2018 SUSTAINABLE INVESTMENT REPORT

Factoring ESG criteria into asset management and contributing to the energy and environmental transition in accordance with article 173-VI of the French law on energy transition for green growth (TECV)

OUR MISSION IS TO PROVIDE LASTING PROTECTION FOR OUR POLICYHOLDERS AND EVERYTHING THEY VALUE.

No. 1
life insurer in France(1)

No. 4
in Europe for personal insurance (excluding health)(2)

No. 4
insurer in Brazil(3)

37 million personal risk/protection insured worldwide(4)
and **14 million savings**/pensions policyholders(5)

This document contains the information required under article 173-VI of the French law on the energy transition for green growth (TCEV).
Key information relating to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and its four key pillars of governance, strategy, risk management and metrics is also provided throughout the document and identified by the following acronyms:

TCFD | Governance TCFD | Strategy TCFD | Risk Management TCFD | Metrics

Scope
Data reported are as at 31 December 2018.
This report covers all assets held by CNP Assurances and CNP Caution.
Assets held by MFPrévoyance are dealt with in a specific section.

(1) 2017 data, FFA, July 2018.
(2) Argus de l'Assurance "2016 European Top 20 Results", technical reserves and premiums table, December 2017.
(3) Source: Brazilian insurance supervisor SUSEP, October 2018.
(4) Estimates partly based on the number of contracts under management.
(5) Personal risk, health, term creditor and property & casualty insurance.

Editorial

Day after day, corporate responsibility guides CNP Assurances' financial practices as well as the teams that oversee and manage its portfolios. Tangible, constant, calculated and measured, corporate responsibility motivates each and every one of us.

Today, CNP Assurances' responsible investment strategy applies to all financial portfolios and all asset types, from shares and bonds to property and woodland.

Our commitment is what drives us. At CNP Assurances, our mission is to provide what can sometimes be extremely long-term protection for our policyholders. Just as any relationship between insured and insurer must be built on trust, so our financial portfolios must be built on strong and sustainable foundations.

Our belief in the added value of an ESG[1] approach has taken concrete shape over the years. It was first introduced in 2006 and, thirteen years later, our goal is to continue to innovate in response to the challenges ESG brings. Responsible investment is not a constraint, or a formality. It is a lever.

Our strength lies in the resources we are able to mobilise – both internally and externally. From the front office, CSR[2] and investment teams to the Risk department and Executive Management, ESG challenges permeate our day-to-day. Dialogue and collaboration with all stakeholders – be they management companies, civil society or businesses – ensure we constantly strive to improve our SRI[3] practices to protect our policyholders and everyone's future.

Marie Grison
Member of the Executive Committee
in charge of Corporate Social Responsibility

Olivier Guigné
Member of the Executive Committee
in charge of Investments

(1) Environmental, social and governance.
(2) Corporate social responsibility.
(3) Socially responsible investment.

Contents

1. CORPORATE RESPONSIBILITY GUIDES OUR FINANCIAL PRACTICES

1.1 In figures

CNP Assurances strives to give meaning to its role as an institutional investor by aligning its investment decisions with its values.

With more than **€300 billion** invested in all sectors, CNP Assurances is a major player in financing the real economy.

As a signatory of the UN's Principles for Responsible Investment (PRI), the Group chooses its investments according to Environmental, Social and Governance (ESG) criteria that have been extended to every asset class over the past ten years.

With **81%** of assets managed in accordance with ESG criteria at end-2018 and **19%** partly managed in accordance with ESG criteria, CNP Assurances is a responsible investor that tailors its global approach to the specific nature of each asset class.

With **€10 billion** worth of green investments at end-2018 and further aims to opt out of coal, CNP Assurances has stepped up its commitment to the fight against climate change, in the belief that large-scale environmental problems generate a financial risk against which we have a duty to protect ourselves if we are to uphold what are often extremely long-term commitments with respect to our policyholders.

What makes us a responsible investor

- The winning combination of a proprietary investment strategy and the delegation of transactions to management companies that share our values.
- The decision to invest directly (companies, states, property, woodland) for the majority of our financial investments, allowing greater integration of our ESG policy.
- Investment periods that are based on the time scale of our commitments to our policyholders.

1.2 Overview of our responsible investment strategy

Methods that are tailored to the specific nature of each asset class and that contribute to five of the UN's sustainable development goals:

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

Country exclusion: Countries rated "partly free", "not free" or "corrupt", and tax havens.
Securities exclusion: In accordance with the UN Global Compact: arms manufacturers whose products include anti-personnel mines or cluster munitions and coal mining and coal-based energy producing companies.
Food speculation funds exclusion: Speculation on agricultural commodities.
ESG rating analysis: ESG data collection for investment analysis.
Systematic integration of ESG in investment policy: ESG analysis and/or ratings systematically impact the decision to invest.

Strong commitments to environmental transition that will contribute to the 2 °C climate objective.

TCFD | Metrics

Target	% of target achieved by end-2018
47% reduction between 2014 and 2021 in the carbon footprint of the portfolio of directly held listed equities (0.25 tCO_2eq/€k invested in 2021)	**91%**
40% reduction between 2006 and 2021[(1)] in greenhouse gas emissions linked to the energy consumption by property assets (in tCO_2eq/m^2/year)	**85%**
€5 billion between 2018 and 2021 in additional green investment flows in favour of the energy and environmental transition	**61%**
Zero investment in businesses deriving more than 10% of their revenue from thermal coal	**100%**

(1) Change in indicator: to meet the targets for France and as part of its "low carbon" phase, CNP Assurances has changed its indicator and committed to a 40% reduction in its greenhouse gas emissions linked to power consumption by its property assets held directly or through wholly-owned subsidiaries by 2021.

1.3 Our responsible investment strategy

TCFD | Governance TCFD | Strategy TCFD | Risk management

The integration of ESG criteria is an essential vector for CNP Assurances' values. Their implementation reflects the Group's national and global commitment and is a core building block in its investment strategy.

Principle no. 1: Integrating ESG, a vector for CNP Assurances' values

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

Criteria:

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

Implementation:

Long-term commitments

As its assets serve long-term commitments, CNP Assurances holds equities from a long-term perspective, in connection with liabilities, and generally holds bonds until they mature, while at the same time maintaining active management to ensure that commitments made to policyholders are met each year.

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.

Promoting SRI funds

CNP Assurances promotes SRI funds to policyholders through its distribution partners.

Supporting the real economy

CNP Assurances supports the development of assets on specific themes in areas favourable to the environment and social integration.

Principle no. 2: Four principles for ESG integration

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

In the belief that taking ESG criteria into account when assessing an investment contributes to value creation and optimises the yield-to-risk ratio over time, CNP Assurances has been deploying a responsible investor strategy since 2006. This management approach reflects the Group's commitments as part of the Global Compact, the FFA CSR Charter, the PRI and the Geneva Association's Kyoto Statement.

Criteria:

CNP Assurances has formally defined the four principles that govern the integration of ESG criteria in its financial asset management, in accordance with methods tailored to each asset class:

- Respect human rights as defined in the Universal Declaration of Human Rights.
- 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.
- Promote the protection of the environment, the energy and environmental transition, and initiatives to reduce or adapt to climate change.
- Contribute to the fight against corruption.

Implementation:

Inclusion of one of the four principles

CNP Assurances considers that ESG criteria have been taken into account for a given asset class when all of the securities in the class are screened for at least one of the four principles and a minimum level of security is ensured with respect to the others.

