

2017

sustainable
investment
report

Factoring ESG into
asset management and
contributing to the energy
and environmental transition
in accordance with Article
173-VI the French Law on
Energy Transition for
Green Growth

Summary

CNP Assurances strives to give meaning to its role as a financial intermediary by ensuring that its portfolio is consistent with its values.



As the no. 1 provider of personal insurance in France⁽¹⁾, the no. 4 in Europe (excluding healthcare)⁽²⁾ and the no. 4 in Brazil⁽³⁾, CNP Assurances insures and protects the future of millions of people, notably by helping them make the most of their savings/pension assets invested in life insurance.

Building on its values and public-sector foundations, CNP Assurances committed to a responsible investor policy ten years ago, covering all asset classes, from mutual funds, equities and bonds to infrastructure and private equity, property and woodlands. At the end of 2017, a total of 80% of CNP Assurances' assets were managed in accordance with environmental, social and governance (ESG) criteria in a manner tailored to each asset class.

CNP Assurances has decided to increase its commitment to the fight against climate change, in the belief that large-scale environmental problems generate financial risk. We have a duty to protect ourselves from this risk in order to uphold our sometimes extremely long-term commitments to our insureds.

CNP is one of only a handful of insurers worldwide to have issued quantified targets for 2020 and 2021 in this area, namely:

- 20% reduction in energy consumption of property assets between 2006 and 2020.
- A carbon footprint of directly held listed equities of 0.25 tonnes of CO₂ equivalent per thousand euros invested (tCO₂eq/€k) by 2021, representing an objective of 47% reduction from the 2014 baseline.
- Exclusion of companies heavily involved in coal from its portfolios.
- €3 billion in green investments by the end of 2018, a target that was increased at the end of 2017 with the announcement of €5 billion in investments for the energy and environmental transition by 2021.

(1) 2016 data, FFA, June 2017.

(2) Argus de l'Assurance "2016 European Top 20 Results", December 2017.






(3) Source: SUSEP (Brazil's insurance supervisor), December 2017.

In practice

For many years, CNP Assurances has applied a responsible investor strategy for the majority of its assets and those of its French subsidiaries. However, this approach cannot be applied equally to equities, bonds, property assets, corporate or sovereign securities, direct holdings or units of funds.

The following chart shows the various ways in which the approach is implemented.

	 Country exclusion	 Securities exclusion	 Food speculation funds exclusion	 ESG rating analysis	 Systematic integration of ESG in investment policy
Property	✓			✓	✓
Woodland	✓			✓	✓
Equities	✓	✓		✓	✓
Corporate bonds	✓	✓		✓	
Private equity / Infrastructure	✓	✓		✓	
Government bonds	✓	✓			
CNP Assurances' dedicated funds	✓	✓	✓		
Other funds	Watchlist	Watchlist	✓		

-  Undemocratic countries deemed at risk, with a low level of freedom or corrupt judges, and tax havens
-  In accordance with the UN Global Compact: arms manufacturers whose products include anti-personnel mines or cluster munitions and coal mining and coal-based energy producing companies
-  Speculation on agricultural commodities
-  ESG data collection for investment analysis
-  ESG analysis and/or ratings systematically impact the decision to invest

The quality of the approach has been recognised by socially responsible investment (SRI) rating agencies, including Oekom (1st place out of 131 international insurance companies), MSCI (AAA rating), Sustainalytics (5th place out of 94 global insurers) and Vigeo (4th place out of 53 European insurers).

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Introduction

CNP Assurances, a responsible investor: strong climate commitments built on a mature ESG policy

As the no. 1 provider of personal insurance in France⁽¹⁾, the no. 4 in Europe (excluding healthcare)⁽²⁾ and the no. 4 in Brazil⁽³⁾, CNP Assurances insures and protects the future of millions of people, notably by helping them make the most of their savings/pension assets invested in life insurance. In total, the Group provides 38 million people worldwide with personal risk/protection insurance and 14 million with savings and pension products.

CNP Assurances' sustainable development approach goes back over ten years, building on the Group's long experience and the values it shares with its major shareholders, the French State, Caisse des Dépôts, La Banque Postale and BPCE, and its distribution partners. Since its inception, this approach has informed the Group's investment strategy, which is central to its **fiduciary responsibility** to insureds and its role as a major investor in the **real economy**.

As CNP Assurances is specialised in personal insurance, its influence on the climate stems mainly from its work as an asset manager rather than preventive action or the settlement of claims.

The investment strategy has three specific features:

- Under the Group's business model, the investment strategy is defined internally, but its implementation is delegated to asset management companies, chiefly those of its two major distribution partners, Ostrum AM and La Banque Postale AM, as CNP Assurances has no captive asset management company.
- A very large proportion of assets (72%) is invested directly and not through funds.
- With a predominant share of its premium income in the savings and pension segment, CNP Assurances is committed to long-term investments. Equities, for example, are held for an average of seven years, and bonds are generally held to maturity (currently about ten years).

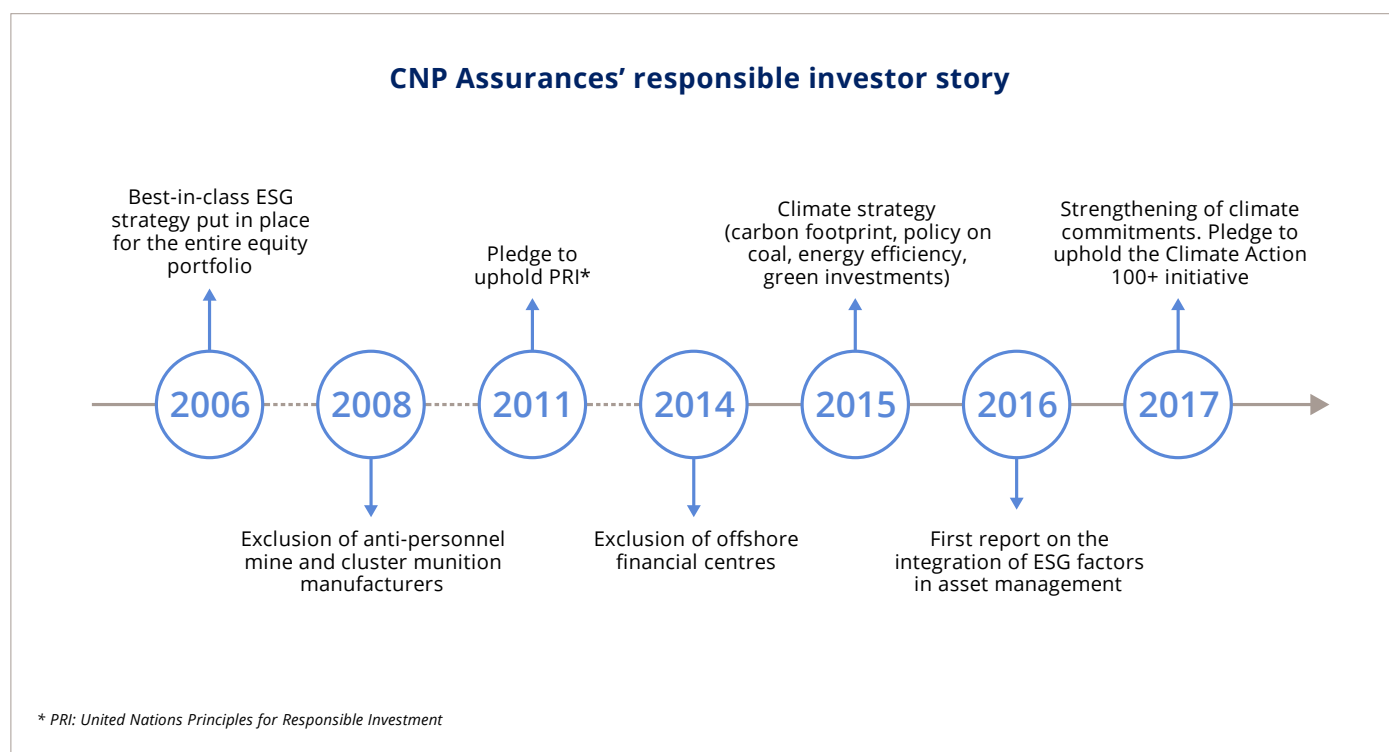
In the belief that taking corporate social responsibility (CSR) criteria into account improves the yield-to-risk ratio over these time frames, CNP Assurances has established a responsible investor strategy covering all asset classes. At the end of 2017, a total of 80% of its assets were managed in accordance with ESG criteria.

(1) 2016 data, FFA, June 2017.

(2) Argus de l'Assurance "2016 European Top 20 Results", December 2017.

(3) Source: SUSEP (Brazil's insurance supervisor), December 2017.

The following timeline illustrates the implementation of the approach over the years, based on methods tailored to the specific nature of each asset class.



The quality of the approach has also been recognised by SRI rating agencies, including Oekom (1st place out of 131 international insurance companies), MSCI (AAA rating) and Vigeo (4th place out of 53 European insurers).

Strong commitments in favour of the energy and environmental transition

The approach also draws on the commitments made in adhering to the United Nations (UN) Global Compact, which cites environmental protection as one of its four pillars, as well as the Charter for Sustainable Development of the French Insurance Federation (*Fédération française de l'assurance* – FFA) and the Principles for Responsible Investment (PRI).

Moreover, as part of its shareholder engagement, CNP Assurances stresses the importance it attaches to this issue when meeting with company managers. A long-term shareholder, it aims to support companies in their transition to a low-carbon economy, particularly through responsible dialogue with the major players in its portfolio.

Based on these solid CSR credentials, CNP Assurances made strong climate commitments in 2015, which were enhanced in 2017 as follows:

- Reduce the carbon footprint of the €12 billion portfolio of directly held listed equities by 47% by 2021.
- Invest an additional €5 billion in energy and environmental transition projects by 2021.
- Reduce the energy consumption of its property assets, a portfolio of more than €13 billion, by 20% between 2006 and 2020.

- Exclude from its portfolios companies that are heavily involved in thermal coal (more than 25% of revenue for current investments and more than 15% for new investments).

CNP Assurances is one of only a handful of insurers worldwide to have issued quantified targets for reducing the carbon footprint of its portfolio since 2015.

CNP Assurances' climate targets: a satisfactory performance as at end-2017

2017 target and progress	% of target achieved by end-2017
<p>30% reduction of the carbon footprint of the portfolio of directly held listed equities between 2014 and 2021</p> <p>On 22 February 2018, in the press release reporting its 2017 results, CNP Assurances announced its intention to ramp up its commitment to reducing the carbon footprint of its equity portfolio, setting a target of 0.25 tCO₂eq/€k invested by end-2021 versus 0.33 tCO₂eq/€k invested. This represents a target reduction of 47% compared with 2014.</p>	121%
<p>€3 billion in "green" investments by end-2018</p> <p>CNP Assurances has also committed to invest an additional €5 billion in entities favouring the energy and environmental transition by 2021.</p>	81%
<p>Reduce energy consumption of property assets by 20% between 2006 and 2020</p>	48%
<p>Zero investment in companies deriving more than 25% of revenue from thermal coal</p>	100%

This document contains the following information, pursuant to Article 173-VI of the French Law on the energy transition for green growth:

- A general description of the integration of ESG criteria into investment policy and risk management, including major national and international commitments, the governance of the responsible investor strategy and the risk management policy (Chapter 1).
- The means used to inform insureds about CNP Assurances' responsible investment policy (Chapter 2).
- A detailed description by type of assets, describing SRI strategy, key targets and information on the contribution to meeting the international objective of limiting global warming (Chapter 3).
- The shareholder engagement policy (Chapter 4).
- Impact investments, indicating the amounts invested in theme funds (Chapter 5).
- A summary of alignment with the 2°C scenarios (Chapter 6).

Moreover, the main information relating to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) on climate issues as they affect governance, strategy, risk management and indicators is provided throughout the document and identified by the following acronyms: TCFD^{Governance}, TCFD^{Strategy}, TCFD^{Risk management} and TCFD^{Indicators}.



1 Inclusion of ESG criteria in CNP Assurances' investment policy and risk management:

- Overview

Scope

Data reported are as at 31 December 2017.

This report covers all assets held by CNP Assurances and CNP Caution. Assets held by MFPrévoyance are dealt with where necessary in a specific section.

1.1 An approach based on major national and international commitments

2003: The decisive step of joining the Global Compact



CNP Assurances has always upheld human rights, in line with the Universal Declaration of Human Rights, and more specifically has always complied with the principles of the International Labour Organization (ILO) and the national labour laws of each host country. In pledging to uphold the Global Compact, CNP Assurances reaffirms its commitment to respecting these fundamental values, as well as to combating corruption and protecting the environment.

2009: A commitment spread throughout the insurance sector



CNP Assurances played an active role in launching the French Insurance Federation's sustainable development charter (<http://www.ffa-assurance.fr/content/l-charte-developpement-durable>), one of the first in its business sector. As part of this commitment, the Group pledged to address the core CSR issues relevant to the insurance industry, notably by reducing social vulnerability, combating climate change, supporting economic development and promoting socially responsible investment.

2011: A deeper commitment as professional investors

Signatory of:



CNP Assurances took a step further in its commitment to responsible investment by signing the United Nations Principles for Responsible Investment (PRI), which requires annual progress reports (CNP Assurances' public reports are available on the PRI website: <https://www.unpri.org/organisation/cnp-assurances-145874>).

2015: Strong commitments in favour of the energy and environmental transition



A signatory of the Montreal Carbon Pledge, CNP Assurances published the carbon footprint of its financial portfolio of directly held listed equities in December 2015. That same year, it also made a public commitment to reducing its footprint by 20% by 2020. Strong commitments were also made in respect of its property portfolio and coal assets.

2017: Reinforced initiatives to limit global warming



In the first half of 2017, CNP Assurances signed the Shift Project's "Decarbonize Europe Manifesto" and spoke about its approach at the press conference introducing the initiative.

CNP Assurances has decided on an objective of further reducing its equity portfolio's carbon footprint, and has also signed on to Climate Action 100+, a collaborative shareholder engagement platform.

Other participation in charters and initiatives

CNP Assurances took an active part in developing the "Declaration on climate change by the Paris financial marketplace" at the May 2015 and July 2016 Climate Finance Days. (<http://www.ffa-assurance.fr/content/afa-est-signataire-de-la-declaration-des-acteurs-de-la-place-financiere-de-paris-sur-le>).

CNP Assurances played a key role in the working group formed to draft the Reporting Guide on Article 173 of the French Energy Transition Law and its implementing decree (<https://www.ffa-assurance.fr/content/article-173-decryptage-guide-sur-la-loi-de-transition-energetique-et-son-decret-application>).

CNP Assurances is also a signatory of the charter for the energy efficiency of commercial buildings launched by the Sustainable Building Plan in 2013 (<http://www.planbatimentdurable.fr/charte-pour-l-efficacite-energetique-des-batiments-r204.html>).

Lastly, CNP Assurances has been declaring its greenhouse gas emissions to CDP since 2005, becoming a supporter and signatory member in 2016.



1.2 Governance of the responsible investment strategy

TCFD Governance TCFD Strategy

The principles of action are set out in a charter, approved by all the participants, and reproduced below:

Article 1: CNP Assurances builds on its values in its work as an investor.

Principles:

- Secure the commitments made to insureds and above all offer a streamlined, optimised performance year after year.
- Be a long-term investor and responsible shareholder.
- Contribute to economic development by providing the necessary stability allowing public and private players in all business sectors to pursue their growth plans.

Implementation:

- As its assets serve long-term commitments, CNP Assurances holds equities from a long-term perspective and generally holds bonds until they mature, while at the same time maintaining active management to ensure that commitments made to insureds are met each year.
- As a responsible shareholder, CNP Assurances votes at the shareholders' meetings of the listed companies in its portfolio. It ensures respect for the rights of minority shareholders in supporting each company's long-term growth.
- CNP Assurances does not exclude any business sector as a whole, but rather specific activities and production methods that are contrary to its values.
- CNP Assurances supports the development of assets on specific themes in areas favourable to the environment and social integration.

Article 2: CNP Assurances includes ESG criteria in the management of its assets.

In the belief that taking ESG criteria into account when assessing an investment contributes to value creation and optimises the yield-to-risk ratio over time, CNP Assurances has over the last ten years gradually deployed a responsible investor strategy covering all of its assets. This management approach reflects the Group's commitments as part of the Global Compact, the FFA Sustainable Development Charter, the PRI and the Geneva Association's Kyoto Statement.

