2016
SUSTAINABLE INVESTMENT REPORT

Summary of extra-financial factors in asset management and contribution to the environmental and energy transition in accordance with article 173-VI the French Law on Energy Transition for Green Growth (LTECV)

CNP assurances

Summary

Investments breaking new ground

The top-ranking personal insurer in France, number four in Europe and number five in Brazil, CNP Assurances insures and protects the future of millions of people, notably by helping them make the most of their savings/retirement assets invested in life insurance.

CNP Assurances embarked on a responsible investor approach ten years ago, building on its values and public-sector foundations. It covers all asset classes: mutual funds, equities and bonds, infrastructure and private equity, real estate and woodlands. At the end of 2016, 81% of its assets, i.e., nearly €256 billion, were managed in accordance with ESG (Environmental, Social and Governance) criteria in a manner tailored to each asset class.

Today, CNP Assurances has decided to prioritise the fight against climate change, in the belief that large-scale environmental problems generate financial risk of the same magnitude. It is one of only a handful of insurers worldwide to have committed to targets for 2020 in this area. It aims to reduce the energy consumption of its real estate portfolio by 20% and the carbon footprint of its directly held listed equities by 20%, to exclude from its portfolios any companies deriving a significant portion of their revenue from coal, and to double the financing of green projects to €1.6 billion (this target has already been exceeded; it has now been raised to €3 billion by the end of 2018).

In practical terms (and described in more detail in sheets below)

CNP Assurances **excludes** countries at risk in terms of democracy or corruption, tax havens, companies producing anti-personnel mines and cluster munitions, and those that do not comply with the fundamental principles of the UN Global Compact.

Companies in the **equity** portfolio are screened on the basis of ESG criteria, especially the environmental aspects. CNP Assurances provides them with support in their transition to a low-carbon economy through responsible dialogue. Each **property** renovation project includes energy efficiency work. All **woodlands** are certified. **"Green" investments** serve directly to finance the energy and environmental transition. Examples include renewable energies and rail freight transport.

The quality of the approach has won plaudits from SRI rating agencies: Oekom (1st place out of 128 international insurance companies), MSCI (AAA), Sustainalytics (5th place out of 94 global insurers) and Vigeo (6th place out of 42 European insurers).

> See the portfolio at a glance

Introduction

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

CNP Assurances is the leading personal insurer in France. Its international development has put the Group in fourth place among European insurers (excluding healthcare), while Caixa Seguradora holds fifth place in Brazil. In total, the Group provides 35 million people worldwide with personal risk/protection insurance, and 14 million with savings and pension products.

CNP Assurances' sustainable development approach goes back 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 Poste and BPCE, and its distribution partners. This approach has informed the investment strategy since its inception. It is central to the Group's **fiduciary responsibility** to policyholders and its role as a major investor in the **real economy.**

As CNP Assurances does not operate in property and casualty insurance, its influence on the climate stems from its work as an asset manager rather than preventive action or the settlement of claims.

CNP Assurances occupies a unique place among institutional investors, and even among insurers:

CNP Assurances specialises in personal insurance and derives a major portion of its revenue from the savings and pensions business. This is why it takes a long view of investment, bearing two requirements in mind: liquidity in the event of loss or redemption, and annual profitability allowing it to pay a return on investments.

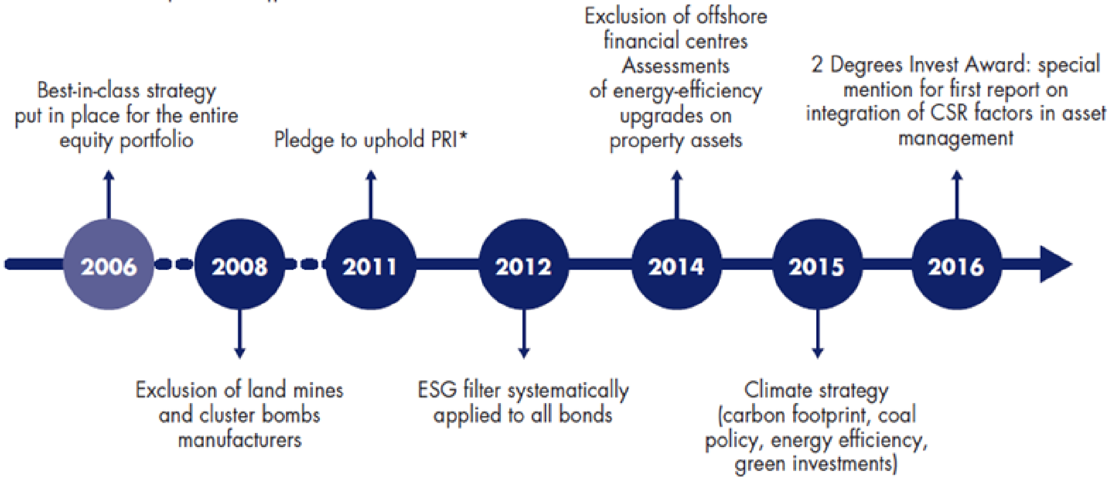
CNP Assurances' business model does not include a captive management company. The investment strategy is defined internally, and its implementation is delegated to management companies, mainly those of its two major distribution partners, Natixis AM and LBPAM. CNP Assurances does not manage any assets on behalf of third parties.

Against this backdrop, its investment strategy has two distinctive features. First, a very large proportion of assets (75%) is invested directly and not through funds. Second, equities are held for an average of seven years, and bonds are generally held to maturity, meaning approximately ten years. This means that the portfolio has a strong historical bias, a factor that precludes purely index-linked management.

In the belief that taking socially responsible investment criteria into account improves the yield-to-risk ratio over the long term, CNP Assurances has established a responsible investor strategy covering all asset classes, rather than confining it to the mutual fund "niche". At the end of 2016, 81% of its assets and those of its French subsidiaries – a total of nearly €256 billion – were managed in accordance with ESG criteria.

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

Timeline of CNP Assurances' responsible investor approach



* *PRI: the United Nations' Principles for Responsible Investment*

This long-term action explains why the ESG ratings of CNP Assurances' Equity and Corporate Bond portfolios are better than those of the benchmark indices.

It is what gave CNP Assurances the solid SRI credentials on which it laid down ambitious commitments in favour of the climate in 2015.

The approach gives particular importance to the issue of climate change. This is consistent with the commitments made in adhering to the UN Global Compact, which cites respect for the environment 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 UN Principles for Responsible Investment. In practical terms, in the management of corporate assets, the weighting of the environmental component of ESG screening reflects the level of materiality in the various business sectors, particularly those related to energy. Moreover, each property renovation project undertaken since 2007 has been an opportunity to carry out work to improve energy efficiency.

As part of its shareholder engagement, CNP Assurances also stresses the importance it attaches to these issues when it meets with company managers. A long-term shareholder, it aims to assist companies in their transition to a low-carbon economy through responsible dialogue with the major companies in its portfolio.

More specifically, CNP Assurances has undertaken to uphold the key pillars of the fight against climate change, first at the Climate Finance Day of 22 May 2015, for which it was a Golden Sponsor, and then at the November 2015 Novethic Colloquium, leveraging the energy efficiency of buildings, support for companies committed to a low-carbon process and the funding of “green” projects.

- Reduce the carbon footprint of the €12 billion portfolio of directly held listed equities by 20% in the years to 2020;
- Double green investments to €1.6 billion between 2015 and 2017;
- Reduce the energy consumption of real estate assets, a portfolio of more than €12 billion, by 20% between 2006 and 2020;
- Exclude from its portfolios companies that derive a significant proportion of their revenue (more than one-quarter) from thermal coal.

CNP Assurances is one of only a handful of insurers worldwide to have issued quantified targets for reducing the carbon footprint of its portfolio (see the September 2016 Novethic-PRI-Montreal Pledge report).

Knowing that these indicators are not enough to identify all the promoters of the energy transition, it also takes care to monitor the amount of CO_2 emissions avoided. And true to its approach as a long-term investor, it has sought to promote dialogue with the companies generating the highest level of emissions.

The quality of the approach has won plaudits from SRI rating agencies: Oekom (1st place out of 128 international insurance companies), MSCI (AAA rating), Sustainalytics (5th place out of 94 global insurers) and Vigeo (6th place out of 42 European insurers).

The approach is designed to expand and thrive as methodological advances emerge on the market.

CNP Assurances' 2020 climate targets: a highly satisfactory performance in the period to end-2016

Target	% of target achieved at end-2016
20% reduction of the carbon footprint of the portfolio of directly held listed equities between 2014 and 2020	70%
100% increase in green investments to €1.6 billion between 2015 and 2017	117%
20% reduction in the energy consumption of real estate assets between 2006 and 2020	68%
Exclusion of companies deriving more than one-quarter of their revenue from thermal coal	100%

I. INTEGRATION OF ESG CRITERIA INTO CNP ASSURANCES' INVESTMENT POLICY AND RISK MANAGEMENT: OVERVIEW

Scope

The reported data cover the year ended 31 December 2016.

The report covers all assets held by CNP Assurances and its French subsidiaries, namely Previposte, CNP Caution, CNP International, Ecureuil Vie Développement and I.T.V. Assets held by MFPrévoyance are dealt with in a specific section.

I.1. An approach based on major national and international commitments

2003: the driving force of membership to 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 standards of the International Labour Organization and the national labour law of each host country. In pledging to uphold the Global Compact, CNP Assurances reaffirmed its commitment to respecting these fundamental principles, as well as to combating corruption and protecting the environment.

2009: helping to promote the adoption of these principles throughout the insurance sector

CNP Assurances played an active role in launching the *Association française de l'assurance*'s sustainable development charter http://www.ffa-assurance.fr/content/la-charte-developpement-durable one of the first in a business sector, and has pledged to pursue its core CSR aims of reducing social vulnerability, combating climate change, supporting economic development and promoting socially responsible investment.

2011: deepening our commitment as an investor

Membership to the United Nations Principles for Responsible Investment (PRI) is the latest step in our commitment as a responsible investor, marked by annual progress reports (CNP Assurances' public reports are available on the PRI website: https://www.unpri.org/organisation/cnp-assurances-145874.

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

A signatory of the Montreal Carbon Pledge, CNP Assurances disclosed the carbon footprint of its financial portfolio of directly held listed equities in December 2015. It has also made a public commitment to reduce its footprint by 20% by 2020. Ambitious commitments have also been made in respect of the real estate portfolio and the "coal" assets.

Other membership to charters and initiatives

CNP Assurances' sustainable development director chairs the dedicated committee of the FFA. For example, CNP Assurances took an active part in the development of 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, distributed by the FFA in July 2016.

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 was behind the launch in late 2015 of a long-term infrastructure fund dedicated to the environmental and energy transition in partnership with management company Meridiam, open to all institutional investors wishing to contribute to it. It targets local and innovative development projects in fields including energy efficiency, heat and electricity grids, and the recovery and reuse of waste as energy.

I.2. Governance of the socially responsible investment strategy

The principles of action are set out in a charter, validated by all the relevant players, as follows:

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

Principles:

- Secure the commitments made to policyholders and above all offer a steady, 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.

Levers:

- 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 ensuring that commitments made to policyholders 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. Exclusion is confined to 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 integrates ESG criteria into the management of its assets.

In the belief that taking ESG criteria into account in the assessment of 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 to the Global Compact, the FFA Sustainable Development Charter, the PRIs and the Geneva Association's Kyoto Declaration.

Principles:

By this charter, CNP Assurances lays down and shares the four principles that guide the integration of these criteria into the management of its financial assets 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 conventions, CNP Assurances excludes manufacturers of anti-personnel mines or cluster munitions from its portfolios.

It also excludes speculation on agricultural commodities from its investments.