Balanced application of the three pillars

The methodology applied balances the three pillars, Environmental, Social and Governance, paying particular attention to governance, which is the key to the quality of engagement over the long term.

Exclusion of activities or production methods

CNP Assurances does not exclude any business sector as a whole, but rather specific activities and production methods.

Principle no. 3: The implementation of ESG as a building block for the Group's investment strategy

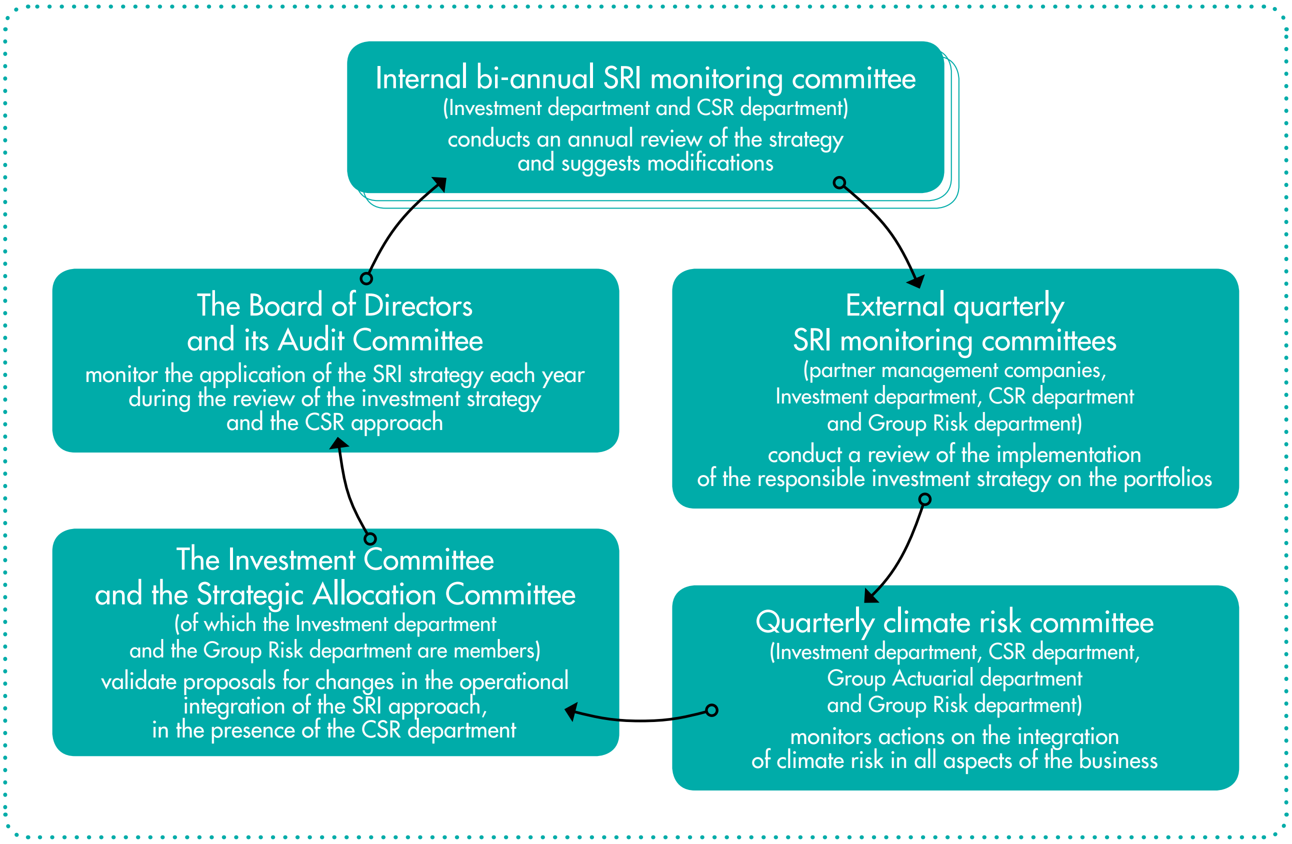
CNP Assurances' responsible investment strategy is prepared by the Investment department and the Group CSR department, in collaboration with the Group Risk department. It is defined and managed as part of the overall investment policy approved by Executive Management and the Board of Directors.

Implementation:

CNP Assurances undertakes to:

- respect principles 1 and 2 in its operations by providing the necessary human and financial resources;
- publicly disclose the steps taken and the progress made on a yearly basis.

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



1.4 Timeline of our approach in France and abroad

Review of the key milestones in our sustainable development approach, which has continued to strengthen as we progress with our commitments to national and international initiatives.

OUR COMMITMENTS

2003

Support for the UN Global Compact
The CNP Assurances Group is committed to upholding human and citizens' rights in line with the Universal Declaration of Human Rights, and to complying with the labour principles of the International Labour Organisation and the national labour laws of each host country.

In pledging to uphold the Global Compact, CNP Assurances reaffirms its commitment to respecting these fundamental values, as well as to combating corruption and protecting the environment.

NOUS SOUTENONS LE PACTE MONDIAL

2005

Greenhouse gas emission disclosure to the CDP.

CDP SUPPORTER 2018

2006

Best-in-class strategy put in place for the entire equity portfolio.

2008

Exclusion of producers of anti-personnel mines and cluster munitions from our investment portfolios.

2009

Active support for the launch of the Association française de l'assurance's (AFA) sustainable development charter.

2011

Pledge to uphold the United Nations' Principles for Responsible Investment (PRI).

Disclosure of public annual progress reports on the PRI website* (https://www.unpri.org/signatories/cnp-assurances/1056.article).

PRI Principles for Responsible Investment

OUR ACTIONS

2013

Signatory of the charter for the energy efficiency of commercial buildings launched by the sustainable building plan (http://www.planbatimentdurable.fr/charte-pour-l-efficacite-energetique-des-batiments-r204.html).

2014

Exclusion of offshore financial centres.

2015

Signatory of the Montreal Carbon Pledge.

Far-reaching commitments in favour of the energy and environmental transition (EET) (disclosure of the carbon footprint of the portfolio of directly-held listed equities, policy on coal, energy efficiency, green investments).

2016

Supporting member and signatory.

2017

Signatory of the Shift Project's "Decarbonize Europe Manifesto"and pledge to uphold the Climate Action 100+ initiative (platform for collaborative shareholder engagement).

Ramp-up of initiatives to limit global warming
Higher targets of a 30% reduction in the equity portfolio's carbon footprint and €5 billion in new investments in favour of the energy and environmental transition by 2021.

2018

Participation in working groups of the French Insurance Federation (Fédération française de l'assurance – FFA)
Contribution to the guides published in 2018 on non-financial reporting and practices of ESG engagement and exclusion and member of the ESG-climate criteria working group.

Increasingly demanding climate change objectives
- Reach 0.25 tCO_2eq/€k invested for the equity portfolio by the end of 2021.
- Exclude companies that derive over 10% of revenue from thermal coal (compared to 15% beforehand).
- Exclude companies that are heavily involved in building new coal-fired power stations.

2. THE ESG APPROACH INCORPORATED INTO EVERY PORTFOLIO

2.1 Involving shareholders

Shareholder dialogue and votes at shareholders' meetings in favour of long-term value creation

CNP Assurances' shareholder engagement takes two forms:

- voting at general meetings;
- shareholder dialogue.

