured its Green Asset Ratio eligibility** as part of the implementation of the European taxonomy.

This first eligibility assessment of Crédit Mutuel Arkéa's activities was carried out on the basis of the Taxonomy draft and the delegated act (annex I and II) available at the date of consolidation of the 2021 balance sheet, through a methodological approach including a detailed

analysis of the group's activities, based on existing processes and reporting systems.

In accordance with the regulation, only assets eligible for the first two environmental objectives (climate change mitigation and adaptation) **are taken into account in 2021.**

Crédit Mutuel Arkéa publishes its ratios on a regulatory basis, for which exposures to non-financial companies are not included in the calculation, as the NACE code

available does not fully reflect the company's activity and therefore its Taxonomy eligibility.

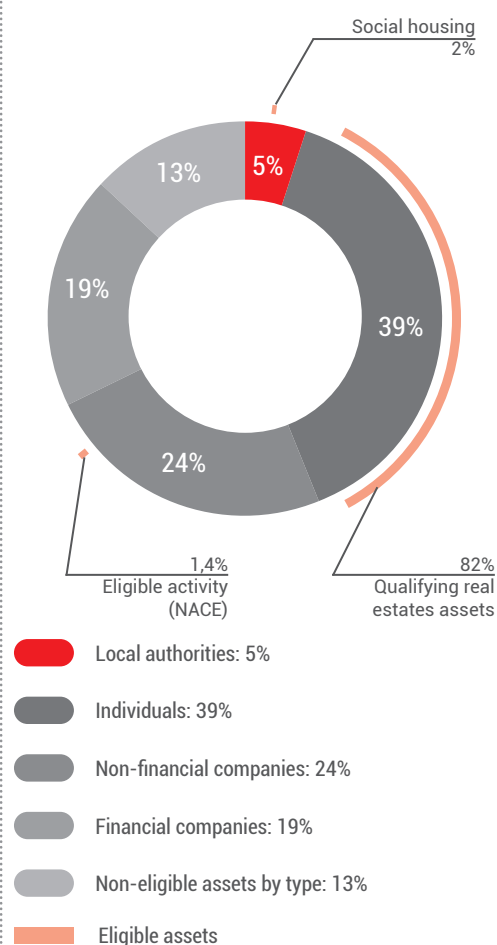
The eligible stocks of non-financial corporations presented in the details of eligible stocks below are therefore an estimate that can be reported on a voluntary basis according to the recommendations of the European Commission.

The inclusion of these estimates in a voluntary publication has a very small impact on the group's eligibility ratio.

Article 8 of the Delegated Act of the EU Taxonomy Regulation - Publication on regulatory basis	31/12/2021
1. Activities eligible for the Green Asset Ratio (GAR) taxonomy	32%
2. Activities not eligible for the Green Asset Ratio (GAR) taxonomy	32%
3. Exposure to sovereigns, central banks and supra-national issuers on total assets	15%
4. Exposure to hedging derivatives (excluding the trading book) on total assets	1%
5. Exposure to non-NFRD entities on total assets	24%
6. Trading book to total assets	0%
7. Interbank demand loans on total assets	0%
8. Total assets Green Asset Ratio (GAR) (in k€)	107 900 290
9. Total assets (in k€)	127 706 350

In addition to these regulatory ratios, which will ultimately make it possible to assess and monitor the alignment of financing compared to green activities within the European taxonomy, the Crédit Mutuel Arkéa group's target is to develop offers to support its individual, professional and business customers in addressing climate issues. The group is monitoring these objectives through the indicators described below.

Breakdown of Green Asset Ratio



Measures used in life insurance and asset management

Trade	Category	Description	Indicators 2021
For life insurance and asset management	Outstanding ESG assets	Share of ESG assets (Federal Finance Gestion and Suravenir)	93 %
	Green assets	Suravenir's Energy and Ecological Transition investments (millions of euros)	1 311

At the Suravenir level, specific monitoring indicators have also been defined. These figures reveal Suravenir's strategy **to develop its offer more sustainably**.

Category	December 2020	December 2021
Total assets of units of account "Loi Pacte" (millions of euros)	1 638	3 227
Number of units of account "Loi Pacte"	231	466
of which number of SRI-labelled units of account	224	451
of which number of Greenfin labelled units of account	9	24

Measures used at risk capital level

In the field of private equity, **Arkéa Capital conducts annual ESG reporting for all its investments**. Through this questionnaire, **Arkéa Capital collects several indicators that allow it to assess climate-related opportunities**. In particular, portfolio companies are asked to indicate:

- the energy-efficient products or services they offer;
- certifications or labels for their products or services;
- ISO 14001, 50001 certifications held;

- details of their carbon footprint and their action plan to reduce their emissions;
- the possible adoption of an eco-design approach or the carrying out of a life cycle analysis.

In addition to this annual reporting, Arkéa Capital commissioned Indefi **to analyse the exposure of its portfolio to climate change risks early 2021**.

On this occasion, INDEFI also identified investments that represent opportunities in terms of the environmental and energy

transition, **opportunities that represent more than 12.5% of the assets invested**.

In 2022, Arkéa Capital also asked the holdings about their UE European taxonomy eligibility via the annual reporting.

This initial information will be supplemented by **an analysis of the portfolio's eligibility for the first two objectives of the European taxonomy**.

2.3. Measures used by Crédit Mutuel Arkéa to assess and manage climate-related risks

Indicators have been developed to monitor these risks both at the operational level and for governance oversight.

These indicators relate to:

- **sectoral exposure levels to physical and transition risks**

As previously mentioned, a sectoral risk framework has been deployed by the Cross-Sector Risk Management Department. It measures the level of exposure of bank outstanding loans of companies belonging to sectors that are risky from a climate point of view.

- **Crédit Mutuel Arkéa's direct CO₂ emissions (scope 1, scope 2 and partial scope 3)**

As part of its medium-term action plan, the group has decided to set a target of reducing its direct emissions (scope 1, scope 2 and partial scope 3) by 10,000 tonnes of CO₂ equivalent by 2024

compared to the 2019 level. The measurement of scope 1, scope 2 and partial scope 3 emissions and their reduction over time is a transition risk indicator.

- **investments in coal companies**

Coal is the fossil fuel that emits the most CO₂ 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 strategy.

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

At the end of 2021, these outstandings represent €97.4 million. They are managed in extinction and will no longer be on Crédit Mutuel Arkéa's balance sheet before the end of 2027, in

accordance with the current policy.

- **issuers with downgraded ESG ratings**

The companies monitored by the group Counterparty Committee have ESG ratings in addition to their credit ratings. Crédit Mutuel Arkéa relies on the ESG ratings produced by its asset management subsidiary Arkéa Investment Services. These ratings range from A for the highest rated companies to E.

The indicator used is that of the amount of E-rated investments that would be in excess, i.e. that would not have complied with the derogatory rules and processes laid down by the group Counterparty Committee.



3. Prospects

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, as part of its Climate Strategy:

- deployment of a **low-carbon alignment calculation methodology** in order to be able to propose a trajectory for validation by the governance;
- **continued work on the implementation of the European Taxonomy**, in order to be able to measure the Green Asset Ratio and to develop it over time;
- **comprehensive assessment of climate risks** and their integration into business processes (physical and transition risks).

The implementation of these commitments includes the following **key success factors**:

- **extra-financial data improvement, including climatic data;**
- **the progress and reliability of indicator construction methodologies.**



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