Principles:

CNP Assurances hereby lays down and shares the four principles that guide the integration of these criteria into its financial asset management, in accordance with methods tailored to each asset class:

1. Respect human rights as defined in the Universal Declaration of Human Rights.
2. Adhere to the principles of the ILO, including respect for freedom of association and the right to collective bargaining, and the elimination of forced labour, child labour and discrimination.
3. Promote the protection of the environment, the energy and environmental transition, and initiatives to reduce or adapt to climate change.
4. Contribute to the fight against corruption.

In addition to complying with national regulations, CNP Assurances adheres to international agreements signed by France. For instance, in accordance with the Ottawa and Oslo Treaties, CNP Assurances excludes manufacturers of anti-personnel mines or cluster munitions from its portfolios.

It also excludes speculation on agricultural commodities from its investments.

Implementation:

- CNP Assurances considers that ESG has been taken into account for a given asset class when all securities in the class are screened on at least one of these four principles while ensuring a minimum level of security on the other three.
- The methodology applied balances the three pillars, Environment, Social and Governance, paying particular attention to governance, which is the key to the quality of engagement over the long term.
- CNP Assurances promotes SRI funds to insureds through its distribution partners.
- CNP Assurances supports research in this field.

Article 3: CNP Assurances mobilises internal teams to deploy responsible investment in its business.

Principles:

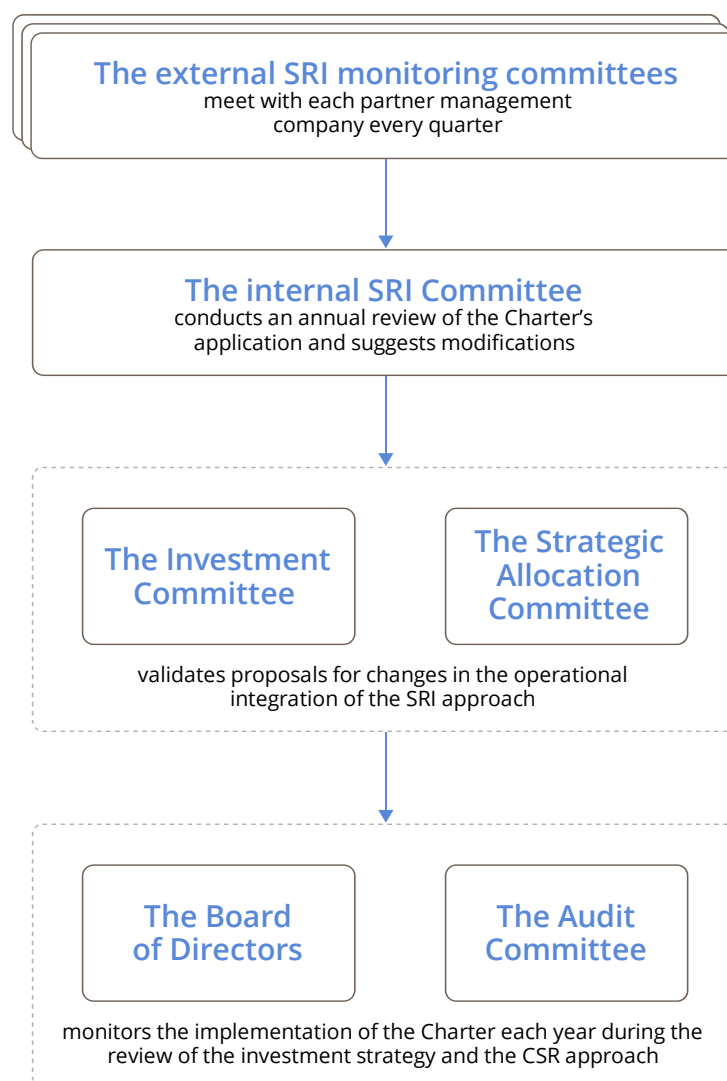
The responsible investment strategy is laid down and managed within the framework of the overall investment strategy approved by Executive Management and the Board of Directors.

CNP assurances undertakes to:

- Respect Articles 1 and 2 in its operations by providing the necessary human and financial resources.
- Each year publicly report the steps taken and the progress made.

Implementation:

To this end, all participants are engaged under the guidance of Executive Management.



1.3. Risk management policy: identification procedures, overview and exposure

CNP Assurances has implemented a risk management system, which is an integral a component of all decision-making processes.

The strategic priorities in terms of risk management are decided by the Board of Directors – particularly the Group's risk appetite and how this breaks down on an annual basis – based on input from the Audit and Risk Committee. The risk management system is part of the comprehensive strategic management process led by the Chief Executive Officer.

The aim of identifying and assessing recurring risks is to provide governance bodies with the information needed to manage the risks inherent to each business activity and to define an overarching risk management strategy for the Group as a whole.

The Board of Directors has accordingly approved the inclusion of ESG criteria in asset management as part of its annual review of the investment strategy. The efficiency of the implementation of the approach is demonstrated by the SRI commitment of the two main delegated asset management companies, Ostrum AM and La Banque Postale AM, which manage the directly held assets.

This approach, which has been progressively rolled out since 2006 and covered 80% of the portfolio as at end-2017, effectively takes exposure to environmental, social and governance risks into account:

- This is particularly the case for sovereign bonds and bonds issued by companies in the public sector, from which states at risk of failure to respect democratic rules, non-compliance with human rights and corruption are excluded.
- It is also true for the asset portfolios comprising privately owned companies, which are screened for ESG criteria by experts at the two management companies.

Focus on climate risk TCFD *Risk management*

As regards climate risk, CNP Assurances is particularly aware of the potential impact of climate change on the value of its assets owing to its holding period.

Concentrating on physical risk and transition risk, CNP Assurances has identified the following risk factors and taken steps to reduce them:

- **Physical risk:**

CNP Assurances has focused on analysing the physical risk exposure of its property and woodland assets: the location of these assets, mainly in France, makes exposure to risk relatively limited. In 2017, CNP Assurances nevertheless launched a more in-depth study of its property the physical risk of its property assets with the aim of obtaining a comprehensive view of the climate risk to which it could be exposed.

Measures taken to reduce risks:

Property assets benefit from routine analysis of flood risk and from natural disaster insurance. Note that an inventory of assets located in flood zones was performed in 2014 in the event of a once-in-a-hundred-years flood of the Seine.

For woodland, CNP Assurances has implemented an investment policy that allows their purchase in a widespread number of areas. Some areas subject to significant natural hazards have been avoided (south-east France, for instance, due to the risk of fire). The geographical diversification of woodland assets also reduces the risk of extreme events such as storms or drought. Within this framework, a woodland investment programme has been established in Scotland.

■ Transition risk:

Asset value is potentially exposed to regulatory, technological, market and reputational risk, especially for property assets and companies operating in the energy, transport, materials and construction and agri-food sectors. CNP Assurances is also exposed to these risks, but to a limited extent since holdings in each of these sectors represent less than 6% of CNP Assurances' total equity and bond portfolios.

Measures taken to reduce risks:

For many years, CNP Assurances has used several approaches to manage transition risks:

- ESG criteria have been progressively integrated into asset management since 2006.
- The identification of coal as the most material risk in 2015 prompted CNP Assurances to dispose of all securities held in companies deriving more than 25% of their revenue from thermal coal and to discontinue investing in companies deriving more than 15% of their revenue from thermal coal.
- Since 2016, the carbon footprint has been measured on corporate assets to highlight the companies most exposed to transition risk, i.e., those with the most carbon-intensive businesses. In keeping with its commitment as a responsible shareholder, the Group has established dialogue and engagement with key stakeholders to ensure they are aware of the associated risks and opportunities, and to help them to transition to a low-carbon economy over time.
- CNP Assurances has also tracked the CO₂ equivalent emissions avoided by renovating buildings since 2012.
- Lastly, CNP Assurances' objective is for the management of directly held equities to be aligned by the end of 2018 with indices that heavily weight contribution to the energy and environmental transition, namely those deployed in collaboration with La Banque Postale Asset Management (LBPAM) and Mirova (Natixis Investment Managers). The aim of this decision is to reinforce transition risk management by taking into account companies that facilitate the energy and environmental transition while at the same time contributing to the objective of reducing the carbon footprint of equity portfolios.

Lastly, with regard to alignment with 2°C pathways, CNP Assurances notes that the modelling of ESG and climate risks, based on current knowledge, requires a number of detailed assumptions to be made about the climate impact of activities undertaken by companies, broken down by sector, region, life cycle and other factors. With this in mind, and with a view to ensuring that the scenarios are reliable, CNP Assurances has chosen to initially rely solely on the following references:

- The 2°C scenario (2DS) of the International Energy Agency (IEA) – source: World Energy Outlook 2017.
- France's commitments within the European Union to reduce its carbon emissions.
- The national low-carbon strategy.
- ADEME's 2°C scenario – source: Update of the ADEME 2035-2050 energy-climate scenario.

The convergence of these references with the CNP Assurances scenarios is presented in summary form in Chapter 6.



2. Informing assureds of measures taken

2.1. Communication with insureds

CNP Assurances takes a responsible investor approach both to traditional savings contracts, through the inclusion of ESG criteria in its investment policy, and to the unit-linked funds offered to insureds.

Insureds can make their contribution to combating climate change through their savings by choosing “unit-linked” products focused on the themes of SRI and the climate. CNP Assurances strives to ensure that unit-linked funds are available in all major contracts. This commitment is in line with that of its two major distribution partners – La Banque Postale and BPCE – whose management companies set up such funds. For its part, CNP Assurances’ own network, Amétis, has offered “CNP Développement Durable”, a unit-linked fund focused on sustainable development, since 2007.

CNP Assurances has opted to inform its insureds about the inclusion of ESG criteria in financial management strategy in the annual position papers. More than 19 million letters addressed each year to insureds since 2011 (by post, email or online) have accordingly mentioned the Group’s adherence to the Global Compact and its responsible investor strategy, with a link to the “cnp.fr” website for more details.

CNP Assurances’ ESG/climate approach is also described in the CSR Report, published annually since 2010 and available on the company’s website. The cnp.fr website also devotes a page to the approach, and contains numerous news items and press releases on the subject: <http://www.cnp.fr/Nos-engagements/Pour-une-economie-durable/Investir-responsable>

To round out this information and make it accessible to as many people as possible, CNP Assurances has for several years published a short brochure setting out the essential points of its CSR approach, in which a large part is devoted to responsible investing. Below is an extract from the 2018 edition, which focuses on climate commitments.

OUR CORPORATE RESPONSABILITY SHAPES OUR INVESTMENT PRACTICES

CNP Assurances strives to make a difference in its role as a financial intermediary by making sure its portfolio is in keeping with its values.

BRING ABOUT CHANGE

With over €300 billion invested across all sectors of the economy, CNP Assurances is a major provider of funding to the real economy and for the future of the regions. The Group ranks among the world's top 50 institutional investors in private equity and is one of the very top players in France. Every year, it invests between €500 million and €700 million in unlisted businesses and guides them through every stage in their development. As a PRI signatory, the Group selects its investments using environmental, social and governance (ESG) criteria. Over the past ten years, this approach has been extended to all asset classes, and 80% of investments are now analysed and selected using ESG criteria.

TRAIN POLICYHOLDERS

CNP Assurances offers SRI products in its main unit-linked savings policies. At year-end 2017, thanks to active promotion by its partners, SRI funds available via these policies had €800 million under management.

EXAMPLES

The Group does not invest in countries that abuse human rights. It supports businesses in its equity portfolio with their efforts to reduce their carbon footprint. All the forests owned by CNP Assurances – 54,077 hectares – have achieved sustainable management accreditations.

Overview of our responsible investment strategy

80% of the investment assets held by CNP Assurances and its subsidiaries in France are screened using environmental, social and governance (ESG) criteria.

	Environmental criteria	Social criteria	Governance criteria	ESG criteria	ESG criteria	ESG criteria
Property	✓	✓	✓	✓	✓	✓
Woodland	✓	✓	✓	✓	✓	✓
Equities	✓	✓	✓	✓	✓	✓
Corporate bonds	✓	✓	✓	✓	✓	✓
Private equity/infrastructure	✓	✓	✓	✓	✓	✓
Government bonds	✓	✓	✓	✓	✓	✓
CNP Assurances dedicated funds	✓	✓	✓	✓	✓	✓
Other funds	✓	✓	✓	✓	✓	✓

(1) Undemocratic countries deemed at risk, with a low level of freedom or corrupt judges, and tax havens.
 (2) In accordance with the UN Global Compact, open manufacturers whose products include anti-personnel mines or cluster munitions and coal mining and coal-based energy producing companies.
 (3) Speculation on agricultural commodities.
 (4) ESG data collection for investment analysis.
 (5) ESG analysis and/or ratings systematically impact the decision to invest.

Major commitments to the energy and ecological transition

To play its part in keeping global warming to 2 °C by the end of the century, CNP Assurances has committed to a further €5 billion in green investments by 2021. It has also set a more ambitious target of reducing the carbon footprint of its equity portfolio at year-end 2021 to 0.25 CO₂-equivalent tonnes per thousand euros invested.

Increase in green investments⁽¹⁾

(€ billion)

Reduction in equity portfolio's carbon footprint⁽²⁾

(in CO₂-eq. tonnes/€1000 invested⁽³⁾)

(1) Green bonds, renewable energies, etc.
 (2) CO₂-equivalent tonnes per thousand euros invested.
 (3) Estimation.

The brochure is available at the following address:

http://www.cnp.fr/en/content/download/4680/103000/version/1/file/CSR-Report-2017_CNP-Assurances.pdf

In 2017, CNP Assurances participated in responsible finance week through a campaign promoting **SRI unit-linked funds**. A brochure on responsible investment was produced for customers of the Amétis network specifically for the event:

SEMAINE DE LA FINANCE RESPONSABLE 2017

CNP ASSURANCES, UN ACTEUR ENGAGÉ DANS L'INVESTISSEMENT SOCIALEMENT RESPONSABLE

Fort de ses valeurs ancrées dans son histoire, CNP Assurances s'est engagée, il y a dix ans, dans une démarche d'investisseur responsable. Tous les compartiments d'actifs des fonds euros sont concernés : les OPCVM, les actions et obligations, les infrastructures et le private equity, l'immobilier et les forêts.

81% de ses actifs, sont gérés en intégrant des critères Environnementaux, Sociaux et de Gouvernance à fin 2016

* PRI : Principes pour l'investissement responsable de l'ONU
** ESG : Environnement social et gouvernance

NOS OBJECTIFS

Aujourd'hui, CNP Assurances a décidé d'axer sa gestion d'actifs sur la lutte contre le changement climatique, convaincue qu'un problème environnemental à grande échelle générerait un risque financier à la mesure. Elle fait partie des très rares assureurs dans le monde à s'être fixés des objectifs chiffrés en la matière à l'horizon 2020 :

- réduire de 20% la consommation d'énergie du patrimoine immobilier
- réduire de 20% l'empreinte carbone du portefeuille d'actions cotées
- exclure de ses portefeuilles les entreprises fortement engagées dans le charbon
- financer 3 Md€ de projets verts d'ici 2018.

EN PRATIQUE, QUELQUES EXEMPLES :

CNP Assurances exclut les investissements financiers dans les pays ne respectant pas les droits de l'homme et ceux avec un niveau de corruption élevé.

Dans son portefeuille d'actions, CNP Assurances privilégie les entreprises les plus engagées au regard des critères environnementaux, sociaux et de gouvernance. CNP Assurances les accompagne vers une économie décarbonée à travers un dialogue responsable.

Chaque rénovation immobilière de son patrimoine inclut des travaux d'efficacité énergétique.

Toutes les forêts sont certifiées gestion durable.

CNP Assurances accompagne financièrement aussi les petites entreprises, des startups innovantes à travers son programme OPEN CNP, au soutien aux entreprises en difficulté et à l'économie sociale et solidaire via des fonds spécifiques.

POUR ALLER PLUS LOIN, DES SUPPORTS DE PLACEMENT DEDIES

CNP DEVELOPPEMENT DURABLE
EDR TRICOLOR RENDEMENT
CNP ASSUR MONET

UNE DEMARCHE RECONNUE PAR LES AGENCES EXTRA-FINANCIERES

<p>MSCI</p> <p>Mai 2016</p> <p>AAA</p>	<p>VIGEO</p> <p>2016</p> <p>6^e sur 42 assureurs européens</p>	<p>OEKOM RESEARCH</p> <p>Août 2015</p> <p>1^{er} sur 128 assureurs mondiaux</p>
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2.2. SRI unit-linked offering

In personal insurance, insureds can take direct action in support of a responsible economy and the fight against climate change by selecting SRI funds in savings products. These have been offered for several years in each of the flagship unit-linked products available in individual insurance contracts from CNP Assurances, such as:

- LBPAM Responsable (<https://www.labanquepostale-am.fr/isr-et-engagements/notre-offre-isr/id/72>)
- Ecureuil Bénéfice (<https://www.caisse-epargne.fr/ecureuil-benefices-resp.aspx>)
- CNP Développement Durable (<https://epargne.humanis.com/information-financiere/cnpdeveloppementdurable>).