2.1.1 Voting at general meetings

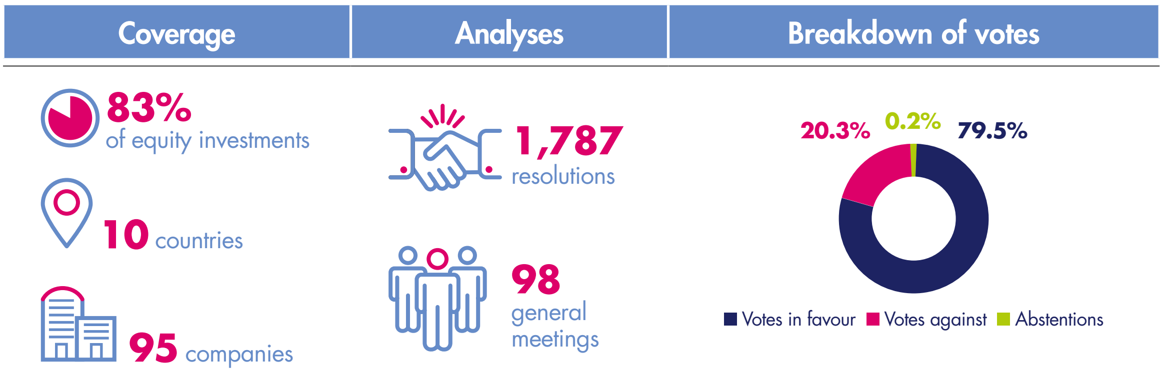
Since 2005, CNP Assurances has followed a policy of shareholder activism by systematically voting at the general meetings of listed companies in its portfolio. To this end, it relies on its internally defined voting policy, on public information on companies, on proxy advisors' analyses and on dialogue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

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

Special attention is paid to governance criteria, notably:

- transparency and quality of information: CNP Assurances is particularly attentive to the mandates of statutory auditors, the composition of boards of directors and more generally the ways in which companies can achieve greater transparency;
- remuneration: CNP Assurances assesses the transparency, full disclosure and consistency of remuneration with the company's long-term performance. It pays close attention to changes in executive remuneration in relation to sector practices and average wages within the company, as well as long-term remuneration plans and post-employment benefits;
- as part of its climate initiative, CNP Assurances supports all energy and environmental transition-related resolutions that seek to contribute to the fight against climate change, in line with the company's strategy. In addition, if the company does not contribute to the energy and environmental transition, or if its contribution is deemed insufficient, CNP Assurances may sanction the CEO's remuneration.

2018 VOTING CAMPAIGN



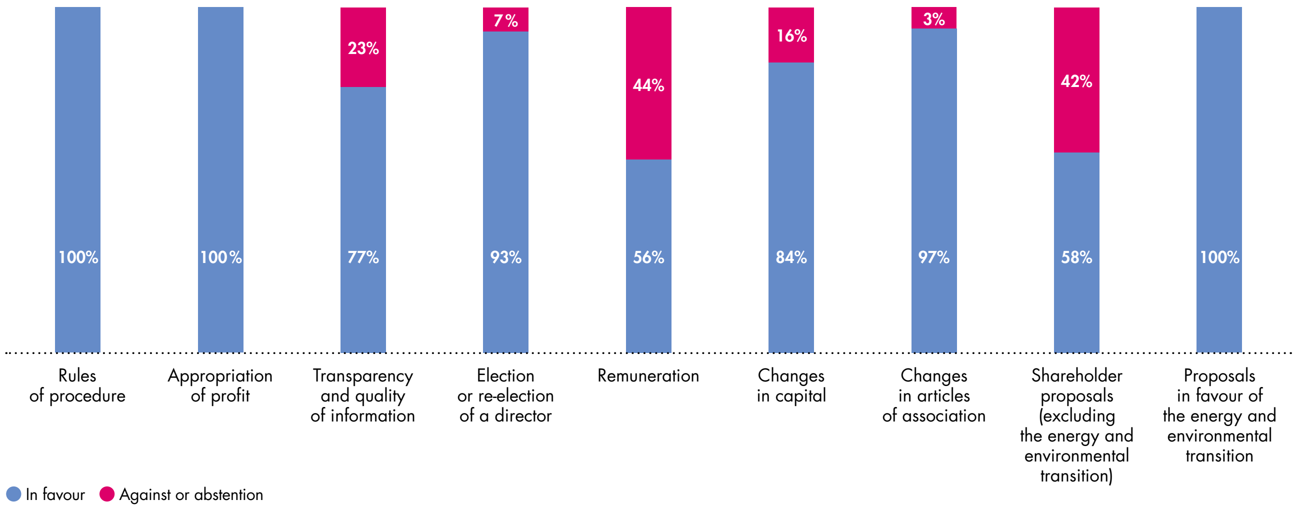
In 2018, CNP Assurances voted at 98 general meetings of 95 companies in 10 countries, representing 83% of CNP Assurances' equity portfolio for a total of 1,787 resolutions analysed.

More specifically, CNP Assurances voted at 59 general meetings of French companies, representing 99.89% of its French portfolios.

Outside France, voting extended to 63% of CNP Assurances' investments in portfolio companies in 2018, covering companies with the largest capital holdings as well as those exposed to major environmental and/or carbon risk.

CNP Assurances voted against 20.3% of resolutions put to the vote in 2018, compared with 20.1% in 2017.

BREAKDOWN OF VOTES BY THEME



2.1.2 Shareholder dialogue

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

Dialogue is conducted either directly or through asset managers.

Direct dialogue

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

CNP Assurances also has a strategy of engagement with companies that face the greatest carbon challenges and have not yet changed their strategy, with a view to helping them transition towards a low-carbon economy (see "Transition risk management" section). Dialogue initiated with companies in the energy sector in 2015 continued in 2018.

Dialogue and engagement via asset managers

Since 2016, CNP Assurances has co-signed letters addressed by Mirova to companies that have a high ESG risk, whose contribution to the energy and environmental transition is deemed non-existent or insufficient, and with which there is no direct dialogue. 11 companies were duly contacted on behalf of CNP Assurances in 2018. 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. Six companies gave feedback and two took positive measures in the areas for improvement cited.

2.2 The ESG criteria that guide our decisions

2.2.1. Directly held listed equities

Best-in-class selection

CNP Assurances' ESG approach on all directly-held listed equities is based on best-in-class management. The establishment in 2016 of a quarterly monitoring process has facilitated dialogue on securities at risk and the prevailing challenges with SRI analysts at Mirova (an affiliate of Natixis Investment Managers) and, since 2009, with analysts at La Banque Postale Asset Management (LBPAM). The best-in-class approach has been backed by a shareholder engagement policy since 2005, and benefits from exclusion rules for securities and countries.

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

Lastly, since the end of 2017, our asset managers – LBPAM and Mirova (Natixis Investment Managers) – have been set the target of closely aligning the portfolios of directly-held equities with model portfolios that give a high weighting to the contribution of the companies in the portfolio to the energy and environmental transition.

Financial assets concerned

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

Proportion of assets based on balance sheet value: €12 billion in net balance sheet value at 31 December 2018.

Financial management: CNP Assurances defines and oversees its investment strategy. Equity investment management is delegated to La Banque Postale AM and Ostrum AM (an affiliate of Natixis Investment Managers).