Levers:

- CNP Assurances considers that the integration of ESG in a given asset class is established when all securities in this category 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 policyholders 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:

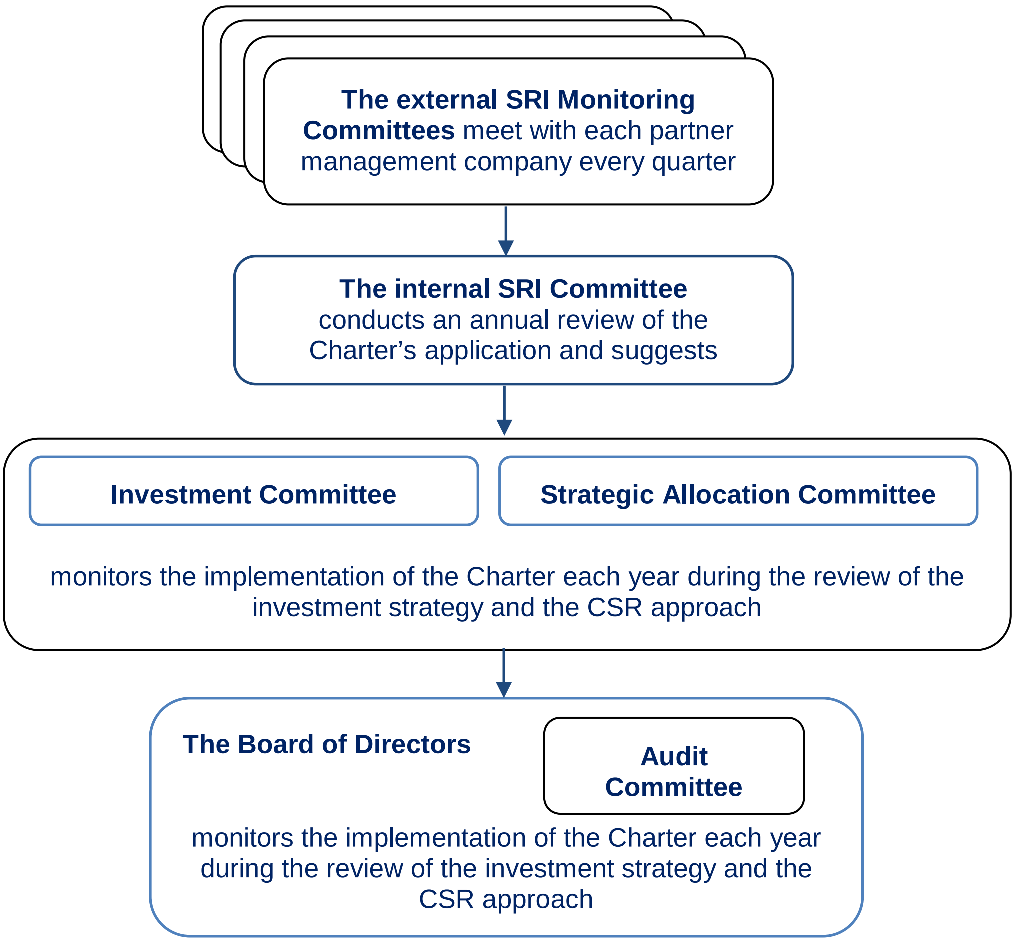
The responsible investment strategy is laid down and managed within the framework of the investment strategy approved by the Executive Management and the Board of Directors.

CNP assurances undertakes to:

- reflect Articles 1 and 2 in its operations by providing the necessary human and financial resources;
- communicate publicly each year on the steps taken and the progress made.

Levers:

To this end, all players are committed behind the Executive Management.



I.3. **Informing policyholders of measures taken**

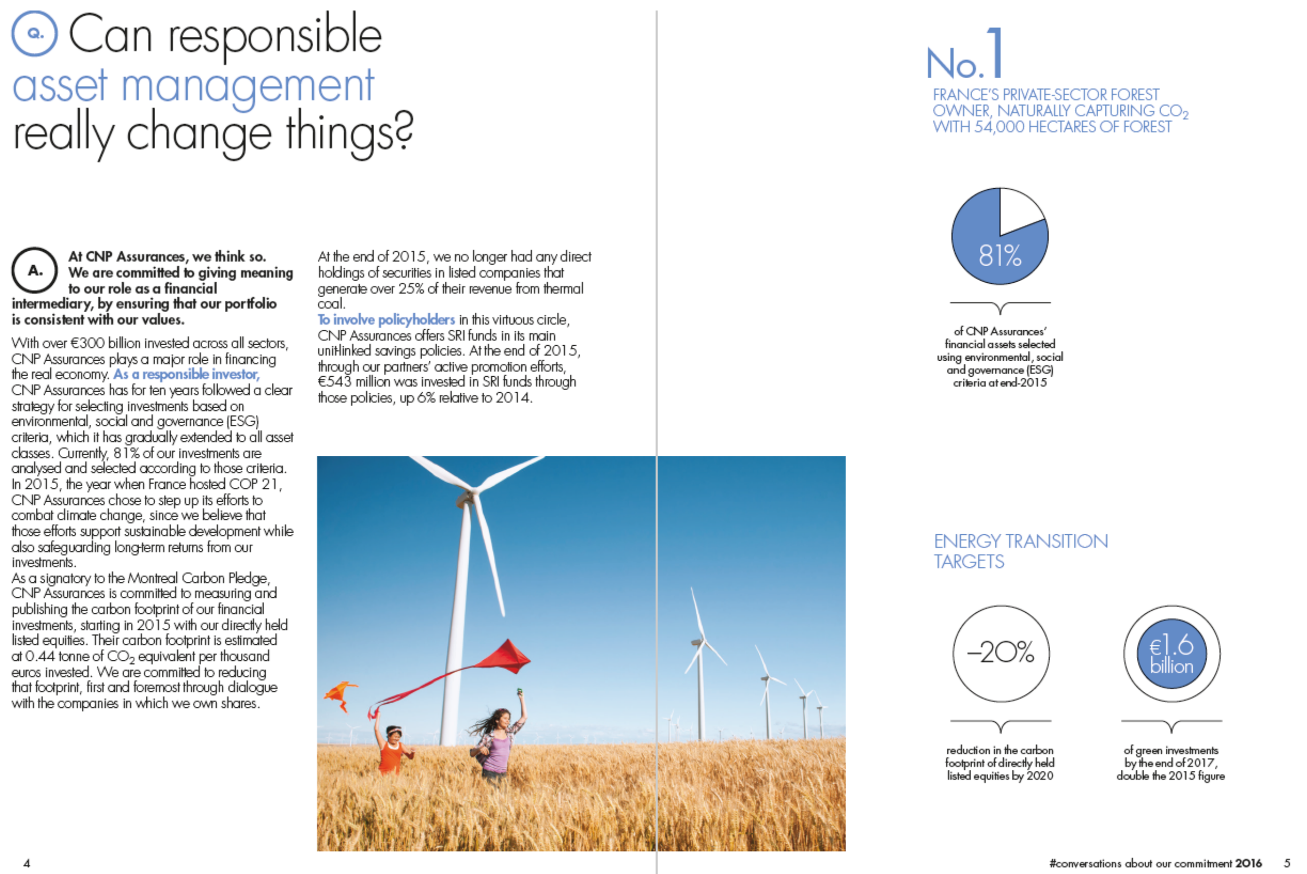
Policyholders can make their contribution to combating climate change through their savings by choosing "unit-linked" products focused on the themes of SRI and the climate. CNP Assurances has endeavoured to ensure that such products are available in all major contracts. This commitment is in line with that of our 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.

Other than unit-linked products, which represent total assets of €29 billion, the insurance company defines the investment strategy for total assets of €285 billion. Aware of its fiduciary responsibility, CNP Assurances has developed a strategy of responsible investment covering all assets.

CNP Assurances has opted to inform its policyholders about the integration of ESG criteria into financial management strategy in the annual policy statements. More than 19 million letters addressed each year to policyholders 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 detail 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 process, and contains numerous items of news and press releases on the subject: http://www.cnp.fr/en/Our-commitments/Towards-a-sustainable-economy/Responsible-investing

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 2016 edition, which focuses on Climate commitments.



Q. Can responsible asset management really change things?

A. At CNP Assurances, we think so. We are committed to giving meaning to our role as a financial intermediary, by ensuring that our portfolio is consistent with our values.

With over €300 billion invested across all sectors, CNP Assurances plays a major role in financing the real economy. **As a responsible investor,** CNP Assurances has for ten years followed a clear strategy for selecting investments based on environmental, social and governance (ESG) criteria, which it has gradually extended to all asset classes. Currently, 81% of our investments are analysed and selected according to those criteria. In 2015, the year when France hosted COP 21, CNP Assurances chose to step up its efforts to combat climate change, since we believe that those efforts support sustainable development while also safeguarding long-term returns from our investments.
As a signatory to the Montreal Carbon Pledge, CNP Assurances is committed to measuring and publishing the carbon footprint of our financial investments, starting in 2015 with our directly held listed equities. Their carbon footprint is estimated at 0.44 tonne of CO_2 equivalent per thousand euros invested. We are committed to reducing that footprint, first and foremost through dialogue with the companies in which we own shares.

At the end of 2015, we no longer had any direct holdings of securities in listed companies that generate over 25% of their revenue from thermal coal.
To involve policyholders in this virtuous circle, CNP Assurances offers SRI funds in its main unit-linked savings policies. At the end of 2015, through our partners' active promotion efforts, €543 million was invested in SRI funds through those policies, up 6% relative to 2014.

No.1
FRANCE'S PRIVATE-SECTOR FOREST OWNER, NATURALLY CAPTURING CO_2 WITH 54,000 HECTARES OF FOREST

81%
of CNP Assurances' financial assets selected using environmental, social and governance (ESG) criteria at end-2015

ENERGY TRANSITION TARGETS

–20%
reduction in the carbon footprint of directly held listed equities by 2020

€1.6 billion
of green investments by the end of 2017, double the 2015 figure

4

#conversations about our commitment 2016 5

The brochure is available at the following address: http://www.cnp.fr/en/Our-commitments/RSE-indicators

I.4. **Ways of taking SRI criteria into account, tailored to each asset class**

Our Group's primary responsibility is to secure the commitments made to policyholders. The second is to guarantee a steady, optimised performance year after year. In line with the belief that including socially responsible investment criteria in the investment selection process optimises the yield-to-risk ratio over the long term, ESG screens have for many years been applied to the majority of CNP Assurances' assets and those of its French subsidiaries. However, the approach cannot be applied equally to equities, bonds, real estate assets, corporate or sovereign securities, direct holdings or units of funds.

The chart below shows the various ways in which the approach is implemented and the corresponding amounts of assets.