SRI funds were once again promoted by CNP Assurances' two major partners in 2017. At year-end, nearly 187,300 individual life insurance policies at CNP Assurances included an SRI fund. They represented €806 million in technical reserves at that time, an increase of more than 36% compared with 2016.

In its wealth management offering, CNP Assurances offers unit-linked products comprising directly held securities. Eligible securities offered to insureds are also selected by taking into account exclusion rules on environmental (coal), social (Global Compact) and governance (sensitive countries) issues applicable to financial assets (see section 3).



3. ESG selection and support for the energy and environmental transition: Detailed description by asset class

3.1. ESG/climate exclusion

General exclusion of sensitive countries and securities

CNP Assurances determines the list of exclusions and securities under surveillance (countries and companies) largely on the basis of work done by the SRI experts at the Ostrum AM and LBPAM asset management companies, as well as on indices in the public domain.

Two exclusion criteria are applied:

Country exclusion: Several criteria are taken into consideration: the exclusion policy is based on lists drawn up by the French government and the European Union and tax haven indices from the Tax Justice Network. Freedom House and Transparency International lists are also consulted, for countries with serious problems regarding democracy, human rights and corruption.

Securities exclusion: Three types of securities exclusions have been defined:

- Since 2008, CNP Assurances has chosen to exclude equities issued by arms manufacturers whose products include anti-personnel mines or cluster munitions from its portfolios.
- As part of the ESG analyses described below, CNP Assurances receives alerts on corporate ESG risks corresponding to failure to comply with the fundamental principles of the Global Compact.
- Since 2015, the Group has also excluded any new investments in companies mining coal or producing coal-based energy if more than 15% of their revenue is derived from thermal coal. Among existing assets, the rules confine financial assets to companies deriving more than 25% of their revenue from this sector. As this exclusion is linked to the strategy of supporting the energy and environmental transition, it is dealt with in a specific section.

Financial assets concerned

Scopes concerned: Financial investments (excluding open-ended and unit-linked mutual funds) of CNP Assurances and MFPrévoyance as of 27 March 2018.

Proportion of assets based on balance sheet value: €256 billion at 31 December 2017, i.e., 82% of CNP Assurances' assets.

Ways in which ESG criteria are taken into account

Management of the ESG approach

CNP Assurances determines the list of exclusions and securities under surveillance (countries and companies). It is regularly updated, communicated to finance departments and management companies to be applied on an operational basis. Checks are performed periodically.

Application of the ESG approach

Countries

Main criteria: Balanced governance, as well as cooperation and fiscal transparency.

Governance criterion

Information used: To measure the balanced nature of a country's governance, CNP Assurances uses the Freedom Ratings issued by Freedom House, and the Corruption Perceptions Index published by Transparency International.

Methodology: Every year, CNP Assurances rates countries on the basis of three levels of risk blending three criteria, namely democracy, freedom and corruption (very high risk, high risk and low risk).

Results: In 2017, 62 countries were deemed to have very high risk and 33 high risk.

Cooperation and fiscal transparency

Information used: Lists drawn up by the French government and the European Union (non-cooperative states and territories, known as NCSTs, embargoed states and the EU's list of non-cooperative tax jurisdictions), and by the Financial Action Task Force (FATF) (countries subject to counter-measures).

Methodology: CNP Assurances uses the Tax Justice Network's "tax haven" assessment and an internal country risk rating.

Results: In 2017, the blacklist contained 57 countries.

Securities:

Main criteria: Exclusion of producers of anti-personnel mines and cluster munitions since 2008 and of companies not respecting the Global Compact's fundamental principles since 2012.

For companies whose business is linked to coal, see "Contribution to the energy and environmental transition".

Prohibited weapons

Information used: CNP Assurances uses a list of producers of anti-personnel mines and cluster munitions prepared by Ostrum AM. By way of background, the Ottawa (1999) and Oslo (2010) Treaties prohibit the production, use, storage, marketing and transfer of anti-personnel mines and cluster munitions, because such weapons can impact populations not involved in a conflict.

Methodology:

Relying on an ESG agency specialising in the field of arms (Ethix), SRI research teams at Mirova (Natixis IM) regularly update the exclusion list integrating all listed and unlisted companies:

- involved in the use, development, manufacture, marketing, distribution, storage or transport of anti-personnel mines or cluster munitions; or
- owning 30% or more of a company involved in the activities mentioned above.

In order to determine if a company is involved in these activities, its products must be an essential component in the manufacture of cluster munitions and/or anti-personnel mines.

CNP Assurances uses the list directly without any adjustments.

Results: In 2017, 75 companies were excluded.

Global Compact commitment

Information used: CNP Assurances receives alerts on ESG risks in authorised companies and companies whose securities it holds from the SRI teams of the two management companies appointed to manage listed securities, namely Mirova for Ostrum AM and La Banque Postale AM. These alerts are discussed at quarterly SRI committee meetings.

Methodology: When the alert corresponds to a breach of the fundamental principles of the Global Compact, CNP Assurances asks the management company to raise questions with the issuer. When this dialogue fails to identify scope to remedy the situation quickly, the investment committee is called on to decide whether or not to exclude it.

Results: In 2017, five companies were blocked in the investment segment.

Lastly, CNP Assurances also includes a criterion excluding funds speculating on agricultural commodities.

Inclusion in investment policy

Countries

No investment is allowed in the public and semi-public debt of excluded countries (very high-risk countries for the governance criterion and blacklisted countries for the tax cooperation and transparency criterion), or in companies headquartered in any such country.

Investments in high-risk countries on the governance criterion are capped. Limits are set on a case-by-case basis by the investment or supervisory committee.

Securities

The list of excluded companies is communicated to management companies appointed to manage listed securities, as well as teams responsible for unlisted investments. Securities are sold where appropriate and blocked in the authorised investment segment.

A specific approach to open-ended funds:

For open-ended funds, CNP Assurances conducts a biennial survey of all partner management companies (more than 80) on the inclusion of the principles adopted by CNP Assurances, excluding producers of controversial weapons and, since 2015, on the internal management rules regarding tax havens and embargoes. Their adhesion to the PRI is also taken into account. At the end of 2017, 90% of these management companies had adopted the PRI. Progress is very significant, and the latest results are satisfactory.

Contribution to the energy and environmental transition

Managing the contribution to the energy and environmental transition

In line with its asset management principles, CNP Assurances' commitment in favour of the energy and environmental transition spans support for all sectors of the economy in the shift to low-carbon business models.

To limit global warming, the exploitation of fossil reserves must be avoided as much as possible. Coal is the fuel with the highest CO₂ emissions and it also emits fine particles. In addition, alternatives to thermal coal (extracted from the ground in order to produce energy) exist (contrary to coal used in steel production).

In 2015, CNP Assurances therefore decided to exclude all companies mining coal or producing coal-based energy when more than 15% of their revenue is derived from thermal coal.

Energy and environmental transition analysis

Main criteria of contribution to the energy and environmental transition:

At this stage, CNP Assurances focuses its exclusions on activities using thermal coal (mining and electricity generation).

Information used for the analysis: The approach is based on data provided by Trucost. Trucost calculates the share of thermal coal in corporate revenue on the basis of financial data (revenue, enterprise value, etc.) and production (coal reserves, GWh production, etc.) disclosed by companies.

Methodology:

Trucost collects and analyses data obtained from companies, securing them by cross-referencing them with data collected by another specialised service provider and with information obtained during discussions with issuers.

When the necessary detailed data are not disclosed, Trucost makes estimates through a sector approach, based on similar and relevant data.

As the Trucost data by definition date back at least a year, CNP Assurances reserves the right not to exclude companies announcing a significant change in strategy in 2017 with the aim of reducing the share of thermal coal in their future revenue. This update optimises support for the energy and environmental transition.

Results: CNP Assurances has set two limits:

- Exclusion from investment in new financial assets: Companies mining coal or producing coal-based energy when more than 15% of their revenue is derived from thermal coal (63 securities excluded at the end of 2017).
- Exclusion from the portfolio of existing financial assets: Companies mining coal or producing coal-based energy when more than 25% of their revenue is derived from thermal coal (46 securities excluded at the end of 2017).

Inclusion in investment policy

Exclusion from purchases: The list of companies exceeding the 15% threshold is communicated to management companies appointed to manage listed securities as well as teams responsible for unlisted investments. This exclusion also applies to dedicated mutual funds.

Exclusion from the portfolio: Holdings above 25% in companies have been sold. In line with this, CNP Assurances sold off in 2015 nearly €300 million in corporate bonds issued by companies that mine coal and produce coal-based energy.

Shareholder engagement: CNP Assurances has also undertaken engagement initiatives with certain issuers below the thresholds: two letters, one security affected by a negative vote as a sanction (see the shareholder engagement section).

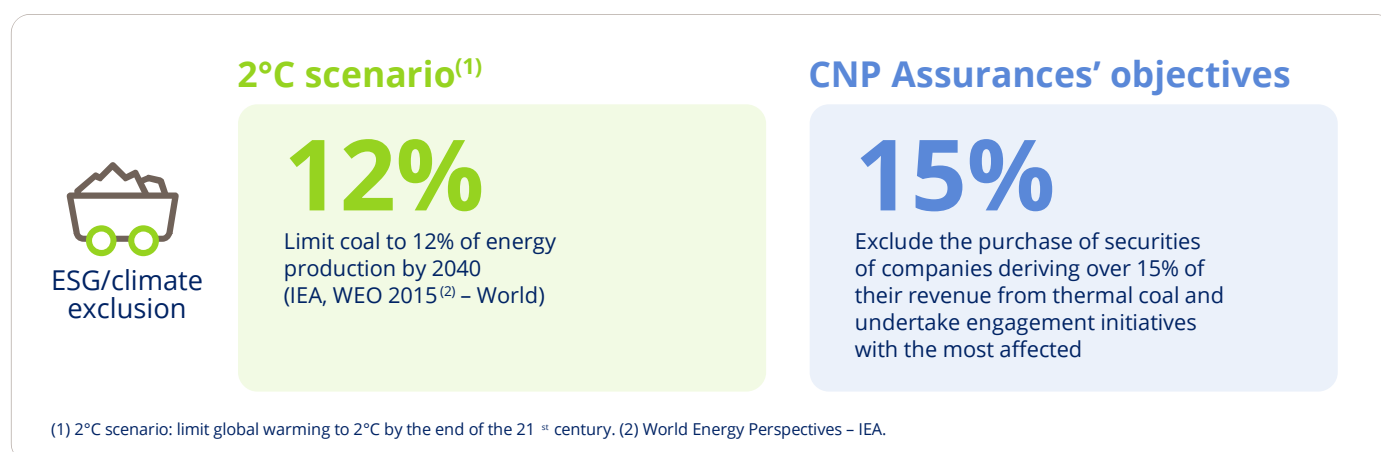
Consistency with 2°C objectives

Indicative targets: CNP Assurances' goal was, from 2015, to discontinue investing in companies above the threshold of 15% of revenue derived from thermal coal and divest companies above the threshold of 25%.

Position of targets relative to international/EU/national objectives: The 2°C scenario of the International Energy Agency (IEA) implies a decline in the share of coal in the energy mix from 41% in 2013 to 12% in 2040 (WEO 2015 – worldwide).

CNP Assurances' strategy is not directly comparable with the IEA scenario, as it is expressed in terms of revenue and not the energy mix. Its impact can nevertheless be considered significant.

CNP Assurances' convergence with a 2°C scenario



3.2. Directly held listed equities

Best-in-class selection, and stated goal of reducing the carbon footprint

The ESG approach on all directly held listed equities is based on best-in-class management. The establishment in 2016 of a quarterly monitoring process has facilitated dialogue on securities at risk and prevailing challenges with SRI analysts at Ostrum AM and, since 2009, with those at LBPAM. The best-in-class approach has been backed up by a shareholder engagement policy since 2005 (see section 4), and benefits from exclusion rules on securities and countries (see section 3.1).

In addition, CNP Assurances has increased its market commitments since 2015, by signing the Montreal Carbon Pledge, reinforcing its multi-year objective to reduce the GHG emissions of the equity portfolio, and joining Climate Action 100+, a collaborative shareholder engagement platform.

CNP Assurances' objective is that the management of directly held equities will by the end of 2018 be aligned with indices that heavily weight contribution to the energy and environmental transition, namely those deployed in collaboration with La Banque Postale Asset Management (LBPAM) and Mirova (Natixis Investment Managers).

Financial assets concerned

Scope: All listed equities held directly by CNP Assurances and its French subsidiaries.

Proportion of assets based on balance sheet value: €12 billion in net balance sheet value, i.e., 4% of assets at 31 December 2017.

Financial management: CNP Assurances defines and oversees its investment strategy. The management is delegated to Ostrum AM (formerly Natixis AM) and La Banque Postale AM.

Ways in which ESG criteria are taken into account

Governance of the ESG approach

CNP Assurances defines and oversees the responsible investment strategy governing its directly held equities. SRI management and research is delegated to managers at Ostrum AM – and particularly Mirova, Natixis IM's subsidiary dedicated to SRI – and La Banque Postale AM.

The best-in-class approach has been chosen, meaning that preference is given to companies with the best ESG ratings within their sector.

Each manager presents the portfolios' ESG rating, developments and sector issues to the CNP Assurances SRI Committee each quarter. CNP Assurances' SRI Committee comprises the Corporate Social and Environmental Responsibility department, the Investments department and the Group Risk department. This approach has been in place since 2006 with Ostrum AM and since 2009 with La Banque Postale AM. CNP Assurances ensures the consistency of the two approaches, notably by deciding to strengthen dialogue or to exclude securities

issued by companies whose practices violate SRI principles.

ESG analysis

CNP Assurances calls on delegated management companies whose SRI expertise is recognised in the marketplace. Each of them has defined its own approach with regard to ESG and climate issues. Internally, monitoring is ensured by the financial, risk and CSR teams.

Nature of the main criteria and information used in the analysis:

Ostrum AM and Mirova, Natixis IM's subsidiary dedicated to SRI

Mirova's analysis of ESG/climate issues for CNP Assurances is based on the following principles:

■ **A Risks/Opportunities approach**

Achieving the Sustainable Development Goals implies taking into account two dimensions, which often complement each other.

Seizing opportunities: positioning themselves on technological and societal innovation as it becomes a defining element of the business project enables companies to seize opportunities related to ongoing transitions.

Managing risks: the "in-sourcing" of social and environmental externalities, often in the form of managing the various sustainable development challenges, makes it possible to limit the risks associated with ongoing transitions.

This analysis structure, which gives equal importance to opportunities and risks, is the first prism for looking at sustainable development issues.

■ **Targeted and differentiated issues**

The analysis of risks and opportunities seeks to focus on the points most likely to have a tangible impact on the assets studied and on society as a whole. Moreover, the issues faced by the various economic agents differ greatly from one sector to another, and may even vary significantly within the same sector.

For this reason, analytical approaches focus on a limited number of issues tailored to the specific features of each asset studied.

■ **A whole "lifecycle" view**

To identify the challenges liable to have an impact on an asset, analysis of environmental and social challenges requires looking at the entire lifecycle of products and services, from the extraction of raw materials to product end of life. For example, while the working conditions of suppliers is an important focus in the apparel sector, the key for carmakers will tend to be the issue of energy consumption when driving.

■ **A qualitative rating scale**

The main result of these analyses is the production of a global qualitative opinion on one of five levels reflecting the alignment of the asset with sustainable development objectives: negative, at risk, neutral, positive and committed.

Since this rating scale is set in relation to the achievement of sustainable development objectives, it does not imply a particular distribution of ratings, either overall or by sector. Accordingly, in the energy sector, companies involved in coal and oil extraction are rated "at risk" at best, while companies in the renewable energy sector tend to receive positive ratings.