→ A unique approach to ESG governance

CNP Assurances defines and oversees its responsible investment strategy. SRI management and research are delegated to managers at La Banque Postale AM and Ostrum AM, and particularly to Mirova, an affiliate of the Natixis Investment Managers group dedicated to SRI.

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

Each manager presents his portfolios' ESG ratings, developments and sector issues to the CNP Assurances SRI Committee each quarter. This approach has been in place since 2006 with Ostrum AM and since 2009 with La Banque Postale AM. CNP Assurances ensures the consistency of the two approaches, notably by deciding to strengthen dialogue or to exclude securities issued by companies whose practices violate SRI principles.

Ostrum AM

ESG analysis

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

A risks/opportunities approach

Achieving the sustainable development goals implies taking into account two dimensions, which often complement each other.

- **Seizing opportunities:** positioning themselves on technological and societal innovation as it becomes a defining element of the business project enables companies to seize opportunities related to ongoing transitions.
- **Managing risks:** the "in-sourcing" of social and environmental externalities, often in the form of managing sustainable development challenges, makes it possible to limit the risks associated with ongoing transitions.

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

Targeted and differentiated issues

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

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

A 360 "lifecycle" view

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

A qualitative rating scale

The main result of these analyses is the production of a global qualitative opinion on one of five levels reflecting the alignment of the asset with sustainable development objectives: negative, at risk, neutral, positive and committed.
Since this rating scale is set in relation to the achievement of sustainable development objectives, it does not imply a particular distribution of ratings, either overall or by sector. Accordingly, in the energy sector, companies involved in coal and oil extraction are rated "at risk" at best, while companies in the renewable energy sector tend to receive positive ratings.

Inclusion in investment policy

Security selection on the basis of fundamental criteria is central to the management process. It combines financial criteria (management and balance sheet analyses, growth potential, valuation, etc.) with the ESG criteria (analysis and assessment of ESG statements, ESG analyses of CSR rating agencies), in both a qualitative and quantitative manner.

These criteria enable the management team to select the securities that match the team's convictions and can be integrated into the portfolio.

Equity portfolios are managed with a view to improving the portfolio rating, a goal set in relation to the "green index" rating and which was set up at the beginning of 2018.

The implementation of the process in the portfolio is therefore designed to promote the selection of securities given favourable ratings through Mirova's ESG research, provided that the results on the fundamental criteria mentioned above are satisfactory. The management team pays specific attention to companies with unfavourable ratings that may exist in the portfolio: reductions or liquidations of these securities must take into account the various potential impacts on the portfolio (investment income generated, impact on the desired sector positioning).

In 2018, equity portfolio managers committed to investment opportunities, particularly those based on certain major underlying ESG trends.

Several themes were implemented through the investments made:

- in consumer goods, responsible purchasing policies and the development of products that respect human health;
- in healthcare, access to treatment and healthcare equipment, as well as the development of medicine that integrates new technology;
- the rise of renewable energy, with a significant share of production made from solar, wind and hydro, as well as energy efficiency thanks to the major equipment manufacturers that supply these public services;
- the sustainable management of natural resources, including water and waste recycling;
- energy efficiency solutions for buildings and the promotion of high eco-construction standards;
- sustainable finance with insurance solutions in terms of climate risk, products favouring a low carbon economy and the development of micro-finance;
- services to companies and consumers, which facilitate the emergence of a low-carbon economy with improved energy use and help to reduce the digital divide.

LBPAM

ESG analysis

LBPAM boasts a team of SRI analysts using multiple external sources to analyse medium- to long-term ESG challenges. The analysis is based on the "SRI philosophy" – named GREaT – defined by LBPAM in 2016 and based on four pillars:

- **responsible governance:** this pillar is used to assess the balance of power, executive remuneration, business ethics and tax practices within each company;
- **sustainable management of resources:** this pillar is used to analyse the quality of working conditions for employees (health and safety, discrimination, etc.), the management of relationships with suppliers and management of natural resources (water, raw materials, waste, etc.) within each company;
- **economic and energy transition:** this pillar is used to evaluate each company's products and services in relation to the energy transition, its approach to reducing greenhouse gases and its response to long-term challenges;
- **regional development:** this pillar is used to analyse each company's contribution in terms of local development, its strategy in terms of employment and skills development, its social dialogue, the way in which it manages restructuring or the range of products and services for low-income populations.

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

An initial quantitative analysis based on recognised independent sources is used to cover a large universe (roughly 5,200 issuers in OECD countries, including 2,000 in Europe): it compares ESG assessments performed by the MSCI ESG Research and Vigeo-Eiris ratings agencies with the GREaT matrix developed by LBPAM for each sector.

At the end of the process, each company is given an overall rating. Ratings are between 1 and 10, 1 being the best SRI rating and 10 being the worst.

These ratings are reviewed each quarter by the SRI team. SRI scores can be adjusted upwards or downwards, according to the team's own analysis (direct meetings with companies, new developments, discussions with NGOs and unions, emergence of controversial issues, identification of new risks, etc.).

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

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

More specifically, the theme of climate change is taken into account through the LBPAM SRI rating, mainly through the "economic and energy transition" pillar.

LBPAM has also developed a tool to assess the alignment of portfolios with climate change challenges, notably through the following indicators: carbon intensity, exposure to coal and the financing of "green solutions". "Green solutions" correspond both to green bonds and investments in companies that derive a significant portion of their revenue from environment-related industries (renewable energies, environmental solutions and services, circular economy, green buildings, transport and sustainable mobility and sustainable agriculture and food).

Sector-by-sector and company-by-company analyses use additional quantitative indicators on environmental impacts to evaluate business strategies and commitments made to improve carbon profiles, etc.

Inclusion in investment policy

The SRI analysis tool sends information to LBPAM's internal systems, giving managers access to the latest ratings. Equity and bond managers use the information provided; and, for companies with the same financial ratings, give preference to those with the highest SRI ratings.

13 securities contained in the equity portfolios have therefore been sold, notably following the downgrading of their ESG rating. Movements of this nature are significant on a portfolio that includes fewer than 150 companies.

The ESG quality of portfolio securities is monitored on a quarterly basis, and presented at a committee meeting that combines the CNP Assurances and LBPAM teams. Significant changes in SRI ratings are discussed by the committee, which also encourages dialogue on the tangible ways to gradually improve the way in which SRI criteria are included in the portfolios.

Overall results

Based on the ESG and "climate risk" analyses presented above, Mirova and the LBPAM SRI team rate companies in the CNP Assurances portfolio, and present the consolidated rating of their respective portfolios at SRI committee meetings with CNP Assurances.

The equity portfolio is based on model portfolios that give a particularly strong weighting to the way in which companies contribute to the energy and environmental transition

In January 2018, CNP Assurances deployed these model portfolios, which were defined in collaboration with La Banque Postale Asset Management (LBPAM) and Mirova (an affiliate of Natixis Investment Managers), the aim being to lend greater importance to transition risk management by taking into account companies that facilitate the energy and environmental transition (EET).

The management of equity portfolios under agreements with LBPAM and Ostrum AM (an affiliate of Natixis Investment Managers) is guided by the model portfolios according to the following principles:

- CNP Assurances favours a best-in-class approach using underweighting and overweighting of its portfolio securities as opposed to sectoral exclusions;
- non-financial (ESG rating) metrics are monitored, and the energy transition is overweighted using model portfolio construction methodologies, which have significantly improved non-financial performance compared with stock-market references;
- exclusions of securities are authorised in the event of strong convictions, and notably in relation to CNP Assurances' coal exclusion policy.

