

TCFD
THE GROUPE BPCE
CLIMATE REPORT

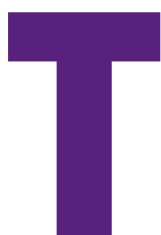
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INTRODUCTION



he materiality of climate change was brought vividly to our attention in the summer of 2021 with the occurrence of extreme

weather events around the world just when the Intergovernmental Panel on Climate Change (IPCC) brought out a compelling report on the undeniable need for urgent, global and coordinated action to mitigate the henceforth inevitable warming of our planet.

The influence of human activities on climate change is no longer open to debate, the challenges facing us are immense and our governments, regulatory and supervisory authorities, economic players, and financial community must all provide ambitious solutions equal to the challenges we face.

Indeed, climate change poses significant economic risks that may ultimately jeopardize the financial stability of the global economy. In its capacity as a leading player in the banking sector committed to limiting climate change, Groupe BPCE intends to take active ownership of these risks and to factor them into its corporate strategy.

It is in this context that we are publishing our first Task Force on Climate-related Financial Disclosures (TCFD) report drawing on working group recommendations by the G20's Financial Stability Board.

This voluntary reporting framework seeks to demonstrate how we integrate the effects of climate change in our Group's strategic decisions. The aim of this effort is to give ourselves the means to gauge and quantify climate-related risks and opportunities presented by global warming, and to make them an integral part of our financing, investment, and insurance decision-making processes.

The report is divided into four chapters in line with the TCFD recommendations:

Governance

This chapter reviews the principal characteristics of the Group's governance system flowing from its universal, cooperative and decentralized banking model. It describes how Groupe BPCE validates its climate-related strategic orientations and oversees their implementation. The chapter also describes the organizational structure set up – via its governance system and set of dedicated committees and departments – to ensure compliance with regulatory requirements.

Strategy

This section presents Groupe BPCE's commitment to making climate change a priority for all its business lines and companies. It also describes the mechanism for identifying and managing climate-related risk factors liable to have an impact on its activities.

Risks

This chapter presents the governance system set up to manage climate risks as well as the management function created to handle these issues in all Groupe BPCE companies. It describes the processes and tools used to analyze climate risks and how specific contingencies are accounted for in the Group's overall risk management system.

Metrics

This chapter presents the Green Evaluation Models approach to the climate-risk assessment of Groupe BPCE's lending portfolios along with the methodologies adopted for its asset management and insurance businesses allowing it to measure the climate impact of its investment portfolios.

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The senior management of Groupe BPCE is committed to developing and implementing its climate strategy and to identifying, assessing, and managing the climate change risks liable to affect the Group's business activities and its customers.

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STRATEGY

The climate is a core element of Groupe BPCE's strategic plan, an issue that mobilizes the energy of all its businesses in support of their customers' environmental transition by providing solutions to address their needs for financing, investment or insurance.

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RISK MANAGEMENT

Physical and transition climate risks are subject to specific management policies involving the adoption of procedures and analytical tools designed to identify and assess these risks and integrate them into the Group's risk appetite framework.

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METRICS & TARGETS

In order to align its activities with a carbon neutrality trajectory by 2050, Groupe BPCE is working on the adoption of a set of metrics designed to gauge the climate impact of its financing and investment portfolios.

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“Without a set of reliable metrics shared by all, there can be no effective action.”



Responding as closely as possible to the needs of our customers and, beyond them, meeting the needs of society is the corporate purpose of our Group. In its capacity as a decentralized, cooperative financial institution boasting

deep roots at a local and regional level, Groupe BPCE and all its companies with Banque Populaire, the Caisse d'Épargne and Natixis are fully engaged in the energy transition. The current context of climate emergency gives us further reason to speed up and intensify our commitments by making the energy transition one of the priorities of our BPCE 2024 strategic plan.

After signing the Principles for Responsible Banking (PRB) in September 2019 – and thereby committing ourselves to pursuing the strategic alignment of our activities with the United Nations Sustainable Development Goals (SDGs) and the trajectories of the Paris Climate Agreement – we also became a member of the Net Zero Banking Alliance in July 2021.

Whether they are physical or transition risks, the threats posed by climate change to our customers and to our own activities must be addressed methodically and be subject to a specific framework and set of steering procedures. The very stability of our economies and societies depends on it.

Whether our carbon footprint is direct or indirect, it must be aligned with a sustainable environmental scenario. This means measuring the impact of our financing and investment

activities and setting short-, medium-, and long-term goals to mitigate their climate-related effects. Our ability to measure this impact is one of our most important projects because without a set of reliable metrics shared by all, there can be no effective action. Groupe BPCE is leading the way in this area. After being the first bank to actively manage the climate impact of its assets with the adoption of the Green Weighting Factor for its Corporate & Investment Banking activities, the Group is now gradually extending its work to cover the totality of its lending portfolios via the Green Evaluation Models approach.

For a Group such as ours, taking action to combat climate change means helping all our customers – be they large and medium-sized companies, institutions, or individual customers – to make a successful transition to a low-carbon economy. It means taking advantage of everything at our disposal in order to succeed: such as providing our customers with concrete support measures, pursuing a strategic dialogue with them, setting up dedicated funding envelopes, adapting our asset management or insurance solutions to channel savings progressively to companies making their transition or, yet again, seizing the opportunity to forge targeted partnerships around expertise that we do not possess alone. This shift to a decarbonized economy calls for our support, and we are all fully aware that the need for financing in this area will be substantial. But we are ready to rise to this challenge. We boast considerable financial room for maneuver and have forged a determination, shared by all our companies, to play an essential role in this adventure.

Laurent Mignon,
Chairman of the Management Board

1

GOVERNANCE





GOVERNANCE



GOVERNANCE

- The Group's business model is that of a full-service, cooperative, and decentralized bank that anchors its actions in the long term.
- The Group's Supervisory Board approves the climate-related strategic orientations, oversees their implementation, and manages the risks and opportunities associated with these challenges with the help of two independent specialized committees.
- The Chairman of the Management Board and the members of the Executive Management Committee oversee the implementation and monitoring of the strategy, and ensure compliance with regulatory requirements.
- Groupe BPCE has set up an organizational structure around its CSR and Risk Departments in all its businesses and companies in order to meet the challenges posed by climate change.

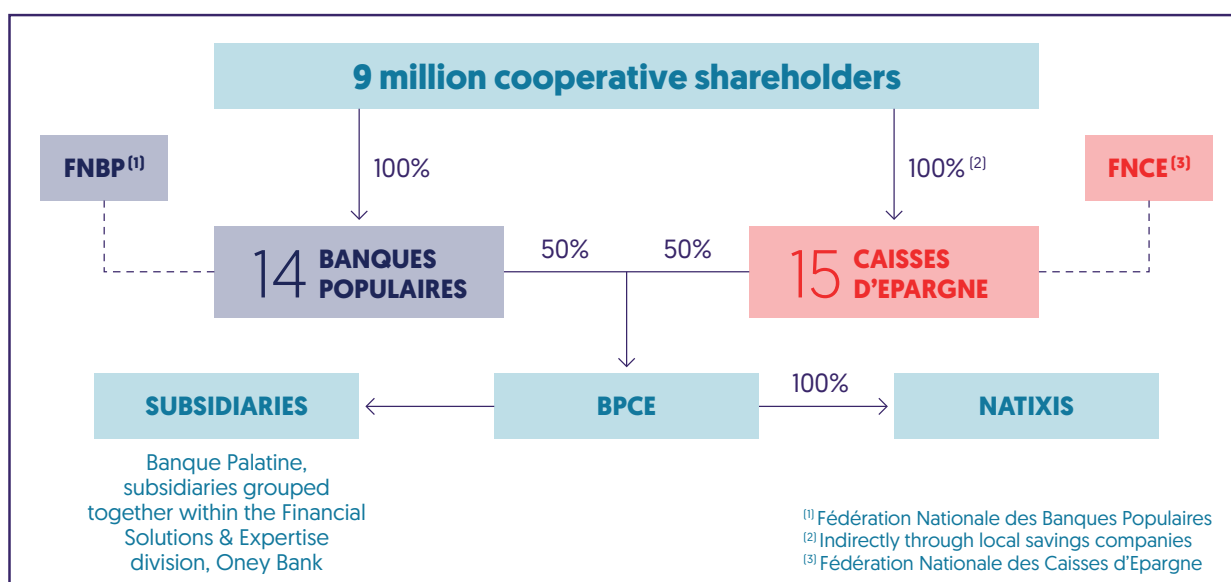
The 14 Banques Populaires and 15 Caisses d'Épargne, owned by their 9 million cooperative shareholders, are fully-fledged banks present throughout France. They are the joint and equal holders of the entire share capital of BPCE, the central institution responsible for defining the policy and strategic orientations of the Group, for coordinating the commercial policies of each of the retail banking networks, and for ensuring the liquidity and solvency of Groupe BPCE as a whole.

Prominent individuals representative of their regional economies are members of the Banque Populaire Boards of Directors and of the Caisse d'Épargne Steering & Supervisory Boards, thereby ensuring that the banks' resources are allocated first and foremost to satisfying local needs and the needs of regional customers.

The Group's Supervisory Board is comprised of seven members representing the Banques Populaires, seven representatives of the Caisses d'Épargne, three independent members, two employee representatives, and six non-voting directors. This membership provides the Group with a well-balanced corporate governance structure closely aligned with the concerns of its local customers and of French society at large.

The Supervisory Board approves the policy and strategic guidelines of Groupe BPCE (including those relating to climate risk) and the policy and strategic guidelines of each of the Banque Populaire and Caisse d'Épargne retail banking networks. Responsibility for implementing these guidelines is entrusted to the Chairman of the Management Board,

Organizational structure of Groupe BPCE as at October 1, 2021





GOVERNANCE

who is appointed by the Supervisory Board, and the Executive Management Committee, which also includes the five members of the Management Board.

The retail banking networks and their cooperative shareholders are represented respectively by the Fédération Nationale des Banques Populaires (FNBP) and the Fédération Nationale des Caisses d'Épargne (FNCE), bodies that provide a setting for deliberation, communication, and representation.

To enhance Groupe BPCE's commitment to a proactive policy on social and environmental responsibility, a Group CSR Department, reporting directly to Laurent Mignon, Chairman of the Management Board, was created in November 2020 and assigned the task of drawing up a common CSR strategy for all the entities of the Group as a whole. The Group CSR Department is also responsible for coordinating all the initiatives taken by the Group's companies in this area, notably in light of the targets defined in the new strategic plan, BPCE 2024.

A climate risk function was also set up in 2020 with a view

to bringing together a network of correspondents in all the Group's different companies and businesses. This function reports to the Climate Risk division of the Group Risk Management department.

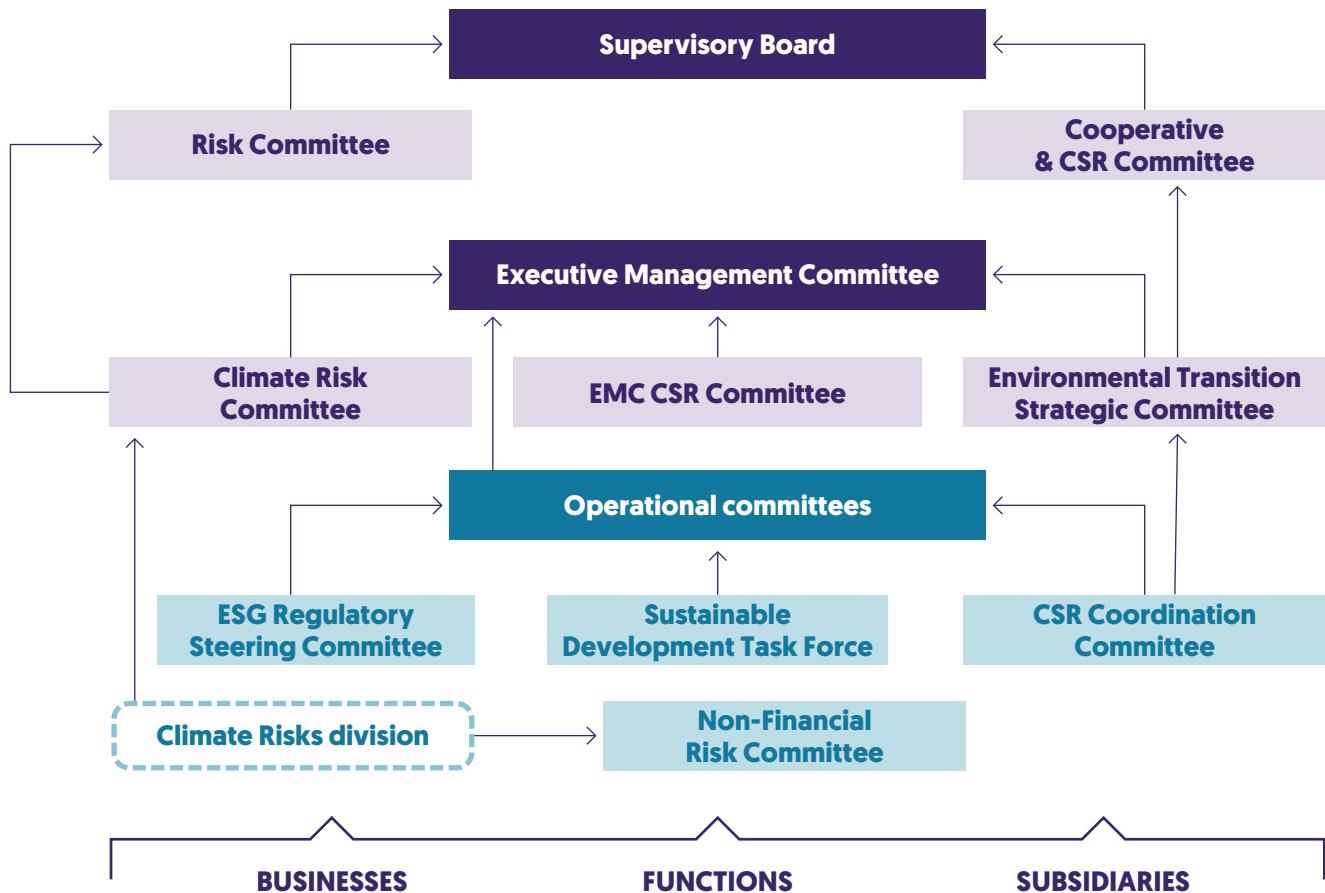
1 - The Supervisory Board validates the Group's strategy and supervises the management of climate-related risks and opportunities

The Supervisory Board validates, controls and gives perspective to the climate strategy of Groupe BPCE presented by the BPCE Management Board.

The Board is assisted in this task by two independent specialized committees: the Risk Committee and the Cooperative & CSR Committee.

The Supervisory Board defines the method and amount of remuneration awarded to each of the members of the Management Board.

Organization of bodies involved in the fight against climate change





The Remuneration Committee ensures that CSR issues form an integral part of the compensation policy.

For fiscal year 2021, the compensation awarded to the Chairman and members of the Management Board of BPCE includes an annual variable portion, 40% of which is indexed to qualitative criteria, including 10% tied to the fulfillment of CSR-related criteria. The allocation of this variable portion depends on the implementation of the Group's strategic ambitions related to environmental matters (including climate change) and the position of Groupe BPCE in the rankings drawn up by non-financial rating agencies.

2 - The Chairman of the Management Board and the members of the Executive Management Committee define and ensure the implementation of the environmental strategy and oversee the management of the Group's climate risks

Groupe BPCE's climate policy is implemented both operationally and collaboratively by:

- The Group CSR Department,
- The CSR departments within Retail Banking & Insurance, and Natixis, and the CSR function of the Financial Solutions & Expertise division,
- The Group Risk Department,
- The Group's companies,
- The Fédération Nationale des Banques Populaires and the Fédération Nationale des Caisses d'Épargne.

