

TCFD REPORT 2020



Crédit Mutuel
ARKEA

INTRODUCTION



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 (Purpose)¹. This Raison d'être has already been developed in five commitments, which form the basis of the long-term strategy, two of which are directly linked to climate issues:

- #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 activities and, more generally, into all its activities. Crédit Mutuel Arkéa's objectives in the fight against global warming are closely aligned with this vision, and the group adopted a climate strategy at the end of 2020², which aims to strengthen its actions in this field.

" The Crédit Mutuel Arkéa's commitment to the fight against global warming reflects the vision we have chosen to express in our Raison d'être. It is the vision of a responsible company, whose contribution is not limited to its economic and financial performance, but also includes taking into account the issues related to the environmental and social transition. These actions commit us over the long term and are fully in line with the " Transitions 2024 " strategic plan that the group presented at the beginning of the year. They commit us to all our stakeholders - members, customers, employees, partners and territories - to take concrete action at the heart of our businesses and practices, for responsible finance that helps everyone to achieve their full potential ". "

Héléne Bernicot,
Chief Executive Officer
of Crédit Mutuel Arkéa

This first report follows the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and aims to meet the best international standard for climate-related disclosures. It thus marks a new stage in the Group's commitment to the fight against global warming, in line with the adoption of its climate strategy at the end of 2020.

Its validation by the Group's Board of Directors on July 2, 2021, testifies to the commitment of governance to this issue (see point 1 of the report on governance).

Through this report, organised in accordance with the TCFD's recommendations, the group wishes to strengthen the transparency of its commitments and to inform all its stakeholders each year of the progress made in supporting the fight against global warming, both in terms of integration into the group's strategy (see point 2), consideration in the management of its risks (see point 3) and results through the monitoring of steering and measurement indicators (see point 4).

This first report is intended to be renewed each year, as part of a continuous improvement process. It constitutes a reference document and will be accessible to the group's various internal and external stakeholders on its corporate website.

¹ https://www.cm-arkea.com/banque/assurance/credit/mutuel/c_42204/fr/page-raison-d-etre

² https://www.cm-arkea.com/banque/assurance/credit/upload/docs/application/pdf/2021-04/strategie_climat_avril2021_1_1_2021-04-14_08-41-40_347.pdf

INTRODUCTION

This report covers the year 2020.

However, we would like to mention some significant events that took place in early 2021, prior to the publication of this report, illustrating the ongoing process of taking climate issues into account within Crédit Mutuel Arkéa:

- Crédit Mutuel Arkéa has chosen to participate voluntarily in the ACPR and EBA exercises and requests relating to climate and environmental risks. In this respect, it has responded to the request for self-assessment in relation to the expectations of the ECB guide and has defined a commitment to compliance by drawing up an action plan.
- The governing bodies of Suravenir, the group's life insurance subsidiary, have approved a climate strategy for the company, which is an extension of Crédit Mutuel Arkéa's climate strategy.
- The directors of the Corporate and Institutional division, which includes the subsidiaries Arkéa Banque Entreprises et Institutionnels (commercial bank serving companies and institutions), Arkéa Capital (private equity) and Arkéa Crédit Bail (leasing), were made aware of the climate issues and the climate action plans of these entities in early March 2021.
- More broadly, all of the group's employees and directors have benefited from an e-learning programme on sustainable finance.
- Finally, with regard to its environmental footprint, Crédit Mutuel Arkéa has joined the "Institut du Numérique Responsable".

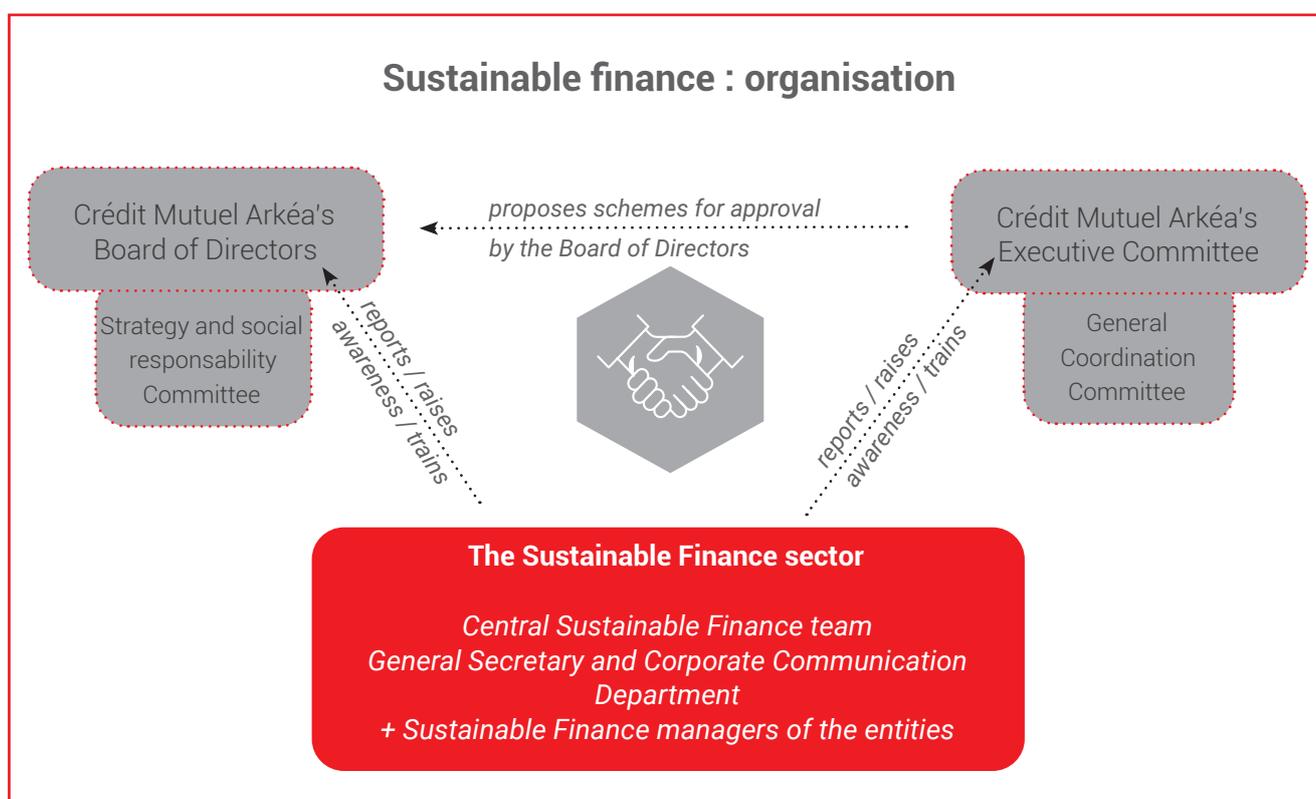
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1 GOVERNANCE

Crédit Mutuel Arkéa is aware of the key role of governance and, in line with the mobilisation of its raison d'être, has initiated a process to engage its stakeholders on the climate issue, with its supervisory and executive bodies at the forefront.

Thanks to this process, which began in 2019 and will continue in 2020, the group has already integrated the climate issue into its governance and organisation. This approach will be strengthened in the coming months, with the aim of taking greater account of climate and environmental issues in the group's strategy and meeting the expectations of national and European regulators.



1.1 - INVOLVEMENT 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, ensures their implementation and monitors them regularly. In this respect, it discusses the group's main social and environmental responsibility policies every year.

After validating the group's Raison d'être in 2019, Crédit Mutuel Arkéa's Board of Directors was particularly involved in the development of the new strategic plan in 2020, which places environmental issues at the heart of the group's strategy. It met for a strategy seminar on 27 November 2020 to discuss the main directions of Crédit Mutuel Arkéa's future strategic plan, " Transitions 2024 ", which was approved on January 28, 2021.

