

CLIMATE
STRATEGY

2020
20**24**



Crédit Mutuel
ARKEA

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EDITORIAL



Crédit Mutuel Arkéa has expressed **a committed vision of the contribution it intends to make to society and economic development**, with the adoption of its « Raison d'Être » in 2020 :



« We want to be a player in a world that takes a long-term view and takes into account the major societal and environmental challenges facing our planet for future generations.

We contribute to this by providing finance that serves the territories and their stakeholders in a sustainable way and helps everyone to achieve their potential.

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

On a daily basis, in collaboration with our stakeholders, we develop innovative solutions to support our members and clients in their life projects and meet their aspirations »

This Raison d'être has already been broken down into commitments, two of which are directly linked to the climate strategy:

- #1 Our decisions aim at a positive environmental and territorial impact**
- #2 Supporting each of our stakeholders in their environmental transition**

A roadmap has been drawn up to strengthen the integration of environmental, social and governance (ESG) issues into the Group's financing and investment businesses. **Crédit Mutuel Arkéa wanted to express its objectives in terms of the fight against global warming in a way that is closely consistent with this vision.** The timeframe is the next four years (2021-2024). It corresponds to that of its strategic planning because the impact of this climate issue on the evolution of the business model of a financial services group, its various businesses and its stakeholders is becoming increasingly clear.



Jean-Pierre Denis,
Chairman

Hélène Bernicot,
Chief Executive Officer

FOREWORD

The long-term global warming of our planet is the subject of an international scientific consensus through the work of the Intergovernmental Panel on Climate Change (IPCC). Its manifestations are increasingly intense. Fragile populations and future generations are the most exposed.

There is a sense of urgency in the implementation of collective and individual responses that can limit the impacts and accelerate the necessary evolution towards a more sustainable economic growth model.

Public policies have been strengthened in this area since the Paris Agreement in 2015. Supervisors of financial institutions, in particular, are increasingly urging them to improve their understanding and processes for managing climate risks.

Companies are increasingly integrating climate into the evolution of their business models. Individuals are called upon to do the same in their investment and consumption decisions.

It is important to specify that the objectives adopted by Crédit Mutuel Arkéa in the field of climate change do not exhaust the scope of all the environmental themes whose importance it



THERE IS A SENSE OF URGENCY IN THE IMPLEMENTATION OF COLLECTIVE AND INDIVIDUAL RESPONSES THAT CAN LIMIT THE IMPACTS AND ACCELERATE THE NECESSARY EVOLUTION TOWARDS A MORE SUSTAINABLE ECONOMIC GROWTH MODEL.

recognises (respect for biodiversity, protection of the oceans, development of the circular economy, etc.). These themes are themselves dependent on societal issues (jobs, education, access to health, access to housing, financial inclusion, ...) on which Crédit Mutuel Arkéa

group intends to be a committed player.

In the diversity of their businesses, **financial institutions are very directly concerned by the fight against global warming.** Crédit Mutuel Arkéa is convinced that the climate is both a risk factor and an opportunity for development, for the Group and its territories.



With regard to risks, national, european and international financial supervisors are asking the various categories of financial institutions to equip themselves with the instruments that will enable them to accurately assess and manage the impacts of climate risks, which are considered potentially systemic, on their stability. The requirement for sustainability is now part of the management of the balance sheets of institutions and the financial products offered to their clients.



In terms of opportunities, the climate transition will create a need for greater support in the territories and among corporate and individual customers to help them prepare and manage their own changes. The transition will also require the implementation of massive and innovative public and private funding at European, national and local levels. The financial intermediation (financing, investment) and insurance protection businesses will be renewed. They will have to increase their contribution to the collective objective of combating global warming, set by the international community in the Paris Agreement, and be able to measure it.

A FEW PRINCIPLES FOR A SOUND CLIMATE STRATEGY OVER THE LONG TERM



Crédit Mutuel Arkéa asserts a strong cooperative and collaborative identity: this is reflected in the objectives adopted as part of this climate strategy and the way in which they are implemented through a major involvement of governance, an effort to mobilise all internal and external stakeholders, and a concern to define a clear framework at group level that leaves room for the different business lines in view of their specific features.