2.1 - The CSR Department oversees the development and implementation of the climate strategy

The principal missions of the Group CSR department (which reports directly to the Chairman of the Management Board) are to define and oversee the implementation of the Group's strategic ambitions related to environmental transition and to coordinate all CSR initiatives undertaken by the Group's companies *via* bodies that include representatives of the business lines (Retail Banking & Insurance, Asset Management, Corporate & Investment Banking) as well as representatives of the FNBP and FNCE. The Corporate CSR Department helps to define methodologies for measuring the

Respective roles of the Risk Committee and Cooperative & CSR Committee

Committee	Presidency	Frequency of meetings	Role & responsibilities	Topics addressed and decisions validated related to climate risks
Risk Committee	An independent member of BPCE's Supervisory Board	8 to 9 meetings per year	<ul style="list-style-type: none"> • Support risk management procedures and the Group's strategic ambitions related to the environmental transition • Review the overall exposure of the activities of BPCE and the Group's entities to both current and future climate risks 	<ul style="list-style-type: none"> • Annual review of the Group's risk appetite with the inclusion of a climate risk subcategory • Monitoring the implementation of an approach dedicated to climate risk • Review of regulatory stress tests with a focus on climate risks
Cooperative & CSR Committee	The Chairpersons of the Fédération Nationale des Banques Populaires (FNBP) and of the Fédération Nationale des Caisses d'Épargne (FNCE), acting alternately	Every six months	<ul style="list-style-type: none"> • Make proposals and recommendations aimed at promoting cooperative and CSR values, a sense of long-term commitment and professional and interpersonal ethics, and to give tangible expression to these values in the activities pursued by Groupe BPCE and its retail networks • Study the work carried out by the Banking industry on climate risks and their impacts on banks • Monitor the CSR ambitions and, more particularly, the climate-related aspects of the strategic plan and ensure their implementation 	<ul style="list-style-type: none"> • Review of issues related to energy transition financing, reporting, risk management, and carbon footprint • Review of the "BPCE 2024" strategic plan

Committees dedicated to climate issues

Committee	Presidency	Frequency of meetings	Participants	Mandate / Principal assignments
<p>EMC CSR Committee Set up in January 2021</p>	Chairman of the Management Board	3 to 4 times a year	<ul style="list-style-type: none"> Members of the Executive Management Committee Group CSR Department <p>Guest members:</p> <ul style="list-style-type: none"> Natixis CSR Retail Banking & Insurance CSR 	<ul style="list-style-type: none"> Validate the Group's CSR strategy for the environmental transition and ensure that this strategy is implemented Validate the Group's CSR positions Ensure that the Group meets its CSR regulatory requirements
<p>Strategic Environmental Transition Committee Set up in January 2021</p>	Chairman of the Management Board	3 to 4 times a year	<ul style="list-style-type: none"> Management Board member responsible for Retail Banking & Insurance Management Board member responsible for Finance & Strategy Chief Risk Officer 	<ul style="list-style-type: none"> Define the Group's CSR strategy and its positions regarding the environmental transition Oversee the implementation of the environmental strategy and the achievement of the ambitions laid down in this strategy Monitor the progress made by regulatory initiatives on ESG issues

Group's carbon footprint and monitoring its alignment with the Paris Agreement. It analyzes the impact on the Group's businesses of current regulatory changes related to the ecological transition. Finally, it coordinates projects and partnerships in favor of the environmental transition on behalf of Groupe BPCE.

Various committees dedicated to climate change issues and overseen by the Group CSR Department have been created for this purpose. These committees report to the Executive Management Committee and to the Strategic Environmental Transition Committee.

2.2 - Strengthening climate risk management

The Risk Department and the General Secretariat, responsible for compliance and permanent control, ensure the measurement, oversight, and control of the risks faced by Groupe BPCE.

On January 1, 2019, Groupe BPCE created a Climate Risk division within BPCE's Corporate Risk Department. In 2020, climate risk correspondents were appointed in the risk departments of the entities belonging to the Banque Populaire and Caisse d'Epargne retail banking networks as well as in the Group's subsidiaries. The Climate Risk division has implemented numerous initiatives devoted to govern-

**Valérie DERAMBURE,
Head of Groupe BPCE CSR**

“The fact that we report directly to the Chairman of the Management Board demonstrates the importance attached by our Group to the CSR dimension of its business activities. We wanted to set up an organization and governance structure that would enable us to manage efficiently the pursuit of the ambitions defined in our strategic plan with its resolute focus on the climate. By the nature of our businesses, we have a responsibility to work for a more environmentally responsible society and to contribute to the emergence of a society that is more sustainable.”



Role of the Climate Risk Committee

Committee	Presidency	Frequency of meetings	Role & responsibilities	Topics addressed and decisions validated related to climate risks
Climate Risk Committee	<p>Chairman of the Management Board</p> <p>The members include representatives of the Banques Populaires and Caisses d'Épargne</p>	Every six months	<ul style="list-style-type: none"> ● Examine the principal areas of the Group's existing or potentially emerging climate and environmental risks ● Set up controls to verify compliance with the strategic plan and the different policies in terms of climate risks, objectives, metrics, and analysis tools used ● Build scenarios and validate transition matrices for climate stress tests to appraise the resilience and vulnerability of our business model 	<ul style="list-style-type: none"> ● Review of the work carried out on all aspects of climate risk with a view to providing a comprehensive overview of the challenges in this area

ance, strategy, and risk management and is now focusing on the operational integration of risk-management systems and tools within the entities. The Climate Risk Committee – which is a decision-making and oversight committee – deals with climate risk issues from a cross-functional perspective on behalf of the Group and its different business lines, and prepares reports for the attention of the Supervisory Board's Risk Committee.

3 - Dedicated functions ensure the operational pursuit of the climate-related strategic orientations in all the Group's entities

3.1 - CSR function

All the entities of Groupe BPCE – the Banques Populaires, Caisses d'Épargne, Natixis, Banque Palatine and Oney – have their own CSR Departments. These different structures are grouped together in the form of a functional department coordinated by the Group CSR Department with the support of the CSR Departments of the Retail Banking & Insurance business line and Natixis. Within these divisions, the CSR Departments of each entity are responsible for implementing the Group's commitments, coordinating the activities of their in-house function, contributing to the implementation of CSR policies, and ensuring the reliability of the non-financial reporting system.

The Green & Sustainable Hub: a concentrate of expertise

This operational hub, created in 2017, is comprised of a team of experts dedicated to supporting issuer and investor clients worldwide with solutions and expertise in green and sustainable finance. This expertise applies to all asset classes: finance structuring and origination and investment solutions, in partnership with the business lines thanks to the support of 'Green Captains' and in liaison with the CSR Department. The Green & Sustainable Hub provides training throughout the year to enhance the Green Captains' skills regarding the different facets of sustainable finance.



For business activities related to Retail Banking, the CSR Department of the Retail Banking & Insurance division, working in liaison with the FNBP and FNCE, runs a network of CSR correspondents comprised of approximately 70 full-time equivalent employees. In areas related to Corporate & Investment Banking, Asset Management, Insurance, and Payments, the CSR Department of Natixis relies on a network of some 200 CSR correspondents appointed in all the different businesses and functions.

Correspondents coming from Natixis' business activities attend business forums aimed at developing CSR in the businesses while the correspondents originally from functional departments (Real Estate and Logistics, Human Resources, Compliance, IT, etc.) are involved in projects related to making sustainable development an integral part of the company's operations.

3.2 - Climate risk function

The Climate Risk division manages the network of climate risk correspondents present in each entity and acting as effective local relays. Their main task is to follow the latest work of the Climate Risk division and to be able to present it to the executive management teams of their respective establishments and, if necessary, to their senior management bodies.

4 - Raising the awareness of all employees to the importance of climate change risks

Groupe BPCE offers its management and employees training on climate risks. The members of BPCE's Management Board receive training to better understand the assessment of climate risks.

In order to raise the awareness of the largest possible number of employees to climate risks, their impacts and various CSR-related issues, Groupe BPCE has rolled out Climate Risk Pursuit, an interactive training tool providing a basic understanding of climate risks and the economic environment related to this challenge.

All Groupe BPCE employees are also offered specific training on the green economy with a view to informing them of the orientations chosen by Groupe BPCE in this area. At the same time, employees are encouraged to follow a MOOC on the 'Causes and challenges of climate change'.

Finally, in order to enhance basic training on climate risks, an in-depth course on future challenges is currently under development. At the end of this training, employees will be able to:

- Understand the challenges of climate change and the attendant risks,
- Identify the climate risks facing clients along with their financial impacts,
- Analyze climate risks with the help of appropriate tools,
- Review the diversity of current and future regulations related to these issues,
- Give formal expression to the opportunities and levers of action for the banking and insurance industries.

2

STRATEGY





STRATEGY



- Groupe BPCE has made climate change a priority for all its business lines and companies:
 - It undertakes to assist all its customers in meeting their own environment-related transformation challenges and fully intends to make the environmental transition one of its main growth drivers within the framework of its strategic plan, BPCE 2024.
 - It commits to aligning its portfolios with a 'Net Zero' trajectory by prioritizing those portfolios where the bank can have the greatest impact, i.e. those with the largest proportion of the most greenhouse gas intensive sectors.
 - It wants to be exemplary and reduce the carbon footprint of its own operations by 15% within three years.
- Groupe BPCE has set up a robust system to identify and manage climate risk factors liable to have an impact on its activities.

1 - The Group is stepping up its commitment to the fight against climate change

The need to combat climate change and create a more low-carbon society is the defining challenge of our time and – more than ever before – a matter of absolute priority. To meet this challenge, the financial industry has a key role to play in facilitating the transition to a low-carbon economy capable of accommodating the various environmental, social and economic needs of society. Groupe BPCE, a financial institution playing a key role in the financing of the French economy, has been mobilized in pursuit of this objective for many years. Thanks to its strong presence throughout France and around the world, it supports

all types of economic players – individuals, professionals, companies, associations, public entities, local authorities, and investors – with its financing and refinancing expertise along with investment and savings solutions to help them to bring their transformation and transition projects to fruition.

The environmental transition is central to its preoccupations and, as such, one of the three pillars of BPCE 2024, the Group's new strategic plan for 2021-2024, and a priority action area for all its business lines and companies. In

An environmentally committed group, a 'Net Zero' group

For Groupe BPCE, joining the Net Zero Banking Alliance means aligning its portfolios with a trajectory leading to net-zero emissions by 2050... but it also means taking immediate action to use the measurement tools at its disposal to establish milestones for the short-, medium- and long-term alignment of its balance sheet with this target.

- For the financing portfolios of the Corporate & Investment Banking division, the business line that finances the most emission-intensive sectors, the 2050 target is 1.5°C with two intermediate milestones: 2.5°C in 2024 and 2.2°C in 2030.
- For the Natixis Assurances main insurance fund, the target for 2030 is 1.5°C with an intermediate milestone of 2°C in 2024.



this context, Groupe BPCE intends to commit to a long-term adjustment of its balance sheet in line with a strategy of mitigating the climate impact of the activities it pursues and the assets it finances, invests in, or insures. As such, it is making a strong commitment to its customers and society at large: to align its financing portfolios with a 'Net Zero' trajectory, i.e. carbon neutrality by 2050. Groupe BPCE has reasserted this commitment by joining the Net Zero Banking Alliance, the world's largest initiative aimed at achieving carbon neutrality by 2050 currently supported by 53 different banking institutions.

Groupe BPCE has consequently set itself four key objectives:

- To measure the climate impact of its financing, proprietary investment, and insurance activities and manage their climate trajectory within the reference framework of the Paris Agreement in pursuit of the goal of achieving the 1.5°C target and by placing a priority focus on the most greenhouse gas-intensive sectors,
- To extend its green refinancing strategy with the issue of 'energy transition' bonds,
- To support the energy transition process in general, and help its customers to meet the challenges of their own transition by serving their needs related to financing, savings or insurance, by offering advisory services and a structured strategic dialogue, and by providing them with expertise, relevant solutions, and a long-term vision,
- To speed up the reduction of its direct environmental footprint by aiming to reduce its carbon emissions by 15% (compared to 2019) between now and 2024.

2 - Identification and assessment of climate risks

The identification of climate risks, their management and supervision are key steps in the process of defining a climate strategy geared to the environmental transition.

For Groupe BPCE, climate risks correspond to the vulnerability of banking activities to climate change. A distinction can be drawn between physical climate risks, which are directly related to climate change, and transition climate risks, which are more related to the necessary adaptation of our activities and those of our customers to combatting. These risks now form an integral part of our sectoral risk policies (*see Chapter 3 – Risk management*).

Groupe BPCE intends to commit to a long-term adjustment of its balance sheet in line with a strategy of mitigating the climate impact of the activities it pursues and the assets it finances, invests in, or insures.

The materiality of climate change-related risks is assessed in line with the most commonly used major risk classifications, namely: credit risks, market risks, and operational risks. Groupe BPCE has therefore set up a robust system for identifying climate risk factors liable to influence traditional risks, supported by a precise monitoring tool.

3 - Making climate change a strategic priority for all its business lines and companies

In its new 2021-2024 strategic plan, Groupe BPCE has identified the environmental transition as one of its growth drivers capable of generating additional revenues of approximately €300m by 2024 (vs. 2020).

3.1 - Progressive greening of its financing, investment, and insurance activities

Groupe BPCE undertakes to modify the structure of its balance sheet to limit the climate impact of its financing, investment and insurance activities, and to gradually align its portfolios with a net-zero trajectory.

The Group is therefore continuing:

- To develop mechanisms to measure carbon emissions and manage the climate trajectory of all the Group's portfolios (*see Chapter 4 – Metrics & targets*),
- To develop its system for identifying and managing the physical and transition climate risks to which its customers and its own activities are exposed, with a view to continuous improvement (*see Chapter 3 – Climate risk management*),
- To withdraw from the most carbon-intensive activities through the adoption of appropriate sectoral policies.



In this way, Groupe BPCE aims to tailor its behavior and business practices to the 2015 Paris Agreement through its coal policy and progressively to reduce its exposure to thermal coal to zero by 2030 as far as its activities in the European Union and OECD countries are concerned, and by 2040 for its activities in the rest of the world. This timetable is aligned with the International Energy Agency's (IEA) Sustainable Development Scenario (SDS).

As early as December 2017, Natixis undertook to cease financing the exploration and production of oil from tar sands and oil located in the Arctic. In November 2018, Natixis published an oil & gas sector policy specifying the terms of its commitment:

- To cease financing projects worldwide related to the exploration, extraction, transportation, storage or development of export terminals involving oil derived from tar sands and heavy grade oil,
- To cease investing in companies where 30% or more of their business activities falls within the scope of these exclusions,
- To cease financing onshore and offshore oil exploration and extraction projects in the Arctic.

This commitment to protecting the Arctic further strengthens the position taken by Ostrum and Mirova, two affiliates of Natixis Investment Managers. Since 2016, both these entities have led an investment group whose members are all signatories to a statement calling for the protection of this region from oil exploration and for the respect of national commitments to combat climate change in this particularly hydrocarbon-rich part of the world.

Lastly, on May 18, 2020, Natixis added to its policy in this area by pledging to cease financing projects worldwide dedicated to the exploration and production of shale oil and gas. Natixis also undertook to stop financing companies whose activities rely by a factor of more than 25% on shale oil and gas exploration and production.

The Group's objective is progressively to reduce its exposure to thermal coal to zero by 2030 as far as its activities in the European Union and OECD countries are concerned, and by 2040 for its activities in the rest of the world.

3.2 - Intensifying the Group's 'green' refinancing strategy with the issuance of energy transition bonds

First published in 2018, Groupe BPCE's issuance program for sustainable development bonds was subsequently updated in April 2020. It provides for the issuance of green (and social) bonds that align the Group's financing activities with the sustainability imperatives and missions of its organization.

The loans refinanced will help to reduce the effects of climate change (CO₂ emissions) or help to support other environmental challenges (such as sustainable agriculture, biodiversity, waste treatment or water conservation) through clean energy production, energy savings or other types of action.

In 2020, Groupe BPCE issued €2.2 billion in green and social bonds for environmentally and socially responsible investors, bringing total outstandings to €6.6 billion at the end of 2020.

These issues included for the first time a 'green covered bond' for the individual customers of the Banques Populaires and Caisses d'Epargne for an amount of €1.25 billion. This bond issue – whose proceeds were dedicated to the financing or refinancing of loans intended for the construction of highly energy-efficient housing – generated an enthusiastic response from investors with an order book of €6.4 billion. This emblematic issue received the 'Euro Deal of the Year' award given by The Covered Bond Report Awards for Excellence 2020.



Another issue of interest was the *Ambition Durable* (Sustainable Ambition) savings solution launched in September 2020, a savings product pegged to a 'climate' index (see p. 18 below, 'Sustainably responsible'), followed by three others in 2021.

€6.6 billion in green and social bonds outstanding at the end of 2020.

3.3 - Supporting all customers in their transformation and turning the environmental transition into an opportunity

Groupe BPCE fully intends to support all its customers in their transformation in line with environmental challenges and to make the environmental transition one of its key growth drivers by 2024. Groupe BPCE is consequently beginning to transform its own core business lines: retail banking, insurance, payments, asset management, and corporate & investment banking.