In particular, the Board of Directors reaffirmed the ambition of the plan, which is intended to be the implementation of the Raison d'être validated by the 2020 General Meeting and which aims to:

- # **Strengthen Crédit Mutuel Arkéa's role as a bank with a positive impact on its stakeholders;**
- # **Develop the measurement of the group's overall performance by taking into account both financial and non-financial indicators.**

In addition, in November 2020 it validated **the group's climate strategy, the risk appetite statement, which now includes climate risks, and the revision of the coal sector policy.**

Crédit Mutuel Arkéa's Board of Directors has set two priorities for the deployment of its climate response strategy:

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

A half-yearly progress report on the implementation of the group's climate strategy commitments will be presented to the Board of Directors, as well as an annual assessment of progress.

The Board of Directors relies on five **specialised committees**, which complement its work and provide it with informed opinions. Each committee has an operating charter that sets out its tasks and organisational procedures. These operating charters will evolve in 2021 in order to formalise the increased involvement of these various committees in the consideration of ESG (Environmental, Social and Governance) issues, including the climate issue.

Two of these five specialised committees are already involved in taking the climate issue into account, both from an opportunity and a risk perspective.

The **Strategy and Social Responsibility Committee**, which monitors the progress of the group's strategic project, is the guarantor of the integration of Social Responsibility at the heart of the strategy. As such, in 2020, it analysed in particular:

- ◆ the commitments of the Group's Raison d'être and its strategy for integrating social, environmental and governance issues into all the Group's activities;
- ◆ a progress report on the ESG (environment, social and governance) roadmap;
- ◆ including the climate strategy and the updating of the coal policy, for which it issued an opinion presented to the Administrative Board.

The mission of the Risk and Internal Control Committee (RICC) is to assist the Board of Directors in its responsibility of monitoring Crédit Mutuel Arkéa's risks and internal control system. This committee is responsible for formulating and monitoring compliance with the Group's risk appetite. In this respect, it has enhanced the declaration of appetite for climate risks and is the recipient of the quarterly risk dashboard that monitors the exposure of entities involved in the coal sector. This monitoring table makes it possible to ensure proper compliance with the coal policy and the disposal of residual positions.

The training of directors in climate-related opportunities and risks is one of the commitments of Crédit Mutuel Arkéa's climate strategy, which plans to train the entire Board in 2021. Already, in October 2020, the members of Crédit Mutuel Arkéa's Board of Directors and Executive Committee were trained on climate issues for the financial sector by a consultancy firm specialising in strategy and the environment, before reviewing and approving the climate strategy in November 2020.

Prior to this, in 2019, the directors of the subsidiaries were made aware of the consideration of ESG (environmental, social and governance) issues and the changes in governance expected following the adoption of the Group's Raison d'être, in particular through a speech by the Chairman of the Board of Directors and a round table organised around internal and external stakeholders. At the beginning of 2021, an e-learning module on sustainable finance was also delivered to all the directors of the group, subsidiaries and federations.

More specifically, in certain key business lines, the governance bodies have benefited from dedicated training. In asset management, Arkéa Investment Services has been raising awareness and training its governance bodies on climate change issues and how they are reflected in its investment processes, both in the choice of issuers and in risk monitoring. The supervisory board of Suravenir, Crédit Mutuel Arkéa's life insurance, pension and provident fund subsidiary, also benefited in 2020 from awareness-raising on climate risks.

1.2 INVOLVEMENT OF CRÉDIT MUTUEL ARKÉA'S EXECUTIVE MANAGEMENT IN MONITORING CLIMATE-RELATED RISKS AND OPPORTUNITIES

The **Executive Committee** (COMEX) proposes strategic orientations to the Board of Directors and steers the implementation of the strategy defined by the Board of Directors.

In 2020, in the area of climate change, the COMEX proposed the Group's climate strategy to the Board of Directors, as well as the revision of the Group's coal policy. On this occasion, the COMEX requested a study of an accelerated exit from coal in relation to the initial trajectory of 2030, which led to the validation in April 2021 of an exit from coal at the latest by the end of 2027. Similarly, in addition to voluntary participation in the ACPR and EBA exercises, the Executive Committee decided to increase the resources allocated to the risk management function in 2020 in order to ensure that climate risks are properly coordinated and integrated into the Group's overall risk management.

Within the framework of its prerogatives and powers, in order to ensure the relevance and quality of its decisions, Crédit Mutuel Arkéa's executive management structures its organisation around cross-functional committees made up of managers in charge of operational business lines and support functions. Some of these committees already take into account climate issues in their scope of work. This consideration will be strengthened as of 2021 and gradually extended to other committees, in order to meet the objective of integrating them into existing decision-making processes.

The **Group Risk Oversight Committee** contributes, on behalf of and by delegation from the Executive Committee, to the overall governance and management of the Group's risks, including climate risks.

In September 2019, he was made aware of the climate risks, the distribution channels and the associated regulatory issues. In February 2020, he was presented with the plan to integrate climate risk management

within Crédit Mutuel Arkéa's Risk Department and the proposed dashboard for monitoring outstandings linked to the Coal policy. The May 2020 and November 2020 sessions were devoted to the pilot climate stress test exercises of the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and the European Banking Authority (EBA).

The **Group Counterparty Committee** acts within the limits set and reviewed at least once a year by Crédit Mutuel Arkéa's Board of Directors and under the delegation granted by the Executive Committee. It includes in its work ESG (environment, social and governance) analyses of market issuers that are submitted for validation. The ratings presented are taken into account and complement the traditional credit risk analysis, and the committee may refuse certain requests for listing or financing on the basis of the ESG rating/analysis, and revise the position over time following changes in this ESG rating/analysis. The analysis of climate issues is fully integrated into this ESG rating/analysis through the "Environmental" dimension, which itself includes 4 sub-areas of analysis (climate strategy, eco-design of products, production efficiency, supply chain management).

The **Referencing Committee** acts under the delegation given by the Executive Committee 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). To this end, it ensures the standardisation of financial practices within the group. Since the Disclosure Regulation came into force, this committee has introduced a process aimed at taking into account, in its listing decision, the level of maturity of the management company studied in terms of assessing sustainability risks, including climate change.

Other group management committees are called upon to strengthen the integration of climate-related issues in their field of intervention. This consideration of ESG issues, including climate issues, by the governance bodies is also carried out at the level of the group's subsidiaries.

At Arkéa Investment Services, the group's asset management division, a reference on ESG issues, and in particular climate, has been appointed to its executive committee in the person of the Head of Financial and ESG Research. In 2019 and 2020, Federal Finance Gestion and Schelcher Prince Gestion conducted an awareness-raising and training programme on climate issues for their governance bodies (executive committees, Board of Directors and Supervisory Board) and all their employees. Similar initiatives have been implemented jointly by Swen Capital Partners and Mandarine Gestion, other Arkéa Investment Services management entities. Similarly, sessions of Arkéa Investment Services' cross-functional ESG committee were organised with risk managers in order to exchange best practices in terms of ESG risks.

The members of the Suravenir executive committee were also made aware of this in December 2020. In addition, a formal review of the ESG situation of the mandate is carried out during the investment committees, at least every six months. Federal Finance Gestion analysts present this report and focus on the lowest rated issuers. Non-financial monitoring of the investments made is also presented. More generally, a systematic review of ESG issues and projects will be instituted at each investment committee meeting (monthly) during 2021.

1.3 THE OPERATIONAL ORGANISATION OF CLIMATE ISSUES

As with its governance, the group is adapting its operational organisation to the climate challenge in order to implement the two pillars of its climate strategy:

- Supporting its stakeholders in seizing climate-related opportunities and preventing risks.
- Integrate climate as a performance and risk factor in the management of the group's activities.

The various functions of the group are required to take the climate into account in their operations. To date, the main functions that are active on the climate issue and that coordinate this approach are:

• **The Sustainable Finance sector**

Composed of the entities' sustainable finance managers and the central sustainable finance team, it proposes sustainable finance frameworks and implements the associated action plans. The entities' sustainable finance managers are the keystone of the proper dissemination of the Group's ESG-Climate ambition: they coordinate the implementation of the actions of the ESG Roadmap and the climate strategy that apply to their entity.