Integrating all dimensions of the climate into the group's activities is a continuous improvement process, the pace of which also depends on exogenous factors (clarity and stability of the regulatory framework, very long time horizon, availability and quality of analysis methodologies and data to assess the environmental and financial impacts of financing and investment decisions...). A form of progressivity is therefore necessary:

- on the one hand, **within the scope of financial activities covered:** banking, private equity and asset management activities are covered as a priority. The group's direct equity investments also fall within the scope of this strategy. Retail financing will be gradually integrated.

- on the other hand, **in the financial assets concerned:** corporate, local authorities and institutional assets (social landlords, SEM, etc.), real estate and infrastructures are targeted a a priority. Sovereign assets are mainly concerned within the framework of the risk component. In the field of life insurance, euro-denominated funds and Units of Account are covered, with the exception of Units of Account outside the group. Structured products are not covered by this strategy. This initial coverage is, of course, intended to be extended according to the progress made in the initial scope, particularly in the insurance field.

- and, finally, **in the duration of these investments and financing:** only financing and assets with a maturity of more than one year will be covered by the entire climate strategy.



The present strategy has **a horizon of 2024.** It will be subject to an annual assessment by the group's governance bodies and those of its business lines, as well as to external communication that will report transparently on its implementation on the basis of indicators associated with each objective. This communication will be made in a dedicated report, in line with the framework provided by TCFD from 2021.

The Board of Directors of Crédit Mutuel Arkéa has set **two main lines of action for the deployment of its response strategy to the climate challenge:**



REINFORCING THE CRÉDIT MUTUEL ARKÉA'S COMMITMENT TO THE CLIMATE WITH REGARD TO COMPANIES AND TERRITORIES



INTEGRATING CLIMATE AS A PERFORMANCE AND RISK FACTOR AND IN THE MANAGEMENT OF THE CREDIT MUTUEL ARKÉA'S ACTIVITIES

1 REINFORCING THE CRÉDIT MUTUEL ARKÉA'S COMMITMENT TO THE CLIMATE WITH REGARDS TO COMPANIES AND TERRITORIES

Crédit Mutuel Arkéa ongoing efforts to act in and for the real economy must be reflected in a strong environmental commitment, in order to support all the players in its territories in their transition and **develop a positive impact on the ecosystems it finances and helps to develop.**

A - INVOLVING THE COMPANY

The success of the group's transition to a low-carbon model will necessarily be achieved through the strong mobilisation of its directors and employees. Aware of this challenge, two internal transformation projects are underway:



Set up a climate governance system (comitology, organisation....) by 2021 that meets current and future regulatory requirements and enables the risks and impacts of climate change to be integrated into the transition of the group's business model, in a logic of opportunities and risks, and their operational variations in the business lines.



Train and mobilise all the group's employees and governance bodies on climate issues by the end of 2021. This training campaign will be accompanied by the provision of monitoring and continuous training tools to enable teams to address climate issues in their businesses and provide the best possible support to customers. The group will call on external expertise as required.

B - FROM 2021, STRENGTHENING THE FINANCIAL AND NON-FINANCIAL SUPPORT SERVICES FOR ITS STAKEHOLDERS AND, IN PARTICULAR, ITS CLIENTS



In the implementation of their projects related to mitigation and adaptation to global warming¹.



In monitoring and engaging with companies **in the most emitting sectors**² to set targets for reducing their greenhouse gas (GHG) emissions, in line with the Paris Agreement, i.e. limiting the rise in temperature to well below 2°C.



In the role of an **active resource centre committed** to the fight against global warming within its ecosystem: territories, civil society, peers and external service providers.

¹ Within the framework of the management of its direct equity investments, Crédit Mutuel Arkéa will take this issue into account as a shareholder and will strengthen its dialogue with the managers of these investments in order to better support them.

² In the field of private equity, support will be provided when Arkéa Capital is a reference minority shareholder.