3.3.1 - Retail Banking

Groupe BPCE has identified five priority areas and is building an ecosystem of partners to support all its customers in their own transition projects. In this way, the Group intends to:

- Enhance its leadership in two major markets – the energy renovation of property & buildings and the development of renewable energies – by consolidating its regional positioning in this segment,

Financing green growth: target exceeded

Groupe BPCE is one of the French leaders in renewable energy financing and funds projects of all sizes through its various entities, with the Banques Populaires and Caisses d'Épargne being key players in local projects. At the end of 2020, the Group's outstanding loans granted to finance green growth¹ stood at €11.3 billion, a total in excess of the €10 billion target adopted in its previous strategic plan.

- Promote sustainable mobility, support businesses in their own transition, and strengthen its range of solutions in green financial & bank savings.

For Groupe BPCE, supporting all its customers means:

- Providing advisory services and dialogue dedicated to the environmental transition by providing its sales teams with a high level of training and by creating platforms of expertise at Group level focused, in particular, on renewable energies,
- Entering into high-quality partnerships to support our customers' transformation processes and offer them a single point of contact for their transition. These partnerships are focused in particular on energy renovation issues,
- Setting up a dedicated range of financing offers, impact loans, specific savings and insurance products, with the right level of traceability of balance sheet information,
- Offering its 'green' solutions on a systematic basis:
 - By suggesting to buyers of properties suffering from average or poor energy performance diagnoses that they take out an energy renovation loan,
 - By including SRI funds in the range of savings products offered to customers.

¹ Outstanding renewable energy financing, energy renovation loans for buildings, financing of eco-friendly equipment for professionals and SMEs, and the financing of green vehicles.



Christine FABRESSE, Member of the Executive Management Committee, Head of Retail Banking and Insurance, Groupe BPCE

“Being present for our customers, providing support during major changes in society, rising to the challenges of our time: these are the vocations written into the DNA of the Banques Populaires and Caisses d’Epargne, two networks of cooperative banks boasting deep roots in their local catchment areas. Today of course, one of their key priorities is the fight against global warming, and for several years we have been mobilized in favor of a more sustainable form of finance and a more environmentally friendly society. Present times invite us to speed up still further

our pursuit of these objectives and to help our customers to navigate their own transitions. However, private individuals, professionals, and SMEs do not always enjoy the means to take these vital steps. It is up to us to design solutions and support our customers in pursuit of their projects related to energy renovation, sustainable mobility, renewable energies or savings & insurance solutions... areas in which we will be strengthening our offerings. The challenge is immense... but so is our determination!”

3.3.2 - Insurance

In the areas of life and non-life insurance, the Group undertakes to:

- Align the investments of its Euro-denominated main fund with the 1.5°C trajectory as of 2030 by doubling its green assets and withdrawing all its liquid assets rated ‘negative ²’ when judged against ESG criteria,
- Double the number of labeled funds available to customers of the Banques Populaires and Caisses d’Epargne the unit-linked funds of their life insurance products (from 28% today to 60% in 2024),
- Develop a prevention policy that has a tangible impact on the fight against global warming,
- Enhance the sustainability of insurance claims management.

The sustainable investment strategy adopted by Groupe BPCE for its insurance activities is designed to identify, measure, and take account of sustainability issues in the Group’s investment policy. It uses Mirova’s non-financial rating system based on an analysis grid designed to assess sustainability risks and the negative impacts of the

portfolio on sustainability factors. This analysis takes a two-pronged approach:

- A global approach to environmental, social and governance quality (ESG) issues,
- A strategic approach to climate issues.

Supporting green transition projects with the European Investment Bank

In order to improve the support it provides its customers, Groupe BPCE regularly negotiates funding envelopes with the European Investment Bank (EIB) designed to support high-quality investments that contribute to the realization of some of the European Union’s major objectives. In this way, the Group obtained a €300 million loan in December 2020 to enable SMEs and intermediate-sized enterprises to pursue eco-friendly projects (*PME & ETI Croissance verte*) and is currently negotiating another line of credit for the same amount entitled *Action pour le Climat II* destined to finance renewable energy projects.

². According to the methodology used by Natixis Assurances.



Banque Populaire is developing financing solutions for green equipment related to sustainable agriculture and energy

To help the world of farming make the transition to a more sustainable model while simultaneously protecting resources and the natural environment and supporting the production of healthy food, Banque Populaire has set itself the goal of granting green loans for a total of €1 billion by 2024, i.e. 20% of all the professional agricultural loans awarded over the period. To enable farmers to successfully

complete the agro-ecological transformation of their farms, Banque Populaire is making it easier for farmers to acquire the efficient equipment suited to their needs via a dedicated financing solution, *Agrilismat Green*, an integrated loan for all purchases of new or second-hand agricultural equipment eligible for the 'agro-ecology transition' stimulus plan launched by the French Ministry of Agriculture & Food.

3.3.3 - Asset management

In 2020, Natixis Investment Managers (NIM), Groupe BPCE's asset management company with nearly €1.2 trillion in assets under management, adopted an ESG policy aligned with its multi-affiliate model, which allows each of its 22 affiliates to enjoy full autonomy over its investment strat-

egy. This policy is fully consistent with the Principles for Responsible Investment (PRI) and shows that NIM expects its affiliates to make ESG considerations an integral part of their investment processes. As each affiliate has developed a distinct investment strategy and philosophy, there is considerable diversity in the ESG integration processes developed across the Group tailored as they are to each affiliate's particular convictions, asset classes and customer preferences.

Sustainably responsible

On September 1st 2020, Groupe BPCE launched *Ambition Durable* (Sustainable Ambition), the first green bond for customers of the Banques Populaires and Caisses d'Épargne eager to give greater meaning to their savings. The money raised will finance the construction and renovation of low environmental-footprint buildings. This first bond issue was subsequently followed by a second. The Group chose a 'Water and Ocean' equity index as the performance driver for these first two green bond issues. In order to diversify this offering, the third *Ambition Durable* issue is pegged to a 'Transatlantic Water & Oceans' equity index, which includes European and North American stocks. These three issues, 100% Groupe BPCE and 100% responsible, had raised more than €1 billion at the end of August 2021.

Groupe BPCE aims to have 100% of Natixis Investment Managers' affiliates sign the Principles for Responsible Investment by 2024.

In this way, Groupe BPCE is seeking to achieve the following goals:

- The signature of the Principles for Responsible Investment (PRI) by all of the twenty-two affiliates of Natixis Investment Managers by 2024,
- A target of 50% of assets under management classified as 'sustainable' (which apply ESG filters that modify investment decisions) and 'impact investments' (i.e. designed to achieve an ESG impact)³.

³ Articles 8 and 9 of the Sustainable Finance Disclosure Regulation (SFDR).



Mirova and Natixis Assurances join the PRI Leaders group

Natixis Assurances and Mirova were named among the most advanced players in sustainable finance in 2020 when the Principles for Responsible Investment (PRI, the principal international organization promoting responsible investment) identified a group of thirty-six leaders, comprised of sixteen institutional investors (4% of total PRI signatories) and twenty asset management companies (1% of total signatories), including Mirova

and Natixis Assurances. This announcement rewards the work carried out by Mirova since 2016 on calculating the carbon footprint of its investments. For its part, Natixis Assurances confirms its status as a pioneer in terms of climate commitment. Its objective of dedicating 10% of its investments to green assets was exceeded in both 2019 and 2020 with its investments amounting to nearly 15% in the 2020 financial year.

3.3.4 - Corporate & Investment Banking

Groupe BPCE's ambition is to become the benchmark advisor of its major clients in matters related to their transition strategy. This ambition led it to develop as early as 2018 the 'Green Weighting Factor,' an analytical tool designed to measure and manage the climate impact of its customers' portfolios. It will also continue developing its CSR-related expertise and provide innovative solutions in

sustainable finance, a range to be extended to its entire offering beyond the issues of energy and climate (social, biodiversity). In this way, it expects to multiply its green ⁴ revenues by a factor of 1.7 by 2024.

⁴. Revenues from the Green & Sustainable Hub, from the Renewables and Dark-Green and Medium-Green customers as defined in the General Purpose and Dedicated Purpose of the Green Weighting Factor.

Nicolas NAMIAS, Chief Executive Officer of Natixis, Member of the Management Board, Groupe BPCE

"The fight against climate change is one of the defining challenges of our time and a major priority for our global businesses. In Asset & Wealth Management and Corporate & Investment Banking, we have several means of action at our disposal allowing us to play a decisive role in the energy transition. Year after year, we have stepped up our commitments to sustainable growth and given concrete expression to our pledge to reduce the environmental impact of our financing and investment activities. With the Green Weighting Factor in 2019, we became the first bank worldwide to assess the cli-

mate impact of our financing in a highly detailed manner. Our new strategic plan sets clear and ambitious targets both for developing our sustainable finance activities and for pursuing the alignment of our portfolios with the trajectory set out in the Paris Agreement. We are also one of the first third-party asset managers to assess the carbon intensity of our portfolios in such a broad way. Building on our expertise, we are continuing our drive to innovate to make us the foremost partner in our customers' ecological transition."



FINANCING OF RENEWABLE ENERGIES

The production of renewable energy is at the heart of solutions designed to combat climate change. Our Corporate & Investment Banking division is a major player in this field, notably in Europe and Latin America. The infrastructure financing teams raised funds for 19 new operations in 2020, representing an installed capacity of 6,510MW for an arranged total of €1.5 billion. In 2020, renewable energies accounted for 87% of the financing arranged by the CIB division in the power generation sector.

GREEN BONDS

Issuers of green bonds undertake to use the funds raised to finance projects that have a positive impact on the environment, notably in the fight against climate change (energy efficiency, renewable energy, sustainable transport, etc.). In 2020, the CIB division arranged thirty-four green bond transactions for an arranged total of €15.9 billion, confirming the strength of its position in this market, particularly in Europe.

Natixis, sole green loan coordinator for the world's largest floating offshore wind farm

For the Kincardine project, the construction of a floating offshore wind farm south-east of Aberdeen in Scotland with an installed capacity of 50MW, Natixis acted as sole coordinator of the €380m green loan arranged to finance the initiative. Kincardine consists of six turbines installed on semi-submersible floating structures and will be the largest floating offshore wind farm in the world. Thanks to the certification process conducted by Natixis, the Climate Bonds Initiative (CBI) awarded the 'Certified Climate Bond' label to this financing arrangement.

GREEN LOANS

In addition to green bond issues, Natixis has been providing since 2018 green or sustainable financing (green loans or sustainable loans) in two forms: loans earmarked for the financing of projects related to environmental protection and, more particularly, to climate impacts (in the form of

A specialized platform for biodiversity conservation and natural capital

Protecting our natural capital forms an integral part of the fight against global warming. Since 2017, Mirova has been running a platform specializing in investment for the conservation of biodiversity and natural capital in conjunction with its development of innovative investment solutions dedicated to the mitigation of, and adaptation to, climate change, the protection of territories, biodiversity, soils and maritime resources, with €510 million dedicated to natural capital. *The Land Degradation Neutrality (LDN) fund* is an example of the kind of innovative public-private partnership needed to finance the

UN's Sustainable Development Goals (SDGs). Developed by the United Nations and Mirova, the fund invests in three key sectors: sustainable agriculture, sustainable forestry and, depending on the opportunities, other projects such as green infrastructure and ecotourism.

The LDN fund's mission is to be a source of transformative capital that brings together public and private investors to finance projects generating 'triple bottom line' returns (environmental, social, and financial) that help to promote neutrality in land degradation.



Structuring of a first low-carbon aluminum financing platform

Natixis is committed to extending the scope of sustainable finance to all financing instruments, including trading activities. Thus, Natixis supported Trafigura in the design and structuring of a first 'Low-Carbon Aluminum' type financing platform of up to \$500 million. This platform was designed to meet the growing demand from downstream manufacturers for low-carbon aluminum and

to help upstream producers accelerate their transition to low-carbon technologies. The environmental transition of many industries will largely rely on the creation of a low-carbon aluminum value chain from extraction to end-use. This financing is the first step in this process, notably by mobilizing the key players in this value chain.

term loans known as 'green loans') and syndicated loans backed by ESG criteria (in the form of 'Revolving Credit Facilities,' or Green RCF, known as 'sustainability-linked loans' or 'ESG-linked loans'). Thirty-one transactions were completed in 2020.

In this capacity, Natixis supported Italo – Nuovo Trasporto Viaggiatori, Italy's leading private rail operator, with an innovative financing solution, representing the largest green loan (€1.1 billion) in the transportation sector so far, and the first to include sustainable development objectives in line with the 'Sustainability Linked Loan Principles.'

Groupe BPCE aims to reduce its own carbon footprint by 15% within three years.

4 - Setting an example by reducing its direct environmental footprint by 15% by 2024

For its new 2021-2024 strategic plan, Groupe BPCE has set itself the target of reducing its carbon footprint by 15% within three years (compared with the 2019 benchmark). This determination to reduce emissions linked to the in-house activities of Groupe BPCE's businesses already formed part of the objectives of the previous strategic plan (TEC 2020), especially since all the Group's entities have been carrying out their own carbon audits since 2013.

Regular analysis of the Group's carbon footprint over time has made it possible to identify the highest greenhouse gas emitting areas and activities:

- Fixed assets (real estate and IT),
- Procurement,
- Energy,
- Employee travel.

The BPCE 2024 strategic plan therefore contains a proactive plan of action based on these four areas:

- A reduction of the carbon footprint of Group premises (via energy renovation work, the widespread use of automation in offices and bank branches, and the reduction of floor space occupied),
- A more responsible digital environment thanks to using development techniques leading to more economical applications, extending the useful life of equipment, improving the energy efficiency of data centers, and rais-



Reducing emissions also means avoiding them!

The possibility to choose the type of electricity used was the aim of the contract that BPCE Achats – Groupe BPCE’s economic interest grouping determined to simplify and rationalize the organization of its procurement activities – signed with the utility company Engie for the purchase of electricity. The choice was between ‘traditional’ electricity (i.e. with no information provided about the source of production), electricity of guaranteed origin or electricity from a Power Purchase Agreement (PPA). At the beginning of 2021, the share of green energy (electricity of guaranteed origin and PPA combined) in the preferences expressed by Groupe BPCE companies

had risen to 71% of forecast consumption (compared with 60% at the end of 2020) and nineteen of the companies had opted for 100% green energy (versus twelve at the end of 2020). For example, Albiant-IT, the company responsible for managing Groupe BPCE’s four data centers, signed a PPA contract with Engie at the end of 2019, effective January 1, 2020, which enabled it to avoid releasing 1,342 metric tons of CO2 equivalent into the atmosphere (i.e. 32% of the emissions currently calculated without including the PPA, which stood at 4,186 metric tons CO2 eq.). Albiant-IT’s CO2 emissions for 2020 therefore came to 2,845 metric tons CO2 eq.

ing the awareness of all Group employees about eco-responsible actions,

- Mobility, with a reduction in employee travel (notably home-to-work travel) thanks to the development of telecommuting (including after the end of the Covid health crisis) and the transformation of the vehicle fleet,
- Even more eco-responsible procurement activities with the systematic inclusion of CSR criteria, including carbon footprint considerations, in all specifications governing supplier selection procedures.

In order to monitor the correct implementation of the steps taken so far, and the achievement of the specific objectives it has set itself, Groupe BPCE uses a dedicated tool to review its greenhouse gas (GHG) emissions based on a methodology compatible with that used by the Ademe (the French environment and energy management agency), ISO 14064, and the Greenhouse Gas Protocol. Details about the Group’s carbon footprint are provided in Chapter 4.

3

RISK MANAGEMENT





RISK MANAGEMENT

The Risk Department has set up a governance structure dedicated to the management of climate risks along with a function to handle these issues in all Groupe BPCE companies. In addition:

- Processes and analytical tools have been adopted to enhance the management of climate risks (physical and transition) to make them more fully integrated into the Group's risk appetite system,
- Their materiality is appraised in terms of the major traditional risk categories, namely: credit risk, financial risk (market and liquidity) and operational risk,
- Climate risks are included in Groupe BPCE's usual risk management framework (home loan, consumer credit or equipment loan policy). Their inclusion is updated whenever the Group's sectoral policies are reviewed,
- These risks are also paid special attention in the investment and commitment processes of the asset management and insurance businesses.

1 - Identification of climate risks

Climate change is a systemic issue for Groupe BPCE. Physical and transition risks are subject to specific management procedures and considered to be non-negligible risk factors liable to directly or indirectly modify or increase exposure to existing risks.