At the end of 2018, the outcome of this innovative approach was positive:

- greater importance was given to the energy transition in the management strategy for equity portfolios with an outstanding balance sheet value of €12 billion at the end of 2018;
- more specifically, SRI and EET performance of CNP Assurances' equity portfolios converged towards the model portfolios;
- in terms of ESG performance, CNP Assurances' equity portfolios outperformed the usual benchmark indices and remained balanced, allowing exposure to the economy as a whole, significant bias towards financial companies and a reduction in the weight of the most carbon-intensive sectors.

Focus on the model portfolios developed with CNP Assurances' asset managers

The new indicators make it possible to overweight the energy and environmental transition within the ESG criteria already taken into account by selecting the best-in-class in terms of EET and the fight against climate change.

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

La Banque Postale Asset Management (LBPAM)

In 2018, CNP Assurances and LBPAM collaborated to create an Actions ISR indicator, which will serve as an indicator for managing directly-held equities.

The aim of this SRI indicator is to be both a financial performance benchmark for an eligible universe of issuers with the best ESG practices, and a means of comparing ESG metrics (SRI and EET ratings, carbon footprint, green solutions, etc.) in order to guide the management of directly-held listed equities.

In addition, in October 2018 LBPAM launched the CNP LBPAM ISR Actions Euro fund dedicated to CNP Assurances with the SRI indicator as reference. The fund obtained the SRI label on 23 November 2018.

Mirova (Natixis Investment Managers)

In 2018, in collaboration with Mirova (an affiliate of Natixis Investment Managers), CNP Assurances developed a private equity index to value companies that make a positive contribution to the achievement of the UN's sustainable development goals (SDGs), with a particular focus on environmental transition issues. The index also shows an alignment with the most ambitious climate scenarios that will make it possible to limit the rise in temperatures to 2 °C. This index is based on an ESG analysis methodology developed by Mirova, which takes into account the entire lifecycle of products and services sold by companies, as well as focusing on solution providers for sustainable development challenges.

More than 75% of companies on the private index are companies that are able to make a positive contribution to the SDGs, primarily because they are able to make a positive contribution to the environment. The index excludes companies that make a negative contribution to the SDGs. The index's 2 °C alignment is primarily ensured by a considerable weighting in favour of green solution providers as well as the absence of fossil fuel producers. Financial performance and the social and environmental impact of CNP Assurances' equity investments managed by Ostrum AM (an affiliate of Natixis Investment Managers) are assessed using this index, which is also used to encourage improved integration of ESG criteria on mandates given to Ostrum AM.

Lastly, in June 2018, Mirova also launched the CNP 2 °C Sustain Euro fund, which is dedicated to CNP Assurances and is based on the private index developed for the Group.

All told, CNP Assurances had invested more than €100 million in the two funds at 31 December 2018.

2.2.2 Property
ESG criteria, "green works" charter

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

CNP Assurances' maintenance and renovation programmes for the property assets in its portfolio constantly aim to make buildings more energy efficient and to apply the highest environmental standards. Action plan scenarios adapted to each building have been defined in order to reduce energy consumption and CO_2 emissions. Ultimately, this work will reduce greenhouse gas emissions from CNP Assurances' property assets (held in the Group's own name or through wholly-owned non-trading companies) by 40% by 2021, starting in the reference year 2006. Environmental assessment is systematic on new acquisitions.

In 2015, as part of its low-carbon strategy, CNP Assurances signed the energy efficiency charter for commercial buildings, thereby illustrating its desire to become more involved in the green building sector.

Financial assets concerned

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

Proportion of assets based on net balance sheet value: €9.3 billion at 31 December 2018.

Financial management: management of property assets held in the Group's own name or through wholly-owned non-trading property companies is delegated to a dozen or so CNP Assurances property asset managers.

→ Commitments made by CNP Assurances' asset managers

The operational management of acquisitions is delegated to asset managers tasked with overseeing contractual relations with property or land managers. This delegation requires a master agreement laying down the obligations of asset managers, which apply de facto to their subcontractors. These engagements include ESG and ethical criteria. The implementation of the agreement is subject to compliance with CNP Assurances' socially-responsible approach and the principles of safety and security of buildings and people, and quality of services.

Moreover, CNP Assurances asks asset managers to also sign the energy efficiency charter for commercial buildings. At the end of 2018, 63% of managers had done so.

Ways in which ESG criteria are taken into account

CNP Assurances' asset managers are tasked with:

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

ESG analysis of a property acquisition

Nature of the main criteria: the acquisition of property assets is subject to screening in accordance with the master agreement between CNP Assurances and its asset managers. There are many ESG criteria; the main ones are as follows:

- **Environmental:** energy efficiency, pollution, risk of flooding and natural disasters, transport;
- **Social:** user safety, risk of asbestos and lead, accessibility for people with reduced mobility;
- **Governance:** the identity of the seller is analysed in the light of anti-money laundering and anti-corruption regulations (Know Your Customer "KYC" process). CNP Assurances' asset managers must also comply with five ethical principles linked to market conduct, integrity and respect for suppliers, including subcontractors.

Methodology

The asset managers are in charge of analysing these criteria. Before any acquisition, they are required to present CNP Assurances with a comprehensive file including an analysis of the building's technical, environmental and public health aspects. This file describes the environmental risks, the energy performance (mandatory diagnostic), the building's GHG emissions and its position with respect to new environmental regulations (green leases, certification, labels), and public health (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 property acquisitions underwent this process in 2018.

Inclusion in investment policy

The technical, environmental and public health analyses of a building help CNP Assurances identify any risks specific to that building, and above all to assess the amount and feasibility of work needed to meet its requirements. Non-feasibility can result in withdrawing from a project and the estimated cost of upgrades can have an impact on the purchase price.

ESG analysis in the management of property assets

The ESG management principles described below are included in all management agreements between CNP Assurances and its asset managers at 31 December 2018. CNP Assurances' asset managers undertake to manage property assets in accordance with these criteria.

Nature of the main criteria

Asset managers mandated by CNP Assurances undertake to respect:

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

Information used for the analysis

To meet their commitments, CNP Assurances' asset managers may base their analyses on such factors as tenant satisfaction surveys, environmental studies, HSE audits and wiring system audits.

Operational implementation of ESG criteria

"Green works" charter

The above ESG criteria are defined in operational terms in the form of a "green works" charter in the management agreement. CNP Assurances' asset managers undertake to carry out work in accordance with the rules laid down in this charter:

a. Materials and technologies used

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

b. Work phase

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

c. Management of activity waste

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

d. 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.

e. Air quality

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

f. Limitation of noise

- Provide maximum acoustic comfort to occupants.
- Limit the proliferation of noise and vibration within premises.
- Limit the inconvenience for nearby residents when work is being carried out.
- Choose equipment in order to limit noise pollution.
- Reduce noise for local residents.

g. Limitation of odours

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

h. Electromagnetic fields

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

i. 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.

j. 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.

k. Termite and other wood-eating insects

- Identify areas at risk.
- Manage infested waste.

l. Energy and thermal performance

- Control energy consumption in the portfolio:
  - examine the possibility of switching to renewable energy;
  - favour highly energy-efficient heating and cooling systems;
  - insulate buildings and limit heat flows in summer;
  - avoid oversized air-renewal systems so as to avoid unnecessary losses;
  - examine the possibility of recovering heat generated by air extraction systems;
  - provide for efficient lighting of suitable strength.
- Monitor technological and regulatory developments:
  - strive to exceed regulatory requirements.
- Install meters and monitor consumption.

m. 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 areas (such as a sustainable management approach), particularly when developing plant-covered roofs and balconies or green areas, and by being mindful of ecosystems during the work phase.

n. Circular economy

- Assess the possibility of using deconstruction processes to recover and reuse materials wherever possible for each operation.
- Promote the use of recycled materials from wherever possible.