2 INTEGRATING CLIMATE AS A PERFORMANCE AND RISK FACTOR IN THE MANAGEMENT OF CRÉDIT MUTUEL ARKÉA'S ACTIVITIES

A - SETTING UP, AS OF 2021, TOOLS TO ASSESS THE CLIMATE RISKS WEIGHING ON ITS ACTIVITIES IN ORDER TO ENSURE THE BEST POSSIBLE CONTROL OF THEM

This implementation has already begun and Crédit Mutuel Arkéa wishes to accelerate the pace around the following five levers of action:



Strengthen the consideration of the climate in the risk management function on the basis of action plans adopted by the group's bodies, in order to take into account the recommendations of European and national supervisors (ACPR, EBA, ECB, etc.) and market standards (TCFD).



To have **an initial comprehensive assessment of climate risks** (physical risks and transition risks) on significant financing and investment portfolios, initially for the year 2021.



Gradually integrate these results into financing and investment decision-making tools to better control the level of climate risk, and supplement them by studying a metric for analysing the environmental performance of large companies, initially.



Strengthen the **assessment of exposure to the most carbon-intensive sectors and emitters** (brown share) and their contribution to environmental transition.



Complement **sectoral policies** on all key sectors for the low-carbon transition with a gradual strengthening of the criteria requirement to meet the objectives of the Paris Agreement.

B. INCREASING POSITIVE IMPACT

As a cooperative group with a territorial dimension, Crédit Mutuel Arkéa has a strong impact on the territories in which it operates. This impact is fundamental to the added value it brings to its external stakeholders. **Crédit Mutuel Arkéa wants to increase its positive environmental impact to contribute to the low-carbon transition.** To do so, it will focus in particular on :



Deploy the measurement of the share of green activities, aligned with the EU green taxonomy³ on its market investment portfolios by the end of 2021, and be in a position to integrate the results into its decision-making processes by the beginning of 2022. In the financing and private equity activities, this exercise will be carried out on a portfolio of large midcaps in 2021, then expanded by the end of 2022.

³Developed since 2019 by the technical expert group on sustainable finance (TEG) of the European Commission



Develop in 2021 **a common analysis and measurement framework** enabling the group's various business lines to develop impact investments that make a positive contribution to the environment and, **if possible, make reference to Sustainable Development Goals**. Implement this framework on significant financing and investment portfolios.



Gradually increase over the next three years the exposure of its portfolios to «green assets» and, in particular, to solution companies, which seek to have a positive and innovative impact on the social and territorial dimension of the transition of growth models. This strengthening will also be achieved through the implementation of green bond issues.



Participate in the necessary mobilisation of savings in favour of the energy and ecological transition **by introducing for each range of financial solutions, green and innovative products** integrated into systematic approaches to training advisors and raising the awareness of stakeholders. For the external Units of Account, this will involve integrating the climate as an issue in the selection and monitoring of partner management companies.

C. INCREASING THE POSITIVE CONTRIBUTION OF CRÉDIT MUTUEL ARKÉA'S ACTIVITIES TO THE LOW-CARBON TRANSITION

Crédit Mutuel Arkéa wishes to play its full part in achieving the objectives set by the Paris Agreement. To do so, it will mobilize four levers of action in particular:



Reduce the direct carbon footprint of the group's operations by 16% of its greenhouse gas emissions between 2019 and 2024. The group will also pay particular attention to the physical risks of its own buildings.



Commit all of its investments and the exposure of its financing towards a gradual exit from thermal coal. **Crédit Mutuel Arkéa is thus committed to exiting thermal coal, on all its investments and financing by 2027.**



Do not grant bank financing to projects directly related to unconventional fossil fuels.



Carry out an **initial analysis of the 2°C alignment** representative of its **investment and corporate finance portfolios** in order to assess the available methodologies. This diagnosis will enable the group to decide, in **2022** at the latest, on the adoption of a **low-carbon alignment trajectory** by 2030, meeting the objectives of the Paris Agreement. This target will then be broken down into intermediate stages as part of the strategic plans.



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