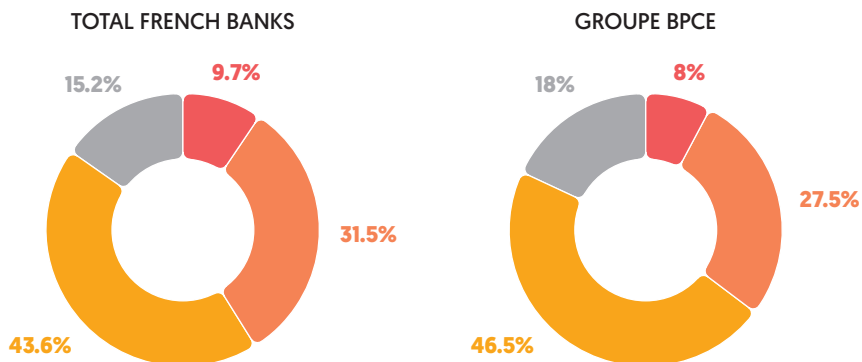
1.1 - Transition risks

According to the terminology of the Task Force on Climate-Related Financial Disclosures (TCFD), the economic and financial consequences resulting from effects induced by the adoption of a low-carbon economic model are described as 'transition risk.' For instance, the im-

possibility of further exploiting oil reserves, the diversion of consumers away from high-carbon-content goods, a sharp rise in production costs following the introduction of carbon pricing or an energy tax, or technological breakthroughs favorable to the fight against climate change... are all examples of transition risks. Groupe BPCE has developed a methodology for classifying risks per industrial sector using climate and environmental criteria. Analyses based on scientific research carried out by French institutions (*Haut conseil pour le climat, Ademe, etc.*) along with European and international bodies (IPCC, IEA, etc.) have made it possible to define the exposure of the Groupe BPCE's portfolio to sectors identified as 'sensitive' or 'of interest' (reference scenario of the ACPR climate pilot exercise).

Breakdown of the corporate portfolio by sector groups

- Sensitive sectors (7 sectors or sector groups in the NACE classification)
- Sectors of interest (13 sectors in the NACE classification)
- Other sectors (residual sectors in the NACE classification)
- Exposures not allocated to a given sector



Outstanding loans to companies account for 27% of total credit exposure. Of these exposures, 13% concern companies in sectors most sensitive to transition risk such as the energy sector, including oil and gas, the basic industry sector, and mining and the manufacture of metals, a situation that necessarily implies a need to support these companies in their transition. Indeed, some of these companies have already started their transition; others are currently developing their alignment strategies or updating their business models. The identification difficulty resides in the fact that some companies pursue several activities at the same time, some of which are already aligned with environmental objectives, while other activities pursued by the same company still require major changes to be made in their production and/or manufacturing processes.

1.2 - Physical climate risks

'Acute physical risks' are defined as direct losses triggered by extreme weather events, whose induced damage may lead to the destruction of physical assets (real estate and/or production facilities) and provoke a collapse in local economic activities and, possibly, a disruption of value chains. 'Chronic physical risks' are direct losses triggered by longer-term changes in climate models (rise in sea levels, chronic heat waves, changes in precipitation patterns and increased fluctuations in these patterns, disappearance of certain resources) that can progressively weaken the productivity of a given industrial sector.

The Risk Department is developing a tool – known as *Clim'Ap* – designed to identify exposure of assets to physical climate risks. This tool makes it possible to assess the exposure of a geographical area to extreme climate events liable to impact the economic players in that area. By extension, it makes it easier to identify the degree to which Group customers are exposed to climate risks, leading to improved monitoring of the risks they face.

Clim'Ap is designed to make a given territory's exposure to any hazard visible at a fine level of granularity. An initial version has been developed to take account of the inter-

section of two risks: flooding and the swelling & shrinkage of clay-rich soils. The tool will also provide a clear vision of the vulnerability of economic assets in so-called 'red' zones (i.e. the most exposed zones) as well as the opportunities available in the territory under analysis. The tool is currently being developed with a view of extending the geographical scope and widening the range of the analysis to include other risks such as drought, hail, and late frosts.

1.3 - Mapping of climate-related risks

The materiality of climate change-related risks is assessed in terms of the major risk categories in Pillar 1 of Basel III, which are: credit risk, market risk, and operational risk, including non-compliance risks. Groupe BPCE has added other risks such as liquidity risk and reputation risk.

Climate is not a risk category in itself but it affects financial and non-financial risks as defined in Pillar 1.

CREDIT AND COUNTERPARTY RISKS

- Physical risks may affect customers located in areas sensitive to climate risks by weakening their profiles and increasing their probability of default. They may also affect Groupe BPCE by causing a decline in the value of assets held as collateral.
- Transition risks arise directly from the Group's exposure to sectors and counterparties whose business models are not based on the principles of a low-carbon economy. The challenges of the transition may disrupt these counterparties' business activities with an impact on their results or market share. This risk evolves notably in relation to consumer behavior and investor demands, the cost of raw ma-

Clim'Ap is a tool designed to identify the exposure of assets to physical climate risks.

Materiality matrix for Groupe BPCE risks

Risk category	Physical risks				Transition risks	
	Horizon of the BPCE 2024 strategic plan		Time horizon: long term (> 4 years)		Horizon of the BPCE 2024 strategic plan	Time horizon: long term (> 4 years)
	Acute	Chronic	Acute	Chronic		
Credit and counterparty risk: customer default, collateral impairment	Low		Medium		Medium	High
Market and asset valuation risk: changes in the valuation of equities, interest rates, commodities, etc.	Low		Medium		Low	Medium
Liquidity risk: risk of short-term liquidity crisis, refinancing risk	Low	Medium	Low	Low	Low	Medium
Insurance risk	Low	Medium	Low	Low	Low	Low
Proprietary investment risk	Low	Medium		Low	Low	
Risk inherent in customer portfolios (insurance and asset management)	Low	Medium		Low	Medium	
Operational risk	Low	Medium		Low	Medium	
Reputation risk	Low	Low		Medium	High	
Strategic risk	Low	Medium		Medium	High	
Legal, compliance, and regulatory risk	Low	Low		Medium	High	

terials, low-carbon innovations, or increasingly restrictive changes in the regulatory environment. For example, a significant portion of our outstanding loans is comprised of housing loans for which it is important to know the energy performance diagnosis in view of the constraints introduced by the so-called Climate & Resilience Act.

MARKET AND ASSET VALUATION RISK

- Extreme weather events as well as economic changes resulting from transition may trigger abrupt reversals in the financial markets, creating volatility in financial assets (securities, derivatives, funds, etc.), real estate or other vehicles with potential capital losses tending to become stranded assets or causing market players to incur losses.
- For example, the fact that Groupe BPCE entities specializing in private equity place investments in companies exposed to weather events induces a risk that their portfolio will decline in value.

LIQUIDITY RISK

- Groupe BPCE invests its liquidity reserve on the markets and consequently pays close attention to the ESG performance of the issuers of the securities it purchases.
- For example, each Groupe BPCE's company has the environmental rating of its liquidity reserve. A standard is currently being developed with a view to prohibiting any investment in securities below an environmental rating grade (see section 2.1).

OPERATIONAL RISK

- Major climate events (disasters, floods, etc.) present a risk of business disruption. Losses affecting the bank's real assets (real estate, equipment, IT infrastructure, etc.) may generate substantial losses for the Group.
- To respond to the physical climate risks liable to affect its own activities, Groupe BPCE has set up a business continuity plan that defines the procedures and resources enabling the bank to deal with natural disasters in order to protect employees, assets and key activities and to ensure the continuity of essential services.

REPUTATIONAL AND LIABILITY RISK

- Changing consumer awareness and sensitivity to climate issues are risk factors for the banking industry that may lead to an institution suffering reputational damage in the event of non-compliance with regulatory expectations or scandals related to controversial activities.

INSURANCE RISK

- Groupe BPCE’s non-life insurance portfolio for individuals and professionals via its home, automobile and comprehensive professional insurance policies carries the risk of claims related to climate events. The policy portfolio is analyzed at regular intervals to identify and measure risks related to climate events (floods, drought, storms, etc.), to characterize their geographical distribution and adapt the underwriting policy.
- To reduce the balance-sheet impact of weather-related claims, the Group’s Insurance division transfers a part of its risks, including climate risks, to reinsurers worldwide through various reinsurance treaties.

REGULATORY RISK

- In order to limit climate change, administrative and legislative authorities are required to adopt new regulations.

These texts may be international (Paris Agreement), European (Taxonomy regulation) or national (French Climate & Resilience Act).

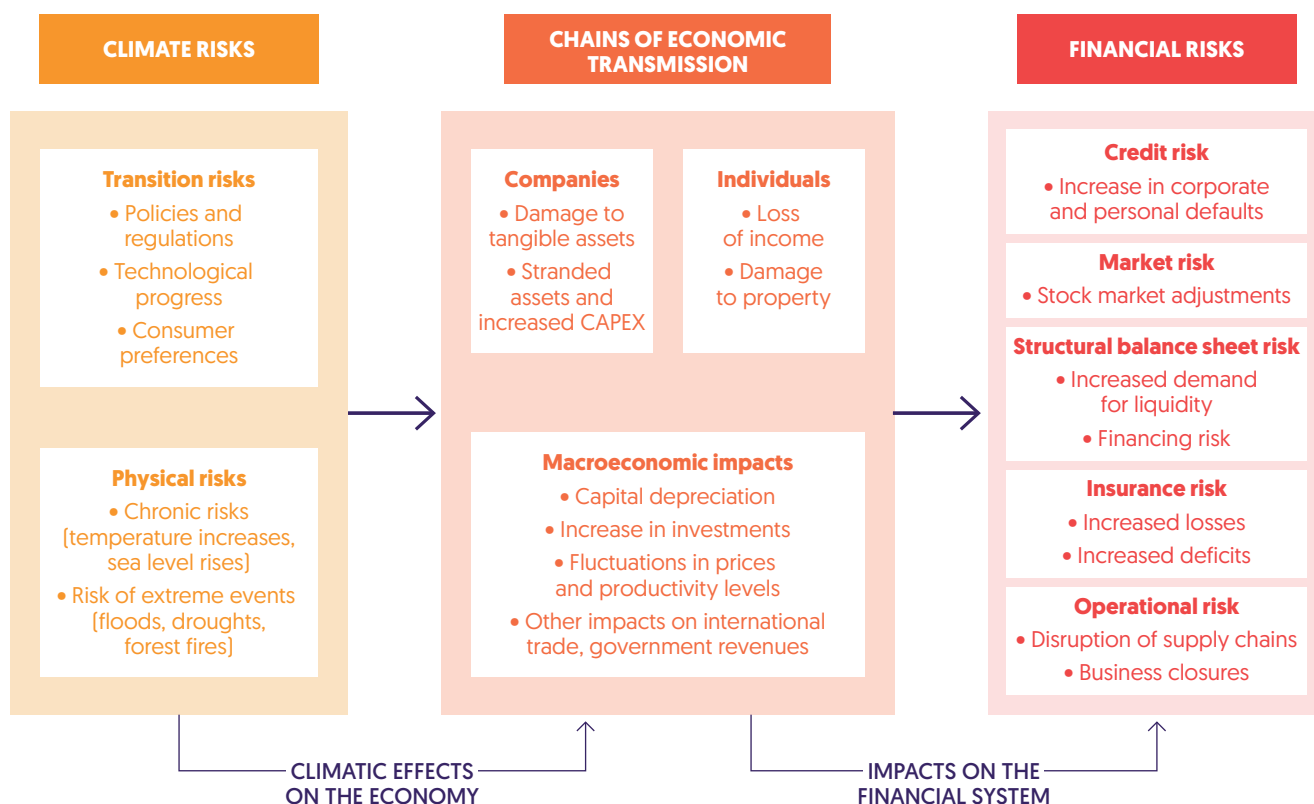
- For example, the French parliament recently stepped up its demands with article 29 of the Energy-Climate Law requiring financial companies to demonstrate how their investments are aligned with a 1.5°C/2°C trajectory (see Paris Agreement).

2 - Assessment of climate risks

2.1 - Assessment of the vulnerability of Groupe BPCE’s assets to climate change

For our financing activities, the vulnerability of customers to climate risks is assessed using an analytical approach applied to the borrower’s sector of activity, to the customer itself or to the transaction, as the case may be. Risk management is based on the collection of counterparty-specific data (obtained directly from our customers or from external providers), transaction-specific data (based on the Equator Principles and the Green Weighting Factor rating mechanism) and sector-specific analyses conducted on an ad hoc basis. The purpose of this data collection is to pro-

From climate risk to financial risk

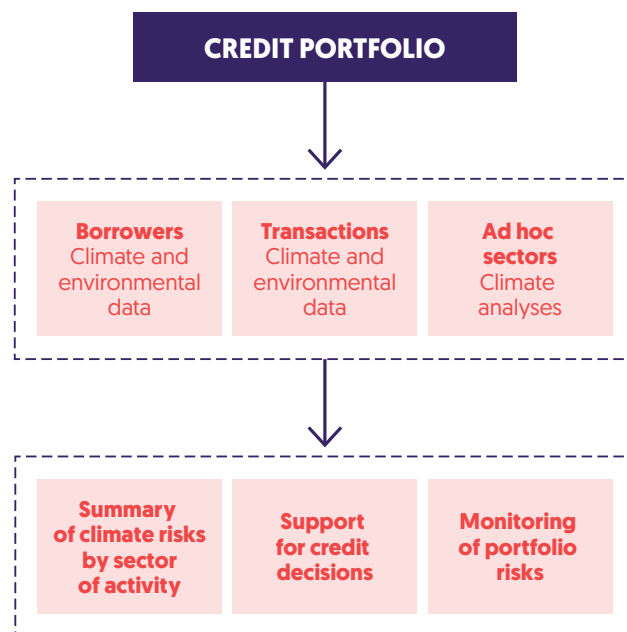


duce summaries of risks by sector of activity, to support credit decisions with non-financial input (ESR Screening) and to monitor portfolio risks (GWF coloring of the Corporate & Investment Banking portfolio).

This same approach is currently being extended to our proprietary investment activities. However, a climate risk analysis has also been applied since 2020 to the Group's liquidity reserve.

2.2 - Measuring the impact of climate risks on Groupe BPCE assets

In 2020, Groupe BPCE volunteered to take part in an initial climate risk assessment exercise led by the European Banking Authority (EBA).



Climate risk analysis applied to the liquidity reserve

A non-financial analysis of the liquidity reserve has been performed since December 2019. This information enables Groupe BPCE companies to better manage their portfolios and to communicate on their inclusion of ESG criteria.

The ISS ESG ratings range from A+ [excellent performance, the two highest rated issuers are A-] to D- [poor performance]. Issuer ratings are comparable across all sectors. Based on the SSI ESG ratings, the Climate Risk Unit performs an ESG analysis according to the environmental focus of the company's portfolio, and identifies the lowest rated issuers.

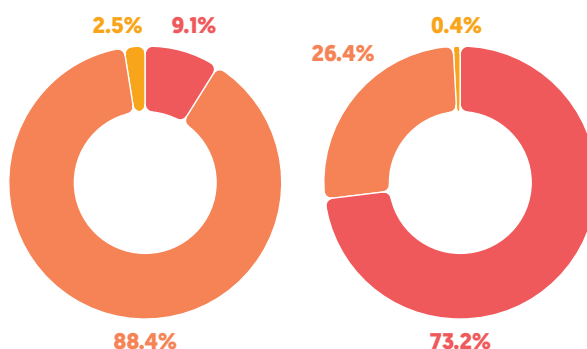
Since April 2021, BPCE's Financial Management Department has completed the metrics for monitoring the liquidity reserve held in securities with a breakdown of the portfolio in terms of ESG rating [from A to D-] but also in terms of the share of sustainable securities – green, social, sustainable and sustainable-linked securities – managed in Groupe BPCE's liquidity reserve.

Breakdown of valuations on Groupe BPCE's liquidity reserve

Global portfolio at Dec. 31, 2020 according to the global and environmental ESG ratings provided by ISS ESG

■ Excellent & Good ■ Medium ■ Poor

ENVIRONMENTAL RATING OVERALL GSR RATING



In order to have a Group vision and to manage the liquidity reserve dynamically, an annual non-financial analysis was extended to include all the Banque Populaire and Caisse d'Epargne networks in the summer of 2021 via a dynamic Power BI tool and updated monthly.

The aim of the analysis was to better understand the vulnerabilities of banking institutions to climate risks by providing, among other things, an initial estimate of the amount of green financing by European banks as defined in the European taxonomy.