Summary chart of the responsible investment strategy

81 %
OF INVESTMENTS ESG SCREENING

19 %
OF INVESTMENTS PARTIAL ESG SCREENING

DEDICATED MUTUAL AND SRI FUNDS

- Dedicated mutual funds:
  - Exclusion from portfolio or weighting limited based on compliance with Global Compact principles
  - Policy on coal and sensitive countries
- Non dedicated mutual funds:
  - SRI funds held in general asset portfolios (excluding unit-linked) total **€2.8 billion**, representing **10%** of the total mutual fund portfolio

INFRASTRUCTURE AND PRIVATE EQUITY

- Since 2010, ESG rating of private equity funds during due diligence
- Infrastructure funds required to submit ESG reports
- CNP Assurances invests in private equity funds that finance SMEs that have difficulty in raising equity capital and infrastructure funds invested in renewable energy, water treatment and waste treatment projects. Portfolio: **€970m**

OTHER MUTUAL FUNDS

- Investigations into controversial weapons, tax havens and embargoes

CORPORATE BONDS

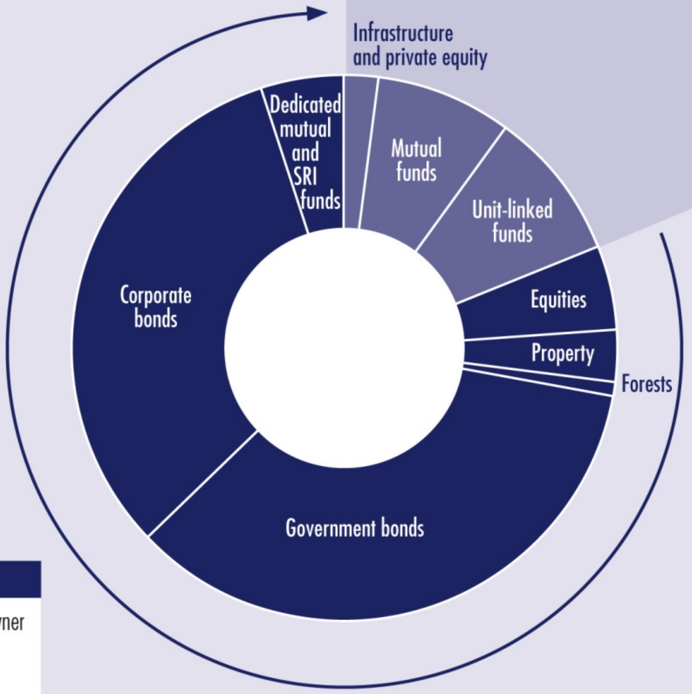
- Quarterly ESG ratings
- Exclusions or restrictions based on compliance with Global Compact principles
- Policy on coal and sensitive countries
- **€902m** in green bonds

UNIT-LINKED FUNDS

- **157,000** unit-linked contracts purchased by policyholders include SRI or themed funds. Portfolio: **€592m**

GOVERNMENT BONDS AND EQUIVALENTS

- Excluded countries:
  - countries rated as "not free" and "partly free" by Freedom House
  - countries rated as "corrupt" by Transparency International
  - Tax havens, AML/CFT



EQUITIES

- **Best-in-class strategy**
  - Quarterly ESG screening with SRI analysts at Natixis AM since 2006 and LBPAM since 2009
  - If ESG screening reveals problems and discussions with the issuer are unproductive, further purchases may be halted or the existing holding may be sold
- **Vote at General Meetings**
- Exclusion from portfolio or weighting limited based on compliance with Global Compact principles
- Policy on coal and sensitive countries

FORESTS

- France's **largest** private owner of woodland, with **54,077** hectares at end-2016
- ISO 9001 and PEFC-certified sustainable management by 50% subsidiary Société Forestière since 2003
- Objectives: safety, biodiversity, anticipate effects of climate change

PROPERTY

- Managed by specialised companies based on strict specifications, notably regarding the environment and safety
- Sustainable management charter with Icade, "Green appendices" included in master property management contracts and club deals
- Energy efficiency assessments for compliance with Grenelle II have been carried out on **143** fully owned property assets

I.4.1 THE ASSET MANAGEMENT STRATEGY LAID DOWN BY CNP ASSURANCES AND APPLIED BY MANAGEMENT COMPANIES COMBINES ESG SCREENING WITH A LOW-CARBON OBJECTIVE

Listed equities

The approach is based on best-in-class management as regards ESG criteria. A process of quarterly monitoring established in 2006 facilitates dialogue on the SRI analyses of Natixis AM (Mirova) and LBPAM, serving to identify securities at risk and the prevailing challenges. Dialogue is engaged with companies held in these funds when ESG issues are identified, either through our asset managers or directly. 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.

CNP Assurances' responsible investor approach in the listed equity compartment supports the energy and environmental transition, particularly through the development of a **carbon risk and opportunity approach** combining a range of resources.

CNP Assurances' strategy is based first on a number of **exclusions:** since 2008, producers of cluster munitions and anti-personnel mines, and, since 2015, all companies mining coal or producing coal-based energy when they derive more than 15% of their revenue from thermal coal.

In addition, in line with its commitment to the Montreal Carbon Pledge in May 2015, CNP Assurances measures and publishes the **carbon footprint** of its financial portfolio, starting with the portfolio of directly held listed equities. At 31 December 2016, the footprint is estimated at 0.405 tonnes of carbon dioxide equivalent (t.CO_2eq.) per thousand euros invested. Keen to facilitate the transition to a low-carbon economy, CNP Assurances has set itself the **goal of reducing the end-2014 level by 20% by 2020** (a slightly faster pace than the commitments made by the European Union in the Paris agreement). As a long-term shareholder, it aims to **promote dialogue with the companies of which it is a shareholder.**

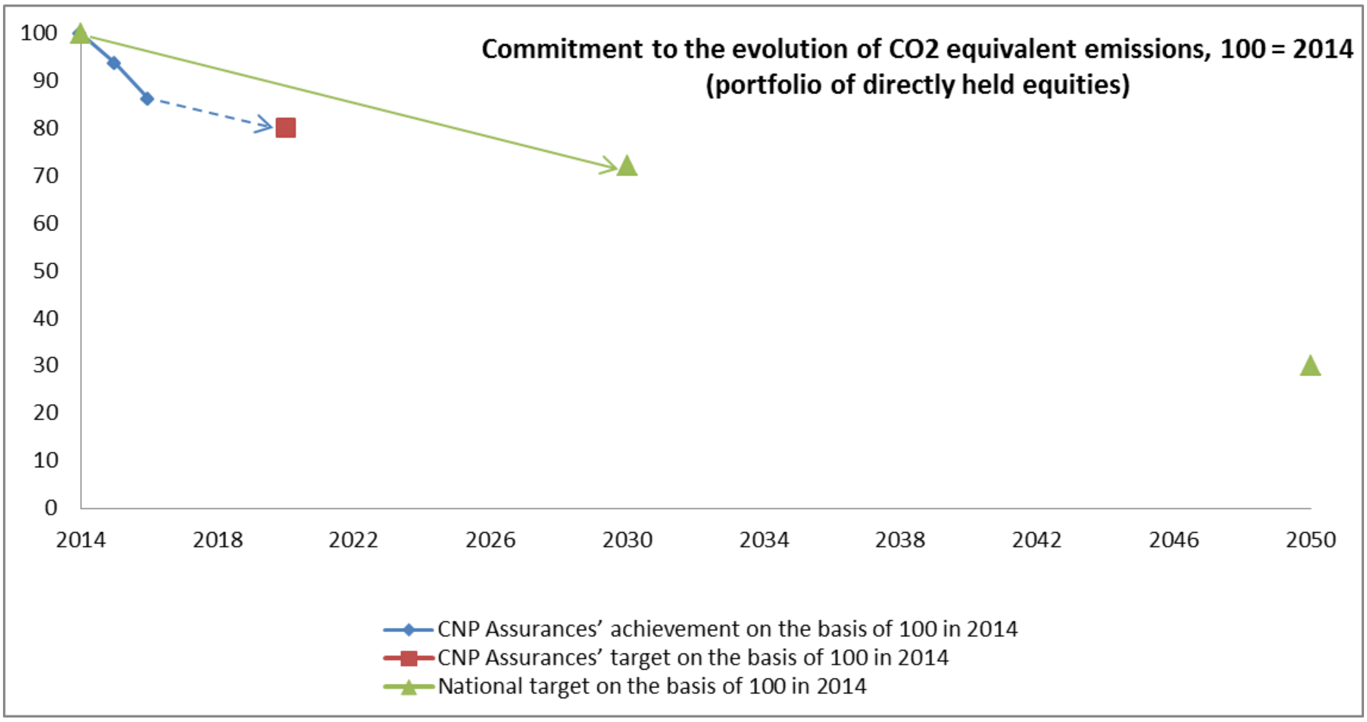
Engagement of this nature calls for a few methodological comments. The carbon footprint is an estimate of Scope 1 and 2 GHG emissions by portfolio companies without adjustment for overlaps, based on the asset value of the corresponding portfolio. At this stage, the choice has been made not to include Scope 3 emissions. As only very few companies disclose this information, their calculation would require the use of unreliable estimates. But above all, CNP Assurances uses the calculation of the carbon footprint to manage progress towards the carbon reduction objective rather than for intra-industry comparisons already taken into account in the E-factor of ESG analysis.

Experience has shown that such estimates are volatile, and depend largely on the scope and data collection methods used in the various companies, and changes in reference emission factors. As such, while the 2016 results are very encouraging, CNP Assurances remains vigilant and is pursuing its carbon reduction efforts.

While the monitoring of CO_2 emissions highlights the contribution of issuers in the fight against climate change, CNP Assurances supports, over and above the carbon footprint of its equity portfolio, the methodology developed by Carbone 4 in the area of **"avoided emissions"** aimed at making it easier to identify companies that are both big CO_2 emitters and heavily committed to CSR.

These commitments have led it to reinforce its role as a responsible shareholder and to further enrich dialogue with issuers. This open approach to providing support is quite relevant given the fact that the CO_2 emissions of the portfolio are highly concentrated: ten companies alone account for more than 80% of the total.

For more details, see the Directly Held Equities sheet in the second part of this report. In it, we explain the convergence test between CNP Assurances' commitments with a 2°C scenario, which reinforces the pertinence of its objective.



Bonds

The approach is to exclude from the investment universe issuers that are incompatible with the ESG and climate strategy.

- Government bonds and equivalents: ESG screening excludes so-called sensitive countries rated as "not free" and "partly free" by Freedom House, and those rated as "corrupt" by Transparency International, as well as tax havens. CNP Assurances is very interested in the emergence of green public bonds, which will help promote government initiatives in favour of the fight against climate change, which are hard to detect in SRI ratings as they stand.
- Corporate bonds: issuers are given quarterly ESG ratings, and can be excluded from the portfolio or have their weighting limited on the basis of their compliance with the Global Compact principles. Since 2008, CNP Assurances has also excluded bonds issued by arms manufacturers whose products include anti-personnel mines or cluster munitions.
- Since 2015, it has additionally excluded all companies mining coal or producing coal-based energy when they derive more than 15% of their revenue from thermal coal. CNP Assurances has also sold off nearly €300 million in corporate bonds issued by companies that extract coal and produce coal-based energy. At the end of 2015, it no longer had any direct holdings of listed equities or bonds issued by companies that derive more than 25% of their revenue from thermal coal.

Mutual funds (excluding unit-linked products)

The decision on which mutual funds to include in the portfolio is made by taking into account management companies' ESG commitments and by complying with the Group's investment principles. For several years, exclusion has been applied to companies speculating on agricultural commodities and producers of cluster munitions and anti-personnel mines. Since 2015, it has been extended in dedicated mutual funds to the securities of companies that fail to comply with the principles of the Global Compact or that are non-compliant on the issue of coal, as described in the approach taken on bonds (see above).

The issue of sensitive countries is also monitored: investigation of the treatment of tax havens and embargoes in 2015, inclusion in the due diligence questionnaire and exclusion from new dedicated mutual funds. Furthermore, SRI mutual funds total €2.8 billion, or 10% of assets of all non-dedicated mutual funds held at 31 December 2016.

SRI unit-linked funds offered to policyholders

In personal insurance, direct action by policyholders in support of a responsible economy and the fight against climate change is reflected in the selection of SRI funds in savings products. They are offered in each of the flagship unit-linked products available in the individual insurance offerings of CNP Assurances, such as:

- LBPAM Responsable (http://www.labanquepostale-am.fr/isr/ notre_offre_isr.html);
- 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 2016. At the end of the year, nearly 157,000 life insurance policies included an SRI fund. SRI assets totalled €592 million at that date, an increase of more than 9% compared with 2015.

The inclusion of ESG governance criteria in the management of the assets underlying all our traditional savings products and own funds' portfolios is promoted among policyholders. A brochure on "CNP Assurances' CSR Commitment" was sent to several thousand policyholders and included in the main materials used to present CNP Assurances' offers to its partners.

In its wealth management offering developed in 2015, CNP Assurances offers unit-linked products comprising directly held securities. Eligible securities offered to policyholders are selected by taking into account the Group's ESG exclusion rules on environmental (coal), social (Global Compact) and governance (sensitive countries) issues applicable to financial assets.