The **central Sustainable Finance team**, consisting of 6 people, reports to the Group's General Secretary:

- Leads the Sustainable Finance and Group governance on ESG-Climate issues.
- Coordinates cross-functional ESG-Climate projects, whether they are specific to the group's commitments or regulatory.
- Formalise the framework arrangements and produce sustainable finance reports.
- Contributes to outgoing ESG communications and incoming solicitations at Crédit Mutuel Arkéa level.

A **Sustainable Finance Steering Committee**, created in early 2021. It is made up of the Sustainable Finance managers of the entities, the Sustainable Finance team and the key central departments (Risk Department, Compliance and Permanent Control Department, Finance Department, Legal Department, etc.). Its main missions are to:

- Propose approaches/strategies on identified ESG-Climate issues to the group's governance bodies;
- Ensure progress on the ESG-Climate roadmap;
- Ensure the implementation of ESG-climate framework policies and the regulatory compliance of entities;
- Guarantee the use of Group tools and methods, while allowing for specific business requirements.

• **Crédit Mutuel Arkéa Risk Management**

The Transverse Risk Management Department has been more specifically in charge of climate risk management since June 2019. The work of integrating climate risks within the Risk Department has led to each business line department (credit risk, operational risk, market risk) concerned by climate risks appointing one or more ambassadors. This cross-functional organisation makes it possible to respond to the challenges of these matrix risks and has made it possible to build and present the action plan for compliance with the environmental and climate risk guide to the supervisory authorities in May 2021.

• **The Risk Management Function stream**

Each head of the "Risk Management Function" of Crédit Mutuel Arkéa's entities, subsidiaries and federations has been regularly made aware of climate risks, during presentations in 2019 and 2020, and of their future role in integrating climate risks.

A **quarterly climate risk coordination committee** has been in place since 2020. Chaired by Crédit Mutuel Arkéa's Risk Manager, it is made up of the various Risk Department managers in charge of managing credit and counterparty risks, operational risks, market risks, the Financial Steering Department and the General Secretary and Corporate Communication Department. Its main tasks are:

- Monitor projects to integrate climate risks into the risk management function.
- Report on the implementation of the climate risk strategy, for arbitration on possible blockages raised in operational committees.
- Carry out the budgetary monitoring of the project.
- To inform but also to train its members on certain technical or quantitative points in order to help them to have a better understanding of the issues at stake and therefore of the related decisions.

Operational committees are deployed, as needed, to oversee the various projects related to climate risks. For example, in 2020, weekly operational committees were used to carry out the ACPR and EBA pilot climate stress test exercises.

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 five-person team is responsible for processing and analysing non-financial information, assigning a rating for each of the pillars and an overall rating for corporate and sovereign issuers, and distributing it to the Federal Finance Gestion and Schelcher Prince Gestion management teams, as well as to Suravenir as part of the management delegation. Non-financial information is also made available to external clients as part of monthly reporting or annual impact reports. **Data specifically related to the climate issue are included in the environmental pillar. At the fund level, it relates to the carbon footprint, the temperature according to a granularity by temperature range or the green share.**
- **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; to federate the bank's know-how and build a solid and experienced team, capable of covering all the issues linked to the financing of the environmental transition, but also to optimise the bank's privileged links with all the players (public & private sectors) involved in an environmental transition approach and to make its network of relations available to them to facilitate synergies.
- **In real estate**, the Group is a significant player through its many areas of expertise (investments, financing, social landlord, distribution, etc.) and has therefore taken the initiative of defining a "Sustainable Real Estate Trajectory" in 2020. It aims to strengthen and accelerate collectively in taking into account the challenges of environmental and societal transitions in the financial support of its clients and the implementation of its own projects. This initiative is cross-functional and strategic: it is part of the "Transitions 2024" plan and brings together all the Group's real estate expertise. It places the **challenges of energy, sustainability and positive social impact** as major pillars. A dedicated organisation was set up at the end of 2020 to accelerate, coordinate, lead and steer this approach at group level.

2 STRATEGY

Crédit Mutuel Arkéa set up a cross-functional approach in 2020 to define its climate strategy. In order to define priorities shared by the whole group, work was carried out with the support of a consultancy firm specialising in strategy and the environment, to understand and identify the opportunities and risks associated with the climate for a financial group such as Crédit Mutuel Arkéa and for its stakeholders, while taking into account the group's cooperative identity, the diversity of its businesses³ and the importance of social issues. This work also enabled us to assess the group's achievements in this area and to identify areas for support and progress.

This climate strategy was adopted in November 2020 and formalises the group's climate commitments⁴ and aims to strengthen the actions already initiated. The timeframe chosen for this first exercise is the next four years (2021-2024), but certain commitments, described below, necessarily take longer. The 2021-2024 period corresponds to the period 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 business lines and its stakeholders, is increasingly clear.

As the group emphasised in the preamble to its climate strategy, given the diversity of their business lines and stakeholders (individuals, companies, local authorities...), 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 a development opportunity for the group and the regions.

With regard to risks, national, European and international supervisors are asking the various categories of financial institutions to equip themselves with tools that enable them to accurately assess and manage the impacts of climate risks, which are considered potentially systemic, on their stability. The sustainability requirement is now part of the management of institutions' balance sheets and of 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 financing at European, national and local levels. The financial intermediation (financing, investment) and insurance protection professions will be renewed. They will have to increase their contribution to the collective objective of combating global warming, as set by the international community in the Paris Agreement, and be able to measure it.

³ https://www.cm-arkea.com/banque/assurance/credit/mutuel/ecb_5006/fr/nos-metiers

⁴ https://www.cm-arkea.com/banque/assurance/credit/upload/docs/application/pdf/2021-04/strategie_climat_avril2021_1_1_2021-04-14_08-41-40_347.pdf

2.1. CLIMATE RISKS AND OPPORTUNITIES IDENTIFIED BY CRÉDIT MUTUEL ARKÉA IN THE SHORT, MEDIUM AND LONG TERM

In order to detect the climate risks to which the group is exposed, the European Central Bank's reference framework and definitions have been used.

Climate risks are 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** is 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 can arise, for example, from the relatively abrupt adoption of climate and environmental policies, technological progress or changes in market sentiment and preferences.

Climate change risk is a **direct source of risk** for Crédit Mutuel Arkéa. It is exposed to physical risk for its real estate assets and for its property and casualty insurance business.

Both categories of climate risk (physical risk and transition risk including regulatory, legal, technological, market and reputational risks) **apply indirectly through the activities supported (including insurance) or funded.**

From a financial point of view, climate 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 inherently **polymorphic and cross-cutting**, as they are considered by the ECB as a component of several risk factors,
- Climate risks are **gradual** and should therefore be progressively integrated into the banks' balance sheets (progressive nature of the issues). However, it should be noted that there is no common methodology recommended by local and international supervisors,
- Climate risks are **not an incentive** in the sense that banks have no direct incentive to integrate green financing,
- Climate risks are **additive** - integration cannot lead to a total reduction of risk for banks,
- Climate risks are **material and regalian** and, as such, must be integrated into appropriate regulation,
- Climate risks are still mainly **reputational** within the banking industry.

One of the two pillars of the Group's climate strategy, "Integrating climate as a performance and risk factor in the management of the Group's activities, formalises the Group's commitments to integrating climate risks.