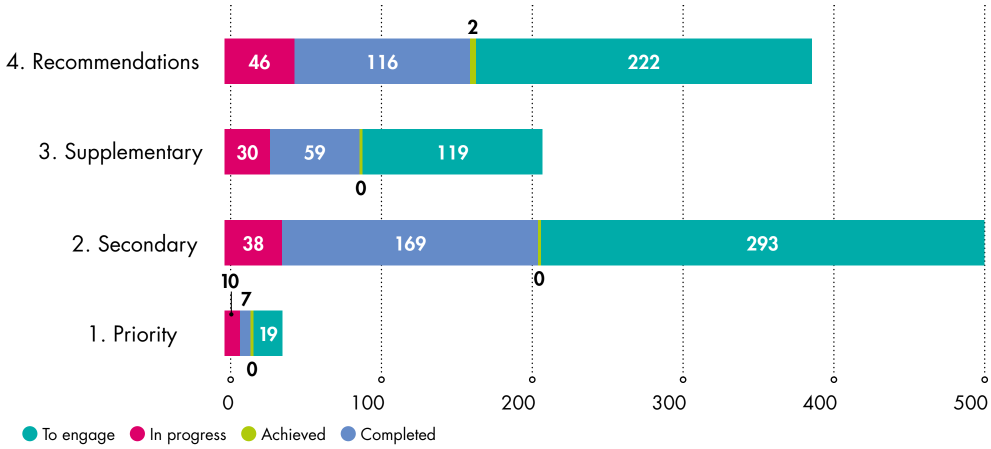
CNP Assurances' asset managers are responsible for the risks associated with this charter. CNP Assurances expects them to manage these risks in an appropriate and balanced manner on a case-by-case basis depending on the materiality of the challenge in question.

Health Safety Environment analysis

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

87 audits have been carried out across the board, and progress in dealing with observations as of 31 December 2018 is as follows:

PROGRESS REGARDING OBSERVATIONS



2.2.3 Woodland

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

CNP Assurances is France's largest private owner of woodland, with 57,090 hectares at 31 December 2018.

Société Forestière is responsible for sustainably managing these assets in order to ensure safety, promote biodiversity and anticipate the effects of climate change.

In 2003, in addition to ISO 9001 certification, all of CNP Assurances' woodland assets were certified by the PEFC[1], which guarantees that the timber comes from sustainably managed forests. In 2017, a new woodland investment programme began in Scotland.

The tasks assigned are:

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

Financial assets concerned

Scopes: 203 forest areas 100% directly owned by CNP Assurances or via SCI/SAS covering a total of nearly 53,082 ha, including eight forest areas covering 1,723 ha in Scotland.
6 interests in forestry partnerships (4,008 ha).

Proportion of assets based on balance sheet value: €290 million at 31 December 2018.

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

(1). PEFC: Programme for the Endorsement of Forest Certification

→ Engagement

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

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

Management of the ESG approach

Société Forestière manages woodlands on behalf of CNP Assurances under a delegated management agreement and using socially responsible and proactive environmentally friendly woodland management techniques. In 2001, Société Forestière adopted a sustainable woodland management manual, which 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 as a signatory of the related sustainability charter.

Each year, Société Forestière is audited by the AFAQ, the world's leading body in management system certification, which oversees the company's proper application of the ISO 9001 certification. The renewal of this certificate guarantees that Société Forestière's quality policy is correctly implemented.

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

ESG analysis

Main criteria

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

Sustainable management certification

Sustainable management certification is a key criteria when ensuring the integration of ESG considerations in woodland management. Forests must be managed sustainably in order to maintain all the ecosystem services they provide. One example is 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 always encouraged forest owners to become PEFC certified.

Methodology

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 2018, 100% of the woodland held by CNP Assurances had PEFC certification. The recurring target is to have 100% of the area certified(1).

Preservation of biodiversity

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

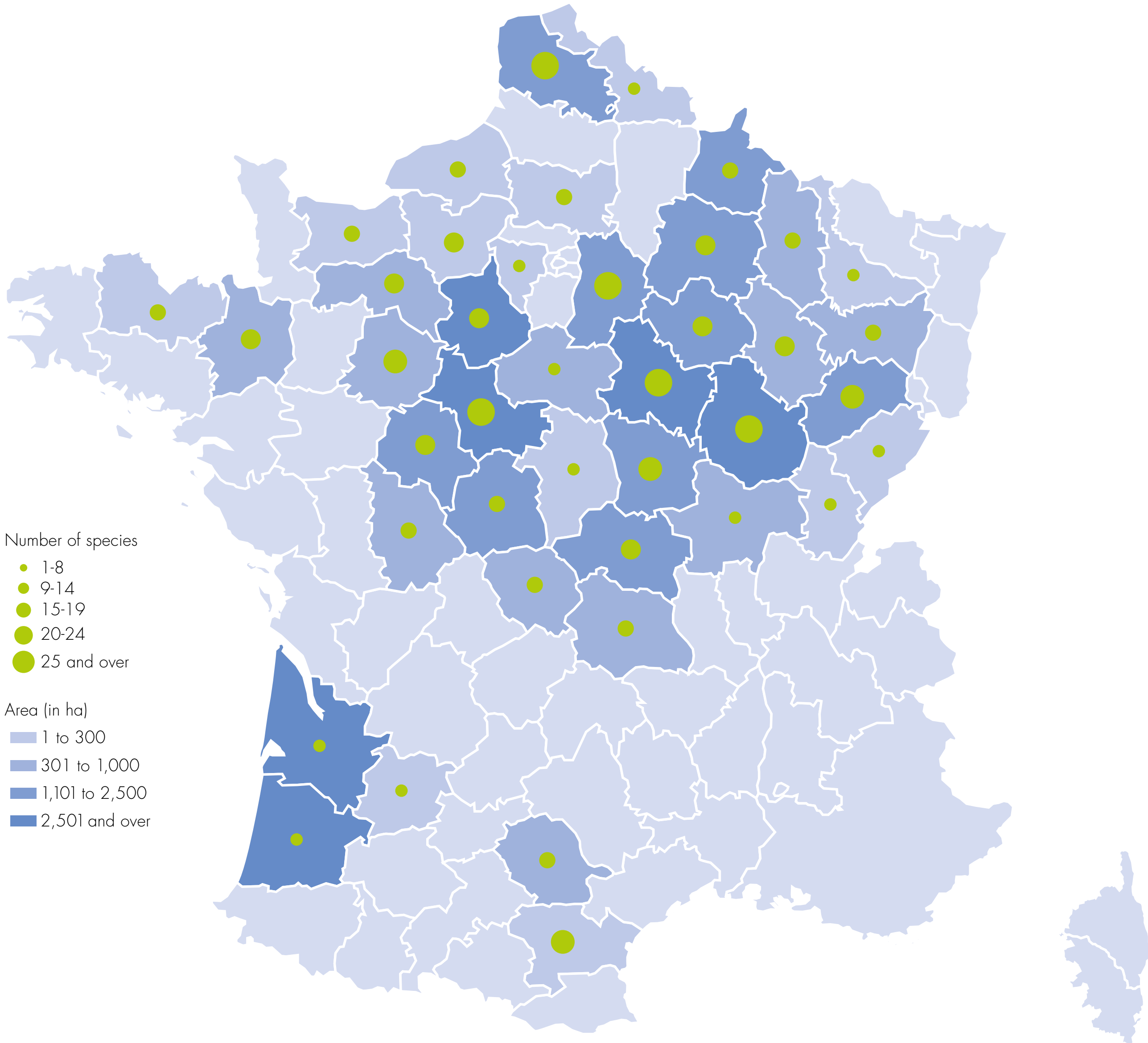
Information used and methodology

- Other than specific initiatives in favour of biodiversity, tree and plant species diversity is also a reliable indicator of sustainable management. 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 according to the predominant species. The main tree and plant species is systematically specified for each subplot, allowing the number of main tree and plant species across the portfolio to be counted.