I.4.2 CNP ASSURANCE, A RESPONSIBLE SHAREHOLDER

CNP Assurances has systematically exercised voting rights on its portfolio of listed French companies since 2005. The voting scope, extended in 2016 to European companies presenting environmental and carbon risks, covers 81% of the corresponding assets.

Voting principles are laid down by Executive Management and updated annually. The core objective is to protect the rights of minority shareholders who are investing to support the investee's long-term growth. Shaped in part by investor concerns, these principles are pragmatically applied to each company in the portfolio, taking into account each one's characteristics, industry and regulatory environment. The presentation of CSR and climate challenges is examined when necessary.

CNP Assurances reviewed 1,726 resolutions proposed at 92 meetings, voting against 19.4% of them. When there were issues with proposed resolutions, CNP Assurances endeavoured to talk to the companies concerned ahead of the meetings.

The review of shareholder engagement activities is presented in Part 2, in the Directly Held Listed Equities sheet.

I.4.3 SUSTAINABLY MANAGING PROPERTY ASSETS

With €12 billion in total property assets in France based on net book values at the end of 2016 (held directly and via club deals and funds), CNP Assurances is an important player in this market. Management of its property assets is entrusted to specialised companies on the basis of strict specifications that deal notably with the need to preserve the environment and ensure the safety of the properties' users. These include the Sustainable Property Management Charter adopted with Icade in 2008, and in 2014 the establishment of a "green works charter" to take into account the impact of all co-owned property management agreements on the environment and on users' health and safety.

A commitment to improving energy performance

Each property renovation project undertaken since 2007 has been an opportunity to improve energy efficiency. CNP Assurances seeks to ensure the application of the highest environmental standards. At the end of 2016, 21% of property assets under direct management were certified to HQE, THPE, BBC or Bream Very Good standards. Since 2009, an environmental audit has been systematically carried out on all newly acquired properties. 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 even more involved in the green building sector. To raise the awareness of its tenants in the fight against climate change, CNP Assurances introduced green leases in 2012.

A general audit to extend the scope for improvement

In advance of the requirements under France's Grenelle I and II laws, 143 of CNP Assurances' wholly owned property assets have been assessed to measure their energy efficiency. Action plan scenarios have been established for each building in order to reduce energy consumption and CO_2 emissions. As part of these plans, CNP Assurances has already rolled out a €150 million renovation programme aimed at reducing the energy consumption of the entire property portfolio by 20% by 2020 in comparison with 2006.

In 2016, CNP Assurances launched a pilot scheme to track health, safety and environment (HSE) compliance by one of its property management companies. The company's response to the observations made during a five-pronged diagnostic was monitored, yielding a completion rate of 44% at end-2016. The objective is to audit all assets over a three-year period.

The details of the integration of ESG criteria and contribution to the energy and environmental transition are presented in Part 2, in the Property sheet.

I.4.4 INFRASTRUCTURE AND PRIVATE EQUITIES, THE RIGHT VEHICLES FOR FUTURE CHALLENGES

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 27 private equity funds were rated in 2016. In addition, CNP Assurances has invested in several socially beneficial funds in a total amount of nearly €135 million at 31 December 2016. Examples include financing small businesses that have trouble raising capital due to social barriers, and supporting SMEs facing financial hardship.

ESG reporting is also used for new infrastructure investments. In 2016, 56% of infrastructure funds took part in this reporting or provided their own reporting.

Investments in funds supporting the energy and environmental transition: €1.7 billion at the end of 2016

At 31 December 2016, CNP Assurances had €34 million invested in private equity funds in the clean energy, clean industry and cleantech sectors. Investments in renewable energy infrastructure, sustainable mobility and water and waste treatment represented total assets of €651 million at 31 December 2016. An additional €902 million is invested directly in green bonds funding specific environmental projects.

Its commitment is reflected above all in support for innovative initiatives. Thus, at the end of 2015, with management company Meridiam, CNP Assurances launched the “Meridiam Transition” infrastructure fund to finance innovative development projects related to the energy transition, local services such as heating systems or energy from recovered waste, electricity and gas grids, and innovative renewable energy. A total of €100 million was committed in 2015, plus an additional €49 million in 2016.

Thanks to progress in its low-carbon strategy, CNP Assurances achieved its initial goal of doubling its investments in the energy and environmental transition sector between 2015 and 2017, with assets reaching €1.7 million at 31 December 2016.

The breakdown of investments by sector and their contribution to the 2°C objective are presented in Part 3.

Support for innovative SMEs with a social impact

Be they innovative start-ups or SMEs with an established presence in their market, operating in the high-tech sector or established 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. Three investments of various kinds were made in 2016. After supporting a crowdlending platform for SMEs, CNP Assurances chose to fund a telemedicine solution to fight against social and geographical inequalities in access to healthcare. Lastly, a few months ago, it gave support to a new online health insurance company dedicated to start-ups and SMEs.

CNP Assurances also has specific funds to support businesses experiencing difficulties, with €128 million committed in 2016. Also in 2016, CNP Assurances partnered with the NovESS fund, whose objective is to support the transition and change of dimension of the Social and Solidarity Economy.

I.4.5 WOODLAND: AN ECOLOGICAL OPPORTUNITY

Integrating environmental issues in woodland management processes

CNP Assurances is France’s largest private owner of woodland, with 54,077 hectares at 31 December 2016. Société Forestière, a 50%-owned subsidiary, is a committed player in sustainable forest management aimed at preventing fires, promoting biodiversity and anticipating 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.

A major carbon sink in France

In 2016, the growth of CNP Assurances’ trees helped sequester 529,191 tonnes of CO_2. After deducting timber sold or cut down during the year, a net 236,988 tonnes of CO_2 was added to the sequestered total in 2016.

Anticipating climate change

The Sustainable Management Charter approved in 2001 formalises commitments for sustainable management respecting biodiversity and anticipating climate change. The climate change issue is a key factor in managing CNP Assurances' forests. In order to ensure the long-term health and value of the woodland, the management company selects transitional tree species adapted to current and future climates, and pays increasing attention to the soil moisture reserves in areas where new trees are being planted.

Preserving biodiversity

Société Forestière continued its actions in favour of biodiversity in 2016. It regularly strives to maintain dead trees in forests, whether they are still standing or have fallen. Dead trees are home to very specific biodiversity – more than a quarter of animal and fungal forest species – and are of major interest for scientists and NGOs working to protect nature. Another example is the management of the Fayez forest in north-eastern France, which aims to gradually renew beech stands, which are representative of habitats that must be protected on this site.

CNP Assurances' woodland management also prevents soil erosion and ensures water filtration and purification.

I.4.6 EXCLUSION OF "SENSITIVE" COUNTRIES, ESPECIALLY "TAX HAVENS"

CNP Assurances formalised its policy of excluding offshore financial centres at the end of 2014. In line with its commitment as a responsible insurer and investor, and its status as a public company, CNP Assurances has drawn up a list of prohibited countries covering all of its activities. Other than countries prohibited as part of the fight against money laundering, terrorist financing and non-cooperation in tax matters, the list includes countries identified as tax havens based on the Tax Justice Network indices, as well as those posing serious problems with regard to democracy, human rights and corruption, as determined by Freedom House and Transparency International.

All operations in these countries are excluded, and purchases are prohibited across all asset segments.

I.4.7 MFPRÉVOYANCE ASSETS

MFPrévoyance delegates the financial management of its assets to two asset managers, OFI AM and Natixis 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.

NAM is gradually including this information in its reporting. The ESG data are systematically integrated into the issuer credit risk analysis as soon as 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 NAM. (Find out more at http://www.nam.natixis.com/en-INT/Commitments-AD.)

OFI establishes an ESG report giving the rating of the directly held portfolio. It also indicates that the majority of 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.

Accordingly, at 31 December 2016, assets in MFPrévoyance's SRI funds amounted to €16.9 million, or 7.95% of investments in mutual funds. The carbon footprint of the assets managed by NAM at 31 December 2016 was 0.137 tonnes of CO_2 equivalent per thousand euros invested according to the methodology developed by Carbone 4 and Mirova (http://www.mirova.com/). The carbon footprint of the assets managed by OFI under the management agreement at 31 December 2016 was 0.220 tonnes of CO_2 equivalent per thousand euros invested according to the methodology developed by OFI (https://www.ofi-am.fr/).

I.5. Risk management policy: identification procedures, overview and exposure

The risk management system incorporates risk as 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.

Risk management was informed by frequent committee meetings, both cross-functional and focused on specific risk categories, in 2016. Of particular note for assets were the Investment Committee, the Asset Risk Monitoring Committee, the Strategic Asset Allocation Committee and the Asset/Liability Management Committee.

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

The Board of Directors has accordingly validated 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 management companies: Natixis AM, with its dedicated subsidiary Mirova, and LBPAM, which together manage the directly held assets, i.e., more than 70% of the portfolio.

This approach, which has been rolled out gradually since 2006 and which covered 81% of the portfolio at the end of 2016, shows that CNP Assurances' exposure to ESG risks is limited:

- This is particularly the case for sovereign bonds and bonds issued by companies in the public sector (nearly one-third of assets), 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 (listed equities and corporate bonds, representing another third of assets), which are screened on ESG criteria by the experts of the two management companies. Thanks to ongoing best-in-class management, the portfolio's ESG rating is better than those of the benchmark indices.

As regards climate risk, CNP Assurances is particularly aware of the potential impact of climate change on the value of its assets due to the long-term investment focus.

Specifically, exposure to physical risk is relatively limited as regards property assets (buildings, shops, offices, woodland, i.e., 4% of the portfolio). Most of these assets are located in France, and 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 centennial flood of the Seine.

As regards corporate assets, it should be noted that it is impossible at this stage to assess their exposure to physical climate risk. At best, it can be stated that risk-spreading rules, both by sector and by individual asset, are a limiting factor. A precise analysis would require companies to have information about their sites located in areas at risk of natural disasters based on projections factoring in climate change but also information about health risks, the threat of productivity losses in the wake of climate change and dependence on natural resources, especially food, water and energy.

As regards transition risk, the first point to note is that asset value is potentially exposed to regulatory, technological, market and reputational risk, especially for real estate assets and companies operating in the Energy, Transport, Materials and Construction and Agrifood sectors. Holdings in these sectors represent 6%, 3%, 1.3% and 3% respectively of the CNP portfolio (equities, bonds, infrastructure).

In real estate, CNP Assurances anticipated the implementation of future standards aimed at reducing energy consumption as early as 2014 (see the comments on the Gréco Project in the Property sheet on page 37).

ESG analysis has for several years factored in the risks and opportunities related to climate change: the most material risk highlighted was for coal, which prompted CNP Assurances to sell all securities held in companies deriving more than 25% of their revenue from thermal coal.

Moreover, CNP has calculated the carbon footprint on its corporate assets to highlight the companies most exposed to transition risk, i.e., those with the most carbon intensive businesses. Clearly, the higher the carbon emissions, the more the company is at risk of seeing its business model impacted by regulations or environmental taxes in the coming years. In keeping with its commitment as a responsible shareholder, the Group has established dialogue and engagement with key stakeholders to ensure their awareness of the associated risks and opportunities, and to help them in the transition to a low-carbon economy over time.

Lastly, with regard to 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 to be made about the climate impact of activities undertaken by companies, broken down by sector, geography and life cycle. With this in mind, and with a view to ensuring that the scenarios are reliable, CNP Assurances has chosen to rely solely on the following references:

- The 2°C Scenario (2DS) of the International Energy Agency (IEA) – Source World Energy Outlook 2015;
- France’s commitments within the European Union to reduce its carbon emissions;
- The national low-carbon strategy.

It has set different goals on the basis of these documents, including that of reducing the carbon footprint of its portfolio of directly held equities by 20% between 2014 and 2020, a rate higher than that of the European commitments (see Equities sheet). Moreover, it now reviews investment projects in infrastructure in the light of the energy mix scenario corresponding to the various IEA scenarios.