The opportunities associated with the fight against global warming are also at the heart of the group's climate strategy. This strategy expresses several commitments, which constitute development opportunities for the group and its various businesses, but also for its stakeholders, in the short, medium and long term:

- **Supporting clients and territories in implementing their projects related to mitigating and adapting to global warming.** This opportunity particularly affects the banking business lines, whether corporate and institutional banking or retail banking.
- The group also wants to strengthen its **support for companies that develop solutions to combat global warming**, particularly through its banking and private equity businesses. This is the case, for example, since 2016, with the impact private equity fund We Positive Invest, which supports energy transition companies.
- Support for these companies and for projects enabling the climate and environmental transition of clients may be financed or refinanced via new leverages, in particular through the issue of green bonds which enables the group to **broaden its refinancing channels and its investor basis**.
- In the field of asset management, the group also wishes to participate in the **necessary mobilisation of savings in favour of the energy and ecological transition** by introducing green and innovative products for each of the ranges of financial solutions, integrated into systematic approaches to **training advisors and raising the awareness of stakeholders**.
- As an institutional investor, Suravenir will 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 industry practices⁵.
- In its business as an insurer of property and people, Suravenir Assurances supports its clients in a preventive approach, including with regard to the effects of global warming, thus strengthening the insurance relationship. This relationship is also strengthened through the quality of service provided (availability, attentiveness, solutions, compensation) at times that are often difficult or even traumatic for its policyholders. .
- As a regional player, Crédit Mutuel Arkéa also intends to play an **active and committed** role as a **resource centre in the fight against global warming within its ecosystem**: regions, civil society, peers and external providers.
- As a company, in order to seize all these opportunities, Crédit Mutuel Arkéa must also integrate **new expertise to take into account all the dimensions related to the climate and support the development of its employees' skills**, thus enabling the development of its human capital.
- Finally, as part of its direct environmental trajectory, the group has decided to reduce its greenhouse gas emissions by 16% by 2024 (compared to 2019). This progress trajectory will lead to a **reduction in its energy expenses and costs associated with travel**.

⁵ For example, by analysing the existence of a climate strategy, the signing of the Principles for Responsible Investment, tools for measuring and monitoring the associated risks in fund management, and the capacity to propose innovative investment solutions for climate-related issues.

OVERVIEW OF THE MAIN OPPORTUNITIES FOR THE GROUP AND ITS VARIOUS BUSINESSES

Common to the group	Bank	Asset management	Life insurance / Institutional investor	Private equity	Property and casualty insurance
<p>Access to new investors or new refinancing tools (green bonds, etc.)</p> <p>Recruitment of new profiles and expertise - skills development (employees and directors)</p> <p>Savings linked to the company's energy transition (energy consumption, travel, etc.)</p>	<p>Increased funding for the Energy Transition of customers/prospects</p> <p>Development of new financing products to support customers (individuals, companies, institutions) in their climate and environmental transition</p> <p>Strengthened interactions with stakeholders and ecosystems (local authorities, etc.)</p>	<p>Continuation of the fund labelling process (SRI, Greenfin, etc.)</p> <p>Development of thematic savings products</p> <p>Increase in the collection of savings products that promote climate and environmental transition</p>	<p>Increase in the collection of savings products that promote climate and environmental transition</p> <p>Increased interaction with management companies on climate issues and influence of their practices</p>	<p>Development of thematic investment funds</p> <p>Increased interaction with climate-related equity investments</p> <p>Value creation of holdings</p>	<p>Customer support through prevention / awareness of the effects of global warming</p> <p>Quality of service in the process of listening to, repairing and compensating policyholders</p>

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

The risks and opportunities linked to the climate issue, described above, have already led to strategic changes and are changing the way the group carries out its activities on a daily basis, through:

- Making public commitments on the climate issue;
- The evolution of offers and processes to better take into account these risks and opportunities, as well as the development of new offers aimed at accompanying stakeholders in this transition;
- Investments in research and development, necessary in this structuring phase.

Making public commitments on the climate issue

Faced with these risks and opportunities, the group and its entities have made joint commitments to change their practices, expressed in the group's climate strategy.

At the group level, a policy to control financing and investments in thermal coal has been implemented in 2019 and will be reinforced in 2020. In the face of the climate emergency, some business lines must profoundly and as a matter of priority evolve because their model, which is highly emissive of greenhouse gases, is not compatible with the objective of the Paris Agreement. This is the case for the coal industry, which accounts for a large share of CO₂ emissions from the combustion of fossil fuels. In this context, 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 low-carbon technologies and resources. **At the beginning of 2021, Crédit Mutuel Arkéa validated a total exit from thermal coal by the end of 2027⁶.**

As part of its climate strategy, **the group and its entities have also expressed the commitment to decide, by 2022 at the latest, on the adoption of a low-carbon alignment trajectory by 2030**, meeting the objectives of the Paris Agreement.

The various business lines also make their own commitments and participate in local initiatives specific to their business lines, in order to **contribute to a collective approach to changing the practices of the financial sector and economic players**, and to **gain knowledge** about the climate issue.

In order to strengthen the power of influence of responsible investors, collaborative engagement initiatives are carried out with other investors to encourage companies to change their practices and adopt virtuous behaviour. In addition to the commitments made by the group's **asset management** subsidiaries in terms of responsible investment, such as adherence to the Principles for Responsible Investment, Federal Finance Gestion and Schelcher Prince Gestion participate in market initiatives to combat global warming.

For Federal Finance Gestion :

- Since 2013: member of the Carbon Disclosure Project
- 2015 : signing of the Paris Agreement
- 2017 : UNEPFI Global Investor Statement on Climate Change signed
- 2018 : joining the " Climate Action 100+ "

For Schelcher Prince Gestion :

- Since end of 2020 : member of the Carbon Disclosure Project

⁶ Current coal policy available on the group's corporate website: https://www.cm-arkea.com/banque/assurance/credit/upload/docs/application/pdf/2021-04/politique_charbon_avril_2021_1_1.pdf

In addition to the joint commitment on coal, the group's **banking entities**⁷ are committed to not granting bank financing to projects directly linked to non-conventional fossil fuels. These commitments are intended to be strengthened over time.

In the field of **private equity**, Arkéa Capital has signed the "Initiative Climat International" Manifesto in 2019. By signing, Arkéa Capital commits to mobilise to contribute, at its level, to the COP 21 objective of limiting global warming to two degrees, to contribute to the reduction of greenhouse gas emissions from its portfolio companies and to ensure the sustainability of performance. In 2020, Arkéa Capital has formalised a climate action plan, the objectives of which are to implement the climate strategy but also to promote the creation of value in its holdings. To achieve this, Arkéa Capital plans to measure and monitor its portfolio's exposure to climate change risks, reduce its portfolio's carbon footprint and initiate support for investments in analysing their climate risks and transitioning to a low-carbon model.

Changes in practices, processes and offerings

In addition to these commitments and participation in these market dynamics, the group's entities have initiated **changes to their offers and processes to better take into account these risks and opportunities**, as well as the **development of new offers aimed at supporting stakeholders in this transition**.

In the area of **asset management**, Federal Finance Gestion and Schelcher Prince Gestion, as part of the sharing of their resources, use the Quest solution, a proprietary rating model, to assess ESG risks and opportunities related to climate change. The "environment" pillar of the model, through the "climate strategy" indicator, allows climate risks to be integrated into the rating and analysis process. Federal Finance Gestion and Schelcher Prince Gestion have strengthened their climate risk monitoring tools by making the integration of modules for evaluating the climate performance of portfolio companies operational by the end of 2020. Thus, a data supply contract was signed with S&P Trucost in order to make its investment decisions based on "carbon" data such as CO₂ emissions and their trajectories or the green share.

In addition, the ESG Research team's analysts carry out individual engagement with companies. This approach targets companies with poor non-financial performance, a significant lack of communication or cases of ESG-related controversy. The themes of engagement are defined according to their materiality and the company's performance on these subjects. **In 2020, the themes discussed with companies were mainly related to the environment, and in particular to climate change.**

Also noteworthy, ahead of the launch of a **fund dedicated to green bonds** in January 2020 - Federal Finance Global Green Bonds - Federal Finance Gestion has conducted exchanges with issuers in order to better understand the specificities of this green bond market and to improve the understanding of certain technical aspects (use of funds, reporting, etc.). This fund makes it possible to finance projects in line with some of the Sustainable Development Goals, mainly the use of renewable energy (Goal 7), the establishment of resilient infrastructures and the promotion of sustainable industrialisation (Goal 9) and finally, in a transverse manner, the fight against climate change (Goal 13).