La Banque Postale AM:

LBPAM boasts a team of SRI analysts using multiple external sources to analyse medium- to long-term ESG challenges. The analysis is based on the “SRI philosophy” defined by LBPAM in 2017 on four pillars:

- **Economic and energy transition:** This pillar serves, for instance, to evaluate each company's products and services as they relate to the energy transition, its approach to reducing greenhouse gases and its response to long-term challenges.
- **Regional development:** This pillar is used, for example, to analyse each company's strategy in terms of employment and skills development, its social dialogue approach, the management of restructuring or the range of products and services for low-income populations.
- **Sustainable management of resources:** This pillar serves in particular to analyse each company in terms of the quality of working conditions for its employees (health and safety, discrimination, etc.), the management of relationships with its suppliers and the control of its use of natural resources (water, raw materials, waste, etc.).
- **Responsible governance:** The purpose of this pillar is to assess the balance of power, executive compensation, business ethics and tax practices within each company.

For each business sector, the SRI team draws up a weighting matrix for the four pillars: the higher the risk associated with an ESG pillar in the relevant activity, the more heavily it is weighted. The matrix is updated at least once a year with managers to ensure the consistency of financial and ESG analyses.

Initial quantitative analysis based on recognised independent sources can cover a large segment (roughly 4,000 companies in OECD countries): it compares ESG assessments performed by ratings agencies with the ESG sector matrix developed by LBPAM.

The ESG rating is divided into 10 levels, from 1 to 10.

These opinions are then reviewed quarterly by the SRI team on the most relevant segment for LBPAM's activity, i.e., around 800 issuers. This means that SRI scores can be adjusted upwards or downwards, according to the team's own analysis (direct meetings with companies, new developments, discussions with NGOs and unions, emergence of controversy, identification of new risks, etc.).

The SRI analysis team adds value by focusing on the differentiating factors of each company and its challenges in terms of innovation, which are firmly focused on the future.

LBPAM's SRI methodology for assets owned by CNP Assurances is the same as that of its ISR Euro Action fund, and can be found on page 10 of the fund's Transparency Code: <https://www.labanquepostale-am.fr/site/Lbpam/transversal/pdf/ETH.Par.TRA.File.pdf>

More specifically, the theme of climate change is taken into account through the LBPAM SRI rating, mainly through the “economic and energy transition” pillar. LBPAM has also developed a tool to assess the alignment of portfolios with climate change challenges, notably through the following indicators: carbon intensity, exposure to coal and the financing of “green solutions”. “Green solutions” correspond both to green bonds and investments in companies that derive a significant portion of their revenue from environmental themes (renewable energies, environmental solutions and services, circular economy, green buildings, transport and sustainable mobility and sustainable agriculture and food).

Sector-by-sector and company-by-company analysis uses additional quantitative indicators on environmental impacts to evaluate business strategies and commitments made to improve the carbon profile, etc.

Results:

Based on the ESG and “climate risk” analyses presented above, Mirova and the LBPAM SRI team rate companies in the CNP Assurances portfolio, and present the consolidated rating of their respective portfolios at SRI committee meetings with CNP Assurances. The positive differential between the overall ESG rating and the MSCI Euro and DJ Euro Stoxx indices attests to the effectiveness of the approach over time.

Inclusion in investment policy

Ostrum AM:

Security selection on the basis of fundamental criteria is central the management process: it combines financial criteria (growth potential, balance sheet quality, product/geographical positioning, valuation, etc.) with ESG criteria, in a qualitative manner. Financial criteria are applied to the management segment (eurozone, large caps) and supplemented by the contribution of ESG ratings performed by Mirova. The portfolio’s investment horizon is integrated into management decisions. The implementation of the process in the portfolio is designed to promote the selection of securities given favourable ratings (“positive” and “engaged”) through Mirova’s ESG research, provided that the results on the financial criteria mentioned above are satisfactory. The management team gives specific attention to companies with unfavourable ratings in the portfolio (“negative” and “at risk”): securities issued by these companies can see their weighting reduced, or can be liquidated following the emergence of good alternative investment ideas, factoring in the various potential impacts on the portfolio (investment income generated, impact on the desired sector positioning).

In 2017, several themes studied by Mirova were implemented in the investments made, notably the following:

- In consumer goods, change in the environmental footprint of products and services over their lifecycle, with three companies rated positive.
- In healthcare, access to healthcare and health facilities, with two companies rated positive.
- Sustainable management of natural resources, including water and waste recycling, with investments in a company with a positive rating.
- The development of renewable energy, with a significant share of production made from solar, wind, and/or hydro through a company with a positive rating.
- The financial sector with solutions in terms of climate risk, including a company rated “Engaged”.
- Business and consumer services, facilitating the emergence of a low-carbon economy, helping to reduce the digital divide and offering diversified services for the population of emerging countries (three companies with positive ratings).

Divestments and reductions made in the portfolio in 2017 included several securities with the lowest “ESG” ratings (“at risk” and “negative”).

- 3 companies involved in fossil fuels.
- 1 company liable to present a risk in terms of management of the supply chain.
- 2 financial companies with litigation risk.

La Banque Postale AM:

The SRI analysis tool sends information to LBPAM's internal systems, giving managers access to the latest ratings. The equity portfolio managers cannot invest in the lowest rated securities, i.e., 20% of the segment, or 8.8% of Eurostoxx issuers. For the remaining securities, equity and bond managers use the ESG information provided; for an equivalent financial level, they prefer the highest-rated ESG issuer securities from an SRI perspective.

At the extreme limit of the approach since 2010, 13 securities contained in the equity portfolios have been sold, notably following the downgrading of their ESG rating. Since their sale, these companies have tended to underperform the benchmark. These sales have therefore not had a negative impact on the performance of the portfolios. Movements of this nature are significant on a portfolio that includes fewer than 150 companies.

The ESG quality of portfolio securities is monitored quarterly, and presented at a management committee combining the CNP Assurances and LBPAM teams. Significant changes in SRI ratings are discussed by the committee, which also promotes thinking about tangible ways to gradually deepen the SRI inclusion process in portfolios.

Contribution to the energy and environmental transition

CNP Assurances' responsible investor approach in the listed equity compartment has been supporting the energy and environmental transition for several years. Initially calling on a carbon risk and opportunity approach in 2015, CNP Assurances has in recent years chosen to combine two approaches:

- First, it measures the portfolio's carbon footprint. This serves to highlight the listed companies with the highest level of emissions, and therefore the most likely to be heavily exposed to direct transition risks. This is not a comprehensive approach. As it does not reflect the way in which companies manage this risk, it cannot accurately reflect the level of risk. Some companies with low emissions may actually be highly exposed to transition risks.
- Second, as a result, CNP Assurances has opted to complement this approach with a case-by-case review of the impact of company strategies on the energy and environmental transition.

Energy and environmental transition analysis

First analysis: carbon footprint

Information used for the analysis:

CNP Assurances took responsibility for measuring the carbon footprint. The data needed to estimate the carbon footprint are the Scope 1 and Scope 2 emissions data published by companies, retrieved primarily from CDP and Bloomberg. CNP Assurances uses the most recently published information. In line with this, the carbon footprint at 31 December 2017 is calculated on the basis of companies' 2016 GHG emissions. Some companies (marginal among CNP Assurances' assets) do not publish this information, and the corresponding estimate is therefore not reliable. CNP Assurances has opted against performing estimates.

The carbon footprint at 31 December 2017 is calculated on the basis of equities held directly as of that date by CNP Assurances and its French subsidiaries.

Methodology:

Emissions under Scope 1 (direct GHG emissions) and Scope 2 (energy-related indirect emissions) at 31 December 2015 are taken into account to calculate the carbon footprint.

CNP Assurances estimates GHG emissions of portfolio companies without eliminating overlap, based on the portfolio's gross asset value. The carbon footprint is expressed in tonnes of CO₂ equivalent per thousand euros invested.

The calculation method is as follows:

$$\frac{\sum_i \frac{\text{CNP holding in market value } (i)}{\text{Market capitalisation } (i)} \times \text{Carbon footprint } (i)}{\sum_i \text{CNP holding in gross asset value } (i)} \times 1000$$

where i = company in the equity portfolio disclosing its emissions, from CDP or Bloomberg.

Results: At 31 December 2017, the carbon footprint is estimated at 0.30 tonnes of carbon dioxide equivalent per thousand euros invested, compared with 0.47 tCO₂eq at 31 December 2014. CNP Assurances set the initial goal of reducing the end-2014 level by 20% by 2020. In early 2018, it increased this target to 0.25 tCO₂eq/€k invested, or a 47% reduction by 2021. Estimates are volatile, and depend notably on the scope and data collection methods used in the various companies, as well as changes in reference emission factors. For this reason, while the 2017 results are very encouraging, CNP Assurances remains vigilant and committed.

Second analysis: the impact of companies in the equity portfolio on the energy and environmental transition over time

Nature of the main criteria of contribution to the energy and environmental transition: CNP Assurances has called on Carbone 4 Finance and its Carbon Impact Analytics approach for assistance. This methodology serves to measure the carbon footprint of an investment portfolio in two stages:

- Measurement of GHG emissions generated and saved by companies in Scopes 1, 2 and 3. Carbon Impact Analytics therefore measures the emissions generated and saved across their entire value chain.
- Evaluation of the contribution to the energy and environmental transition.

The method provides a detailed analysis of the carbon impact of the companies in a portfolio, and also consolidates the results across the entire portfolio. It offers a specific approach for sectors facing significant challenges, with an individualised study of each company, following an approach adapted to each sector.

A qualitative assessment of each company examines:

- **The future carbon impact**

This is a forward-looking indicator split into four levels, based on the company's overall strategy, its objectives for lowering Greenhouse Gas (GHG) emissions, its investments in carbon reduction and spending on related research and development¹. This indicator

- **The carbon performance**

This is a summary indicator consolidating the carbon footprint figures across the three scopes, as well as the company's positioning and strategy, research and development expenditure and investment, transparency and reporting quality². This indicator also takes into account information specific to each sector to which the company belongs.

Methodology:

CNP Assurances has elected to use the qualitative indicators of the Carbon Impact Analytics approach, as well as the ESG ratings and climate challenge analyses of its management companies on the companies with the highest GHG emissions in its equity portfolio.

Analysis of information on the various points was performed in 2017 on a company-by-company basis on companies with the highest level of GHG emissions.

The goal is to identify companies facing the biggest carbon challenge that have yet to change their strategy, with a view to establishing appropriate dialogue.

¹ To find out more about the methodology, see page 26 of the Carbon Impact Analytics methodological guide (http://www.carbone4.com/services/_carbon-impact-analytics/).

² To find out more about the methodology, see page 27 of the Carbon Impact Analytics methodological guide (http://www.carbone4.com/services/_carbon-impact-analytics/).

Results:

This work served to obtain the amount of emissions avoided across the equity portfolio in sectors facing major challenges, as well as ratings of the strategies and commitment of companies. These assessments provide a basis for engagement activities.

The work also serves to highlight the companies causing emissions due to their activity but deeply involved in the transition to a low-carbon economy, and therefore deserving of support.

Lastly, the approach conducted over the last two years sheds light on matters beyond the measurement of the portfolio's carbon footprint: for 2017, the results make it possible to measure progress made in terms of aligning the portfolio with a "2°C pathway", although there is still a long way to go.

Inclusion in investment policy

To go even further, CNP Assurances has decided to ramp up its efforts to move towards a carbon-free economy.

An innovation for the equity portfolio:

CNP Assurances has chosen to align its equity portfolio with indices developed in collaboration with LBPAM and Mirova by the end of 2018. CNP Assurances' objective is for the management of directly held equities to be aligned with indices that heavily weight contribution to the energy and environmental transition.

The new indices make it possible to overweight the energy and environmental transition within the ESG criteria already taken into account on the basis of the best-in-class concept and the fight against climate change.

They are defined and calculated by LBPAM and Mirova, taking into account the particularities of each asset manager's ISR and energy and environmental transition ratings, based on the needs and guidelines set by CNP Assurances.

The 2017 decision was to bring the portfolio closer to favouring a 2°C scenario and to measure progress.

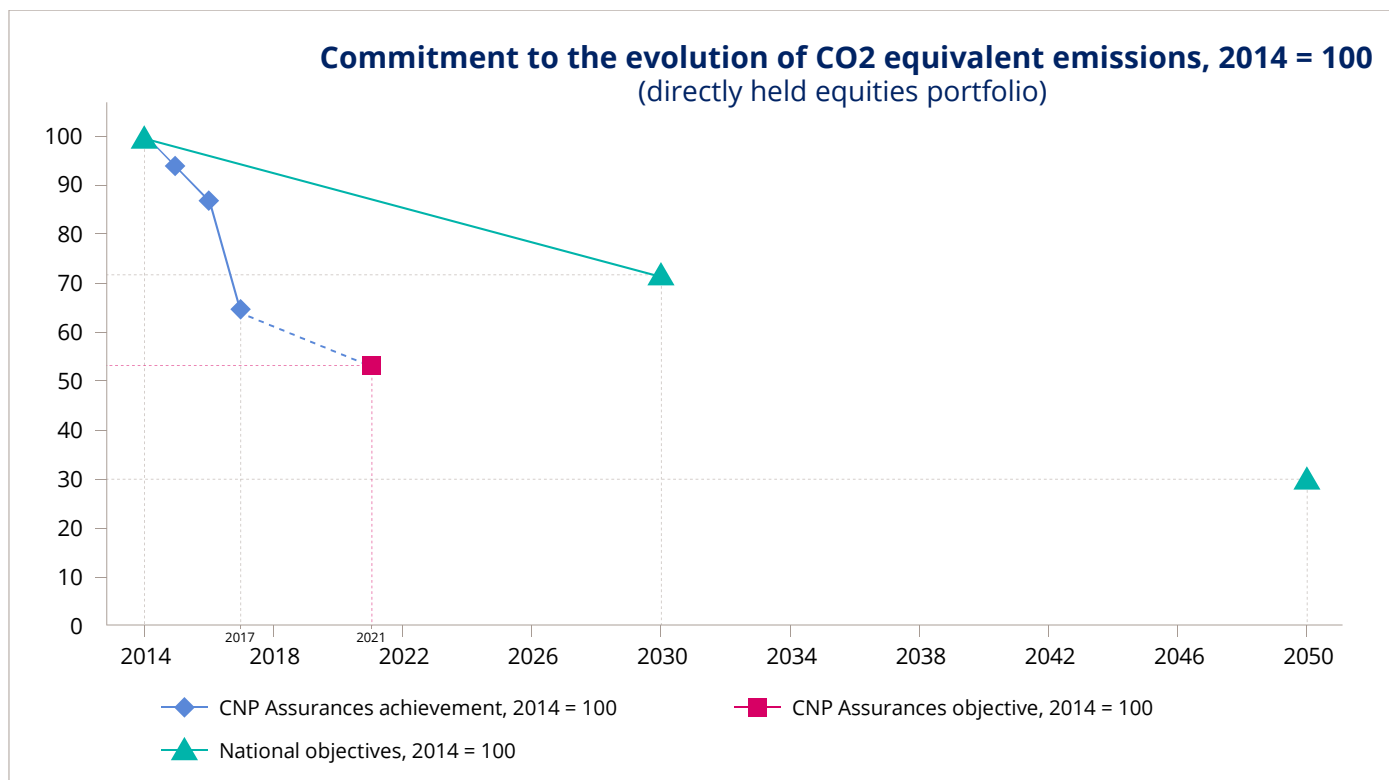
Indicative targets and position of targets versus national targets TCFD ^{indicators}

Carbon footprint:

CNP Assurances has set targets for reducing the carbon footprint of its equity portfolio by 20% by 2020 and by 47% by 2021 compared with the end-2014 level (in order to prompt companies to take note of the transition risk and accelerate their shift to a low-carbon strategy).

CNP Assurances' commitments reflect those made by France at the COP21 climate conference, transposed into the national low-carbon strategy in November 2015, namely:

- 40% reduction in GHG emissions by 2030 compared with 1990. In relation to 2014, when GHG emissions were estimated at 461.1m tCO₂eq, the reduction works out at 28% by 2030 compared with 2014.
- 75% reduction in GHG emissions by 2050 compared with 1990. In relation to 2014, when GHG emissions were estimated at 461.1m tCO₂eq, the reduction works out at 70% by 2050 compared with 2014.



As shown in the diagram above, CNP Assurances' target (red line, 47% reduction between 2014 and 2021), despite being shorter term, is more ambitious than the national targets (green line), reducing its emissions four times faster by 2021.