The convergence of these references with the CNP Assurances scenarios is presented in Parts 2 and 3.

II. ESG SELECTION AND SUPPORT FOR THE ENERGY AND ENVIRONMENTAL TRANSITION: DETAILED DESCRIPTION BY ASSET CLASS

II.1. DIRECTLY HELD LISTED EQUITIES

Best-in-class selection, shareholder engagement over time and clearly stated goal of reducing carbon emissions

The relevant financial assets

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 2016.

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

Ways in which ESG criteria are taken into account

Governance of the ESG approach:

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

The best-in-class approach has been chosen. Thus, preference is given to the companies with the best ESG ratings within their sector. Without constituting benchmarked management, this approach allows comparison to be made with market indices.

Each manager presents the portfolios' ESG rating, developments and sector issues to the CNP Assurances SRI Committee each quarter. The CNP Assurances SRI Committee comprises the Sustainable Development department, the Group Investments department and the Group Risk department. This approach has been in place since 2006 with Natixis AM and since 2009 with La Banque Postale AM. CNP Assurances ensures the consistency of the two approaches, notably by opting 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 sustainable development teams.

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

Natixis AM and Mirova, its subsidiary dedicated to SRI

Mirova sees SRI as a dynamic process aimed at encouraging investment in projects more consistent with sustainable development issues. This committed management informs SRI research and the integration of ESG aspects into portfolio management. Corporate social responsibility (CSR) analysis requires a review of ESG issues in addition to financial analysis.

Mirova's analysis of the CNP portfolio prioritises the following issues:

- the fight against climate change;
- the control of pollution;
- the conservation of resources;
- the protection of biodiversity;
- fundamental freedoms;
- the right to health;
- the right to development;
- responsible governance.

Each of these issues is described in the following public document: Mirova ESG approach (http://www.mirova.com/Content/Files/MIROVA_ESG%20issues.pdf)

Mirova has identified eight major themes in terms of climate risk analysis. Based on this matrix, the Mirova teams identify companies that develop solutions for the future, provided that they also reallocate the criteria of corporate social responsibility (CSR). The objective is to ensure that companies respond to key sector issues. For example, within the "sustainable buildings and cities" theme, evaluation of companies operating in the building materials sector puts strong emphasis on the energy efficiency of materials, but also on other criteria within the framework of the review of CSR practices, such as CO_2 emissions from production processes, health and safety, respect for fundamental human rights, business ethics, etc. Whatever their business sector, these companies can leverage numerous factors: technological innovation, sustainable products or services (etc.) that are consistent with a long-term strategy and which can contribute to the emergence of a more sustainable business model.

The selected themes are sustainable energy, sustainable mobility, sustainable buildings and cities, sustainable resources, sustainable consumption, sustainable health, sustainable information and communication technology and sustainable finance. The methodological details are set out in the following public document: Mirova climate risk approach

(http://www.mirova.com/Content/Documents/Mirova/publications/va/8themes/MIROVA_8%20sustainable%20themes.pdf)

La Banque Postale AM

LBPAM boasts a team of ISR analysts using multiple external sources to analyse medium- to long-term ESG challenges.

For each business sector, the SRI team draws up a matrix on the weighting of SRI challenges: the higher the risk associated with an ESG pillar in the relevant activity, the more heavily it is weighted. The challenges are updated monthly with managers to ensure the consistency of financial and CSR analysis.

Initial quantitative analysis based on recognised external sources can cover a large universe (2,000 companies in OECD countries): it compares ESG assessments given by ratings agencies with the ESG sector matrix developed by LBPAM. Lastly, the final rating is adjusted on the basis of the opinions of the research bureau.

The ESG opinion is noted on five levels corresponding to quintiles obtained on each sector.

These opinions are then reviewed quarterly by the SRI team on the most relevant universe for LBPAM's activity, i.e., around 800 issuers:

- The ratings given by the SRI team can be adjusted in a well-defined process (e.g., documents arising from meetings with the company, identification of new risks, emerging controversies, etc.);
- Contact is made with individual companies to arrange meetings during the quarter in the event of doubt as to the ESG rating, as part of sector reviews.

The SRI analysis team adds value by focusing on the differentiating elements 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: http://www.labanquepostale-am.fr/media/pdf/isr-et-engagements/LBPAM_Responsable_Actions_Euro_Code_de_Transparence.pdf

For climate change, LBPAM has established a methodology to calculate carbon intensity, a carbon approach, and integrates the energy transition into ESG analysis: definition of sector issues (global warming, pollution, scarcity of resources, public health) and assessment of alignment with the International Energy Agency scenarios. LBPAM identifies sectors and companies providing environmental solutions, and measures the relevant exposure in portfolios.

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

Results:

Based on the ESG and "climate risk" analyses presented above, Mirova and the LBPAM SRI team rate the portfolio companies, 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.

Reactions/changes made following ESG analysis

Integration into the investment policy:

1- Best-in-class management: selection of the best companies in ESG terms within a given sector

Natixis AM:

Stock 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 SRI criteria, in a qualitative manner. Financial criteria are applied to the management universe (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") by Mirova's ESG research team, 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 2016, themes developed by Mirova were used in management positions through investment opportunities on the following themes: solutions for sustainable mobility (two listed companies), solutions proposed for "green buildings" (three listed companies) and energy efficiency solutions in industry (four listed companies). Other sectors have been the focus of investments on positively rated securities (seven companies in 2016): utilities, concessions-contracting, technology and health.

Divestments and reductions made in the portfolio in 2016 included eight securities with the lowest "ESG" ratings ("at risk" and "negative").

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 universe, or 8.8% of Eurostoxx issuers. On other securities, they use ESG information provided; for an equivalent financial level, they prefer securities with the higher ESG rating.

At the extreme limit of the approach since 2010, 12 securities have been sold 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 our portfolios. Movements of this nature are significant on a portfolio that includes fewer than 150 companies.

2- ESG exclusions

Since 2008, CNP Assurances has excluded equities issued by arms manufacturers whose products include ant-personnel mines or cluster munitions. Moreover, securities given poor ratings by the two managers are the subject of presentations at dedicated SRI committee meetings. The CNP Assurances teams analyse the reasons for these ratings. If they are in contradiction with the principles of the Global Compact, the CNP Assurances Investment Committee examines the possibility of excluding the security from the investment universe. Several companies have been subject to this measure. Moreover, since the end of 2015, companies deriving more than 15% of their revenue from thermal coal have been added to this list (see detail in the ESG Exclusion section on page 47). In total, these exclusions represent 1% of issuers in the Eurostoxx index.

Engagement with issuers and management companies:

In the event of a problem of non-compliance with ESG criteria, constructive dialogue is engaged with the company concerned, either through our asset managers or during the lead-up to the Shareholders' Meeting. 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.

Since 2005, CNP Assurances has followed a policy of shareholder activism by systematically voting at the Shareholders' Meetings of the listed companies in its portfolio. 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 exercising its voting rights, CNP Assurances bases its internal voting policy on public information and, if necessary, on dialogue with the company and analyses conducted by an expert firm. In 2016, CNP Assurances voted at the Shareholders' Meetings of 99.9% of the French companies in its portfolio. The voting scope was extended in 2016 to European companies presenting environmental and carbon risks. CNP Assurances reviewed 1,726 resolutions proposed at 92 meetings, voting against 19.4% of them.

Since COP21, CNP Assurances has also fostered dialogue and, where appropriate, signed letters of engagement alongside companies for which the climate challenge is significant.

Contribution to the environmental and energy transition

CNP Assurances has chosen two complementary approaches to contribute to the energy and environmental transition across its portfolio of listed equities:

- First, it measures the portfolio's carbon footprint. This serves to highlight the listed companies with the highest level of emissions, and as such 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.
- This is why CNP Assurances has opted to complement this approach with a case-by-case review of the impact of companies on the energy and environmental transition. CNP Assurances has called on Carbone 4 to measure the carbon impact of its equity portfolio.

Management approach: The process is carried out internally by CNP Assurances based on information provided by the CDP in connection with other entities of the CDC Group and the assistance of Carbone 4 on methodological aspects.

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 carbon footprint are the Scope 1 and Scope 2 emission data published by companies, retrieved primarily from Bloomberg. CNP Assurances uses the most recently published information. As such, the carbon footprint at 31 December 2016 is calculated on the basis of companies' 2015 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 2016 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 calculation method is as follows:

$$\frac{\sum_i \frac{\text{Market value}(i)}{\text{Market capitalisation }(i)} \times \text{ Carbon footprint }(i)}{\sum_i \text{Gross asset value }(i)} \times 1{,}000$$

i: company in the Equity portfolio disclosing its emissions, from CDP or Bloomberg.

Results:

At 31 December 2016, the carbon footprint is estimated at 0.405 tonnes of carbon dioxide equivalent per thousand euros invested, compared with 0.47 t.CO_2eq. at 31 December 2014. CNP Assurances has set itself the goal of reducing the end-2014 level by 20% by 2020 (see below). 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. As such, while the 2016 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 and its Carbon Impact Analytics approach. This innovative methodology serves to measure the carbon footprint of an investment portfolio in two stages:

- Measurement of GHG emissions generated and avoided by companies across their entire value chain (Scopes 1, 2 and 3). Carbon Impact Analytics also measures the emissions generated and avoided by the goods and services sold;
- Evaluation of the contribution to the environmental and energy transition.

The method provides asset managers with a detailed analysis of the carbon impact of the companies of a portfolio, and allows the consolidation of the results across the entire portfolio. It offers a specific approach for sectors facing big challenges, with a methodology tailored to each sector. A qualitative assessment examines:

✓ Qualitative indicator: future carbon impact

This is a forward-looking indicator split into four levels, based on the company's investments in low-carbon challenges and spending on related research and development. To find out more about the methodology, see page 26 of the Carbon Impact Analytics methodological guide (http://www.carbone4.com/services/climate-impact-of-portfolios/?lang=en).

✓ Qualitative indicator: carbon performance

This is a four-level 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 quality. For methodological detail see page 27 of the Carbon Impact Analytics methodological guide (http://www.carbone4.com/services/climate-impact-of-portfolios/?lang=en).

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

Methodology:

Analysis of information on the various points (Carbon Impact Analytics assessment of the contribution to the energy and environmental transition, Mirova and LBPAM ESG ratings, Mirova and LBPAM analysis of climate challenges) is performed on a company-by-company basis on companies with the highest level of GHG emissions, i.e., 20 stocks covering 90% of the carbon footprint of the equities portfolio.

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. Cross-referencing companies that currently have a low or negative contribution on climate issues with those without or with an insufficiently ambitious low-carbon future strategy helped bring a number of players to light. The list was backed up by analyses carried out by our management companies.

Also identified were ten additional companies with high emissions due to their activity but deeply involved in the transition to a low carbon economy, and as such deserving of support.

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, accompanied if necessary by management positions (see below).

Reactions/changes made following energy and environmental transition analysis

Integration into the investment policy:

Following the undertaking made in November 2015, the carbon reduction goal is based on dialogue with the companies and not by the sale of “carbon” securities. This solution reflects our responsibility as a long-term investor favouring support for companies and the economy in the transition, rather than simply passing carbon risk on to others. This allows changes to be made naturally through engagement with companies, rather than through the investment policy.

Engagement with issuers and management companies:

The combination of the approaches described above has helped build a strategy of engagement with regard to the companies with the highest GHG emissions in the equity portfolio so as to meet CNP Assurances’ goal of reducing the carbon footprint of its equity portfolio. These actions, dating back to 2015, were further strengthened in 2016.

- Extension of the scope of votes at Shareholders’ Meetings to all securities in the energy sector, even when holdings are very marginal.
- Vote against executive compensation for companies that do not or insufficiently contribute to the energy and environmental transition: five companies are concerned.
- Direct dialogue with the energy sector (four one-to-one meetings in 2016).
- Engagement since mid-2016 by co-signing letters addressed by Mirova to companies with high ESG risk and 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 18 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. Eight companies gave favourable feedback on the areas for improvement cited.