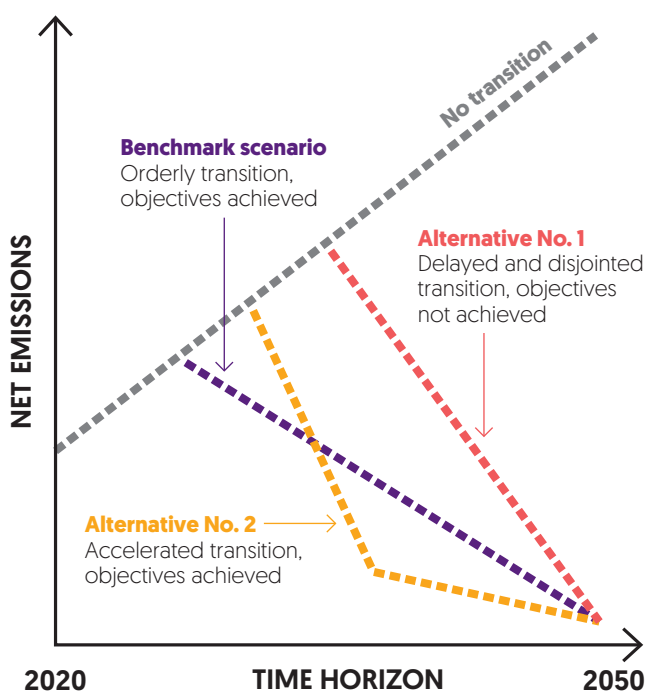
The EBA also sought to map the exposures of banking institutions to climate risks and to provide an overview of the efforts made by banks so far to appraise these risks. At the European level, the results highlighted the need to pursue the drive to achieve a significant and smooth transition to a low-carbon economy. Groupe BPCE is therefore continuing its in-house work on climate and environmental risk analysis, notably efforts related to the integration of the European taxonomy into internal classifications.

Groupe BPCE also contributed to the pilot exercise launched by the French Prudential Supervisory Authority (ACPR, *Autorité de Contrôle Prudentiel et de Résolution*) in 2021 aimed at estimating physical and transition risks based on three scenarios: a benchmark scenario under which an orderly transition would allow the Paris Agreement objectives to be met, a scenario with an accelerated transition, and another with a delayed transition.

Towards a common European language

Groupe BPCE is making preparations for the use of the future European Taxonomy and carried out the necessary work to make it an integral part of its assessment procedures in 2020. Reference to the criteria of this taxonomy is included in the sectoral policies for granting loans, and these criteria are used as a basis for reflection in strategic work for integration into information systems and customer monitoring processes. BPCE and Natixis have been involved on a voluntary basis in the work carried out by UNEP FI and the European Banking Federation (EBF) since the summer of 2020 on the method for applying the European Taxonomy to banking assets. Several counterparties from different business sectors have consequently been analyzed according to the principles of the EU Taxonomy (recommendations of the Technical Expert Group).

Transition risks and physical risks



• TRANSITION RISKS

It emerges from this study that Groupe BPCE’s corporate finance portfolio shows little sensitivity over time to the sectors identified as ‘sensitive’ and ‘of interest’ in terms of climate risks.

• PHYSICAL RISKS

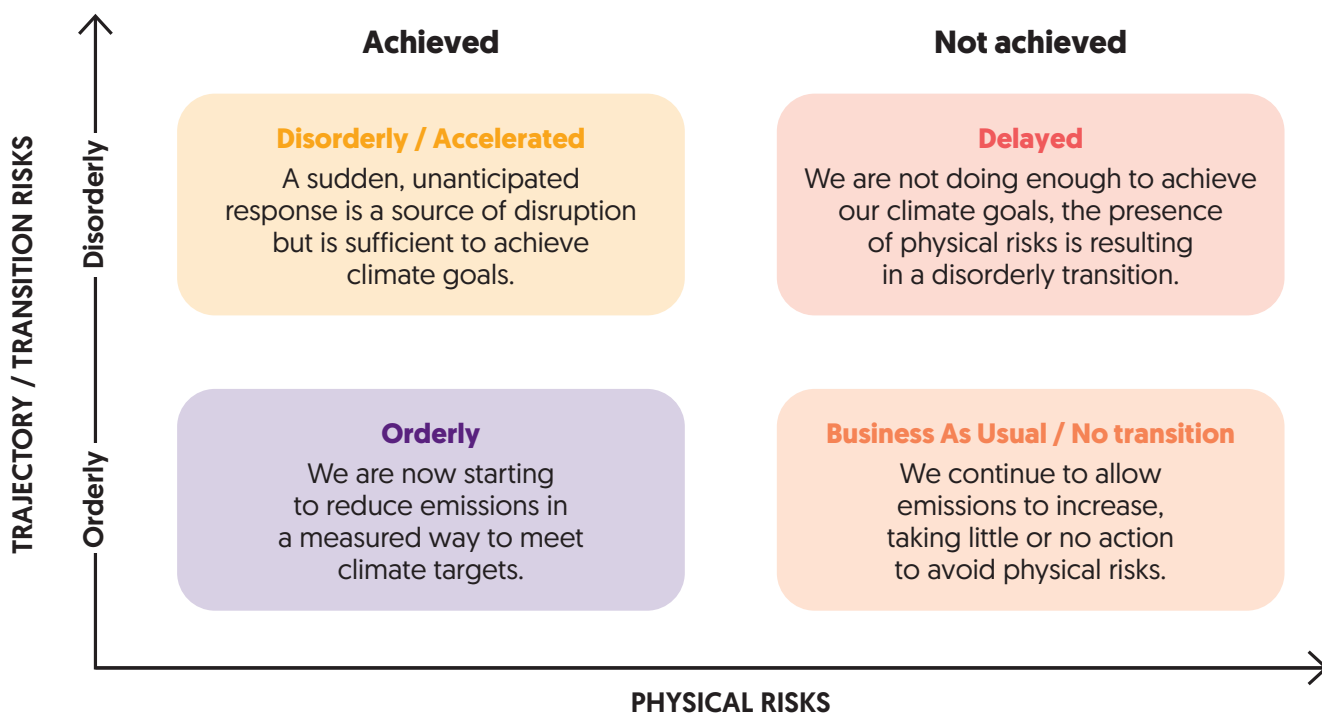
In this exercise, we measured the sensitivity of the housing loan portfolio to physical climate risks and part of the corporate portfolio to the Basel parameters PD (probability of default) and LGD (loss given default) by 2050. The results show that the sensitivity of the housing loan portfolio is lower (PD increase of less than 10%) than that of the corporate portfolio (PD increase of 20%).

This ACPR-run exercise made it possible to carry out the first stress tests on climate risks using specific metrics and time periods that differ considerably from other banking stress tests. The results of this exercise show, in particular:

- The possibility of improving knowledge of banking customers thanks to this analysis process,
- The need for a realistic common methodology shared by European banks,

The currently limited availability of the information required to bring these analyses to a successful conclusion.

Effectiveness of measures taken depending on the achievement of climate targets



2.3 - Climate-related risks within the risk appetite framework

Climate-related risks are directly integrated into the main cross-functional processes used to identify and monitor Groupe BPCE’s risks.

The ‘Climate Risk/Transition Risk’ and ‘Climate Risk/Physical Risk’ categories were added to BPCE’s risk framework document in 2019. At this stage, the materiality of these risk categories has been assessed by expert opinion and supported by the mapping work presented above. Transition risk has been deemed material, including in the short term in view of the potential impacts in terms of reputa-

tion, risks related to changes in the regulatory and legal framework, and the strategic risk related to market developments undertaken in response to the climate transition.

The Risk Appetite Framework (RAF) is applied to each Groupe BPCE establishment and subsidiary. The mapping methodology forms part of the Group’s permanent control system and includes the finance, risk, compliance, and information systems security functions. In this context, the appraisal of the materiality of these risks will be reviewed annually and may, if necessary, be refined using new measurement methodologies.

At the Groupe BPCE level, transition climate risk metrics are currently being integrated (metrics under observation before the calibration of a limit). Within the scope of activities of the Corporate & Investment Banking division, the share of assets classified as ‘dark brown’ according to the Green Weighting Factor method – which are the assets most exposed to transition risk – is monitored in the Natixis Risk Appetite Framework. Work is currently underway to enhance this framework, notably by defining a limit.

Climate-related risks are directly integrated into the main cross-functional processes used to identify and monitor Groupe BPCE’s risks.

Géraud BRAC DE LA PERRIÈRE, Chief Risk Officer, Groupe BPCE

“BPCE’s Risk Department boasts pioneering status in the management of climate risks with consideration of these issues as early as 2016, the creation of a dedicated department in 2019, and the organization of a network of correspondents in all Groupe BPCE entities by 2020. The governance system is also exemplary with a Climate Risks Committee chaired by the Chairman of the Management Board and attended by senior executives from the Banques Populaires and the Caisses d’Epargne. The management of both physical and transition climate risks is leading

us to enhance our credit risk policies and our financial risk mechanisms (liquidity reserve, etc.) to be aligned with the best practices in the management of these risks as was the case, for example, during the climate stress test pilot exercise run by the ACPR in France. Our distinguishing feature will be the quality of the data at our disposal and, consequently, the quality of information about our customers with whom we enjoy extremely close relationships through our regional banking networks and Natixis, in addition to the use of simple risk-management methods and tools.”

3 - Integration of climate-related risks into risk management

The European Central Bank recalled in its Guide on climate-related and environmental risks published in November 2020 that “physical and transition risks are drivers of existing risk”

The Risk Department has consequently set up a reference framework dedicated to climate risks as part of its risk management procedures, adopting a forward-looking vision over a long-term time horizon while simultaneously depending on short-term actions.

3.1 - Inclusion of environmental criteria in sectoral credit policies within the scope of Retail Banking activities

Within the scope of Retail Banking activities, above and beyond the coal policy applied to all Groupe BPCE companies (see Chapter 2, Strategy section 3-1), environmental criteria have been systematically integrated into sectoral policies since 2018. The Non-Financial Risks Committee (*comité des risques extra-financier*, or CoREFi),

comprising the Climate Risk and Credit Analysis teams and the CSR departments, has been reviewing all sectoral policies since March 2020 with a view to incorporating these issues.

Within the framework of these reviews, each business sector is assessed on the basis of criteria related to physical climate risks, transition risks, and biodiversity. A sectoral classification is derived from this assessment and identifies specific areas for attention.

The purpose of these sectoral policies is to provide input for discussions, notably when granting loans. The primary objective is to provide additional analytical elements with regard to changes in the regulatory and market environments, to be able to better advise our clients but, above all, to be aware of environmentally friendly behavior with a view to supporting and promoting exemplary activities.

Since 2020, a non-financial note about the customer is, in some cases, added to the analysis sheets in order to enrich the credit granting process. The reminder of climate-related and environmental issues is derived from the CoREFi sectoral policy analyses mentioned above.

These details will increasingly be used for the credit and counterparty committees of the entities and Groupe BPCE. Finally, thanks to the adoption of the Green Weighting Factor in the Corporate & Investment Banking division, the process whereby customers are granted financing is being complemented by an in-depth analysis of the environmental impacts of each transaction.

3.2 - Integration of environmental criteria for insurance and asset management activities

Groupe BPCE, which recognizes that risks related to climate change may have a non-negligible impact on investments made in pursuit of its life insurance business, aims to apply appropriate management procedures in their respect. The management of sustainability risks and negative impacts in the Insurance division's portfolio is based on a sectoral, normative and best-in-class exclusion approach, representing the foundation of its ESG commitment (tobacco, coal, controversial weapons, oil sands, and com-

Raising awareness and assessing the climate risks of Groupe BPCE customers

The Green Weighting Factor is an internal capital allocation mechanism linking the amount of internal capital allocated to each transaction (credit risk RWA analytics) to its positive or negative impact on the climate and environment.

It is based on a detailed approach for each sector. Each transaction is assigned a score based on an assessment of the climate impact of the financing solution that also takes account of its main non-climate-related environmental impacts.

All 'green' financing is assigned a reduction in its analytical risk-weighted assets of up to 50% for the greenest, while this metric is increased by up to 24% for financing that has a negative impact on the climate.

By adjusting the expected return on each loan according to its environmental and climate impact, teams are encouraged to favor green financing solutions (for an equivalent level of credit risk).

For Retail Banking activities, account managers use a questionnaire designed to appraise how customers take account of environmental issues in their business models with a view to gathering information about how well their

customers understand, take action about, and express their commitment to climate- and environment-related issues.

The initial details gathered will make it possible to rate the customer and their maturity in terms of mastering the climate-related and environmental challenges of their sector of activity. The pilot phase will continue in 2021, with a view to integrating it into customer rating systems in the years to come once the necessary historical perspective has been obtained.

The main goal is to integrate this data into the credit granting process and to use it for risk monitoring purposes. The operational implementation is currently being developed with the Commitments and Risk departments along with the Sales and Marketing departments.

This questionnaire also serves as a tool for heightening awareness about climate and environmental issues among all Groupe BPCE stakeholders.



RISK MANAGEMENT

panies with negative sustainability ratings). Beyond risk management, Groupe BPCE is committed to making a positive contribution to the Sustainable Development Goals in its insurance activities. This commitment involves a policy of selective ESG integration that allows the Group to improve the ESG profile of investments under management mandate and in dedicated funds, based on the approach to ESG assessment developed by Mirova (a Natixis Investment Managers affiliate). This policy – which mirrors the exclusion of ‘negatives’ – consists of increasing the proportion of sustainable assets in the portfolio, comprised of ‘positive’ issuers (making a positive contribution to achieving the Sustainable Development Goals) and ‘committed’ issuers (making a very positive contribution to achieving the Sustainable Development Goals).

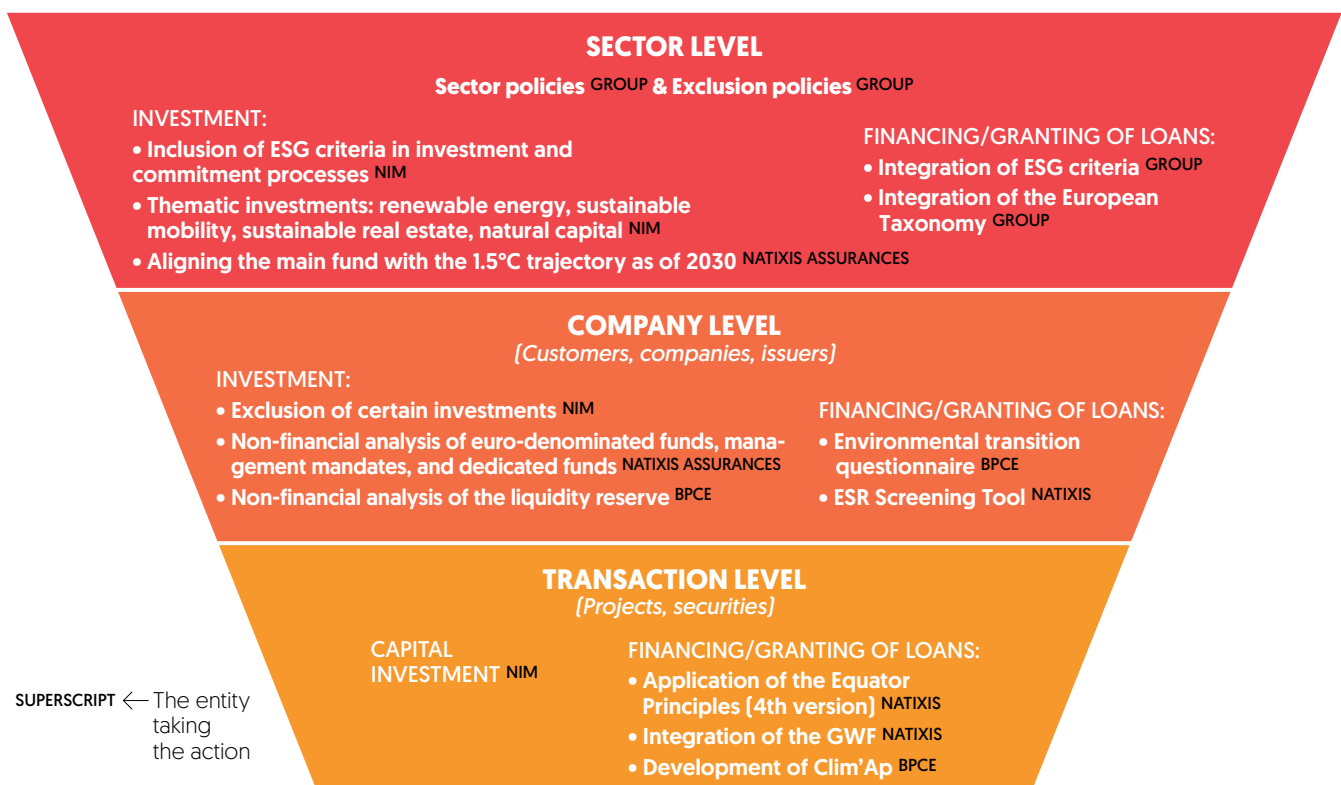
In non-life insurance, a portion of the risks (including climate risks) is transferred to global reinsurers through various reinsurance treaties in order to reduce the balance sheet impact of climate-related claims.