CNP Assurances' convergence with a 2°C scenario



2°C scenario⁽¹⁾

28%

Reduction in GHG⁽²⁾ emissions
in France between 2014 and 2030
(SNBC⁽³⁾ – 2015)

CNP Assurances' objectives

47%

Reduction in GHG⁽³⁾ emissions
in the listed equity portfolio
between 2014 and 2021

(1) 2°C scenario: limit global warming to 2°C by the end of the 21st century. (2) Greenhouse gas. (3) France's national low-carbon strategy.

3.3. Property

ESG criteria, "green works" charter, clearly stated goal of reducing energy consumption and evaluation of avoided emissions

CNP Assurances is a major player in the property sector. Management of its property assets is entrusted to specialised companies on the basis of strict specifications, including the need to preserve the environment and ensure the safety of property users.

CNP Assurances' maintenance and renovation programmes for the property assets in its portfolio constantly aim to make buildings more energy efficient and to apply the highest environmental standards. Action plan scenarios have been established for each building in order to reduce energy consumption and CO₂ emissions. Ultimately, this work will reduce the energy consumption of the entire property portfolio by 20% by 2020, in comparison with 2006. Environmental assessment is systematic on new acquisitions.

In 2015, as part of its low-carbon strategy, CNP Assurances signed the Energy Efficiency Charter for Commercial Buildings, thereby illustrating its desire to become more involved in the green building sector.

Financial assets concerned

Scopes concerned: Property assets held by the Group in its own name or through wholly owned non-trading property companies.

Proportion of assets based on balance sheet value: €8.6 billion in net balance sheet value, i.e., 2.75% of financial assets at 31 December 2017.

Financial management: Management of property assets held in the Group's own name or through wholly owned non-trading property companies is delegated to around 20 management companies. These companies are in charge of:

- assistance and advice for setting rental, investment and asset arbitrage strategy, and implementation of this investment and arbitrage strategy;
- building management (including commercial leasing activities);
- strategic asset management;
- corporate management of entities and consolidation;
- routine financial and treasury management;
- comprehensive insurance management;
- work management.

Ways in which ESG criteria are taken into account

ESG analysis of a property acquisition

Nature of the main criteria: The acquisition of property assets involves screening under the master agreement between CNP Assurances and its management companies. There are many ESG criteria; the main ones are as follows:

- Environmental: Energy efficiency, pollution, risk of flooding and natural disasters, transport.
- Social: User safety, asbestos and lead risk, accessibility for people with reduced mobility.
- Governance: The identity of the seller is analysed in the light of anti-money laundering and anti-corruption regulations (Know Your Customer "KYC" process). Management companies must also comply with five ethical principles of action, covering market conduct, integrity and respect for suppliers, including subcontractors.

Methodology: The management companies are in charge of analysing these criteria. Before any acquisition, they are required to present CNP Assurances with a comprehensive file including an analysis of the building's technical, environmental and public health aspects. This file describes the environmental risks, the energy performance (mandatory diagnostic), the building's GHG emissions and its position with respect to new environmental regulations (green leases, certification, labels), and public health in relation to asbestos, lead, termites, soil pollution, etc. ESG information may be supplemented where necessary by audits, benchmarking, international references (labels) or other external expert information.

Results: All (direct) acquisitions in 2017 underwent this process.

Inclusion in investment policy: The technical, environmental and public health analyses of a building help CNP Assurances identify risks specific to a given building, thereby serving to assess the amount and feasibility of work needed to meet its requirements. Non-feasibility can result in withdrawing from a project; in turn, the estimate of the cost of upgrades has an impact on the purchase price.

ESG analysis in the management of property assets

The ESG management principles described below are included in all management agreements between CNP Assurances and its management companies at 31 December 2017. Management companies undertake to manage properties in accordance with these criteria.

Nature of the main criteria:

Management companies mandated by CNP Assurances undertake to respect:

- **The principle of security of buildings and people:** Respect for this principle is based on preventing the risks inherent to buildings so as:
 - first, to bolster property values by offering appropriate guidance and solutions in view of the needs of buildings and the owner's interests, and
 - second, to protect people against physical injury, whether or not they have a contractual relationship with the management company (occupants, users, visitors, passers-by, etc.).
- **The principle of high-quality service:** The respect of this principle rests on the selection and systematic recourse to competent companies while keeping costs under control.
- **The owner's socially responsible approach,**

Information used for the analysis: To meet their commitments, management companies may base their analyses on such factors as satisfaction surveys of tenants, environmental studies, HSE audits and wiring system audits.

Reactions/changes made following ESG analysis

"Green works" charter

The above ESG criteria are defined in operational terms in a "green works" charter in the management agreement. The management company undertakes to carry out work in accordance with the rules laid down in this charter:

1. MATERIALS AND TECHNOLOGIES USED

- Use materials or technologies with a limited impact on the environment.
- Promote the use of recycled or recyclable materials.
- Conduct a critical analysis prior to the use of new processes or products that are theoretically more environmentally friendly.

2. WORK PHASE

- Draft an organisational plan of the site.
- Manage and recycle waste.
- Reduce noise for local residents.
- Limit local pollution.
- Limit consumption of resources.
- Perform eco-monitoring of the site.

3. MANAGEMENT OF ACTIVITY WASTE

- Reduce waste at source.
- Implement waste sorting.
- Treat and reuse waste and track its collection.
- Assess the amount of waste produced.

4. WATER QUALITY AND SAVINGS

- Control the risk of contamination and bacterial growth in water systems.
- Distribute water that meets the requirements of the French Health Code and quality benchmarks.
- Take steps to limit water consumption.

5. AIR QUALITY

- Limit the risk of bacterial contamination and growth in air treatment equipment.
- Circulate air meeting the requirements of the French Labour Code and other applicable laws.
- Offer occupants air adapted to comfort in terms of humidity and temperature within the limits of regulatory requirements.
- Improve the quality of indoor air.
- Avoid the presence of volatile organic compounds (VOCs) in easy-to-install materials.

6. LIMITATION OF NOISE

- Provide maximum acoustic comfort to occupants.
- Limit the proliferation of noise and vibration within premises.
- Limit the inconvenience when there are residents close by during the work phase.
- Choose equipment in order to limit noise pollution.
- Reduce noise for local residents.

7. LIMITATION OF ODOURS

- Avoid the presence of volatile organic compounds (VOCs) in easy-to-install materials.

8. ELECTROMAGNETIC FIELDS

- Limit exposure of human beings to electromagnetic waves.
- Provide solutions to protect people.
- Provide solutions to mitigate or eliminate risk.

9. ASBESTOS

- Identify the obligations laid down in the regulations incumbent on the owner and/or developer during renovation work.
- Obtain documents related to the presence of asbestos.
- Describe the steps for managing asbestos risk at a renovation site.

10. LEAD IN PAINT

- Identify the obligations laid down in the regulations incumbent on the owner and/or developer during renovation work.
- Obtain documents related to the presence of lead in paint.
- Carry out regulatory controls.

11. TERMITE AND OTHER WOOD-EATING INSECTS

- Identify areas at risk.
- Manage infested waste.

12. ENERGY AND THERMAL PERFORMANCE

- Control energy consumption in the portfolio:
 - Examine the possibility of switching to renewable energy.
 - Favour highly energy-efficient heating and cooling systems.
 - Insulate buildings and limit heat flows in summer.
 - Avoid oversized air-renewal systems so as to avoid unnecessary losses.
 - Examine the possibility of recovering heat generated by air extraction systems.
 - Provide for efficient lighting of suitable strength.
- Monitor technological and regulatory developments.
- Strive to exceed regulatory requirements.
- Establish consumption calculations and monitoring.

13. PRESERVATION OF BIODIVERSITY

Ensure the protection of biodiversity, depending on the nature of the work, by examining technical solutions favouring greenery and technical solutions based on biodiversity and ecosystem services on buildings and green spaces (such as a sustainable management approach), particularly when developing plant-covered roofs and balconies or green areas, and by being mindful of ecosystems during the work phase.

14. CIRCULAR ECONOMY

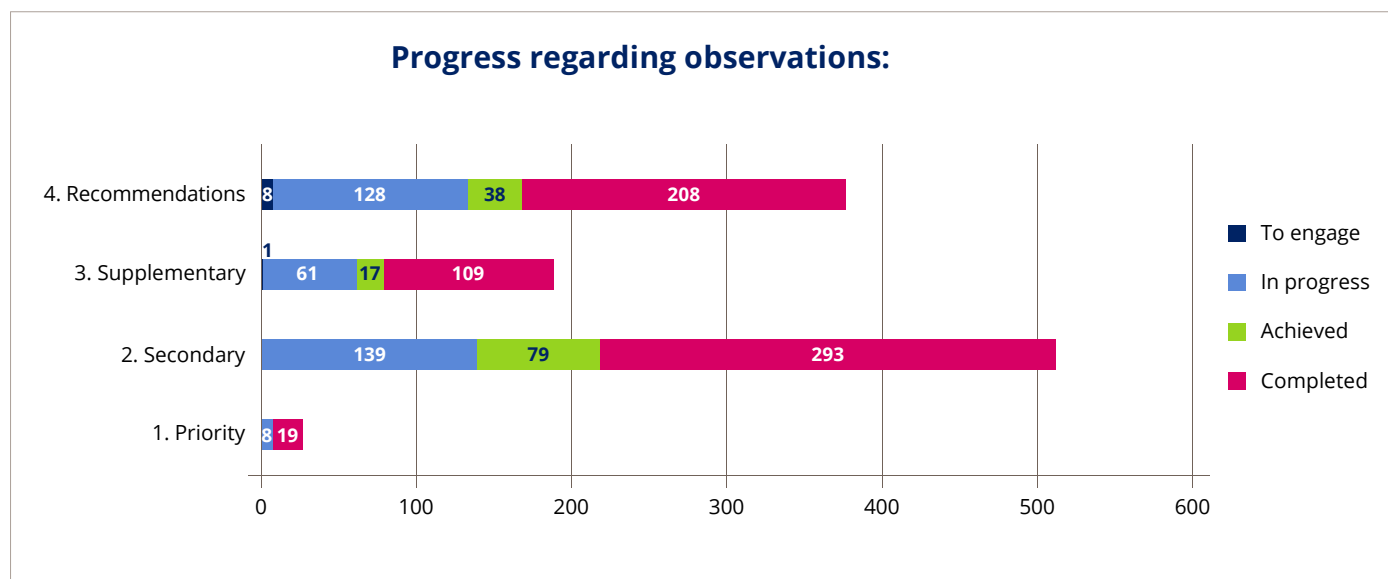
- Study, as far as possible for each operation, the possibilities of using deconstruction processes to recover and reuse materials.
- Promote as much as possible the use of materials from re-use channels.

The management company is responsible for the risks associated with this charter. CNP Assurances expects it to manage these risks in an appropriate and balanced manner on a case-by-case basis depending on the materiality of the challenge in question.

Health Safety Environment analysis

The safety of goods and users is a major issue for CNP Assurances, which in 2016, on an experimental basis, initiated an HSE analysis covering a large portion of its directly owned properties.

Seventy-five audits have been carried out across the board, and progress in dealing with observations as of 31 December 2017 is as follows:



Engagement with management companies:

The acquisition of property assets, as is the case for their management, is delegated to management companies tasked with overseeing contractual relations with property or land managers. This delegation requires a master agreement laying down the obligations of management companies, which apply *de facto* to their subcontractor. These engagements include ESG and ethical criteria. The implementation of the agreement is subject to compliance with CNP Assurances' socially responsible approach and the principle of safety and security of buildings and people and quality of services.

Moreover, CNP Assurances asks management companies to sign with it the Energy Efficiency Charter for Commercial Buildings. At the end of 2017, 66% of managers had done so.

Contribution to the energy and environmental transition

As seen in the International Energy Agency's various scenarios, the property sector is key to improving energy efficiency. For this reason, other than certifying buildings, which were dealt with in the "green investment" component, the strategy of supporting the energy and environmental transition in property is focused above all on renovations.

Managing the contribution to the energy and environmental transition

CNP Assurances addresses climate risk management by integrating environmental criteria and carbon-reduction objectives into the existing property portfolio in three ways:

- systematic analysis of the improvement of energy performance when planning work;
- commitment to reduce the energy consumption of property assets by 20% between 2006 and 2020. This commitment is currently reflected in the implementation of the energy improvement scenario for property

assets aimed at driving a 38% improvement in consumption on owned assets (plus wholly owned property funds): this point falls within the scope of the Gréco project launched by CNP Assurances in 2012 with the aim of drafting work plans tailored to each building from the outset in order to reduce CO₂ emissions and energy consumption;

- commitment related to the signing of the Energy Efficiency Charter for Commercial Buildings.

Energy and environmental transition analysis

Presented below are the main features of the methodology used by the various specialised consulting firms commissioned by CNP Assurances to conduct the Gréco project, which will adapt the investment portfolio to the provisions under the Grenelle II law.

Nature of the main criteria: The aim is to be able to monitor the impact of work on the consumption of the relevant assets in terms of “final energy”, primary energy and GHG emissions.

Information used for the analysis: The analysis is based on energy consumption, thermal audits, regulatory and improved Energy Performance Diagnostics, and dynamic thermal simulations.

Methodology: Definition of the scope: The varied nature of the property portfolio precludes adopting the same measures, as the approach will depend on such factors as location, ownership structure and building use (residential/commercial). CNP Assurances has undertaken an ambitious project on the property assets on which it has decision-making power (full ownership). As of 31 December 2017, 168 such assets were covered by this project, i.e., 53% of CNP Assurances’ total property portfolio.

The various phases of the Gréco project serve to define plans for energy improvement actions on each property asset:

Phase 1: Energy audits of the portfolio

Phase 2: Definition of several improvement scenarios on a building-by-building basis

Phase 3: Definition of the portfolio scenario via the selection of an asset-by-asset scenario

Phase 4: Verification of calculations made by consultants

Phase 5: Integration of work budgets into multi-year plans

The action plans derived from the Gréco project are based on the main levers of the contribution to the energy and environmental transition:

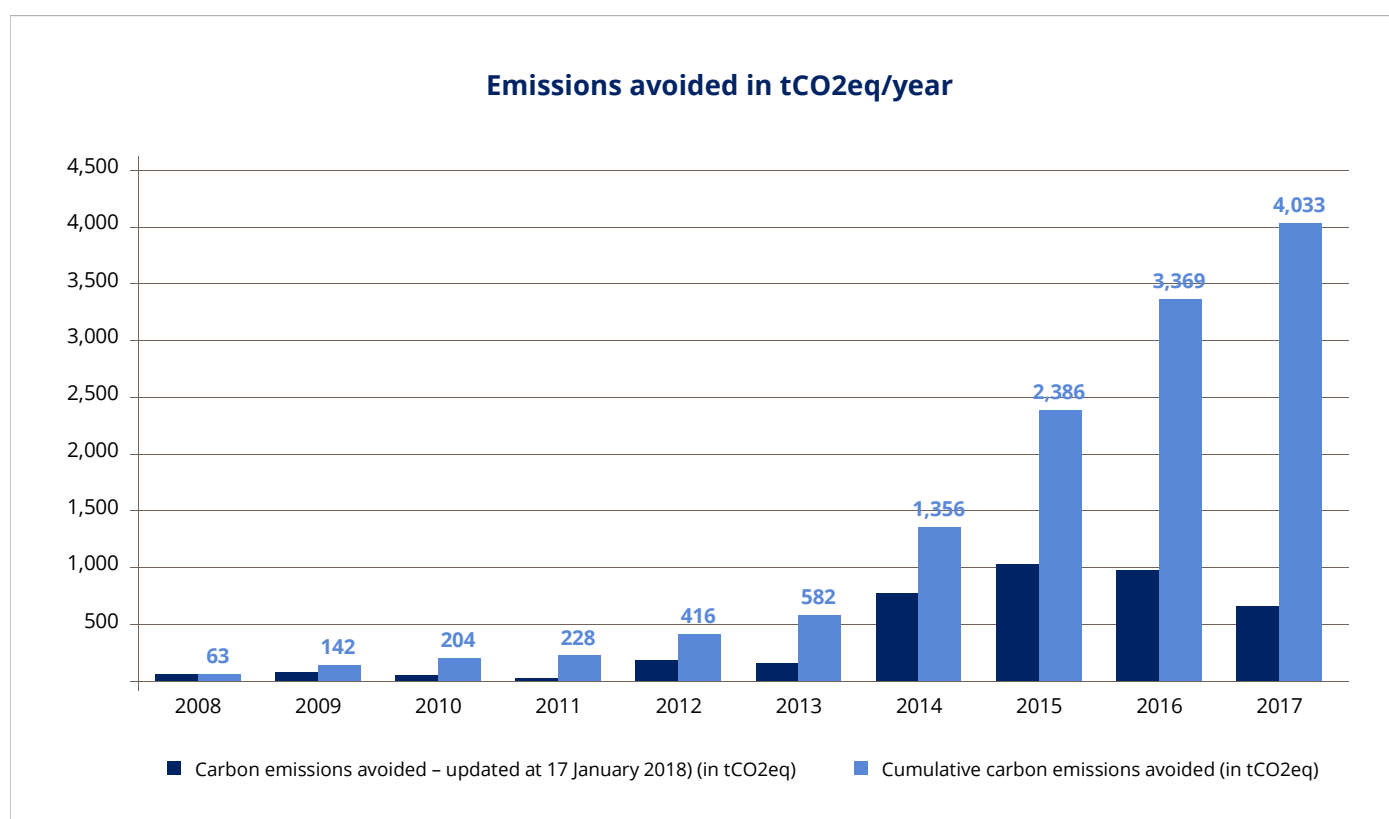
- Improved user behaviour
- Treatment of the building shell to reduce energy requirements
- Improved efficiency of equipment to optimise the use of energy
- Use of renewable energy

Results:

Progress on the Gréco project at 31 December 2017: 134 of the 168 property assets covered by the project have either been analysed or their analysis is being scheduled, i.e., a progress rate of 80%.