Companies have by and large rallied to the message delivered by CNP Assurances CEO Frédéric Lavenir at the November 2015 Novethic Colloquium announcing the goal of reducing the carbon footprint of its equity portfolio by 20% compared with the end-2014 level by 2020. As stated by Deputy Chief Executive Officer Antoine Lissowski at the 2016 edition of this conference, this indicator is monitored monthly, thereby confirming CNP Assurances’ enduring commitment after COP21.

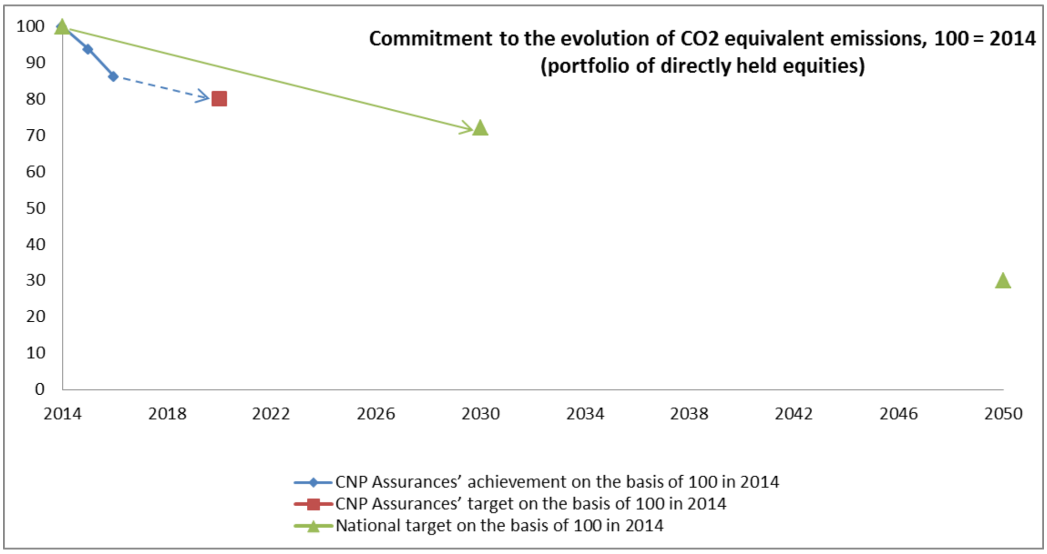
These influential messages, combined with the ambitious targets set out below, will prompt companies to take note of the transition risk and make them bring forward their adoption of a low-carbon strategy.

Indicative targets and position of targets relative to national objectives:

CNP Assurances has set a goal of reducing the carbon footprint of its equity portfolio by 20% compared with the end-2014 level by 2020 (in order to prompt companies to take note of the transition risk and make them bring forward their adoption of a low-carbon strategy).

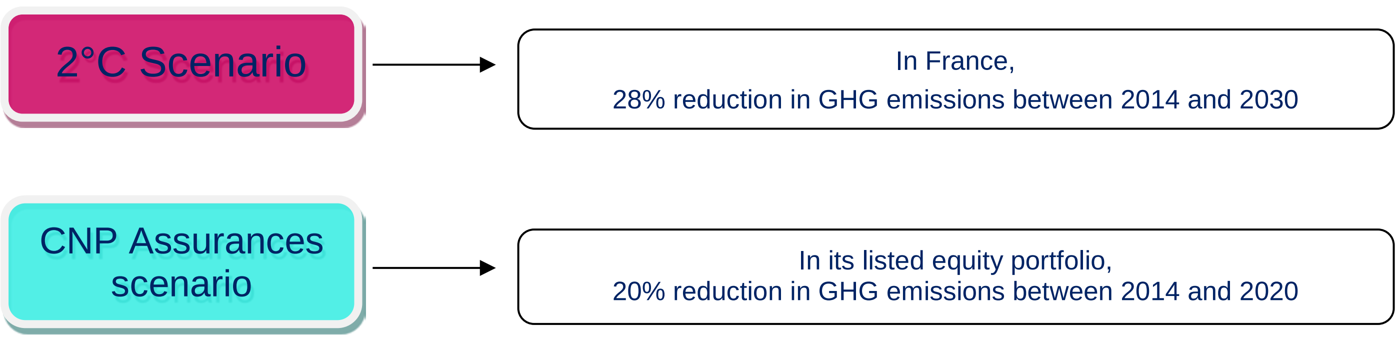
CNP Assurances' commitments reflect those made by France at COP21, transposed into the national low-carbon strategy in November 2015, namely:

- 40% reduction in GHG emissions in 2030 compared with 1990. In relation to 2014, when GHG emissions were estimated at 461.1m t.CO2eq., the reduction works out at 28% in 2030 compared with 2014;
- 75% reduction in GHG emissions in 2050 compared with 1990. In relation to 2014, when GHG emissions were estimated at 461.1m t.CO2eq., the reduction works out at 70% in 2050 compared with 2014.



As shown in the diagram above, CNP Assurances' target (red line, 20% reduction between 2014 and 2020), although covering a shorter time, is consistent with the national objective (green line), or even more ambitious. At the end of 2016, more than two-thirds of the reduction had been achieved (blue line, level reached in CNP Assurances' carbon footprint). Nevertheless, the estimates are volatile, and subject to the scope and data collection methods used by the various companies and changes in reference emission factors. As such, while the 2016 results are very encouraging, CNP Assurances remains vigilant and committed.

CNP Assurances' convergence with a 2°C scenario



II.2. PROPERTY

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

The relevant financial assets

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

Proportion of assets based on balance sheet value: €7.7 billion in net balance sheet value, i.e., 2.5% of assets at 31 December 2016

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

- assistance and advice for the setting rental, investment and asset arbitrage strategy, and implementation of the investment and arbitrage strategy;
- building management (including the rental marketing of buildings);
- strategic asset management;
- corporate management of companies;
- consolidation management;
- 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; we describe the main ones here:

- Environmental: energy efficiency, pollution, risk of flooding and natural disasters, transport;
- Social: user safety, asbestos and lead risk, accessibility for disabled people;
- 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. They cover 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 incorporating 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 in view of new environmental regulations (green leases, certification, labels), and public health safety 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 2016 underwent this process.

Integration into the investment policy:

The technical, environmental and 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.

This integration enables teams to be more sensitive to ESG issues and to combine them intelligently with economic issues. This is what recently motivated the acquisition of a student residence in which some units are subject to reduced rents. In this regard, CNP Assurances' head of property investments and infrastructure said: "As part of our commitment as a responsible investor, we are proud to be making a contribution towards dealing with the current demographic challenges by helping the younger generations find accommodation. Investing in student accommodation, and university social housing in particular, is an attractive alternative from an economic point of view as well."

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 2016. 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 owner (occupants, users, visitors, passers-by, etc.),
- **the principle of quality of fittings:** respect for this principle is based on the selection and the systematic use of or, failing that, priority given 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 as 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 theoretically more environmentally friendly.
2. BUILDING 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-site monitoring.
3. MANAGEMENT OF ACTIVITY WASTE
   - Reduce waste at source;
   - Implement waste sorting;
   - Treat, reuse and track waste 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 plants;
   - 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 pollution;
- Reduce noise for local residents.

7. LIMITATION OF ODOURS

- Avoid the presence of 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 and suitable power.
- Monitor technological and regulatory developments:
  - Strive to exceed regulatory requirements.
- Establish consumption calculations and monitoring.

13. PRESERVATION OF BIODIVERSITY

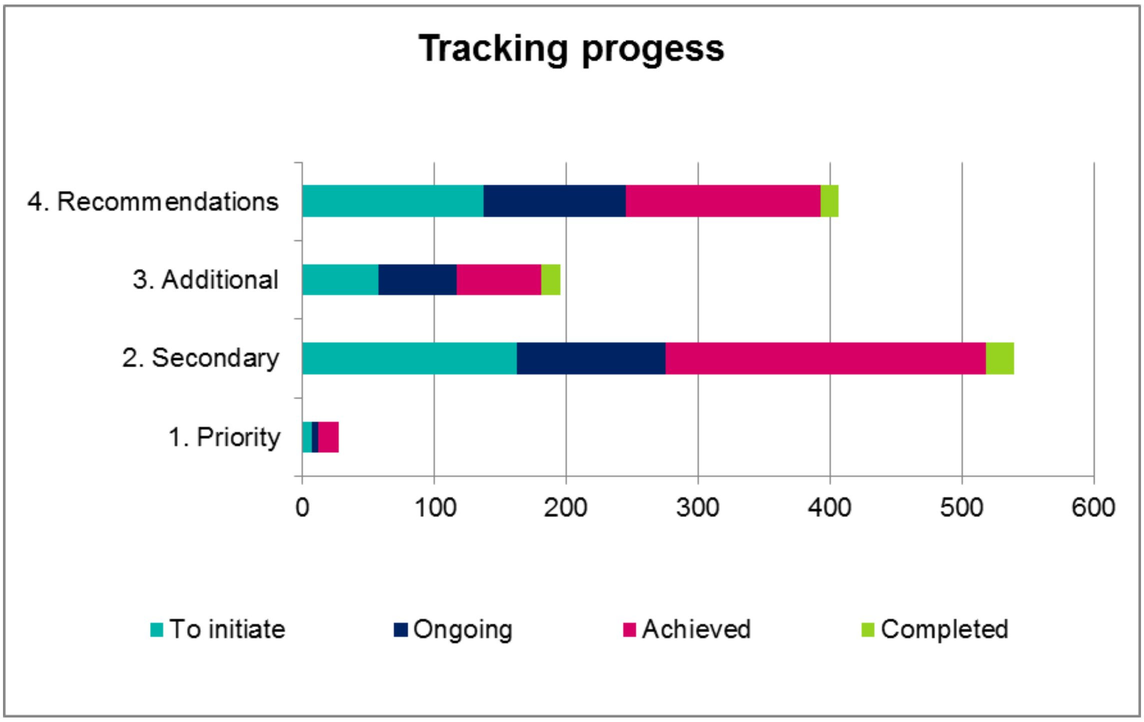
Ensure the protection of biodiversity, depending on the nature of the work, by examining technical solutions favouring greenery and technical solutions based on biodiversity and ecosystem services on buildings and green spaces (such as a sustainable management approach), including during the realisation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

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 a HSE analysis covering 79 of its directly owned properties.

Audits were carried out across the board, and tracking progress as of 31 December 2016 was 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 security of buildings and people and quality of fittings.

Moreover, CNP Assurances asks management companies to sign with it the charter for the energy efficiency of commercial buildings. At the end of 2016, 54% of asset managers had done so.

Contribution to the environmental and energy transition

As implied by the International Energy Agency's various scenarios, the property sector is key to improving energy efficiency. As such, other than certifying buildings, dealt with in the "green investment" part, the responsible strategy of supporting the energy and environmental transition in property is focused above all on renovations.

⇨Improving the energy performance of the property portfolio

Managing the contribution to the energy and environmental transition approach

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 of the existing property portfolio with a view to improving consumption of directly owned property (or wholly owned property companies) by 38%;
- commitment related to the signing of the charter for the energy efficiency of commercial buildings.

These three points are managed via the Gréco Project launched by CNP Assurances in 2012 with the aim of defining work plans tailored to each building from the outset in order to reduce CO_2 emissions and energy consumption.

Energy and environmental transition analysis

We indicate here the main features of the methodology used by the various specialised consulting firms commissioned by CNP Assurances to conduct the Gréco Project.

Nature of the main criteria:

The aim is 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 consumption (energy bills), thermal audits, mandatory and improved energy performance diagnoses 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). At 31 December 2016,168 property assets are 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 summarise the main sources of leverage on the contribution to the energy and environmental transition:

- Improved user behaviour
- Treatment of the building shell to reduce energy requirements
- Improvement of equipment performance to reduce energy requirements
- Use of renewable energy

Results:

Progress on the project at 31 December 2016: 143 of the 168 property assets covered by the project have been analysed, or their analysis is being scheduled.