Lastly, in the asset management segment, Natixis Investment Managers has identified climate-related risks as a

major challenge and is seeking to improve its understanding of them in order to support sectors and companies working to promote the transition and to invest in positive impact projects.

The majority of affiliated asset managers have integrated ESG criteria at various levels in their investment and engagement processes. This practice is accompanied by a large number of related actions: provision of training courses, development of methodologies, work on climate data, and measurement of the carbon footprint of our portfolios.

From sectoral perspective to transaction



4

METRICS & TARGETS





METRICS & TARGETS

In order to comply with the Paris Climate Agreement and align its activities with a carbon neutral trajectory by 2050, Groupe BPCE is:

- Developing a method to assess the climate impact of its lending portfolios with its ‘Green Evaluation Models’ approach.
- Prioritizing the most greenhouse gas emitting sectors in its drive to align its portfolios with a carbon neutral trajectory and demonstrating this commitment by joining the Net Zero Banking Alliance.
- Implementing climate measurement methodologies for investment portfolios in its asset management and insurance businesses.
- Continuing to reduce its own environmental footprint.

Because commitment to a Net Zero trajectory requires a capacity to measure and monitor the carbon profile of its portfolios, Groupe BPCE is developing methods known as ‘Green Evaluation Models’ to assess the climate impact of its lending portfolios. These models take a dual approach to this evaluation by:

- Assessing the carbon footprint of portfolios with a view to ranking them in order of their climate materiality, and prioritizing the Group’s alignment work (starting with the sectors emitting most greenhouse gases),
- Using granular models to rate the climate impact of the assets, projects and customers financed.

These assessments make it possible, firstly, to identify customers needing help to confront their own transition challenges and, secondly, to give the Group the means to guide its alignment with a Net Zero trajectory in a manner consistent with the proportionality of the carbon emissions of the assets financed.

Groupe BPCE fully appreciates that these impact measurement efforts are exploratory in nature, all the more so as certain climate assessment tools are still in their research & development stages. However, this work on developing measurements and defining ‘green’ benchmarks

Jean-François LEQUOY,
Member of the Executive Management Committee,
Head of Finance and Strategy

“The inclusion of environmental impacts in the classic ‘profitability/risk’ equation represents a new approach in the way financial departments are managed. The integration of this now essential third dimension calls for a veritable transformation of our business activities. The greater focus of both civil society and the regulatory authorities on the area of sustainable finance is hastening the need for non-fi-

ancial reporting. We must manage data related to the climate-change component – and data related, more broadly, to environmental and societal issues – with the same demand for quality, traceability and transparency as in other areas. This calls for considerable expertise and represents a vital challenge if we are to meet the commitments laid down in our new strategic plan.”

is essential to take full ownership of the issues and make climate objectives an integral part of our financing activities. This work is also relevant to questions related to the transparency, traceability and comparability of the commitments made.

This chapter presents the approach adopted by Groupe BPCE, backed up by an initial set of figures and the results of industry-wide research.

Groupe BPCE is one of the sixteen pilot banks taking part in the assessment of its financial portfolios using the PACTA methodology.

1 - Calculating the climate trajectory of the companies financed by the Group

1.1 - The PACTA for Banks methodology

The PACTA (Paris Agreement Capital Transition Assessment) methodology is presented here within the framework of BPCE's participation in the work of the wider banking industry. This information is provided for the sake of transparency and illustrates the testing of different methodological scenarios performed in Groupe BPCE. The PACTA methodology is not, however, the reference framework used by Groupe BPCE to manage the alignment of its portfolios.

Groupe BPCE is one of the sixteen pilot banks participating in the assessment of its financial portfolios using the PACTA methodology.

This banking-sector methodology, developed by the 2 Degrees Investing Initiative (2DII) think tank in partnership with the Principles for Responsible Investment (PRI) sets

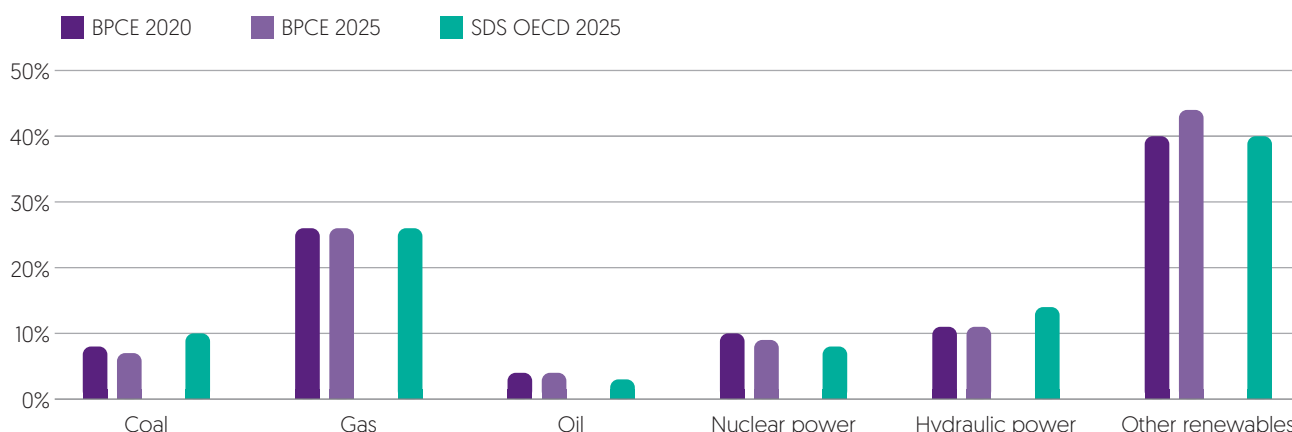
out to measure the alignment of lending portfolios with the Paris Agreement in the most carbon-intensive sectors: fossil fuel extraction, power generation, transportation, steel & cement production, which are responsible, according to the International Energy Agency (IEA), for three quarters of the world's direct energy-related CO2 emissions.

The PACTA methodology is based on two main analytical approaches to financial portfolios:

- Analysis of the technology mix of the companies in the portfolio,
- Analysis of the anticipated change in the production volumes of the companies and projects financed.

Based on a 5-year time horizon, the methodology measures the positive or negative gap per sector or per technology between the temperature trajectory associated with the activities of the companies financed by Groupe BPCE and a scenario aligned with the Paris Agreement (in this case, the Sustainable Development Scenario – OECD SDS – developed by IEA for OCDE countries). This scenario de-

A funded electricity mix well positioned in terms of the IEA SDS scenario for OECD countries (in capacity)



Source: PACTA COP survey by A&R within the FBF framework.

scribes the steps to be taken to achieve the defined sustainable development objectives and, in particular, the objectives laid down in the Paris Agreement ¹.

For an electricity producer for example, the mix of different technologies (renewables, gas, coal, etc.) defined in its production plan for 2025, makes it possible to estimate its alignment with the Paris Agreement trajectory.

As shown in the previous graph, the electricity producers financed by Groupe BPCE use a mix of different technologies (renewables, gas, coal, etc.) well aligned with the mix recommended by the OECD SDS scenario, notably regarding the share of renewables in the electricity mix (measured in terms of capacity).

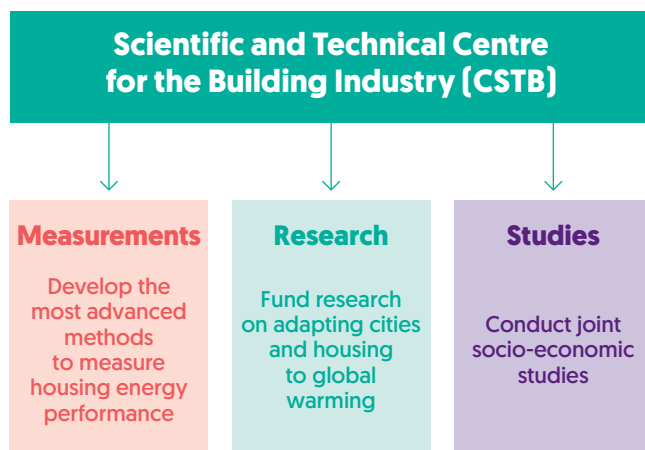
This banking-industry work covers only part of the sectors financed by the Group whereas the aim is to cover all the portfolios and align their trajectories with environmentally sustainable climate objectives.

The work presented below explains the construction of the Group's 'Green Evaluation Models' approach designed to be applied to all its financial portfolios.

1.2 - Work on measuring the carbon footprint of lending portfolios

Work began in 2020 to estimate the greenhouse gas (GHG) emissions from projects financed by Groupe BPCE. These estimates have been carried out on direct emissions (scopes 1 and 2) and indirect emissions (scope 3 emissions generated by the entire value chain involved in the manufacture and use of products). Housing loans, which account for nearly one-third of Groupe BPCE's outstandings, have benefited from initial measurements thanks to the establishment of a partnership with the *Centre Scientifique et Technique du Bâtiment* (CSTB, or Scientific and Technical Centre for the Building Industry) ².

¹. Details of the principles underlying this methodology may be obtained here: <https://www.transitionmonitor.com/wp-content/uploads/2020/09/PACTA-for-Banks-Methodology-Document.pdf>
². Amount of the initial scope 1 and 2 carbon estimates related to housing loans.

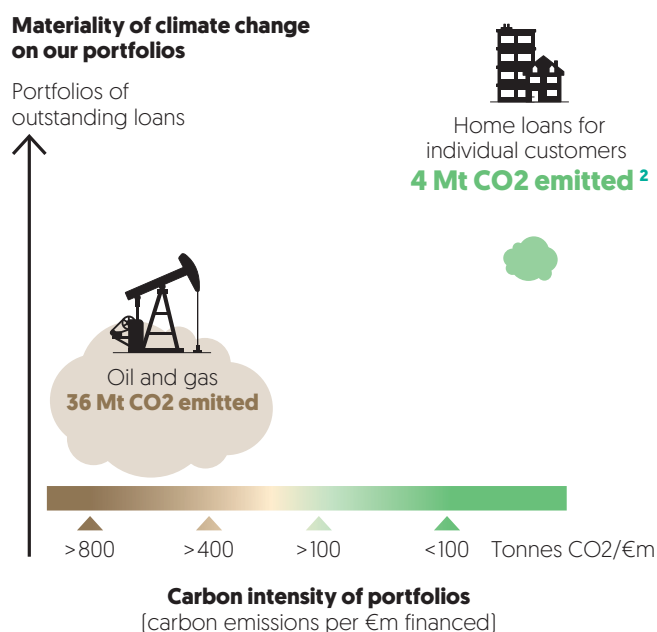


The aim of carbon footprint measurements of companies, projects and assets financed by the portfolio is to:

- Rank the portfolios in order of carbon impact, from the most to least carbon-intensive in proportion to the size of their outstandings (in order to establish a scale for the carbon intensity of lending portfolios),
- Identify the portfolios to be prioritized for alignment with the Net Zero trajectory.

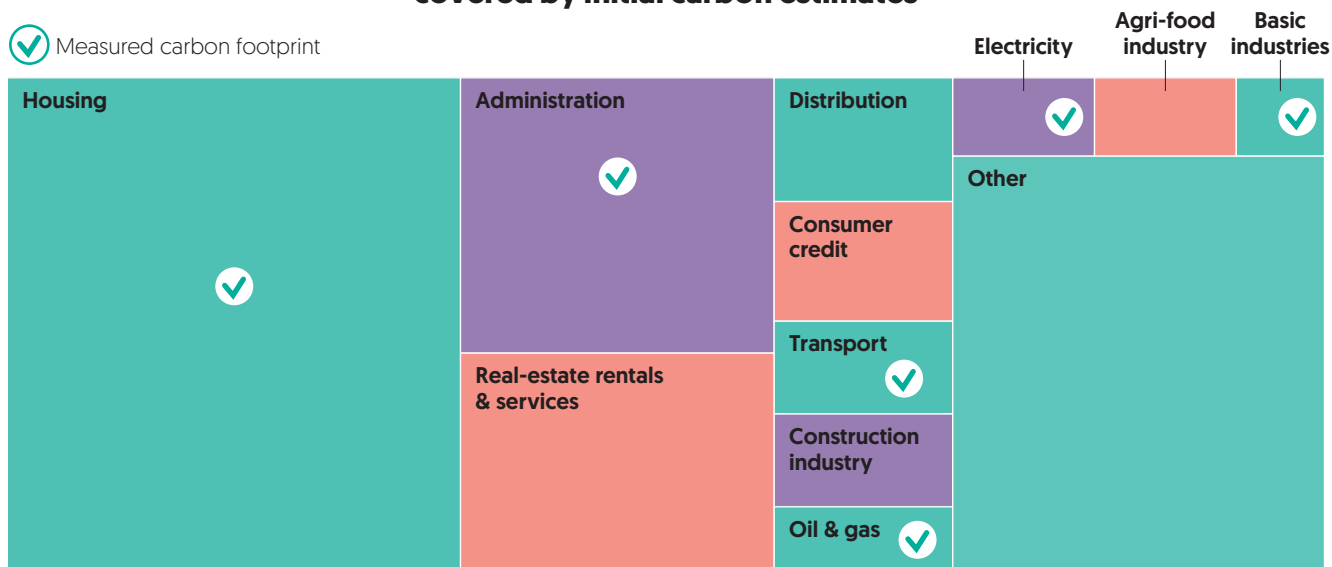
For example, in the case of Groupe BPCE, the outstandings of the oil & gas industry are twenty times smaller than housing loans but responsible for ten times the carbon emissions.

Oil & gas: outstandings twenty times smaller than housing loans but responsible for ten times the carbon emissions



Sectoral breakdown of Groupe BPCE portfolios covered by initial carbon estimates

✓ Measured carbon footprint



At the end of December 2020, more than 50% of Groupe BPCE's outstanding loans will be covered by a carbon measurement system ³.

The aim is to have a carbon measurement system for 100% of portfolios by 2024 that takes full account of data quality issues.

1.3 - Assessment of the climate impact of the assets, projects and customers financed by the portfolio

Groupe BPCE has been developing since 2018 an internal rating system to assess the climate impact of various assets: customers, property or projects. For the companies financed, the rating system takes account of both their environmental impact and carbon strategy.

The rating scale is divided into seven levels, ranging from 'dark brown' to 'dark green,' based on easily understandable principles consistent with the future requirements of the European regulations.

The aim is to have a carbon measurement system for 100% of portfolios by 2024 that takes full account of data quality issues.

On the basis of these principles, each major sector is positioned on the rating scale with the rating of individual customers or projects depending on their own transition strategies (see graph on the following page).