(1) Woodland acquired in Scotland had not yet been certified at 31 December 2018.

Results

At the end of 2018, CNP Assurances' portfolio held a diversified collection of tree and plant species, as illustrated in the following map:



Inclusion in investment policy

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

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

2.2.4 Other assets

All assets held by CNP Assurances are covered by the exclusion rules described in section 2.4. ESG-climate information is also collected on certain types of assets to enrich the analysis, although they are not factored into the investment decision.

ESG rating of the corporate bond portfolio

The SRI experts of the companies in charge of managing the corporate bond portfolios (LBPAM and NIM group) rate them on ESG criteria each quarter. The ESG analysis of securities draws on the quarterly watch of listed equities implemented with these same ESG analysts since 2006.

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

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 14 private equity funds were rated in 2018.

ESG reporting is also used for new infrastructure investments. In 2018, 65% of the Group's infrastructure funds took part in this reporting process or voluntarily reported their own ESG data.

MFPrévoyance assets

MFPrévoyance delegates the financial management of its assets to an asset manager, Ostrum AM (and Mirova, its SRI expert). This MFPrévoyance asset manager has established an ESG rating system for assets and the measurement of a carbon footprint.

Ostrum AM is gradually including this information in its reporting. The ESG data are systematically integrated into the issuer credit risk analysis whenever the criteria are considered relevant and deemed to have financial materiality, and into the assessment of country risk on sovereign and quasi-sovereign issuers.

At 31 December 2018, assets that have undergone an MFPrévoyance ESG analysis represented a total value of €505.9 million, or 98.72% of investments.

The carbon footprint of the assets managed by Ostrum AM at 31 December 2018 was 0.150 tonne of CO_2 equivalent per thousand euros invested according to the methodology developed by Carbone 4 and Mirova (http://www.mirova.com/).

2.3 Our other contributions to a sustainable society

In addition to its investment policy incorporating ESG criteria (Chapter 2.2) and its contribution to the energy and environmental transition (Chapter 3.2), CNP Assurances pursues an active policy in terms of societal impact investments via investment in SMEs and social impact funds.

2.3.1 Direct support for SMEs

CNP Assurances has been active in the private equity market since 1992, and it invested €500 million in non-listed companies in 2018.

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

After supporting a crowdlending platform for SMEs, CNP Assurances has chosen to support a telemedicine solution to fight against social and geographical inequalities in access to healthcare. As of end-2018, it has supported six start-up partnerships, including a new online health insurance company dedicated to start-ups and SMEs, as well as the development of the blockchain system to secure processes between companies.

2.3.2 Social impact funds

CNP Assurances had also invested in several socially-beneficial funds in a total amount of nearly €210 million at 31 December 2018. Examples include financing small businesses that have trouble raising capital due to social barriers, for example.

In 2016, CNP Assurances partnered with a long-term loan fund on behalf of around 100 European SMEs. Since June 2016, it has also supported the NovESS fund, whose objective is to support the transition and change of dimension of the social and solidarity economy (health, social, circular and collaborative economy, energy and demographic transition, etc.). Attentive to the ESG contribution, the NovESS fund has a social impact measurement tool that can be used to evaluate the impact of each project on several criteria, including the creation of jobs.

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

2.3.3 Other “SRI” funds

Among investments combining environmental and societal aspects, CNP Assurances has purchased “SRI” mutual funds in the amount of €3.6 billion, or 11% of assets of all non-dedicated mutual funds held at 31 December 2018.

For details of policyholders’ investments in SRI mutual funds (unit-linked), see Chapter 4.

2.4 Assets excluded from our portfolio

In accordance with regulatory requirements and its responsible investor approach, CNP Assurances sets rules on investing in countries and securities.

These rules meet the following objectives:

- ensure compliance with regulations on weapon agreements signed by France, embargoes and regulatory requirements in the fight against money laundering and the financing of terrorism;
- ensure compliance with regulations and its responsible investor approach on tax havens;
- incorporate sustainable governance criteria when analysing countries and uphold its commitment to support the principles of the Global Compact;
- comply with its public commitments to limit its exposure to thermal coal through its financial transactions.

CNP Assurances determines the list of exclusions and securities under surveillance (countries and companies), relying notably on its own analyses, the SRI experts of CNP Assurances' asset managers – LBPAM and Mirova (an affiliate of Natixis Investment Managers) – as well as on indices in the public domain.

Two exclusion criteria are applied:

Country exclusion

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

Securities exclusion

Three types of securities exclusions have been defined:

- since 2008, CNP Assurances has chosen to exclude equities issued by arms manufacturers whose products include anti-personnel mines or cluster munitions from its portfolios;
- as part of the ESG analyses, CNP Assurances receives alerts on corporate ESG risks corresponding to failure to comply with the fundamental principles of the Global Compact;
- since 2015, it has also excluded any new investments in companies that extract coal and produce coal-based energy when more than 15% of their revenue is derived from thermal coal. Since 31 December 2018, this threshold has dropped to 10%. It has also excluded companies that are heavily involved in building new coal-fired power stations since 31 December 2018. Among existing assets, the rules confine financial assets to companies deriving more than 25% of their revenue from this sector. As this exclusion is linked to the strategy of supporting the energy and environmental transition, it is dealt with in a specific section.

Financial assets concerned

Scopes: financial investments (excluding open-ended mutual funds and unit-linked funds) of CNP Assurances.

Proportion of assets based on balance sheet value: €257 billion at 31 December 2018.

Management of the ESG approach

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

2.4.1 Countries

Application of the ESG approach

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

	Governance criterion	Cooperation and fiscal transparency
Information used	To measure the balanced nature of a country's governance, CNP Assurances uses the freedom ratings issued by Freedom House, and the corruption perceptions index published by Transparency International.	Lists drawn up by the French Government and the European Union (non-cooperative States and territories, known as NCSTs, embargoed States and the EU's list of non-cooperative tax jurisdictions), and by the Financial Action Task Force (FATF) (countries subject to counter-measures). CNP Assurances uses the Tax Justice Network's "tax haven" assessment.
Methodology	Every year, CNP Assurances rates countries on the basis of three levels of risk blending three criteria, namely democracy, freedom and corruption (very high risk, high risk and low risk).	CNP Assurances annually rates countries based on the aforementioned lists.
2018 results	64 countries were deemed very high risk and 30 high risk.	There were 72 countries on the list of prohibited countries.