Among the commitments made in 2019, Suravenir supported Swen Capital Partners in the creation of the first **European Impact Fund dedicated to biomethane production and gas mobility infrastructure**. All investments made will aim at a positive impact on social and environmental dimensions (reduction of CO₂ emissions, job creation, circular economy...). Scientific impact indicators allow to measure both the positive impacts generated by the fund's investments and to limit any negative impacts. Suravenir is a member of the impact committee in charge of monitoring the fund's impact objectives.

⁷To date, this commitment applies to Arkéa Banque Entreprises et Institutionnels, Crédit Mutuel de Bretagne and Crédit Mutuel du Sud Ouest.

In the banking sector, the climate issue is leading to the **development of new products or new offers for companies and institutions, and for individuals**. For example :

- In order to support companies and institutions, **an environmental transition unit** was created in 2020 within Arkéa Banque Entreprises et Institutionnels. Its objectives are to accelerate and structure the development of local financing for renewable energy, renovation and energy efficiency projects; to pool the bank's expertise via a solid and experienced team capable of covering all the issues related to financing the environmental transition; to respond to new needs and to be in a position to provide the best solution, regardless of the size and nature of the projects, especially those with a local dimension. This sector complements the financing mechanisms that have already been proposed for several years, with the aim of supporting companies' efforts to achieve greater sustainability, particularly in the context of the fight against global warming: financing envelopes for projects in favour of the transition, impact credits.
- For private customers, dedicated loans are also available to finance **energy renovation work** or the **purchase of low-emission vehicles**.

Also in the **banking sector**, the consideration of environmental issues in financing decisions has been initiated in the subsidiary Arkéa Banque Entreprises et Institutionnels: a large proportion of the files studied by the Arkéa Banque Entreprises et Institutionnels credit committee include an ESG analysis grid designed to assess the customer's degree of CSR maturity. This grid addresses environmental issues.

In **private equity**, since 2018, Arkéa Capital has formalised the consideration of ESG criteria in its investment decisions for the Arkéa Capital Investissement, Arkéa Capital Managers, Arkéa Capital 2, Arkéa Capital Partenaire and We Positive Invest vehicles. During the investment phase, Arkéa Capital's team carries out a simplified internal ESG review using a sector-based tool to help analyse ESG investment opportunities. The tool's analysis criteria are based on the study of four major non-financial issues directly related to sustainable development: governance, human capital, environment and external stakeholders. **Climate change issues are studied under the Environment issue. As a first step in its climate action plan, an analysis of the exposure of Arkéa Capital's portfolio companies to climate change risks was conducted in 2020 by an external consultant. An estimate of the carbon footprint of Arkéa Capital's holdings was also carried out as part of this analysis.**

In the **field of insurance**, the environmental dimension is becoming increasingly important in the offers and services provided. For example, **prevention and the development of a risk culture** among policyholders is already at work in **home insurance** products (water damage, fire and theft detection systems; dedicated storm alerts and advice). In **motor insurance**, support for reducing the carbon footprint of our policyholders is provided through **pricing incentives based on the use of vehicles** (according to the number of kilometres driven, or the number of days the vehicle is used) or according to the CO₂ consumption of the vehicles insured. Finally, this environmental concern is also reflected in the reduction of printing of contractual documents by digitizing them and making them available on the clients' websites.

In the context of private equity made by Crédit Mutuel Arkéa, an ESG opinion is now issued and included in the decision-making file presented to the governance bodies.

Lastly, as part of its relations with suppliers, Crédit Mutuel Arkéa introduced a questionnaire in 2019 to assess suppliers' CSR practices, revised in 2020 to include new issues such as climate risks. This self-assessment questionnaire has been sent to nearly 700 suppliers, representing more than 20% of 2020 purchases, and all new calls for tender systematically include it.

Internally, the company's day-to-day operations are also changing to meet the group's commitment to reduce its direct carbon emissions:

- Energy consumption:
 - As a player in the financial sector, the group's main energy consumption concerns its IT equipment and its data centres. For several years now, the group has been implementing various measures to optimise energy consumption (insulation of cold aisles in data centres, reflective paint tests, etc.). In addition, Crédit Mutuel Arkéa has initiated work to improve the eco-design of its IT applications, with the aim of reducing energy consumption.
 - The group also pays attention to the energy performance of buildings.
 - Lastly, Crédit Mutuel Arkéa renewed its electricity and gas supply contracts in 2020: the electricity supplier undertakes to inject into the network a quantity of electricity of renewable origin corresponding to 100% of the consumption of the sites, and the gas supplier undertakes to supply "green" gas directly from French biomethane production, subject to availability.
- To travel:
 - Crédit Mutuel Arkéa is taking proactive steps to limit the number of cars driven and to encourage eco-mobility. Mobility plans have been implemented in many of the group's entities.
 - Since 2018, electric vehicles have been offered for short-distance travel for central services employees and charging stations have been made available to central services employees. The car fleet policy has been modified to encourage the choice of plug-in hybrid or electric vehicles and to make it compulsory for employees travelling less than 25,000 km/year.
 - For business trips, the use of the train is preferred and mandatory for journeys of less than 3.5 hours.
 - In line with the health context, teleworking has developed strongly in 2020. The use of video-conferencing and remote document sharing tools has become widespread.

Finally, in real estate :

- The group has evolved its direct real estate investment practices by merging the existing evaluation grids (financial and ESG) and completing the resulting grid with new ESG criteria. The new grid places financial and extra-financial analyses on the same level and includes, in particular, new criteria relating to the climate and the footprint of investment properties (greenhouse gases, low-carbon construction, biodiversity soil artificialisation, interfaces with mobility issues, age of the building, etc.). This grid has therefore been applied both for the evaluation of investment opportunities and for the evaluation of the buildings in the portfolio.
- Crédit Mutuel Arkéa has obtained CEE (energy saving certificates) premiums for energy improvement work carried out on buildings in operation, which demonstrates the reality of the commitments and actions for energy efficiency in the real estate sector.
- The group also obtained a new environmental certification in operation according to the BREEAM standard for an office building in investment property..

2.3 RESILIENCE OF THE COMPANY'S STRATEGY, TAKING INTO ACCOUNT DIFFERENT CLIMATE SCENARIOS, INCLUDING THE SCENARIO OF A TEMPERATURE INCREASE OF 2° OR LESS

In order to test its resilience to climate risks, the group voluntarily participated in the ACPR and EBA pilot climate exercises.

The exercise proposed by the ACPR concerns 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:

1- Projection of our balance sheets to 2050 on 3 transition risk scenarios:

These projections were made on the basis of a change in outstanding loans linked to changes in GDP and value added in each sector, these data being part of the parameters imposed by the exercise. A methodological approach was developed for the exercise, specifically the projection of the group's outstanding loans using:

- data from the Banque de France and Eurostat,
- the scenarios for the evolution of CO₂ emissions from the 6 sectors of activity covered by the National Low Carbon Strategy (SNBC),
- internal assumptions of CO₂ emission trends for sectors not covered by the SNBC.

These elements were based on a relationship between the turnover of each sector and their outstanding debts.

The results thus obtained were finally adjusted for sectoral policy or strategic planning assumptions.

2- 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 results will be known in 2021, but they already make it possible to comply with the specificities of the exercise in advance: use of climate scenarios, projection over a different and more distant time horizon than that of the economic stress tests, absence of historical data linked to climate crises, etc.

The methodological work carried out will enrich the reflections of the various contributors to the climate strategy.

3 RISK MANAGEMENT

3.1 PROCEDURES TO IDENTIFY AND ASSESS 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 the climate by the Risk Management Function** on the basis of the action plans adopted by the group's bodies, in order to take into account the recommendations of the European and national supervisors (ACPR, EBA, ECB, etc.) as well as the market standards (TCFD).
- To have a **first comprehensive assessment of climate risks** (physical and transition risks) **on significant financing and investment portfolios, initially in 2021**.
- **Gradually 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.