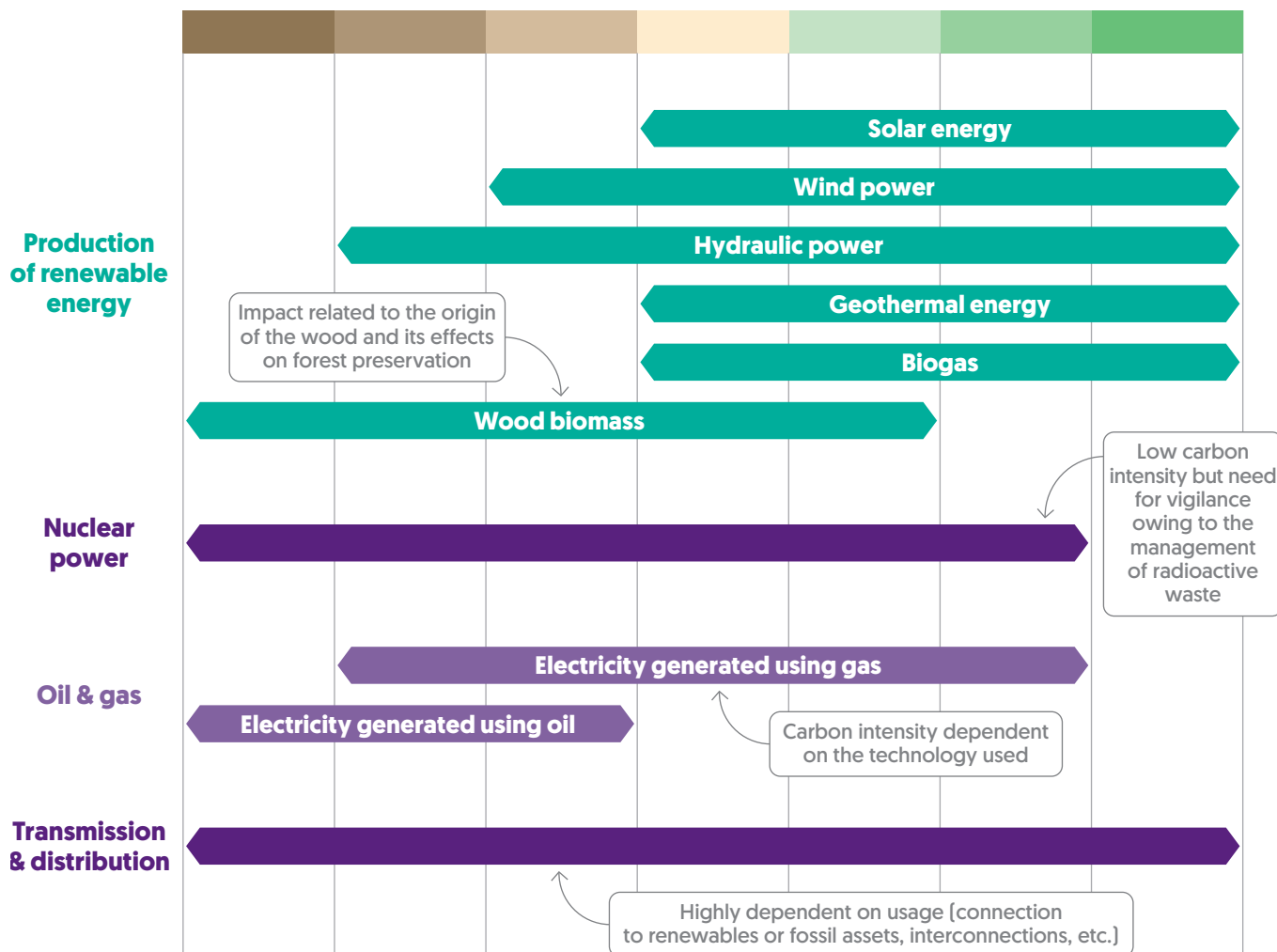
The tools developed by Groupe BPCE are specific to the nature of the portfolios under assessment.

More specifically, financing granted to major corporations is analyzed by the Green Weighting Factor (GWF) that Natixis has been using since 2018 (also see chapter 3, section 2.1), thereby making it the first bank worldwide to actively measure and manage the climate impact of its balance sheet through a color-coded measurement metric.

The Green Weighting Factor rating methodology was finalized in 2019 for all sectors financed by Natixis, with the exception of the financial sector. After the development of the methodology and the completion of a proof-of-concept phase, the GWF was adopted in the bank's information systems and made an integral part of its lending processes. The GWF has progressively been rolled out worldwide across all the business sectors served by the bank.

³. Measurement system based on data from third-party standards and sources: CDP and/or Carbon 4 for corporate financing; CSTB data for housing loans.

Thresholds applied to the climate impact ratings on the financing portfolios of projects related to the production, the transmission and the distribution of electricity



Today, more than 80% of the non-dedicated financing granted by the Corporate & Investment Banking division (excluding the financial sector) is covered by the GWF mechanism.

Based on the mix of GWF ratings, the temperature of the portfolios is deduced and the relevant alignment trajectory is adopted.

The Corporate & Investment Banking portfolio concentrates the Group’s financing of major corporations, particularly those active in the energy, basic industries (steel, cement, chemicals) and transport sectors.

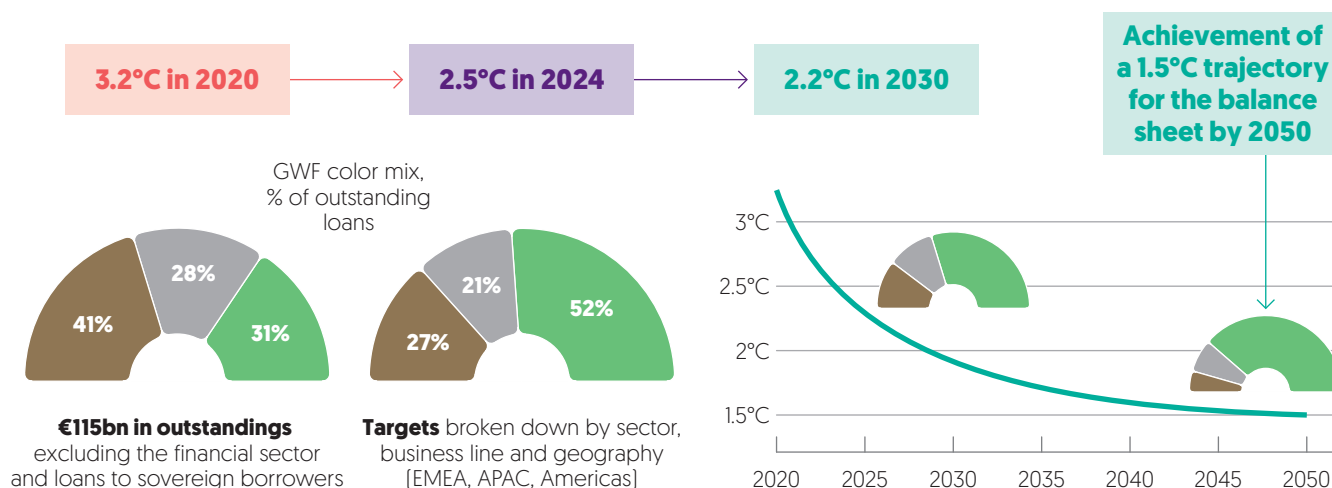
Thanks to the GWF, the Corporate & Investment Banking portfolio – which represents the most carbon-intensive exposures financed by Groupe BPCE – is engaged on a 1.5°C trajectory, with an intermediate 2.5°C milestone at the end of 2024.

More than 80% of the non-dedicated financing of the Corporate & Investment Banking division (excluding the financial sector) is covered by the Green Weighting Factor mechanism.

An initial milestone for the alignment of financing portfolios with a 2.5°C trajectory as early as 2024

Alignment of the Natixis CIB portfolio

From climate impact to the trajectory of portfolio alignment for the Corporate & Investment Banking division using the GWF



The Group uses these ratings and measurements of global warming trajectories to:

- Engage a strategic dialogue with customers and structure the sustainable financial products resulting from this dialogue,
- Manage the portfolios in an active manner,
- Implement a strategic business planning system in line with its commitments including – as far as the customer ranking is concerned – the definition of priorities and identification of sustainable financing opportunities,
- Steer the portfolios into alignment with a 1.5°C trajectory.

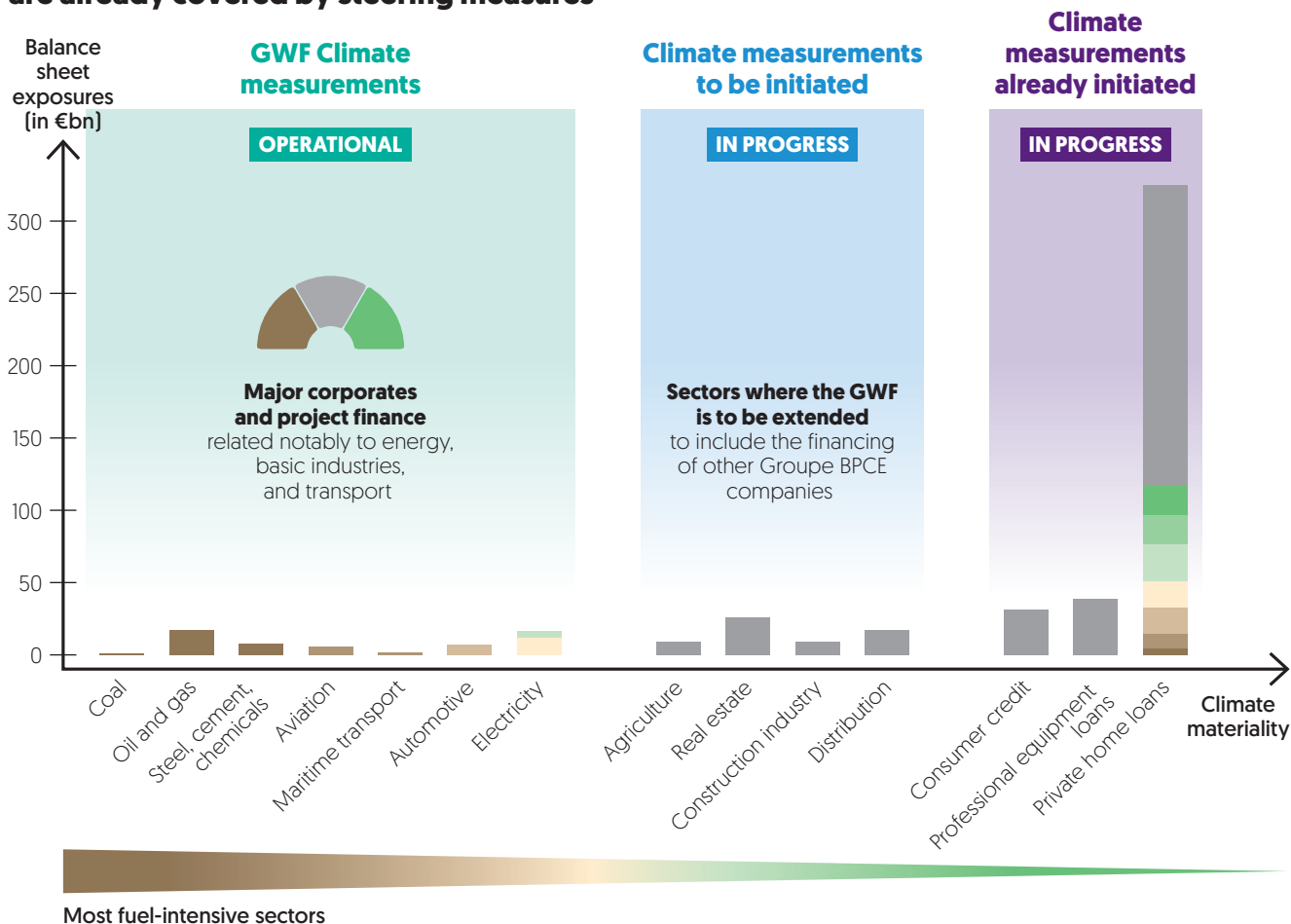
Groupe BPCE is now in a position to measure the carbon intensity of its portfolios potentially having the most significant climate impact and to manage their alignment with a Net Zero trajectory. The Green Evaluation Models approach, which broadens the scope of these measures to the portfolios of the retail banks, will be rolled out for all its financing portfolios by 2024.

Anne-Christine CHAMPION, Co-Head of Natixis Corporate & Investment Banking

“The fight against climate change is central to our business model geared in favor of value creation. One of the major challenges of the environmental transition is to articulate a long-term strategic vision with execution in the short term.

The Green Weighting Factor successfully combines the two by assessing the climate impact and climate transition risk of each financing operation and thereby enabling us to adopt clear and precise commitments over the long term.”

Green Evaluation Models: the most carbon-intensive sectors are already covered by steering measures



2 - Implementation of methodologies to measure the climate impact of Groupe BPCE’s investment portfolios

In order to ensure the overall consistency of its climate commitments, Groupe BPCE draws on all its different business lines, including investment and savings activities. For its insurance business, Groupe BPCE undertook as early as 2018 to align its main insurance fund with the Paris Agreement and further strengthened this commitment in 2020 in order to respect the 1.5°C trajectory by 2030 with more than 10% of its investments placed in green assets every year. Similarly, Natixis Investment Managers is rolling out an ambitious climate-related measurement approach for all its affiliates.

2.1 - Climate assessments for the Group’s asset management activities

In line with its multi-boutique business model, the twenty-two affiliates of Natixis Investment Managers (NIM) use a variety of methodologies and metrics to gauge the climate impact of their discretionary asset management portfolios. In 2021, NIM began work on consolidating the measurement of climate impacts and risks related to the portfolios of all its affiliates covering 75% of the entity’s assets under management, or more than €850 billion of the €1,136 billion of assets managed by the firm.

Owing to differences in methodology, metrics for illiquid portfolios are not consolidated in this report. The aggregated metrics presented in this document relate exclusively to the liquid asset classes covered by S&PTrucost representing 72% of NIM’s assets under management, or an aggregate total of €814 billion.

In 2021, Natixis Investment Managers began work on consolidating the measurement of climate impacts and risks related to the portfolios of all its affiliates covering 75% of the entity’s assets under management.

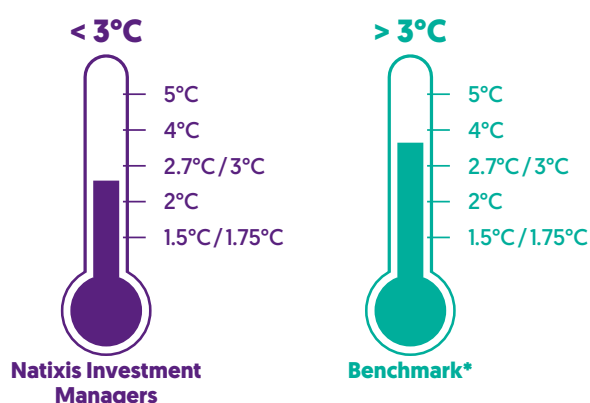
A composite benchmark has been calculated for the consolidated portfolio of corporate assets – representing a total of €577 billion – in order to compare the temperature of the aggregate portfolio of NIM affiliates with the market. Fifty percent of this benchmark is comprised of the MSCI All Country World Index (MSCI ACWI) and 50% is based on the Bloomberg Barclays Global Aggregate Index.

2.2 - Assessments of the climate-related impacts of the Group’s insurance activities

In its insurance activities, Groupe BPCE made a proactive and concrete commitment against global warming in 2018 by aligning its investment policy with the objectives of a 2°C trajectory in accordance with the Paris Climate Agreement. In 2020, it decided to strengthen this commitment by aiming to align its main insurance fund with a 1.5°C trajectory by 2030. It also aims to invest 10% per year in ‘green’ assets in order to reach 10% of the target portfolio by 2030. Achievement of these targets has been tracked every quarter since the commitment made in 2018 (see the graph below).

Results of the first climate-related measurements for the activities of Natixis Investment Managers

Implicit temperature rise



* 50% MSCI All Country World Index (MSCI ACWI) and 50% Bloomberg Barclays Global Aggregate Index.

For its insurance activities, the Group is aiming to align its main insurance fund with a 1.5°C trajectory by 2030.

Climate assessments for the Group’s insurance activities

	2017	2018	2019	2020
Temperature metric	4.3°C	3°C	2.7°C	2.7°C*
% of green investments held in portfolios at year-end	1% = €0.4bn	1.8% = €0.7bn	3.4% = €1.8bn	4.5% = €2.7bn

*Benchmark (Barclays Euro Aggregate/MSCI EMU): 3.7°C.

3 - Groupe BPCE is continuing to reduce its own environmental footprint

In its new 2021-2024 strategic plan, Groupe BPCE has set itself the target of reducing its own carbon footprint (in terms of the company’s day-to-day operations) by 15% (compared with the benchmark year of 2019) within three years.

In order to track the successful pursuit of the steps decided, Groupe BPCE has been using since 2011 a tool specifically designed to obtain an overview of its own greenhouse gas (GHG) emissions using a methodology compatible with the one adopted by the French Environment and Energy Management Agency (Ademe), the ISO 14064 standard and the Greenhouse Gas Protocol.

This tool enables the Group to estimate the GHG emissions from the activities of its branch networks and corporate head-quarter building. This approach also makes it possible to use emission factors to convert data about business activities into an estimated volume of emissions, expressed as CO2 equivalent. The quantification of GHG emissions chiefly consists in completing a diagnosis of physical flows and applying the corresponding emission factors to each type of flow.

Emission factors are ratios that enable us to estimate the amount of greenhouse gases emitted according to the data sample from each activity. These emission factors are updated annually to ensure they remain consistent with the extraction of data from the carbon database maintained by Ademe ⁴.