Certification and labelling: In its maintenance and renovation of the property assets in its portfolio, CNP Assurances constantly aims to make the properties more energy efficient. Renovation projects are carried out to the highest environmental standards: 31% of the floor space of property assets under direct management was certified or labelled to energy, environmental and operating standards at end-2017, a significant increase compared with 2016. For example, CNP Assurances restructured and delivered two office sites representing 29,000 square metres in 2017, respectively certified HQE Exceptional/Breeam Excellent & HQE excellent/Breeam Very Good.

Monitoring of CO₂ equivalent emissions avoided by the renovation of buildings: Renovation work serves to avoid CO₂ emissions. CNP Assurances has monitored this indicator since 2012. The total theoretical emissions avoided through work carried out since 2008 amounts to 4,033 tCO₂eq/year.



Reactions/changes made following energy and environmental transition analysis: implementation of action plans

To improve user behaviour, CNP Assurances' agents have established green leases on all commercial property assets of more than 2,000 square metres. In this context, the management companies hold meetings dedicated to energy efficiency with users each year.

CNP Assurances implements the scenarios for the treatment of the building shell and the improvement of equipment performance recommended by the Gréco project. Use of renewable energy: at each audit, scope for the use of renewable energy is analysed and taken into account as appropriate in the various work scenarios.

Indicative targets and position of targets versus national targets TCFD Indicators

Indicative targets: CNP Assurances is targeting a 38% energy and GHG reduction by 2020 on the Gréco scope, i.e., an estimated reduction of 20% on all property assets.

Position in relation to targets at 31 December 2017:

The average achievement rate for this objective is 48% at constant scope.

In view of the methods used to collect information and take into account changes related notably to differences in the scope of consolidation, regulatory developments (consumption scope, reference year), thinking is under way on the methodological approach to fine-tune the follow-up of CNP Assurances' commitment and the performance trend.

Position of targets versus national targets: The objective described above is in line with the national low-carbon strategy, which calls for a 28% reduction in energy consumption between 2010 and 2030.

Assessment of physical risks related to climate change on real estate assets TCFD Gestion des risques

CNP Assurances is committed to analysing the exposure to physical risk of its property assets.

To this end, it has commissioned EcoAct, a consulting firm specialised in guiding companies and regions through the climate transition, to carry out an assessment of the physical risks related to climate change on its French property assets held directly or through wholly owned companies.

Analysis of the physical and operational risks inherent in CNP Assurances' property portfolio was carried out for six climate hazards that could potentially impact buildings and their occupants. Two types of climate hazards were studied:

Trend hazards:

- Annual change in average temperature
- Change in sea level

Extreme hazards:

- Heatwaves
- Drought
- Heavy rains and floods
- Violent winds

Changes in these climate hazards were analysed for the near term (2021-2050) and compared to a period-of-reference climate (1971-2000) based on two scenarios using different levels of greenhouse gas emissions established by the International Panel on Climate Change (IPCC):

- RCP 4.5 (most likely pathway in view of the current state of commitments to the COP21)
- RCP 8.5 (current pathway if no measures are implemented)

In order to determine the current and future levels of exposure for each property asset, a **list of climate change indicators to evaluate over the period of reference and in the future** was defined for each climate hazard listed above. These climate indicators were used to run the climate models for each geographic location in the CNP Assurances property portfolio.

The study provided CNP Assurances with a clear picture at end-2017 of the assets with high physical risks in the event of the climate hazards examined.

The following formula is applied to calculate the risk score by risk type and by asset:

$$\text{Risk score} = \underbrace{\text{Exposure to climate hazard} \times \text{Change in climate indicator over time}}_{\text{Probability of occurrence}} \times \underbrace{\text{Severity of impact} \times \text{Category of security}}_{\text{Sensitivity to risk}}$$

Consolidation of results

For most of the risks, CNP's exposure is weak or non-existent. Only buildings located around the Mediterranean and in cities that are prone to urban heat islands have a higher risk of heatwave or higher average temperatures by 2050.

CNP Assurances will aim to reduce this exposure by encouraging its asset managers to propose mitigating measures.

CNP Assurances' overall adaptation and resilience strategy will be based on:

- the transmission of information to our partners for appropriation and implication;
- the ordering of priorities and completion of more detailed studies;
- the integration of climate risk into work decisions.

CNP Assurances' convergence with a 2°C scenario



Property

2°C scenario⁽¹⁾

28%

Reduction in buildings' energy consumption between 2010 and 2030 (SNBC⁽²⁾ – 2015)

CNP Assurances' objectives

20%

Reduction in the energy consumption of buildings in the property portfolio between 2006 and 2020

(1) 2°C scenario: limit global warming to 2°C by the end of the 21st century. (2) France's national low-carbon strategy.

3.4. Woodland

*“Sustainable management” certification, preserving biodiversity
carbon sequestering, adapting to climate change*

CNP Assurances is France’s largest private owner of woodland, with 55,316 hectares at 31 December 2017. Société Forestière is responsible for sustainably managing these assets in order to ensure safety, promote biodiversity and anticipate the effects of climate change. In 2003, in addition to ISO 9001 certification, all of CNP Assurances’ woodland assets were certified by the PEFC, which guarantees that the timber comes from sustainably managed forests. In 2017, a new woodland investment programme began in Scotland.

Financial assets concerned

Scopes concerned:

197 forest areas owned directly by CNP Assurances or via SCI/SAS covering a total of nearly 51,700 ha, including four forest areas covering 1,335 ha in Scotland.
7 interests in forestry partnerships (3,618 ha).

Proportion of assets based on balance sheet value: €274 million at 31 December 2017, i.e., 0.09% of assets.

Financial management: Woodland management is delegated by mandate to Société Forestière, a French *société anonyme* (joint-stock company) in which CNP Assurances holds a 49.98% interest.

The tasks assigned are:

- assistance, advice and implementation of the investment strategy as well as arbitration;
- asset, technical and administrative management of forests.

Ways in which ESG criteria are taken into account

Management of the ESG approach

Société Forestière manages woodlands on behalf of CNP Assurances under a mandate. To this end, it implements socially responsible and resolutely environmentally friendly woodland management techniques. In 2001, Société Forestière adopted a sustainable woodland management manual boasting ISO 9001 certification. It incorporates the main themes of ESG analysis: governance, management and organisation of relations with customers and other stakeholders, and implementation of practices to develop and care for forests (silviculture) taking into account habitats and unique species. CNP Assurances supports this initiative by being a signatory of the related sustainability charter. Each year, Société Forestière is audited by the AFAQ, the world’s leading body in the field of management system certification, which oversees the company’s proper application of the ISO 9001 quality certification. The renewal of this certificate provides the guarantee that Société Forestière’s quality policy is correctly implemented. The criteria and indicators discussed below are all drawn from the sustainable management policy.

ESG analysis

Main criteria: Sustainable management certification and preservation of biodiversity are the key ESG criteria included in CNP Assurances' woodland investments.

Sustainable management certification:

Certification is one of the broadest criteria in respect of the integration of ESG as applied to sustainable woodland management. Indeed, forests must be managed sustainably in order to maintain all the ecosystem services they provide. Among other features, such services include their ability to produce wood, a renewable raw material, to maintain original biodiversity and to protect the soil against erosion.

Information used: PEFC, the world's leading sustainable management certification, is committed to ensuring that woodland management allows these long-term services to be preserved. Société Forestière has historically encouraged forest owners to become PEFC certified.

Methodology: The PEFC certification is obtained for a single administrative region or for a group of administrative regions. Société Forestière's purpose is to ensure that all CNP Assurances certificates remain valid, renewing the certification on time and implementing the PEFC sustainable management rules set out in the "owner's specifications". The label's validity is established by documentary checks verifying that the certification is current and valid. Société Forestière keeps a certification database on behalf of CNP Assurances. Certificates are valid for five years, unless they are challenged after an external audit commissioned by PEFC.

Results: At the end of 2017, 100% of the woodland held by CNP Assurances had PEFC certification. The recurring target is to have 100% of the area certified.³

Preservation of biodiversity:

The sustainable forest management manual mentioned above describes initiatives to be taken to identify habitats and unique species to be considered in the management process adopted.

Information used and methodology:

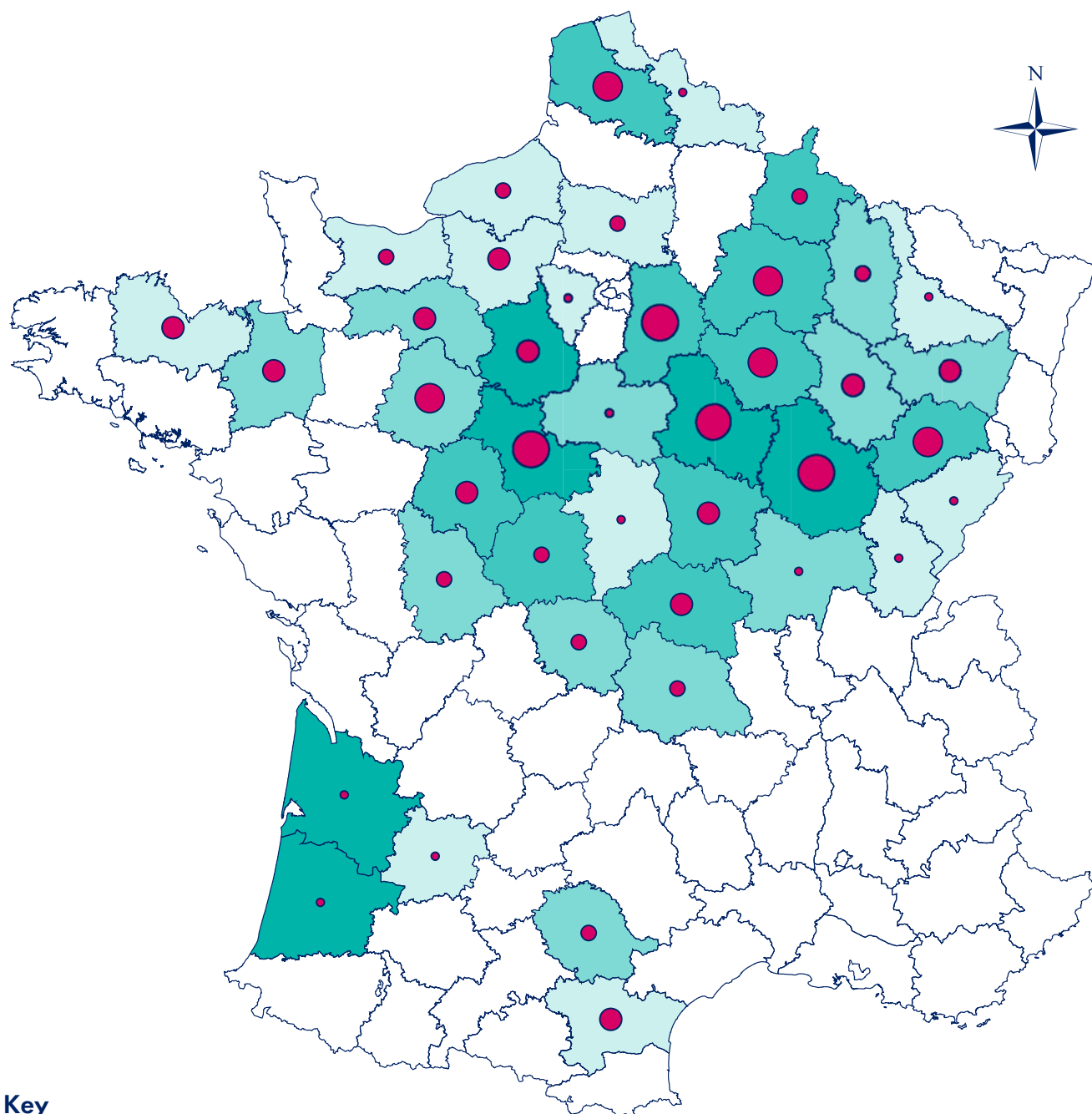
Other than specific initiatives in favour of biodiversity, tree and plant species diversity is also a reliable indicator of sustainable management. Indeed, each main tree and plant species is associated with one or more habitats. This means that there is a strong correlation between the diversity of major tree and plant species and biodiversity.

Société Forestière describes the various forest plots in a database covering the portfolio. Each forest is divided into management units known as plots, which are in turn subdivided into homogeneous subplots on the basis of the predominant species. The main tree and plant species is thus systematically provided for each subplot, allowing the number of main tree and plant species across the portfolio to be counted.

Results:

At the end of 2017, CNP Assurances' portfolio held a diversified collection of tree and plant species as illustrated in the following map:

³ Woodland acquired in Scotland had not yet been certified as at 31 December 2017.



Key

DEPARTMENT

Number of species

- 1-8
- 9-14
- 15-19
- 20-24
- 24 or more

DEPARTMENT

Surface (ha)

- 1-300
- 301-1,000
- 1,001-2,500
- Over 2,500

Kilometers
0 80 160 320

SFCDC/DGTP
2 March 2018

Reactions/changes made following ESG analysis

Inclusion in investment policy:

CNP Assurances examines any opportunity for national and international investment proposed by Société Forestière, which is committed to selecting quality woodland already certified or with potential to gain value in the future through sustainable management, with a view to obtaining PEFC certification.

CNP Assurances is also committed, through the mandate given to Société Forestière, to continuing its effort to improve forest areas where possible (management of enclaves, easements, etc.) so as to increase the qualitative nature of the portfolio in terms of sustainable management.

Engagement with issuers and management companies:

CNP Assurances supports Société Forestière in pursuing sustainable woodland management by providing it a seat on the Board of Directors.

Société Forestière implements its sustainable forest management manual on CNP Assurances' portfolio on a day-to-day basis, and ensures that the PEFC commitments are met. Individuals and companies liable to work in woodland (wood buyers, forestry contractors, etc.) are made aware of the consequences of these various commitments for the operations they are required to carry out. The contracts used stipulate these commitments.

Contribution to the energy and environmental transition

Managing the contribution to the energy and environmental transition

Carbon flow analysis is a major issue for any business that seeks to contribute to the energy and environmental transition. CNP Assurances' woodland assets in this way make an original contribution, since forests store carbon when they are growing, and emit carbon whenever they are logged.

CNP Assurances also seeks to reduce climate risks inherent in its woodland portfolio through Société Forestière.

Energy and environmental transition analysis and its inclusion in management

Main criteria: Carbon sequestration and adaptation to climate change are the main criteria for the energy transition in the management of the woodland portfolio.

Carbon sequestration

As mentioned above, forests store carbon during the growth phase. By contrast, for the forest owner, it is considered that logging generates carbon emissions.

In reality, however, carbon can remain sequestered in other forms after logging. CO₂ trapped during a tree's growth remains stored throughout the useful life of any product made from wood, which can span several decades (building frames, furniture, flooring, etc.). Carbon sequestration continues even beyond that time if the wood is subsequently reused or recycled for other uses. Wood used primarily for furniture and buildings, known as timber, stores carbon for the longest time before it is fully re-emitted into the atmosphere.

Wood used for the production of energy, known as fuelwood, re-emits carbon when burned.

Information used and methodology:

Two parallel approaches are used to identify the carbon stock of the woodland portfolio.