The Gréco Project enables an assessment to be prepared on the annual consumption of audited assets.

	Year of origin (2006 – or year of acquisition if later)	2016	Energy saving
Primary energy consumption	242,784,662 kWh.pe/year	180,025,944 kWh.pe/year	26%

CNP Assurances' objective is to achieve an energy saving of 38% across the entire scope by the end of 2020, i.e., an estimated reduction of 20% on all property assets. At the end of 2016, 68% of this reduction had been achieved.

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

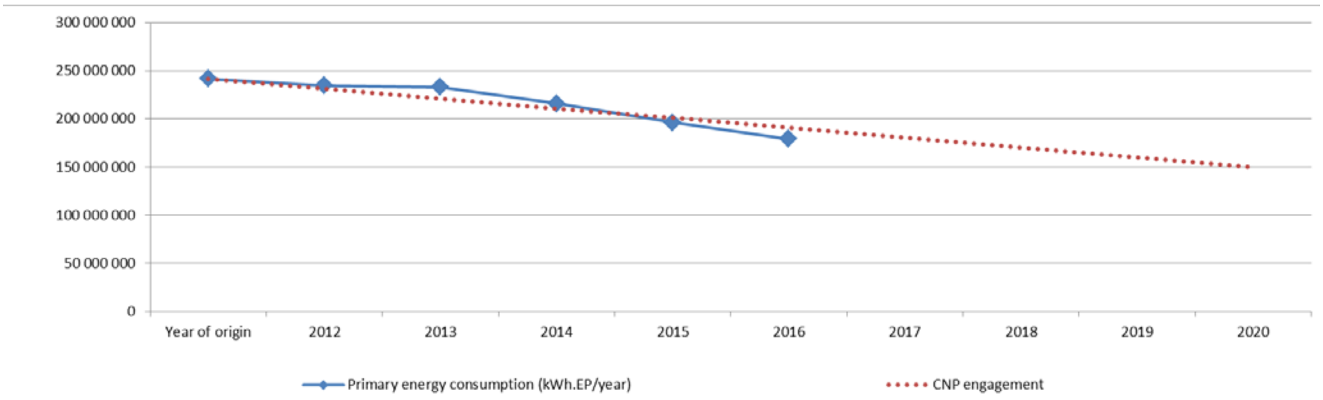
To improve user behaviour, CNP Assurances' agents have established green leases on all commercial property assets. In this context, the management companies hold meetings dedicated to energy efficiency with users each year.

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.

The building portfolio scenario based on audits and multi-year work plans allows CNP Assurances to commit to objectives for the reduction of energy consumption and carbon used (-38% by 2020).

Indicative targets: **CNP Assurances is targeting a 38% energy and GHG saving by 2020** on the Gréco scope, i.e., an estimated reduction of 20% on all property assets (public commitment made in November 2015).

Position in relation to targets at 31 December:



Year of origin: 2006 – or year of acquisition if later

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

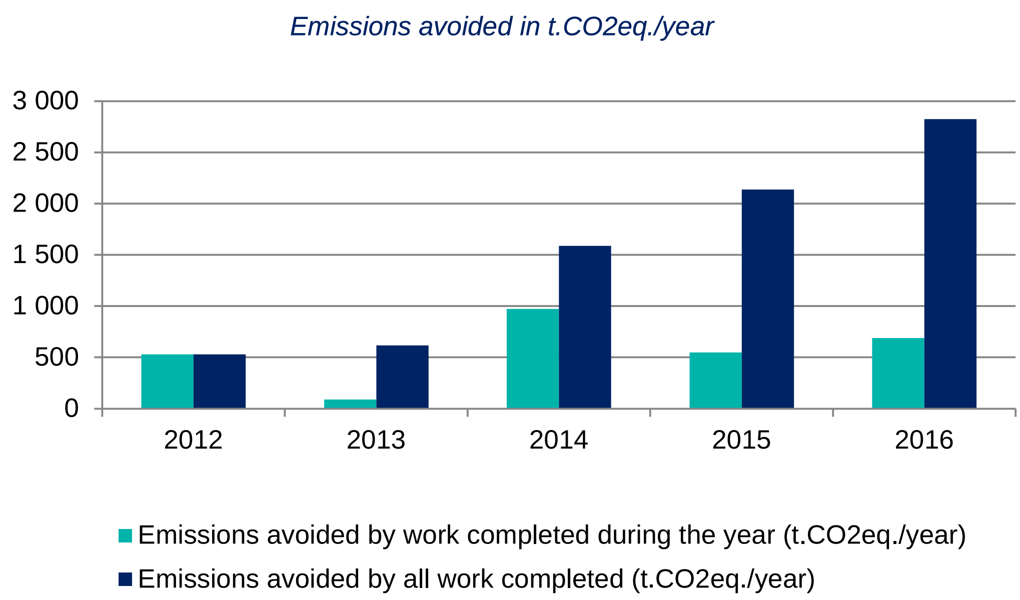
CNP Assurances' convergence with a 2°C scenario

2°C Scenario → In France, reduce the energy consumption of buildings by 28% between 2010 and 2030

CNP Assurances scenario → In its property portfolio, reduce the energy consumption of buildings by 20% between 2006 and 2020

Monitoring of CO_2 equivalent emissions avoided by the renovation of buildings

Renovation work serves to avoid CO_2 emissions. CNP Assurances has monitored this indicator since 2012. The total theoretical emissions avoided through work carried out since 2012 amounts to 2,825 t.CO_2eq./year.



II.3. WOODLANDS

"Sustainable management" certification, preserving biodiversity, carbon sequestering, adapting to climate change

The relevant financial assets

Scopes concerned: 190 forests owned directly or via SCI CNP Assurances, i.e., nearly 50,458 hectares.

7 interests in forest groupings.

Proportion of assets based on balance sheet value*:* €265 million at 31 December 2016, i.e., 0.084% of assets.

Financial management*:* Woodland management is delegated by mandate to Société Forestière, a *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.
- 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. In 2001, Société Forestière adopted a sustainable forest 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.

The criteria and indicators discussed later are all drawn from the sustainable management policy.

ESG analysis

Main criteria*:*

sustainable management certification and conservation of biodiversity are key ESG criteria integrated into 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 2016, 100% of the area of forests held by CNP Assurances had the PEFC certification. The recurring target is to have 100% of the area certified.

Preserving 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.

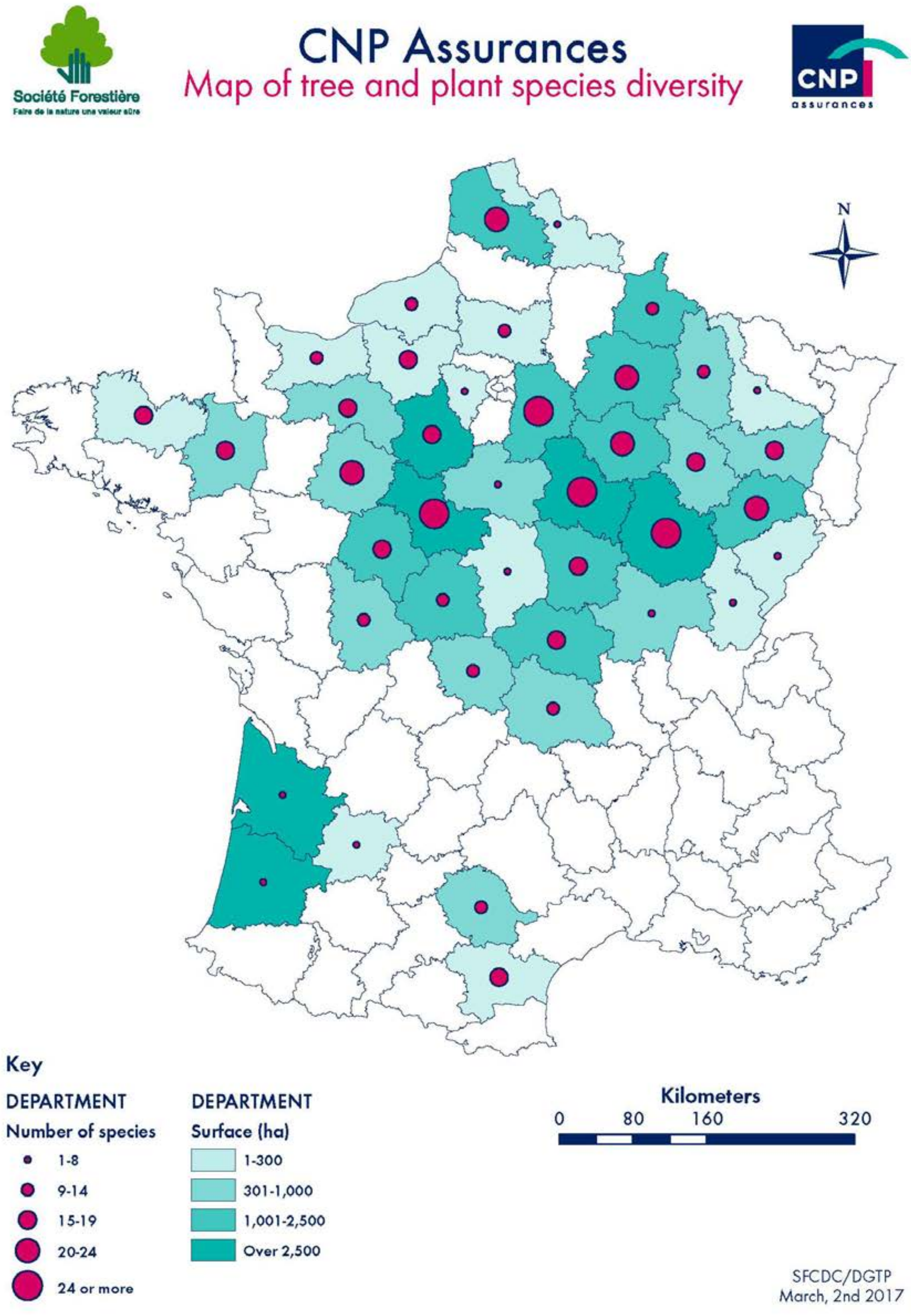
Information used and methodology:

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 2016, CNP Assurances' portfolio reflects a diversification of tree and plant species illustrated in the map below:



Reactions/changes made following ESG analysis

Integration into the 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 the PEFC certification.

CNP Assurances is also committed, through the mandate given to Société Forestière, to continuing its effort to improve forest areas when 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 its being 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 forests (wood buyers, forestry contractors, etc.) are well 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 environmental and energy transition

Managing the contribution to the energy and environmental transition approach

Carbon flow analysis is a major challenge for any business that seeks to contribute to the environmental and energy 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 seeks to reduce climate risks inherent in its forest portfolio through Société Forestière.

Energy and environmental transition analysis and its integration in management

Main criteria*:*

Carbon sequestration and adapting to climate change are the main criteria for the energy transition in the management of real estate.

Carbon sequestration

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

In reality, however, carbon can remain sequestered in other forms after logging. CO_2 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 building, known as lumber, 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. Carbon only remains sequestered for a very short time after logging, but the use of fuelwood is a substitute, in part at least, for fossil fuel (e.g., oil-fired boiler replaced by a wood-fired boiler).

Information used and methodology

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

Annual carbon flow : The annual carbon flow is evaluated on each forest plot (see above). These data, while not the most accurate, are the most homogenous in 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 CO_2 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 CO_2, thereby giving the forests' annual "carbon" 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 flow: The annual net balance of carbon sequestration on the CNP Assurances woodland portfolio was 236,988 tonnes of CO_2 in 2016. It corresponds to the gross annual amount of CO_2 storage, from which timber revenue over the year is deducted.