In order to identify the climate risks faced by the Crédit Mutuel Arkéa group, iterative work has been initiated to approach the areas concerned. As a first step, an analysis of the outstanding amounts was carried out. This concerns the indirect impacts linked to the companies financed.

The initial physical and transition risk assessment work carried out in 2020 has shown the need to create a climate risk reference framework specific to the group. The Transverse Risk Management Department is leading this project.

In 2020, an exercise to assess the climate risks on the corporate portfolios, both in the banking, private equity and asset management/marketing sectors, was carried out with the support of an external firm specialising in strategy and the environment. These initial results revealed an assessment of the transition risk that is higher than the physical risk, due to the fact that the group's activity is mainly conducted in Europe. At the end of 2020, a more detailed analysis of climate risks was also carried out on the perimeter of the private equity business line's holdings, making it possible to map climate risks on this perimeter.

For **savings products offered to clients**, subject to the new requirements of Regulation (EU) 2019/2088 (known as “Disclosure”), work has also been carried out to **identify and assess sustainability risks**, including physical climate and transition risks. Federal Finance Gestion and Schelcher Prince Gestion integrate this sustainability risk assessment, including climate and biodiversity risks, into the investment decision process. The sustainability risk assessment is made available to the managers in the tools dedicated to them.

3.2 CLIMATE 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, **climate risks are gradually being integrated into the Risk Department's existing organisation and tools**. This department's role is to support the group's entities by translating the climate strategy into a climate risk management policy.

In addition to the contribution of the various stakeholders and the different areas of expertise that will be mobilised within the Crédit Mutuel Arkéa group, the introduction and **deployment of climate risk management tools are inspired by external sources and best practices in this area**. 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.

3.2.1. From the appetite framework to the ICAAP

One of the priority objectives is to be able to insert climate risks and their components in a visible and detailed manner into Crédit Mutuel Arkéa's risk appetite framework. These emerging risks have been qualitatively included in the **risk appetite statement validated in 2020** by the Board of Directors of Crédit Mutuel Arkéa. Work will continue in 2021 to refine the approach. The purpose of the risk appetite framework is to determine the Crédit Mutuel Arkéa group's sensitivity to climate-related issues and therefore its intrinsic level of risk appetite. 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 will also be studied as part of the annual capital adequacy exercise (ICAAP).

3.2.2 Setting up monitoring and steering indicators

To date, the indicators monitored by the Risk Department focus on the processes implemented in the context of operational risk and ESG policy monitoring.

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 under an average and an extreme scenario.

ESG sector policies are monitored by the Risk Department. A quarterly dashboard lists the consolidated exposures to companies involved in the coal sector, as defined by the policy. It ensures that these positions are managed in extinction.

Subsequently, a **series of indicators specific to climate risks is being studied with the aim of potentially associating** relevant and efficient **internal limit levels**. This would allow for informed management of climate risks, their evolution and their anticipation. The monitoring framework is part of the one already put in place by the Risk Department. The threshold levels already defined for all Crédit Mutuel Arkéa's key risks will therefore be associated with it.

3.2.3 Policy writing

The assimilation and management of climate risks is materialised by relevant documentation to report on the group's commitments and the implementation of its climate strategy. Policies are drafted as work progresses, ensuring traceability and monitoring of actions over time.

3.2.4 Integration of the Risk Management Function

In line with the development of Crédit Mutuel Arkéa's business model, the Risk Management Function, known as the "FGR" unit, 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 subsidiaries/entities most exposed to climatic risks made it possible to carry out an inventory of practices, to discuss the channels for transmitting risk and, finally, to emphasise the challenges of constructing and supplying 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 and are responsible for identifying, assessing, measuring and monitoring climate and environmental risks within their entities.

3.2.5 Integration into investment decisions and financial protections

For **savings products offered to clients**, subject to the new 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 determining **financial protection in the event of extreme events** (reinsurance arrangements).

4 INDICATORS & TARGETS

As part of its climate strategy, Crédit Mutuel Arkéa is committed to setting up indicators to monitor the effectiveness of the measures taken, particularly sectoral policies, and to ensuring transparency of the progress made.

4.1 INDICATORS ALREADY IN PLACE WITHIN THE GROUP AND PUBLISHED

Each year, as part of the publication of its Non-Financial Performance Statement, the group communicates certain indicators related to the environment and climate:

Its **carbon footprint within the scope of its own activities**:

- Each year, the group measures its carbon footprint through a group carbon assessment. Thus, the group's carbon assessment was carried out at the beginning of 2021, based on 2020 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 its scope 3. To date, scope 3 does not include the carbon footprint of the group's financing and investments.
- For the year 2020, the group's carbon footprint is 51,548 tonnes of CO₂, or 5 tonnes of CO₂ per FTE.

	2017	2018	2019	2020
Group carbon footprint (scope 1+ scope 2 + partial scope 3) in tons of CO ₂	59,780	64,642	61,956	51,548

- The sharp drop of 17% between 2019 and 2020 can be explained by the context of the health crisis, which has imposed the use of teleworking, reducing work and home-to-work trips very significantly. This figure will therefore not be used as a reference.
- The group has set itself the goal of reducing the direct carbon footprint of its operations, with a target of reducing its greenhouse gas emissions by 16% between 2019 and 2024.

Financing for energy renovation work in private homes, through the financing of zero interest ECO-loans.

Loans for financing efficiency energy renovations	2017	2018	2019	2020
Number of Zero rate Eco-loans granted during the year	851	708	1 164	1 484
Average amount of interest-free Eco-loans granted (in euros)	17,727	17,856	13,672	12,135
Total amount of interest-free Eco-loans granted (in millions of euros)	15	13	16	18

As these indicators do not reflect the full range of climate-related opportunities and risks for the group, they will be supplemented in future publications.

In addition, the executive and supervisory bodies monitor on a quarterly basis the group's consolidated exposures to companies active in the coal sector, as defined by the current coal strategy. The group has committed to publish its residual coal exposure annually, starting at the end of 2021.

In 2020, the group relied on an external firm to carry out initial climate risk assessments on corporate portfolios, both in the banking, private equity and asset management/marketing sectors. **This initial risk assessment exercise will enable the group to gain a better understanding of these methodologies, with the aim of defining the best approaches and gradually extending their use.**

These initial results showed a higher transition risk assessment than the physical risk, due to the fact that the group's business is mainly in Europe.

	Physical risk	Transition risk	Coverage
Financing	22 (low)	39 (significant)	100 %
Unlisted investments	26 (moderate)	42 (high)	100 %
Market Investments	26 (moderate)	43 (high)	94 %

Source : ICare&Consult

On the financing side, the results are explained by a majority of exposures to sectors with relatively low direct exposure to physical and transition risk (services, finance, real estate) and a location in France, where physical risk is reduced and transition risk is amplified. In the unlisted sector, the results can be explained by a significant exposure to sectors dependent on fixed infrastructure and raw materials (manufacturing industry, agriculture), where physical and transition risks are high, and a French location. Finally, for market investments, these initial assessments are explained by diversified exposures at the sector level and a predominantly European location, where the physical risk is on average lower and the transition risk higher.

In addition to these cross-cutting indicators, climate-related indicators are specifically measured in certain areas of activity and are made public:

Within the scope of Suravenir, a subsidiary representing EUR 47 billion under management in life insurance at the end of 2020:

With a view to improvement, Suravenir has developed a tool to measure the **carbon footprint of its investments**. By measuring the carbon footprint of its portfolio, Suravenir wishes to have a barometer, which will help it to identify the actions to be targeted as a priority in order to converge towards a trajectory of 2 degrees Celsius of global warming, and to validate or invalidate a posteriori the effects of the decisions taken within the framework of the climate strategy. In order to better take into account the climate impact of its investment decisions, Suravenir has completed major development work for this exercise. These have

enabled it to extend the scope of the greenhouse gas emissions taken into consideration for the calculation of its carbon footprint and to equip itself with a dynamic indicator estimating the trajectory pursued by the players in the portfolio. To do this, Suravenir, through its agent Federal Finance Gestion, relies on data provided by S&P Trucost.