For example:

- The electricity emission factor (expressed as kg CO2-eq/kWh) is used to calculate the amount of GHGs emitted by each kWh of electricity consumed.
- The paper emission factor (expressed as kg CO2-eq/metric ton of paper) is used to calculate the amount of GHG emitted for each metric ton of paper consumed.

This methodology provides:

- An estimate of greenhouse gas emissions per company,
- A map of these emissions per item (energy, purchases of goods and services, movement of people, fixed assets, waste and freight) and per scope ⁵.

This carbon review (or *Bilan Carbone*[®]) enables the Group to know both the level and trend of its CO2 emissions on an annual basis and to draw up its emissions reduction plan accordingly.

⁴. The majority of the emission factors are taken from the Ademe emission factor database.

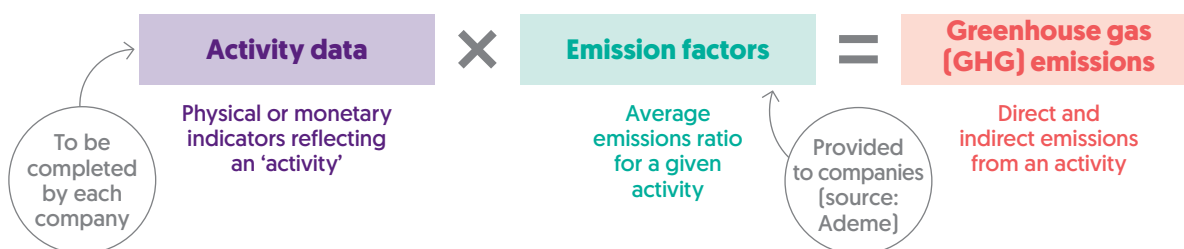
⁵. The majority of the emission factors are taken from the Ademe emission factor database.

The GHG Protocol divides the operational scope of an entity’s GHG emissions as follows:

- Scope 1: sum of direct emissions induced by the combustion of fossil fuels (oil, gas, coal, peat, etc.) from resources owned or controlled by the company.
- Scope 2: sum of indirect emissions induced by the purchase or production of electricity.
- Scope 3: sum of all other indirect emissions (from the supply chain, extended to include the transport of goods and people)

Transformation of business data (sq. m, liters, €, etc.) into CO2 emissions

PRINCIPLES UNDERLYING THE CALCULATION





EXAMPLES

Items	Activity data	Emission factors	GHG emissions
Occupied real estate (rented or owned)	3,000 sq. m	16 CO2-eq per sq. m and per year	~ 48 tonnes CO2-eq
Gas consumption used to heat buildings	250 MWh	205 kg CO2-eq / MWh Higher Calorific Value	~ 51 tonnes CO2-eq

4 - Summary of Groupe BPCE's climate commitments

Climate metrics of portfolios per business line

Business line	Topic	Metrics	Situation in 2020	Targets for 2024
Groupe BPCE (excluding Asset Management and Insurance)	Alignment of the Group's portfolios with a Net Zero trajectory	Coverage of loan outstandings using the Green Evaluation Models methodology	33%	100%
	Total fossil fuel exposures	Amount in €bn and % of our exposures to coal and % of total exposures	€0.5bn (0.04%)	€0m by 2030 for OECD countries / 2040 for the rest of the world
	Green financing	Amount expressed in €bn for energy renovation, renewable energies and green mobility (including arrangement of new renewable energy financing solutions for major accounts)		+€21bn
Retail Banking and networks	Green exposures	Amount for energy renovation, renewable energies and green mobility in € billion	€7bn	€12bn over 2021-2024
Corporate & Investment Banking	Alignment of portfolios with a Net Zero trajectory	Green Weighting Factor Color Mix	41% brown 28% neutral 31% green 	27% brown 21% neutral 52% green 
		Temperature rise induced by financing	3.2°C	2.5°C in 2024 2.2°C in 2030 1.5°C by 2050
		Carbon intensity of financing	920 tonnes CO ₂ -eq/€m (GWF scope)	
	Green exposures	Renewable energy financed	87% of new energy generation projects financed in 2020	Minimum 75% of new power production projects funded (in generation) + €9bn arranged over the 2021-2024 period
		Green revenues		Green Revenues x 1.7
		Arranged green and sustainable bond issues	€11.95bn (€1.9bn of new green bonds arranged in 2020)	
	Transition risk exposures	Share of assets exposed to transition risks (risk weighted assets identified in dark brown)	14.40%	
Fossil fuel-related outstandings		€5.8bn in oil & gas outstandings in exploration & production activities	15% reduction in exposure to exploration & production activities	
Asset management – Natixis Investment Managers	Alignment of portfolios with a Net Zero trajectory	Carbon intensity of investments	726 tonnes CO ₂ -eq/M€ of assets under management	
		Temperature rise induced by investments	Portfolio: below 3°C	
	Green exposures	Outstanding green/social bonds	€18.5 billion in assets under management	
	Fossil fuel exposures	Fossil fuel-related outstandings	Coal sector: 0.2% of assets under management	
Total fossil fuels: 4.4% of assets under management				
Insurance activities – Natixis Assurances	Alignment of portfolios with a Net Zero trajectory	Carbon intensity of investments	166 tonnes CO ₂ -eq/M	
		Temperature rise induced by investments	2.7°C	2°C in 2024 1.5°C by 2030
	Green exposures	Share of green assets	4.5%	8.5%
	Fossil fuel exposures	Fossil fuel-related outstandings	2.1% of assets (€1.2bn, including €1bn from the main fund) including €0.07bn on thermal coal	€0m coal sector by 2030 for OECD countries and 2040 for the rest of the world

Metrics for reducing the Group's own environmental footprint

Business line	Topic	Metrics	Situation in 2020	Targets for 2024
Groupe BPCE (87% of employees on permanent contracts)	Carbon footprint	Carbon footprint (in kilotons of CO ₂) – scopes 1, 2 and 3A	521	500 [-15% versus 2019]

CLIMATE ALIGNMENT METRICS MONITORED BY NATIXIS CORPORATE & INVESTMENT BANKING:

- **Mix of Green Weighting Factor colors** (expressed as a % of bank loan outstandings).
- **Temperature indicator** (TI, expressed in degrees Celsius, °C): this metric estimates the aggregate warming potential of assets reported on the balance sheet, i.e. the temperature increase relative to pre-industrial levels induced by all such assets (excluding financial sector and sovereign exposures).
- **Carbon intensity of financing activities** (expressed in tonnes of CO₂ equivalent per million euros of loan outstandings, tCO₂-eq/€m): this corresponds to the sum of the carbon footprint attributable to each loan divided by its amount of outstandings, covering all balance sheet assets excluding the financial sector, i.e. €154 billion of loan outstandings.
- **Renewable energy financing** (as a % of project financing amounts in the power generation sector and expressed as GW of installed capacity financed in the course of the year): this includes the amount arranged, the number of transactions, the installed capacity financed per type of energy, the share of renewable energy in projects financed in the course of the year and included in the portfolio.
- **Arrangement of green and sustainable bonds** (in billions of euros and as a %): this is the amount of Natixis' share in the bond issues and the share represented by green and/or sustainable issues in the aggregate total of issues arranged by Natixis.
- **Share of banking assets exposed** to climate-related transition risk (as a % of risk-weighted assets) corresponding to assets rated 'dark brown.'
- **Exposure to the fossil fuel sector** (in billions of euros of outstandings): this is the aggregate amount of fossil-fuel industry financing held in the portfolio, including dedicated financing (of projects and assets) and non-dedicated financing to corporate clients active in the sector.

CLIMATE ALIGNMENT METRICS MONITORED BY NATIXIS INVESTMENT MANAGERS:

- **Carbon intensity of investments** (expressed in metric tons of CO₂ equivalent per million euros invested, tCO₂-eq/€m): this is the carbon footprint (scopes 1, 2 and 3) of the investments divided by the value of assets under management.
- **Temperature indicator** (TI, expressed in degrees Celsius, °C): this metric estimates the aggregate warming potential of assets under management, i.e. the temperature increase relative to pre-industrial levels induced by the assets held in the portfolio. The scope of this indicator corresponds to corporate assets, of which €476 billion are covered by S&P Trucost data. The approach proposed by S&P Trucost is based on methods validated by the Science Based Targets Initiative (SBTi) (see details of the method in the Natixis TCFD report).



METRICS & TARGETS

The methodologies used to measure the temperature trajectory of an investment portfolio are recent, subject to change, and based on a large number of assumptions. The resulting temperature indicator may vary considerably from one methodology to another depending on the data used and the assumptions made.

• **Amount of investment in green and sustainable bonds** (in billions of euros of assets under management): this is the aggregate amount of investments made by all affiliates.

• **Exposure to the fossil fuel sector** (as a % and in billions of euros of assets under management): this corresponds to the share and aggregate amount of investments in corporate issuers exposed to the fossil fuel sector. The scope of this indicator is corporate assets, of which €522 billion are covered by S&P Trucost data. For issuers with diversified activities, the sector exposure of each issuer is weighted by its revenues.

Several affiliates measure and publish indicators specific to their individual climate commitment policies. For further details, please refer to the management reports of each affiliate or to the Natixis TCFD report.

CLIMATE ALIGNMENT METRICS MONITORED FOR THE GROUP'S INSURANCE ACTIVITIES:

• **Carbon intensity of investments** (expressed in metric tons of CO₂ equivalent per million euros invested, tCO₂-eq/€m): this is the carbon footprint of investments divided by their value (market capitalization for listed assets). The carbon footprint of each portfolio company is assessed using the Carbon Impact Analytics⁶ (CIA) method and data provided by Carbone 4, which includes both the emissions 'induced' by the company's activity in a life cycle approach (scopes 1, 2, 3), and the emissions 'avoided' through efficiency efforts or the adoption of low-carbon solutions by the company. For its insurance activities, Groupe BPCE calculates and publishes the carbon intensity of each asset class: equities, corporate bonds, sovereign bonds, and illiquid assets (real estate, infrastructure).

• **Temperature indicator** (TI, expressed in degrees Celsius, °C): this metric estimates the aggregate warming potential of investments, i.e. the temperature increase relative to pre-industrial levels induced by the portfolio assets. The method used is that developed by Mirova, which establishes a correspondence between the induced and avoided carbon emissions provided by Carbone 4 aggregated at the level of the investment portfolio and the temperature indicator of the portfolio based on the scenarios drawn up by the International Energy Agency.

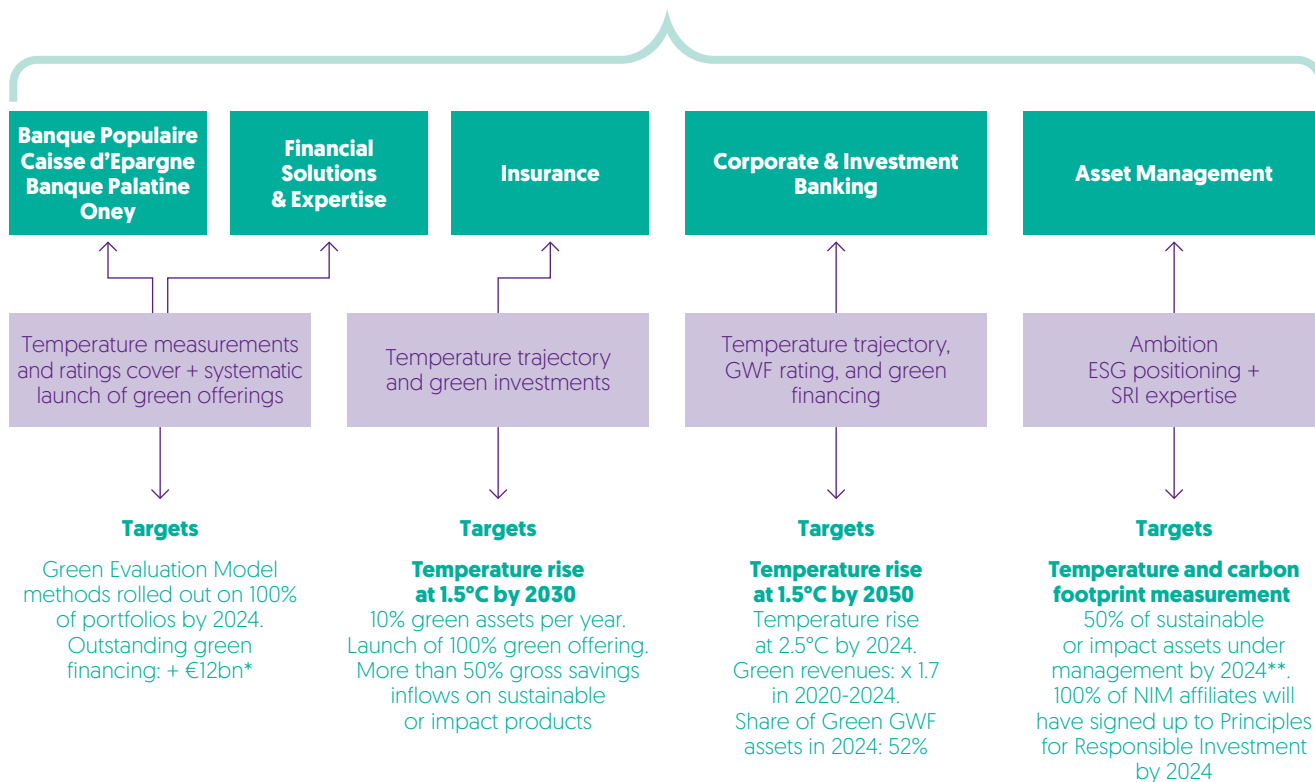
• **Share of green assets in the portfolio** (as a % of the total investment portfolio): assets defined as 'green' are green bonds or sustainable bonds (when the underlying investments are climate-related) and bonds and shares of issuers eligible for investment funds with the GreenFin label.

• **Amount of investment in green and sustainable bonds** (in billions of euros of investment).

• **Exposure to the fossil fuel sector** (as a % and in billions of euros of assets under management): this corresponds to the share and amount of investments in corporate issuers exposed to the fossil fuel sector. The percentage is calculated in terms of the market value of the assets. For issuers pursuing a variety of different activities, the sectoral exposure of each issuer is weighted by its revenues. All activities in the sector's value chain are covered.

⁶ <http://www.carbone4.com/wp-content/uploads/2016/08/CarbonImpactAnalytics.pdf>

Groupe BPCE makes climate change a strategic priority for its business lines and companies



* Financing for energy renovation, renewable energy and green mobility from the Banque Populaire and the Caisse d'Epargne.

** Eligible under Article 8 or 9 of the Sustainable Finance Disclosure Regulation.

COMMITMENTS

made by the Group

GLOBAL COMPACT

Reporting at the GC Advanced level of the United Nations Global Compact, which defines ten principles relating to respect for human rights, labor standards, environmental protection, and the fight against corruption.

SUSTAINABLE DEVELOPMENT GOALS (SDGS)

Nine priority goals are positively impacted by the Group's actions through its internal management procedures, sponsorship activities and above all its financing activities (social, associative, renewable energies, agriculture, education, health, microfinance, etc.)

PRINCIPLES FOR RESPONSIBLE BANKING (PRB)

Groupe BPCE and Natixis have signed the Principles for Responsible Banking and are committed to strategically aligning their activities with the United Nations Sustainable Development Goals (SDGs) and the Paris Climate Agreement. By signing the UNEP FI Principles for Responsible Banking, Groupe BPCE and Natixis joined a coalition of 132 banks worldwide, representing more than \$47 trillion in assets, and undertook to play a key role in contributing to a sustainable future.

PRINCIPLES FOR RESPONSIBLE INVESTMENT (PRI)

The Group has adhered to the PRI since 2008 via Natixis. This set of principles helps institutional investors to make environmental, social and corporate governance considerations an integral part of their investment decision-making processes.

EQUATOR PRINCIPLES

The Group has been a signatory to the Equator Principles since 2010 *via* Natixis. The aim of these principles is to take account of social and environmental risks in the context of project financing. By adhering to the UNEP FI Principles for Responsible Banking (28 founding signatories), Natixis is one of the first financial institutions to formally align its strategy with the United Nations Sustainable Development Goals and the Paris Climate Agreement.

ISO 26000

Wanting to make its commitment and actions even more tangible, Groupe BPCE adopted this recognized and robust international standard by rolling out external ISO 26000 audits within its different entities.

NET ZERO BANKING ALLIANCE

A signatory since July 2021, Groupe BPCE is committed to aligning the bank's entire balance sheet with a carbon neutral trajectory. By joining this banking alliance, the Group is stepping up its efforts to combat global warming and is committed to supporting the environmental transition of its customers and of the financial sector as a whole.



 **GROUPE BPCE**