Annual carbon flows: The annual carbon flow is evaluated on each forest plot (see above). These data, while not the most accurate, are the most homogenous in terms of time and space: the data collection methodology is governed by long-standing management rules and procedures, integrated into Société Forestière's technical information system.

For each subplot, information is available on:

- stand structure (thicket, coppice, regular or irregular clusters, etc.);
- the main tree and plant species;
- the year of origin of the stand (for regular forests);
- tree data measurements.

The objective is to estimate the growth of wood for each subplot, measured in cubic metres per year. Timber volumes are then converted into CO₂ volumes, thereby giving the forests' annual "carbon sink" effect.

This flow in turn serves to estimate carbon exported from logging, which is expressed in timber volume sold, and then converted to a volume of CO₂, thereby giving the forests' annual "carbon emissions" effect.

Total carbon storage: This is the total amount of carbon present in the CNP Assurances portfolio. It is estimated in overall terms by reference to national data, published in "Forêt et Carbone, comprendre, agir, valoriser – Martel, Casset et Gleizes – IDF, 2015".

Two sets of data are used to tally air carbon, excluding soil carbon: data by tree and plant species and data by composition. Applying these factors to the species and average plot composition yields an estimate of total carbon storage.

Results:

Annual carbon flows: The annual net balance of carbon sequestration on the CNP Assurances woodland portfolio was 218,692 tonnes of CO₂ in 2017. This figure corresponds to the gross annual amount of CO₂ storage, from which timber revenue over the year is deducted.

Total carbon storage: This figures is estimated at between 13,025,942 and 14,765,399 tonnes of CO₂ at 31 December 2017, in accordance with the chosen recognition method.

Note: A 198 ha forest acquired in December 2017 is not counted in the measurement of this storage.

Inclusion in investment policy:

Woodland is not used for the purpose of offsetting carbon, but to derive value from services and wood. However, each acquisition is accompanied by a management plan (extended, modified or established), which prohibits arbitrary and excessive logging and allows the forest area to be maintained by replanting species based on a permitted level of logging under the control of the forest administration.

Mitigating risks related to climate change TCFD Risk management

Société Forestière is committed to an approach aimed at mitigating risks related to climate change on the CNP Assurances portfolio. To this end, four initiatives are monitored:

- Integration of viewpoints on climate change into management plans: These plans lay down forward management of forests for 10 to 20 years, on a forest-by-forest basis. They are approved by the forest administration, which guarantees compliance with the regulations in force. Since 2008, the consideration of climate change in these plans has been reflected in the analysis of such items as the expected impact of local climate change, the adaptation of existing tree and plant species and production cycles.
- Analysis of the geographical spread of woodland assets: CNP Assurances has implemented an investment policy that has allowed the purchase of woodland in a wide number of areas. Some areas subject to significant natural hazards have been avoided (south-east France, for instance, due to the fire risk). The spread of woodland assets also reduces the risk to extreme events such as storms or drought. To round out this acquisition policy, which notably serves to spread the risks, woodland was purchased in Scotland in 2017.
- Analysis of tree and plant species diversity: In addition to the interest in terms of biodiversity noted above, tree and plant species diversity is a genuine means of spreading the risks run with each species in respect of climate change, such as health problems related to the appearance of pathogens and drought that could impact each species differently.
- Insurance against the main climate risks, namely fires, storms, natural disasters, weight of snow, frost, frost and hail.

Results:

- At the end of 2017, 50% of the woodland portfolio was covered by a plan incorporating the consideration of climate change. This rate is intended to gradually rise to 100% as the various plans are renewed.
- The status of species diversity and the geographic spread of the CNP Assurances portfolio at 31 December 2017 are mapped on page 50.
- All the forests owned by CNP Assurances are covered by insurance policies covering the main climate risks.

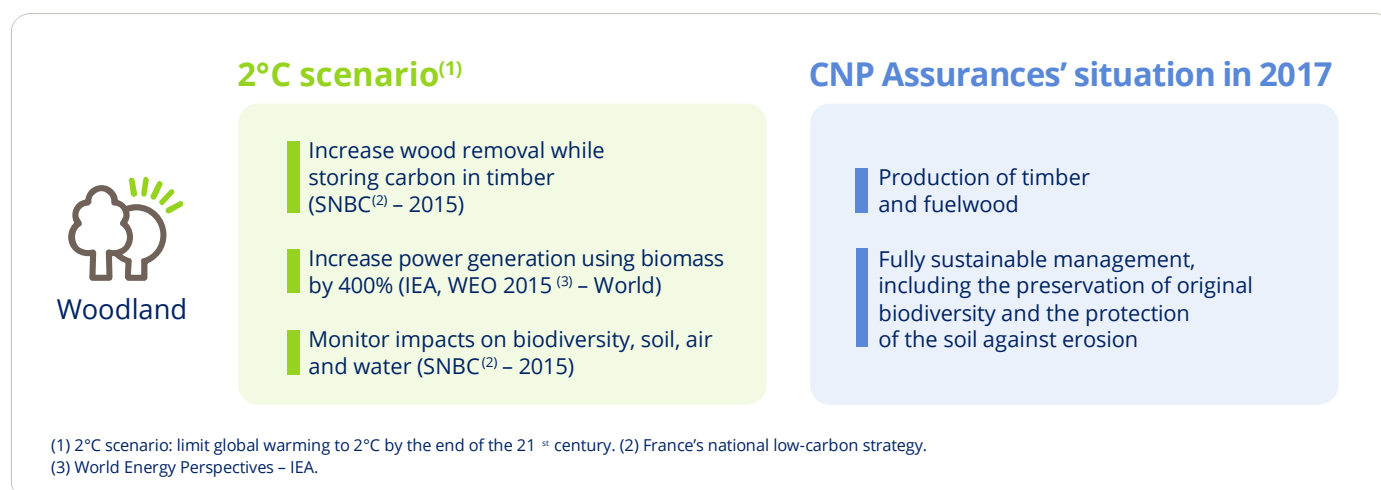
Position relative to the 2°C scenario

CNP Assurances' strategy of sustainable exploitation of woodland matches France's national objectives. Indeed, the national low-carbon strategy advocates a significant increase in wood removal, while also encouraging carbon sequestration in biomass. Logging permits the growth of new trees, and therefore uninterrupted carbon storage. The amount of timber sold by CNP Assurances, i.e., 265,368 cubic metres in 2017 (up 3%), supports this transition.

Furthermore, one of the pillars of the International Energy Agency's 2°C scenario is a 400% increase in global energy production from biomass between 2013 and 2040. The amount of fuelwood sold by CNP Assurances, i.e., 8,892 tonnes in 2017 (up 102%), contributes to this development. This wood is a renewable energy source because it comes from sustainably managed forests.

Together, these measures ensure that CNP Assurances' balanced and PEFC-certified woodland management is consistent with the careful monitoring of the sustainability of the sector and the impact on biodiversity underlined in the national low-carbon strategy, without which features any transition would be futile.

CNP Assurances' convergence with a 2°C scenario



3.5. Other assets

All assets are covered by the exclusion rules described in section 3.3. ESG/climate information is also collected on certain types of assets to enrich the analysis, although they are not factored into the investment decision.

ESG rating of the corporate bond portfolio

The ESG rating of corporate bond portfolios is performed quarterly by the SRI experts of the companies in charge of their management (Ostrum AM and LBPAM). The ESG analysis of securities draws on the quarterly watch of listed equities implemented with these same ESG analysts since 2006.

Continuing its commitment to the Montreal Carbon Pledge, CNP Assurances began regularly calculating the carbon footprint of its corporate assets in 2016, estimating the share held directly in equities and bonds in proportion to the balance sheets of the respective companies. Greenhouse gas emissions are estimated by taking solely into account the disclosures made by portfolio companies in respect of their Scope 1 and 2 emissions, without adjusting for overlap. As a large number of companies do not provide this data, the estimate covers 60% of the portfolio. It amounted to 0.11 tonnes of CO₂ equivalent per thousand euros invested at 31 December 2017.

ESG information used in the management of private equity and infrastructure investments since 2010

Operating in the private equity business since 1992, CNP Assurances is one of the world's top 50 institutional investors (number two in France) in private equity funds (2015 EPI ranking). ESG ratings are awarded based on the due diligence process carried out ahead of any investment in a new private equity fund. A total of 18 private equity funds were rated in 2017.

ESG reporting is also used for new infrastructure investments. In 2017, 67% of the Group's infrastructure funds took part in this reporting process or voluntarily reported their own ESG data.

MFPrévoyance assets

MFPrévoyance delegates the financial management of its assets to two asset managers, OFI AM and Ostrum AM (and Mirova, its SRI expert). These two management companies have established an ESG rating system for assets and the measurement of a carbon footprint:

- Ostrum AM is gradually including this information in its reporting. The ESG data are systematically integrated into the issuer credit risk analysis whenever the criteria are considered relevant and deemed to have financial materiality, and into the assessment of country risk on sovereign and quasi-sovereign issuers. MFPrévoyance's portfolio is covered by the coal exclusion policy implemented by Ostrum AM (find out more at <http://www.ostrum.com/fr-FR/nous-connaître/nos-engagements>).
- OFI establishes an ESG report giving the rating of the directly held portfolio. It also indicates that the majority of mutual funds have a best-in-class ESG approach (favouring securities with the best ratings on ESG criteria).

Moreover, the CNP Assurances exclusion policy with regard to sensitive countries and issuers is applied.

At 31 December 2017, assets in MFPrévoyance's SRI funds amounted to €219.7 million, or 40.28% of the total.

The carbon footprint of the assets managed by Ostrum AM at 31 December 2017 was 0.137 tonnes of CO₂ equivalent per thousand euros invested according to the methodology developed by Carbone 4 and Mirova ([http:// www.mirova.com/](http://www.mirova.com/)).

The carbon footprint of the assets managed by OFI under the management agreement at 31 December 2017 was 0.194 tonnes of CO₂ equivalent per thousand euros invested according to the methodology developed by OFI (<https://www.ofi-am.fr/>).



4 • Shareholder engagement

CNP Assurances' shareholder engagement takes two forms:

- Voting at general meetings.
- Shareholder dialogue.

4.1 Voting at general meetings

Since 2005, CNP Assurances has followed a policy of shareholder activism by systematically voting at the general meetings of listed companies in its portfolio. To this end, it relies on its internally defined voting policy, on public information on companies, on proxy advisors' analyses and on dialogue prior to meetings.

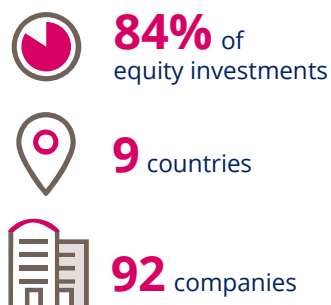
CNP Assurances' voting principles aim to protect the rights of minority shareholders who are investing to support the investee's long-term growth. These principles comply with the spirit of the recommendations of professional organisations, and are applied pragmatically, taking into account each company's characteristics, industry and regulatory environment.

In 2017, CNP Assurances voted at the general meetings of companies representing 84% of the equity portfolio, i.e., 98 general meetings of 92 companies in 9 countries, for a total of 1,875 resolutions analysed.

More specifically, CNP Assurances voted at the general meetings of 99.99% of the French companies in its portfolio. Companies outside France whose capital holdings and/or investment amounts are too low are not included in the voting scope, with the exception of those exposed to major environmental and/or carbon risk. Thus, for foreign companies, the scope has increased in recent years to reach 70.6% of investments in companies outside France in the portfolio in 2017.

2017 voting campaign

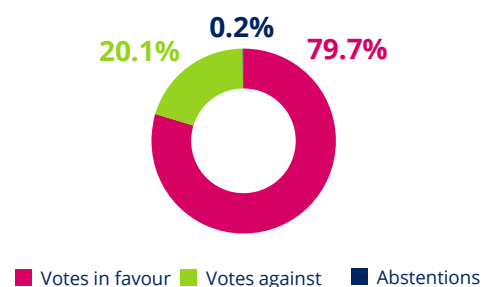
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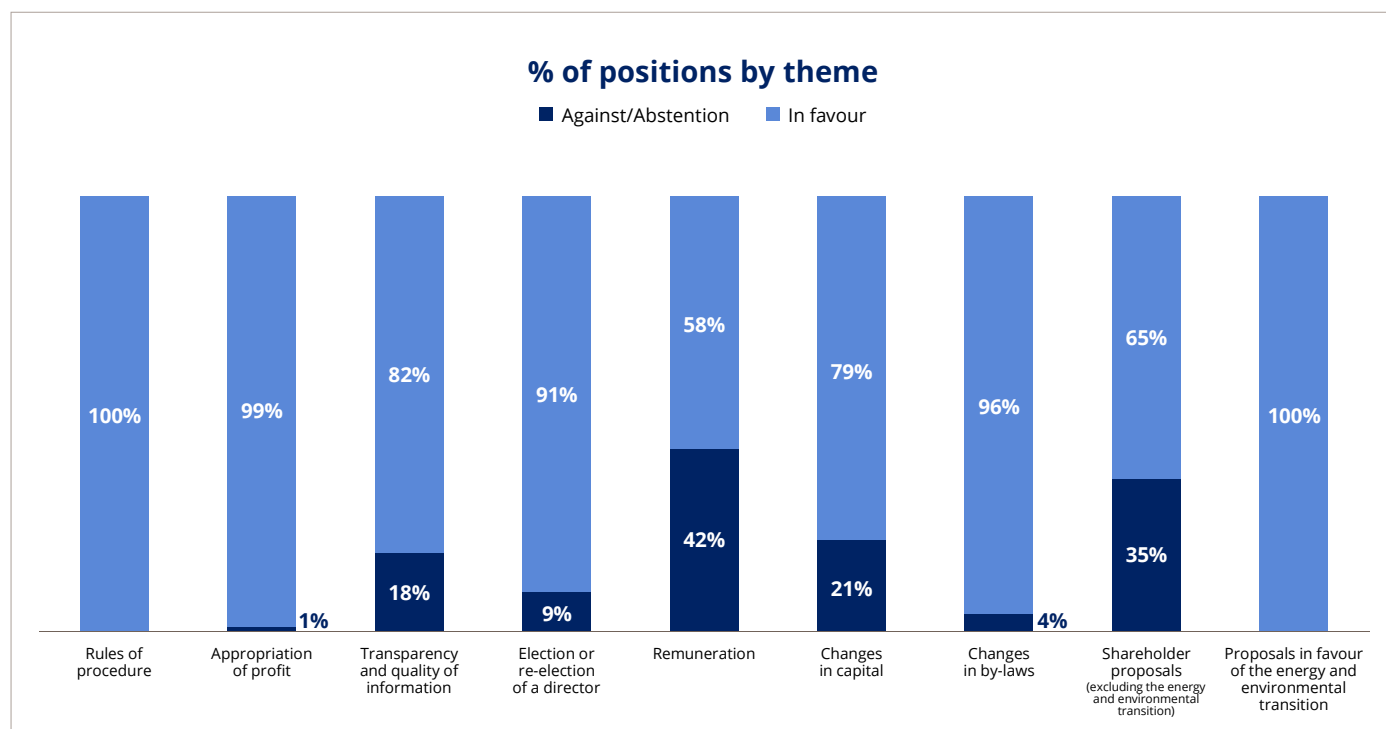
Analyses



Breakdown of votes



CNP Assurances voted against 20.1% of resolutions put to the vote in 2017, compared with 19.4% in 2016.



Three major governance issues were identified during the 2017 voting campaign:

- **Transparency and quality of information:** CNP Assurances is particularly attentive to the turnover of statutory auditors and support for greater transparency by companies.
- **Remuneration:** CNP Assurances assesses transparency, the comprehensiveness of disclosures and consistency with the company's long-term performance. More specifically as regards the say-on-pay and remuneration policy, CNP Assurances pays close attention to changes in executive remuneration in relation to sector practices and average wages within the company.
- **As part of its climate initiative,** CNP Assurances has decided to support all energy and environmental transition-related resolutions seeking to contribute to the fight against climate change, in line with the company's strategy. In addition, if the company does not contribute to the energy and environmental transition, or if its contribution is deemed insufficient, CNP Assurances sanctions the CEO's remuneration (four companies under surveillance in 2017).

4.2 Shareholder dialogue

Dialogue is initiated with the companies in which CNP Assurances is a shareholder if ESG/climate issues emerge. When dialogue fails to produce results, other measures can be taken, potentially including a suspension of purchases of the company's securities or even their sale or exclusion.