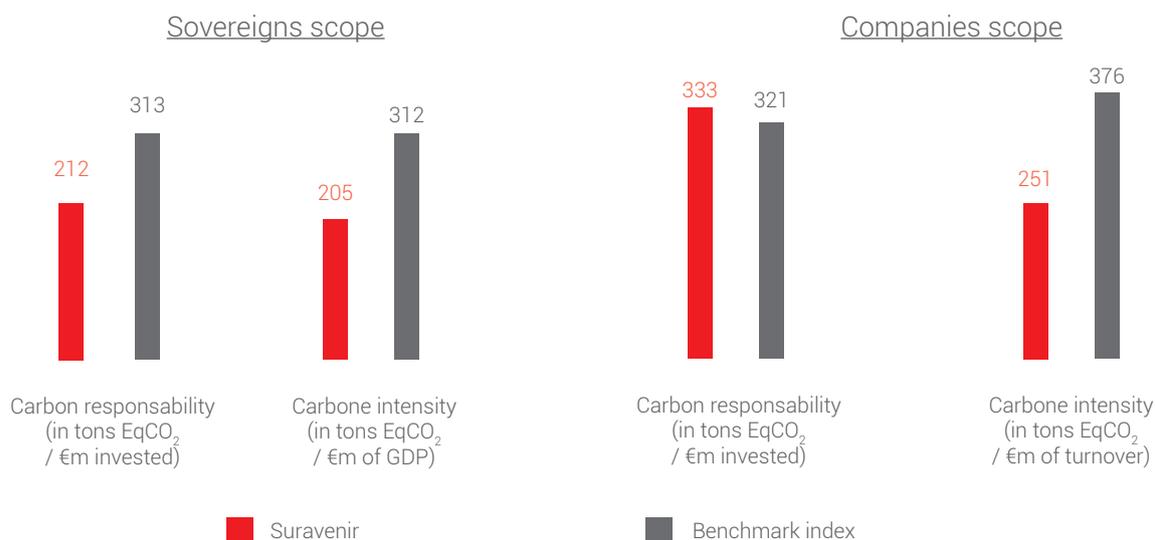
Methodology and scope covered: the carbon emissions generated by the holding of a portfolio of assets are the sum of the direct emissions of the company in which the portfolio is invested, for the part linked to its investment, and the indirect emissions linked to this company, upstream of its activity (raw materials, transport, etc.), and downstream (use of goods/services produced by the company). Emissions directly linked to production processes are referred to as "Scope 1", while emissions linked to the energy consumption necessary for the operation of production processes are referred to as "Scope 2". Finally, "Scope 3" measures all the emissions not linked to the direct production of products and services, but induced by the other stages of their life cycle. The inclusion of scope 3 in the calculation of the carbon footprint of Suravenir's portfolio is made possible by the use of a database established by S&P Trucost. In addition to the extensive coverage that this database offers, S&P Trucost ensures the quality of the data provided and the harmonisation of the methodologies used to estimate them. These points were essential prerequisites for any integration due to the importance of Scope 3 emissions, which are preponderant in certain industries such as the automotive and construction sectors. The integration of scope 3 is only possible for companies. The carbon footprint of the sovereigns is calculated only on scopes 1 and 2. Physical assets, indirect investments and the Unit of Accounts portfolio are excluded from the calculation scope.

This methodology allows for the coverage of 73% of the assets invested in companies and 100% of the sovereign issuers directly present in the portfolio.

Two complementary indicators are used to calculate the carbon footprint of Suravenir's financial portfolio:

- The carbon responsibility of a portfolio, which consists of measuring the volume of CO₂ emissions induced by the portfolio's investments (Tonne CO₂) per million euros invested. This indicator allocates the company's carbon footprint to the Enterprise Value financial aggregate (the sum of a company's net debt plus its market capitalisation). Any variation in this aggregate will impact this indicator artificially, making it difficult to monitor over time.
- The carbon intensity of a portfolio, which consists of measuring the average volume of CO₂ emitted by the companies in the portfolio per million turnover. This indicator, based on turnover, favours high value-added activities. In the case of sovereign issuers, the country's GDP replaces the company's turnover and the debt replaces the company's value. Simply reading these ratios does not allow us to judge the carbon performance of Suravenir's portfolio. To do so, it is necessary to compare the results obtained with those of a benchmark representative of the investment universe. For this exercise, a composite index (90% Barclays Euro Aggregate 5-7 + 10% Eurostoxx 50) representative of the "corporate" investment universe was used. The OECD constitutes the "sovereign" reference universe.

Results as of 31/12/2020:



Overall, these results are positive. The slight underperformance of the responsibility indicator for the “Corporate” segment is explained by an investment in a particularly emissive issuer for which an action plan has been defined in 2021. Adjusted for this investment, Suravenir outperforms its investment universe. The clear outperformance for the intensity ratio is explained by the portfolio's underweighting compared to its benchmark on the sectors that emit the most greenhouse gases. Within the Sovereigns perimeter, Suravenir remains mostly exposed to France, which ranks among the best countries in terms of CO₂ emissions within the OECD, and is only marginally exposed to countries outside Western Europe, which account for a significant portion of the largest greenhouse gas emitters in the perimeter.

Suravenir, through its agent Federal Finance Gestion, has calculated a **first portfolio alignment measure which aims to assess the long-term performance of the climate strategies of the companies invested in the portfolio and to verify that their future greenhouse gas emissions allow to contain global warming to two degrees**. To establish this calculation, an S&P Trucost database is used, which is based on observed emissions, initiated/announced investment plans, and targets defined by the companies. These elements make it possible to estimate the volume of greenhouse gas emissions expected for an issuer over a given time horizon. This volume is then translated into a global warming trajectory by comparing it to simulations carried out by specialist agencies. S&P Trucost does not determine a precise trajectory for an issuer, but a range within which the company is expected to fall (e.g. a trajectory between 2 and 3 degrees). In addition, in order to limit the assumptions relating to the climate strategies deployed by companies, the calculation horizon is limited to 2025. In order to increase the readability of the results obtained, Suravenir has decided to break down the entire scope studied into three classes. This breakdown is explained by the Paris agreements and the limitation of global warming to 2°C, an objective that Suravenir wishes to respect in its investment decisions. The three classes are as follows:

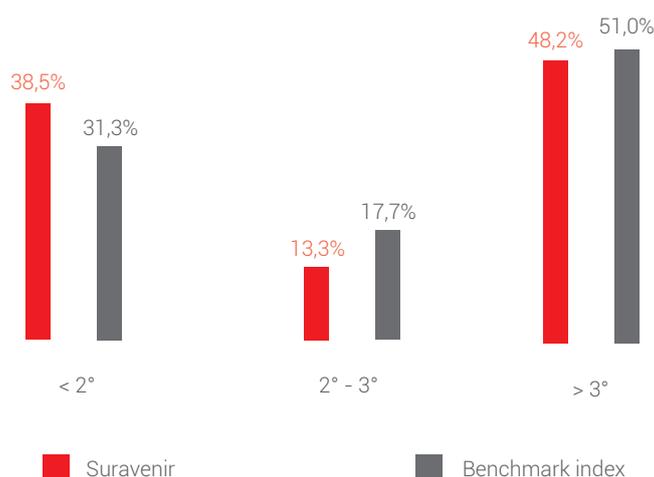
- The first class includes all issuers whose warming trajectory is below 2°C. This class therefore includes all issuers whose announced climate strategy and the resources deployed to date comply with the

requirements imposed by the Paris agreements.

- The second class includes all issuers whose warming trajectory is between 2°C and 3°C. This class is made up of actors whose climate strategy is close to the requirements of the Paris agreements and which do not require, a priori, any major changes to comply with them.
- The third class includes all issuers whose climate warming trajectory is greater than 3°C. This class includes all issuers whose climate strategy is not sufficiently mature to meet the requirements of the Paris agreements, and who will need to increase their commitments to meet them.