Total carbon storage: estimated at between 13,079,913 and 14,393,399 tonnes of CO_2 at 31 December 2016, in accordance with the chosen recognition method.

Integration into the 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

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

- 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 forest assets also reduces the risk to extreme events such as storms or drought.

- 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: health problems related to the appearance of pathogens, drought that could impact each species differently, etc.

Results:

- At the end of 2016, 43% of the woodland portfolio was covered by a plan incorporating the consideration of climate change. This rate will 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 2016 are mapped on page 43.

Position relative to the 2°C Scenario:

CNP Assurances' strategy of sustainable exploitation of forests matches the 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 as such uninterrupted carbon storage. The amount of lumber sold by CNP Assurances, i.e., 257,768 cu.m. in 2016, supports this transition.

Furthermore, one of the pillars of the International Energy Agency's 2°C Scenario is a 300% increase in global energy production from biomass between 2013 and 2040. The amount of fuelwood sold by CNP Assurances, i.e., 4,393 tonnes in 2016, contributes to this development. This wood is a renewable energy because it comes from sustainably managed forests.

With all of this activity, CNP Assurances' balanced and PEFC-certified forest 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 any transition would be futile.

CNP Assurances' convergence with a 2°C scenario

2°C Scenario

- Increase wood removal while storing carbon in timber
- Increase in power generation using biomass by 300%
- Monitor impacts on biodiversity, soil, air and water

CNP Assurances situation

In the management of its forests:

- Production of lumber
- Production of fuelwood
- Fully sustainable management, integrating the conservation of original biodiversity or to protect the soil against erosion

II.4. ESG/CLIMATE EXCLUSION

General exclusion of sensitive countries and stocks

The relevant financial assets

Scopes concerned: All financial investments (excluding open-ended and unit-linked funds) of CNP Assurances and MFPrévoyance

Proportion of assets based on balance sheet value: €257 billion at 31 December 2016, 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 stocks under surveillance (countries and companies). It is regularly updated, communicated to finance departments and management companies to be applied on an operational basis. A monthly check is performed.

1) 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 ratings on the level of democracy and freedom issued by Freedom House and the perception of corruption published by Transparency International.

Methodology: CNP Assurances each year 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 2016, 59 countries were deemed to have very high risk and 32 high risk.

Integration into the investment policy: no investment in the public and semi-public debt of countries with very high risk and no investment in companies headquartered in any such country. Investments in high-risk countries are capped. The investment committee sets the limits on a case-by-case basis. Since 2015, the new "emerging countries" funds also respect the exclusions of countries rated as very 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, and embargoed states), and by the FATF (countries subject to counter measures). Internal country risk rating and "tax havens" assessment by the Tax Justice Network.

Results: in 2016, the black list contains 45 countries.

Integration into the investment policy:

NCST, embargo and FATF exclusions were rounded out at the end of 2014 by the prohibition of investing in countries regarded as "tax havens" in accordance with analyses presented above (public debt and companies headquartered in such countries). The compliance of the few investments held in these areas has been checked.

2) Companies

Main criteria*:* Since 2008, exclusion of producers of anti-personnel mines and cluster munitions. Exclusion was extended in 2012 to non-compliance with the fundamental principles of the Global Compact, and then in 2015 to companies whose business is related to coal. The latter exclusion is related to the strategy of supporting the environmental and energy transition, it is dealt with in the contribution to the energy and environmental transition approach part.

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 Natixis AM and LBPAM. These alerts are discussed at quarterly SRI committees.

Methodology: When the alert corresponds to a breach of the fundamental principles of the Global Compact, CNP Assurances asks the manager 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 2016, five companies were blocked in the investment universe.

Integration into the investment policy: The list of excluded companies is communicated to management companies authorised for the management of listed securities. Securities are sold where appropriate and blocked in the authorised investment universe. The approach also applies to the underlying dedicated funds.

Prohibited weapons

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

Methodology: By relying on a non-financial agency specialising in the field of arms (Ethix), SRI research teams at Mirova, a wholly owned subsidiary of Natixis AM, regularly update the exclusion list integrating all listed or unlisted companies:

- involved in the use, development, manufacture, marketing, distribution, storage or transport of APMs or cluster munitions
- or holding 30% or more of a company involved in the activities mentioned above.

When the company's involvement is established, it is necessary that the component proposed by the latter be key and allocated to the manufacture of cluster munitions and/or anti-personnel mines.

CNP Assurances uses the list directly without any adjustments.

Results: in 2016, 75 companies were excluded.

Integration into the investment policy: The list of excluded companies is communicated to management companies appointed to manage listed securities or dedicated funds, as well as teams responsible for unlisted investments.

Engagement with issuers and management companies:

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. Progress is very significant, and the latest results are satisfactory. Furthermore, 85% of these management companies adhere to the PRI, and 95% have integrated ESG criteria or exclusions.

Contribution to the environmental and energy transition

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

Managing the contribution to the energy and environmental transition approach

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

To limit global warming, the exploitation of fossil reserves must be avoided as much as possible. Coal is the fuel with the highest CO_2 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).

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, in partnership with the CDC Group, 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 2016 in 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.

- Excluding the acquisition of 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 2016).
- Exclusion from the portfolio of 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 2016).

Integration in investment policy

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

Exclusion from the portfolio: holdings above 25% in companies have been sold. As such, CNP Assurances sold off in 2015 nearly €300 million in corporate bonds issued by companies that extract 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 Equity part).

Consistency of the approach with the 2°C objectives

Indicative targets:

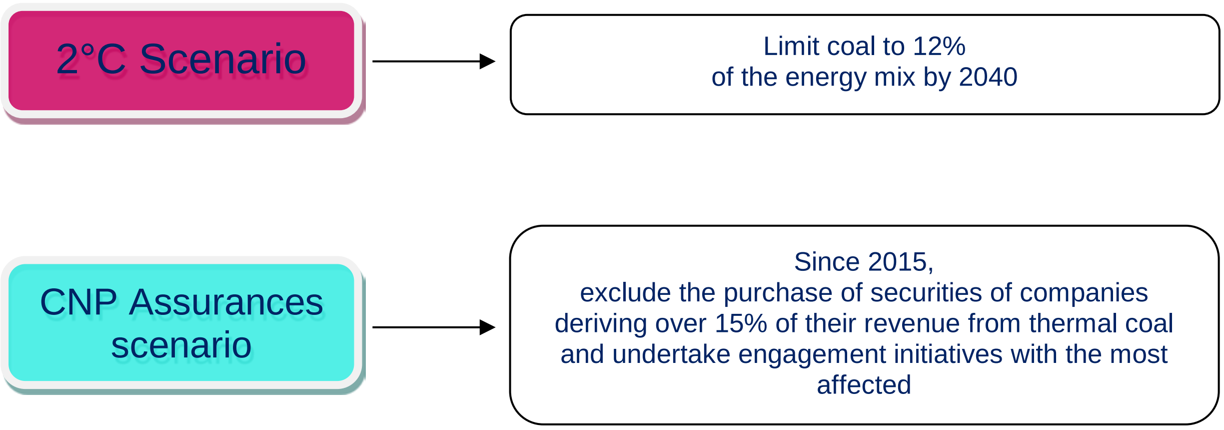
The goal achieved by CNP Assurances was, from 2015, to discontinue investing in companies above the threshold of 15% of revenue derived thermal coal and divest companies above the threshold of 25%.

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. We can nevertheless consider that its impact is significant.

CNP Assurances' convergence with a 2°C scenario



III. FINANCING OF THE ENERGY AND ENVIRONMENTAL TRANSITION, GREEN INVESTMENTS

As highlighted in the national low-carbon strategy, massive investments are 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 was discussed in Parts 1 and 2, but also directly through the funding of sustainable business opportunities for key players in the transition.

CNP Assurances, already present in this type of funding, has opted to strengthen its involvement in green investments (infrastructure, private equity and green bonds). In November 2015, it announced the objective of doubling such funding by the end of 2017.

CNP Assurances' commitment for the energy and environmental transition is not limited to this specific scope (infrastructure, private equity and green bonds). The management of other asset classes contributes significantly, as indicated by the CBI, the TEEC label and the I4CE's Landscape of Climate Finance in France. Particular mention should be made of the low-carbon property portfolio and the woodland portfolio.

Scope:

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

III.1. CNP Assurances' investments for the energy and environmental transition

CNP Assurances invests in key areas to support the energy and environmental transition identified by the reference scenario of the national low-carbon strategy, namely the energy, mobility, buildings and woodland sectors.

	Renewable energy, services and energy efficiency	**Sustainable transport and 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)	€1,028m	€314m	€395m
Target and position at 31 December 2016	2015 target: €1.6bn at end-2017 Total at end-2016: €1,737m		

- Thanks to progress in its low-carbon strategy, CNP Assurances achieved its goal of tripling its investments in the energy and environmental transition sector from the 2014 level as early as the end of 2016, with assets reaching €1.7 billion at 31 December 2016. CNP Assurances therefore increased its commitment in February 2017**, lifting the objective to €3 billion by the end of 2018**.
- NOTE: Holdings of green bonds exceed €850 million, representing 0.7% of global emissions (excluding China).

	Low-carbon buildings (label on acquisition and renovation)	PEFC-certified woodland
Financial securities	Direct holdings, property companies, debt securities	Direct holdings, property companies, land companies
Assets at year-end (in purchase value)	€4,767m	€265m

- In 2016, on these five sectors, new investment in the energy and environmental transition exceeded €2 billion, or nearly 2% of investments made by CNP Assurances over the year;

- At the end of 2016, on these five sectors, assets in the energy and environmental transition exceeded €6.7 billion, or more than 2% of CNP Assurances' total assets.

III.2. Comparison with the 2°C target

To assess the consistency of investment for the energy and environmental transition with CNP Assurances' 2°C°approach, the following criteria were analysed:

- The "green" share in the sector: ratio of the amount of a sector's investment in the energy and environmental transition to the total amount invested in the same sector. Comparison of this ratio with the 2°C scenarios existing in the sector;
- Support for the national low-carbon strategy: components of the CNP Assurances strategy.

Note that these analyses require data that are not necessarily available on all financial assets. The analyses were performed with the aim of sharing the findings of such comparisons with the market as a whole. Note that these analyses were not performed on the Miscellaneous part, which is multi-sector.

	Renewable energy, services and energy efficiency	Sustainable transport and mobility	Low-carbon buildings	PEFC-certified Woodland
Financial assets included in the calculation	Equity and debt for infrastructure		Direct holdings, property companies, debt securities	Direct holdings, property companies
“Green” share of CNP Assurances’ investment in this sector at end-2016	29% at end-2016 *(% of renewable energy in the energy sector)*	26% at end-2016 *(% of rail transport in the transport sector)*	32% at end-2016 *(% of certified buildings at acquisition and renovation)*	100% at end-2016 *(% of woodlands with the PEFC certification)*
Benchmark: “Green” share in available 2°C scenarios	36% in 2020 (% of renewable energy in the EU, source IEA)	17% of private transport and 26% of goods transport by 2030 (% of rail transport, source ADEME)	100% in 2050 (% of BBC buildings, source SNBC)	No benchmarks available
CNP Assurances’ support for the national low-carbon strategy	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 of the property portfolio in Part 2)	Balanced management between the increase in wood energy, bio-based products, while preserving biodiversity and carbon sequestration in the forest ecosystem (see detail of the woodland sector in Part°2)

CNP Assurances’ convergence with a 2°C scenario

2°C Scenario →

- 36% of renewable energy by 2020
- 26% of rail in freight transport in 2030
- 100% of low-energy buildings by 2050

CNP Assurances situation in 2016 →

- 29% of renewable energy (investment in infrastructure)
- 26% of rail transport (investment in infrastructure)
- 32% of certified buildings

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Watch our videos: #ATousNosAvenirs

With these four inspiring stories filmed by journalist Olivier Delacroix, CNP Assurances pays homage to all those who have had the courage to do something different with their lives.

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