Dialogue is conducted either directly or through asset managers.

Direct dialogue

CNP Assurances has exchanges on the proposed resolutions of certain companies of which it is a shareholder ahead of the general meeting.

CNP Assurances also has a strategy of engagement with companies that face the greatest carbon challenges and have not yet changed their strategy, with a view to helping them transition towards a low-carbon economy (see section 3.2). Dialogue initiated with companies in the energy sector in 2015 continued in 2017 (2 one-on-one meetings in 2017).

Dialogue and engagement via asset managers

Since 2016, CNP Assurances has co-signed letters addressed by Mirova to companies that have a high ESG risk, whose contribution to the energy and environmental transition is deemed non-existent or insufficient, and with which there is no direct dialogue. This has resulted in 26 companies being contacted on behalf of CNP Assurances in connection with this approach. Comments covered companies' ability to offer goods and services that respond to sustainable development challenges, as well as their adoption of best practice in respect of ESG risk management. Ten companies gave favourable feedback on the areas for improvement cited.



5. Impact investments

In addition to its investment policy incorporating ESG criteria, CNP Assurances pursues an active policy in terms of impact investments, covering social and environmental impact as well as societal impact via investment in SMEs.

5.1 CNP Assurances' investments in favour of the energy and environmental transition TCFD Strategy

At 31 December 2017, CNP Assurances had €35 million invested in private equity funds in the clean energy, clean industry and cleantech sectors. Direct and indirect investments in renewable energy infrastructure, sustainable mobility and water and waste treatment represented total assets of €1,041 million at the end of 2017, including the Meridiam Transition fund. Launched in late 2015 with the Meridiam management company, this fund finances innovative development projects related to the energy transition, local services such as heating systems and energy recovery from waste, electricity grids and gas networks, and innovative renewable energies.

An additional €1,362 million is invested directly in green bonds funding specific environmental projects.

Progress in its low-carbon strategy allowed CNP Assurances to achieve its initial goal of tripling its investments in the energy and environmental transition sector between 2014 and 2017 one year in advance. In view of the urgency of the climate challenge, CNP Assurances then decided to intensify its action by setting new targets in December 2017: it has undertaken to devote €5 billion to new investments in favour of the energy and environmental transition by 2021, including green infrastructure and green bonds, as well as highly energy-efficient buildings and woodland.

As highlighted in France's national low-carbon strategy, large-scale investment is needed to limit global warming to 2°C by the end of the century. Redirecting investment to the new low-carbon economy calls on two complementary approaches: supporting businesses in the energy and environmental transition, as discussed in the previous sections, and also directly through the funding of sustainable business opportunities for key players in the transition.

Indicators TCFD Indicators

Equity and debt securities for infrastructure, private equity and green bonds, supported over several years, plus low-carbon property assets and sustainable woodland.

CNP Assurances invests in key areas to support the energy and environmental transition identified by the reference scenario of France's national low-carbon strategy, as well as the CBI, the TEEC label and the I4CE Climate Financing Panorama, namely the energy, mobility, building and woodland sectors

	Renewable energy, services and energy efficiency	Transport and sustainable mobility	Miscellaneous (waste, water, environmental industry, unspecified share of green bonds, etc.)
Financial securities	Debt and capital for infrastructure, private equity, green bonds		
Assets at year-end (in purchase value)	€1.4bn	€0.4bn	€0.6 billion
Target and position at 31 December 2017	Objective: €3bn at end-2018 Total at end-2017: €2.4 billion		

Note: Green bond holdings exceed €1.3 billion, with CNP Assurances accounting for 0.3% of global green bond emissions in 2017.

	Sustainable buildings (label on acquisition and renovation)	PEFC-labelled woodland
Financial securities	Direct holdings, non-trading property companies, debt securities	Direct holdings, non-trading property companies, land companies
Assets at year-end (in purchase value)	€5.3 billion	€0.3 billion

Assessment of the five energy and environmental transition sectors





- At the end of 2017, on these five sectors (energy, transport, buildings, woodland and miscellaneous), assets favouring the energy and environmental transition exceeded €8 billion, or more than 2.5% of CNP Assurances' total assets.
- At the end of 2017, CNP Assurances pledged to make €5 billion in new investments for energy and environmental transition projects by 2021.

Position in relation to national objectives and 2°C scenarios

To assess the consistency of CNP Assurances' investments in the energy and environmental transition with the 2°C pathway, the following criteria were analysed with regard to France's national low-carbon strategy and existing 2°C scenarios by sector.

Support for France's national low-carbon strategy

CNP Assurances' strategy supports France's national low-carbon strategy, notably on the following points:

-  Develop renewable energy to produce electricity, heat and cooling.
-  Encourage the shift to rail transport.
-  Reduce demand for energy in the building sector (see detail for the property sector in section 3.3).
-  Strike a balance between the increase in wood energy, bio-based products, while preserving biodiversity and carbon sequestration in the forest ecosystem (see detail for the forest sector in part 3.4).

Comparison with 2°C scenarios

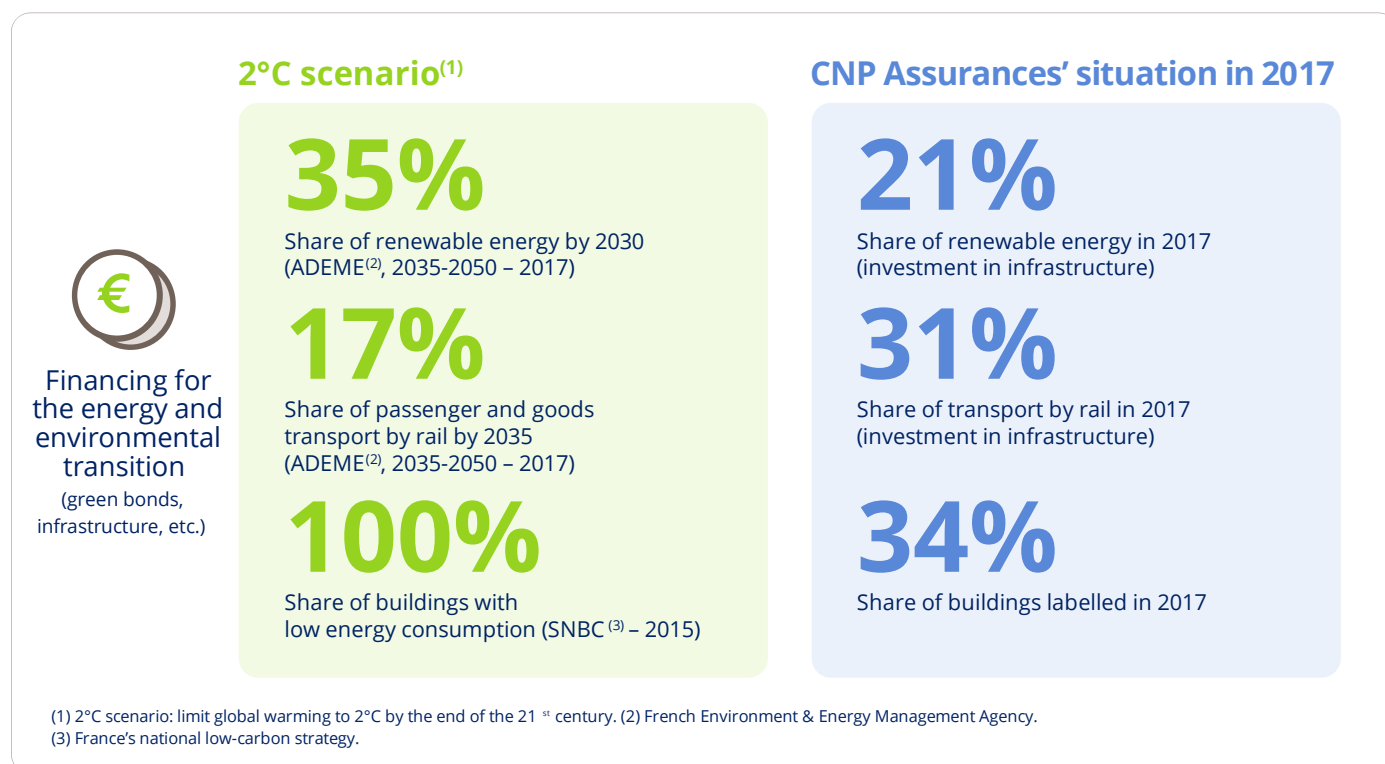
To compare CNP Assurances' investments in favour of the energy and environmental transition and existing 2°C scenarios, this report uses the share that they represent in their sector: the "energy and environmental transition" share is calculated by sector, as the ratio of the amount of investment in the energy and environmental transition to the total amount invested in the same sector.

Since the data are not always available on all financial securities, the calculation was done with the objective of continuous improvement and learning from such comparisons.

Note that these analyses were not performed on the miscellaneous segment, which is multi-sector.

	Renewable energy, services and energy efficiency	Transport and sustainable mobility	Sustainable buildings	Woodland with PEFC certification
Financial securities included in the calculation	Equity and debt for infrastructure		Direct holdings, non-trading property companies, debt securities	Direct holdings, non-trading property companies
"Energy and environmental transition" share in CNP Assurances' investments in this sector at end-2017	21% at end-2017 (% of renewable energy in the energy sector)	31% at end-2017 (% of rail transport in the transport sector)	34% at end-2017 (% of certified buildings at acquisition and renovation)	100% at end-2017⁴ (% of woodland with PEFC certification)
Benchmark: share of "energy and environmental transition" in available 2°C scenarios	35% by 2030 (% of renewable energy in France, source ADEME 2017) 52% by 2060 (% of global primary energy mix, source IEA 2017)	17% of individual and goods transport in 2035 (% of rail transport in France, source ADEME 2017)	100% by 2050 (% of BBC buildings, source SNBC)	No benchmarks available

CNP Assurances' convergence with a 2°C scenario



⁴ Woodland acquired in 2017 had not yet been certified as at 31 December 2017.

5.2 Social impact investments

Direct support for SMEs

Operating in the private equity business since 1992, CNP Assurances is one of the world's top 50 institutional investors (number two in France) in private equity funds (2015 EPI ranking). Be they innovative start-ups or SMEs with an established presence in their market, operating in the high-tech sector or long-standing industrial segments, these companies play a strategic role in strengthening France's economic fabric, creating jobs and attracting foreign investment.

Under the OPEN CNP programme launched in 2016, CNP Assurances plans to devote €100 million over five years to developing partnerships with innovative start-ups in businesses close to its own.

After supporting a crowdlending platform for SMEs, CNP Assurances has chosen to support a telemedicine solution to fight against social and geographical inequalities in access to healthcare. Since 2017, it has supported, among other projects, a new online health insurance company dedicated to start-ups and SMEs, as well as the development of the blockchain system to secure processes between companies.

Social impact funds

In addition, CNP Assurances had invested in several socially beneficial funds in a total amount of nearly €140 million at 31 December 2017. Examples include financing small businesses that have trouble raising capital due to social barriers, and supporting SMEs facing financial hardship.

In 2016, CNP Assurances partnered with a long-term loan fund on behalf of around 100 European SMEs. Since June 2016, it has also been supporting the NovESS fund, whose objective is to support the transition and change of dimension of the social and solidarity economy. Attentive to the ESG contribution, the NovESS fund has a social impact measurement tool that can be used to evaluate the impact of each project on several criteria, including job creations. In 2017, the fund supported the first network of collaborative factories offering tradespeople access to equipped workshops, as well as a company specialising in the recovery of food waste from restaurants, canteens and markets, waste sorting training, and the transformation of waste into biogas or compost.

CNP Assurances participates in the financing of the Hémisphère fund, the first social impact bond, dedicated to providing assistance and accommodation to vulnerable people: part of the financial return depends on the achievement of audited social objectives, including on the schooling of children or the number of people helped into permanent housing.

Other SRI funds

Among investments combining environmental and societal aspects, CNP Assurances has purchased €2.5 billion in SRI mutual funds, representing 7% of the total value of non-dedicated mutual funds held at the end of 2017. For details of insureds' investments in SRI mutual funds (unit-linked), see Chapter 2.



6

Summary of alignment
with 2°C scenarios

This summary covers all comparisons with national or international scenarios giving references for alignment with 2°C pathways.

CNP Assurances notes that the modelling of ESG and climate risk, based on current knowledge, requires a number of detailed assumptions about the climate impact of activities undertaken by companies, broken down by sector, geography and life cycle and other factors.

For this reason, in this report and this summary, CNP Assurances has chosen to rely solely on the following references:

- 2°C scenario of the International Energy Agency (IEA) – source: World Energy Outlook 2015 and Energy Technology Perspectives 2017.
- France's commitments within the European Union to reduce its carbon emissions.
- France's national low-carbon strategy.
- ADEME's 2°C scenario – source: Update of the ADEME 2035-2050 energy-climate scenario.

The convergence of these references with the CNP Assurances scenarios is presented in detail in Chapters 3 and 5.

	2°C scenario ⁽¹⁾	CNP Assurances' objectives
 ESG/climate exclusion	12% Limit coal to 12% of energy production by 2040 (IEA, WEO 2015 ⁽²⁾ – World)	15% Exclude the purchase of securities of companies deriving over 15% of their revenue from thermal coal and undertake engagement initiatives with the most affected
 Equities	28% Reduction in GHG ⁽³⁾ emissions in France between 2014 and 2030 (SNBC ⁽⁴⁾ – 2015)	47% Reduction in GHG ⁽³⁾ emissions in the listed equity portfolio between 2014 and 2021
 Property	28% Reduction in buildings' energy consumption between 2010 and 2030 (SNBC ⁽⁴⁾ – 2015)	20% Reduction in the energy consumption of buildings in the property portfolio between 2006 and 2020
		CNP Assurances' situation in 2017
 Woodland	<ul style="list-style-type: none"> Increase wood removal while storing carbon in timber (SNBC⁽⁴⁾ – 2015) Increase power generation using biomass by 400% (IEA, WEO 2015⁽²⁾ – World) Monitor impacts on biodiversity, soil, air and water (SNBC⁽⁴⁾ – 2015) 	<ul style="list-style-type: none"> Production of timber and fuelwood Fully sustainable management, including the preservation of original biodiversity and the protection of the soil against erosion
 Financing for the energy and environmental transition (green bonds, infrastructure, etc.)	35% Share of renewable energy by 2030 (ADEME ⁽⁵⁾ , 2035-2050 – 2017) 17% Share of passenger and goods transport by rail by 2035 (ADEME ⁽⁵⁾ , 2035-2050 – 2017) 100% Share of buildings with low energy consumption (SNBC ⁽⁴⁾ – 2015)	21% Share of renewable energy in 2017 (investment in infrastructure) 31% Share of transport by rail in 2017 (investment in infrastructure) 34% Share of buildings labelled in 2017

(1) 2°C scenario: limit global warming to 2°C by the end of the 21st century.
 (2) World Energy Perspectives – IEA.
 (3) Greenhouse gas.





(4) France's national low-carbon strategy.
 (5) French Environment & Energy Management Agency.

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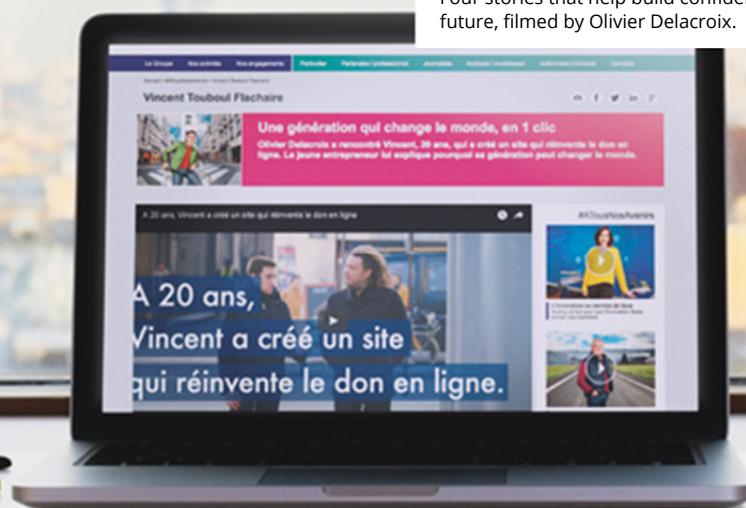
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CNP Assurances pays tribute to all those who have had the courage to give a surprising twist to their lives, to reinvent themselves.

Four stories that help build confidence in the future, filmed by Olivier Delacroix.



May 2018 – CNP Assurances – Sustainable Development department

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