The path alignment calculation covers all directly held equity and bond positions issued by companies, the only entities for which S&P Trucost provides data. This methodology covers 73% of the assets invested in companies.

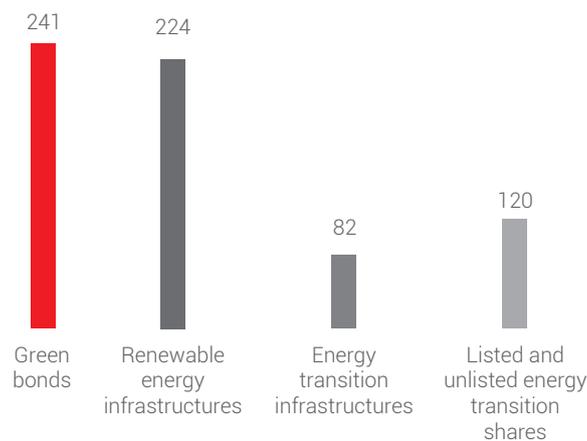
Results as of 31/12/2020 :



In terms of alignment, Suravenir significantly outperforms its investment universe: 38.5% of the assets analysed are invested in companies whose strategies are already aligned with a scenario of limiting global warming to 2°C compared to 31.3% for the benchmark. Overall, **these figures attest to the significant challenge of limiting global warming**. Indeed, more than half of the issuers in the benchmark (compared to 48.2% of the assets in Suravenir's portfolio) have not defined a strategy to significantly reduce their emissions (scenario greater than three degrees). In this respect, it is worth highlighting the limited number of possible solutions for certain sectors of activity. This observation, combined with a calculation method with changing assumptions, makes it difficult to monitor such an indicator over time.

In order to contribute to the 2 degrees scenario and to support the evolution towards a low carbon economy, Suravenir wishes to participate in the **financing of the energy transition by investing in green assets**. To define the activities that fall within the scope of the energy transition, Suravenir has referred to the nomenclatures of the GreenFin label (formerly TEEC "Ecological and Energy Transition for Climate") and the Climate Bonds Initiative (CBI). The first investments in GreenFin labelled funds were made in 2018. At the end of 2020, the amounts committed were €208m, of which €139m was called. Overall, as at 31/12/2020, Suravenir had committed nearly €780m (i.e. nearly 2% of financial assets excluding unit-linked funds) to activities favourable to the energy transition, of which €667m was deployed and invested at year-end. The strong growth of these assets (+41% compared to the previous year) demonstrates Suravenir's clearly expressed desire to support

responsible economic activity, which alone will enable us to limit global warming to 2°C. These investments are mainly in financial assets of debt and capital in favour of infrastructures compatible with the objectives of energy transition (including renewable energy production), green bonds and shares of listed and unlisted companies (through private equity funds).



In the **field of asset management**, **impact indicators have also been developed, particularly in the context of the Federal Global Green Bonds fund, and have been published as part of the 2020 impact report for this fund.** In addition to the selection and evaluation process for issuers and projects, a methodology for measuring avoided CO₂ emissions has also been defined.

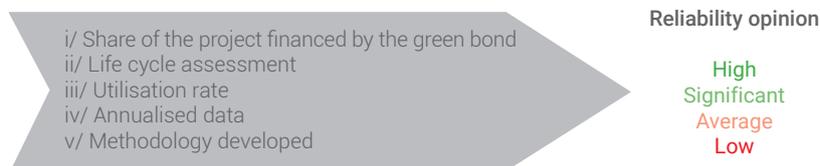
The avoided CO₂ emissions are the result of the difference between two scenarios:

1/ Reference or "business as usual" scenario

2/ Scenario with a solution or technology that reduces CO₂ emissions compared to the reference scenario

$$\text{Avoided CO}_2 \text{ emissions} = \text{Total CO}_2 \text{ emissions (scope 1, 2, 3 upstream, 3 downstream) of scenario 1} - \text{Total CO}_2 \text{ emissions (scope 1, 2, 3 upstream, 3 downstream) of scenario 2}$$

While avoided CO₂ emissions remain a didactic tool for investors seeking impact measures, it should be handled with humility and caution. Sometimes referred to as “scope 4” emissions, this indicator is not based on recognised standards (such as the GRI or GHG Protocol) but is often the result of internal research developed by issuers. Nevertheless, avoided CO₂ emissions are interesting for a green bond fund as it allows quantifying the environmental additionality of a project. At the scale of an issuer, the calculation of this indicator is very fragile since a company offers a multitude of different products and services. For a Green Bond, the number of projects financed is more limited and restricted to the broad categories set out by the Green Bond Principles, categories with positive environmental impacts. Thus, even though the calculation of this indicator is based on assumptions defined by the issuers that vary de facto from one issuer to another, the small number of technologies that will be financed by the Green Bond makes it possible to understand the impact of this technology compared to an existing technology. Aware of the limitations of this indicator, Federal Finance Gestion has developed a reliability opinion on the avoided CO₂ emissions communicated by the issuers, i.e. for 12 of the 20 issues in the portfolio (nearly 60% of the valuation of the green bond portfolio). Before investing in a Green Bond, a preliminary analysis of the ESG quality of the issuer is carried out, as well as the quality of the projects financed, thus avoiding any unpleasant surprises regarding the quality of the reporting and the methodology used by the issuer, which will be available ex-post. Thus, in addition to collecting and understanding the tons of CO₂ avoided communicated by the issuers, a reliability opinion has been developed, a qualitative result of 5 elements that are considered key to qualify the robustness of the indicator.



- i/ Some issuers claim all the avoided emissions of a project even though they did not finance all the project
- ii/ All CO₂ emissions should be included, not just those related to use
- iii/ Some renewable energy projects are not yet in full use. Even if the indicator is likely to decrease (case of a portfolio value), the utilisation rate should be taken into account.
- iv/ For better comparability
- v/ We value issuers who develop approaches in partnership with external organisations

This work has shown that as of 31/03/2020, the Federal Global Green Bonds fund had 295 tonnes of CO₂ avoided per million euros invested.

In the field of private equity, since 2020 Arkéa Capital has also published an ESG report based on a questionnaire sent to its holdings. The objectives of this report are to monitor the progress made each year but also to share best practices that can become sources of inspiration for a larger number of companies. The responding companies are very heterogeneous in terms of size and sector of activity. This ESG report focuses on certain performance and/or risk indicators related to environmental and climate issues. The indicators presented reflect the actions taken by the portfolio companies to improve their environmental impact. Specifically on climate, this is the case of :

- The proportion of companies measuring their carbon footprint: 25% of respondents have already measured their carbon footprint.
- or the proportion of companies that have implemented an action plan to reduce their greenhouse gas emissions: 47% in 2020.

4.2 OUTLOOK

Crédit Mutuel Arkéa is aware that climate issues cannot be measured by a single indicator but by a combination of different metrics, both static and dynamic, as part of its climate strategy:

- Comprehensive climate risk assessment (physical and transition risks) on significant financing and investment portfolios, initially in 2021.
- Strengthening the assessment of exposure to the most carbon-intensive sectors and emitters (brown share).
- Measure the share of green activities, aligned with the European Union's green taxonomy, in its market investment portfolios by the end of 2021, and be able to integrate the results into its decision-making processes by early 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.
- Representative 2°C alignment analysis of its investment and corporate finance portfolios to assess available methodologies.

5 CONCLUSION

This report, which aims to respond to the TCFD's recommendations as best as possible, is an initial exercise and is intended to be completed each year to reflect Crédit Mutuel Arkéa's determination, expressed at the very heart of its Raison d'être, to take account of climate and environmental issues in its strategy and business model, and to do so in a fully transparent manner.

Crédit Mutuel Arkéa and its various components are aware that there is still a lot of work to be done in the face of the climate challenge and its economic implications, and are continuing to deploy actions aimed at better understanding the impacts of climate change, measuring them more accurately and taking them into account in both strategic and operational decisions, as close as possible to its stakeholders and the areas in which it operates or operates.



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