Inclusion in investment policy

Investment (in public or semi-public debt or in a company) is prohibited or limited depending on the risk level of governance, cooperation and fiscal transparency criteria.

2.4.2 Securities

Application of the ESG approach

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

	Prohibited weapons	Global Compact commitment
Information used	CNP Assurances uses a list of producers of anti-personnel mines and cluster munitions prepared by Ostrum AM. By way of background, the Ottawa (1999) and Oslo (2010) treaties prohibit the production, use, storage, marketing and transfer of anti-personnel mines and cluster munitions, because such weapons can impact populations not involved in a conflict.	CNP Assurances receives alerts on ESG risks in authorised companies and companies whose securities it holds from the SRI teams of La Banque Postale AM and Mirova (an affiliate of Natixis Investment Managers). These alerts are discussed at quarterly SRI committee meetings.
Methodology	Relying on an ESG agency specialising in the field of arms (Ethix), SRI research teams at Mirova (Natixis IM) regularly update the exclusion list to include all listed and unlisted companies: - involved in the use, development, manufacture, marketing, distribution, storage or transport of anti-personnel mines or cluster munitions; or - owning 30% or more of a company involved in the activities mentioned above. In order to determine if a company is involved in these activities, its products must be an essential component in the manufacture of cluster munitions and/or anti personnel mines. CNP Assurances uses the list directly without any adjustments.	When the alert corresponds to a breach of the fundamental principles of the Global Compact, CNP Assurances asks the asset managers to raise questions with the issuer. Should this dialogue fail to identify scope to quickly remedy the situation, the decision to exclude a company or producer can be taken.
2018 results	84 companies were excluded.	5 companies were excluded.

A specific approach to open-ended funds

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

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

Inclusion in investment policy

The list of excluded companies is communicated to employees and to CNP Assurances' asset managers. Securities are sold where appropriate and suspended in the authorised investment segment.

For companies whose business is linked to coal, see "Transition risk".

3. CONTRIBUTION TO THE ENERGY AND ENVIRONMENTAL TRANSITION

3.1 Physical and transitional risk analysis

In line with its asset management principles, CNP Assurances' commitment in favour of the energy and environmental transition combines climate-risk management and support for all sectors of the economy in the shift to low-carbon business models, largely based on 2 °C scenarios.

TCFD | Risk Management TCFD | Strategy TCFD | Metrics

CNP Assurances has implemented a risk management policy incorporating risk management in the Group's decision-making processes.

The strategic priorities in terms of risk management are decided by the Board of Directors based on input from the Audit and Risk Committee.

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

This approach, which has been gradually rolled out since 2006 and covered 81% of its assets as at end-2018, effectively takes exposure to environmental, social and governance risks into account:

- this is particularly the case for portfolios of sovereign bonds and bonds issued by companies in the public sector, from which States at risk of failure to respect democratic rules, non-compliance with human rights and corruption are excluded;
- it is also true for the asset portfolios comprising privately-owned companies, which are screened for ESG criteria by experts from CNP Assurances' two asset managers.

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

Concentrating on physical risk and transition risk, CNP Assurances has identified the related risk factors below and taken steps to reduce them[1].

Physical risk	Transition risk
Risks related to physical disruptions caused by climate change (storms, flooding, heatwaves, etc.)	Risks caused by adjustment processes to limit greenhouse gas emissions (regulations, technological developments, changing consumer behaviour, etc.)

(1) In view of changes in methodological approaches, scope and regulations, the results reflect the choices made this year but are likely to change over time.

3.1.1 Physical risk

CNP Assurances has mainly focused on analysing the physical risk exposure of its property and woodland assets. CNP Assurances also carried out further study on the physical risk of its property assets in 2017. It was completed in 2018 with an analysis of the physical risk on its directly-held equities and corporate and sovereign bond portfolio to get a better picture of the climate risk it may be exposed to.

At 31 December 2018, 72% of assets were subject to a physical risk analysis.

Property assets

CNP Assurances has commissioned EcoAct, a consulting firm specialised in guiding companies and regions through the climate transition, to carry out an assessment of the physical risks related to climate change on its French property assets held directly or through wholly-owned companies in order to analyse the exposure to physical risk of its property assets.

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

Trend hazards:
- Annual change in average temperature
- Change in sea level

Extreme hazards:
- Heatwaves
- Drought
- Heavy rains and floods
- Violent winds

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

- RCP4.5 (most likely pathway in view of the current state of commitments to the COP21);
- RCP8.5 (current pathway if no measures are implemented).

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

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

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

Risk score = **Probability of occurrence** (Exposure to climate hazard X Change in climate indicator over time) X **Sensitivity to risk** (Severity of impact X Category of security)

Results

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

Use of results

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

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

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

Woodland

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

- **integration of viewpoints on climate change into management plans:** these plans lay down forward management of forests for ten to twenty years, on a forest-by-forest basis. They are approved by the forest administration, which guarantees compliance with the regulations in force;
- **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. The spread of woodland 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, such as health problems related to the appearance of pathogens and drought that could impact each species differently;
- **insurance against the main climate risks:** namely fires, storms, natural disasters, weight of snow, frost, freezing temperatures and hail.

Results and their use

- 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. At 31 December 2018, 53% of the woodland portfolio was covered by a plan incorporating the consideration of climate change. This rate is intended to gradually rise to 100% as the various plans are renewed.
- Some areas subject to significant natural hazards have been avoided (South-East France, for instance, due to the fire risk). To round out this acquisition policy, which notably serves to spread the risks, woodland was purchased in Scotland in 2017 and 2018.
- The status of species diversity and the geographic spread of the CNP Assurances portfolio at 31 December 2018 are mapped on page 22.
- All the forests owned by CNP Assurances are covered by insurance policies covering the main climate risks.

Equities, corporate and sovereign bonds

Methodology

CNP Assurances has commissioned Indefi, a consultancy firm, to map issuers' geographical vulnerability to climate change in order to analyse the physical risk exposure of its directly-held listed securities, equities and bonds.

The physical risk analysis is based on ND-Gain's database and Country Index calculated according to the methodology developed by researchers at the University of Notre Dame in the United States. The "vulnerability to climate change" component measures the likelihood of States being negatively impacted by climate change, closely related to physical risk.

Vulnerability	Exposure	Long-term exposure projections (2050-2100) of life-supporting sectors (health, food, ecosystem service, human habitat, water, infrastructure) to physical risks of climate change
	Sensitivity	Sensitivity of populations and resources to climate change, particularly related to economic structure, topography, demography, etc.
	Adaptive capacity	Measures taken and capacity to adapt to climate change

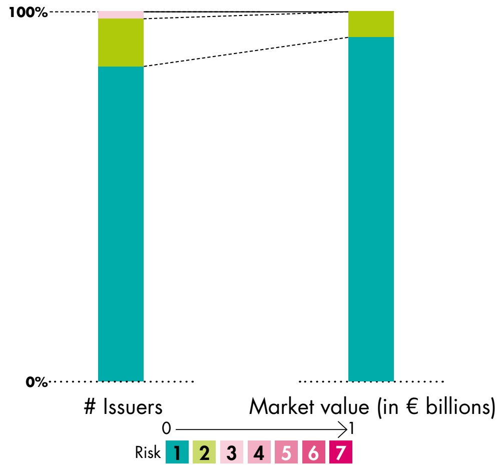
Exposure, sensitivity and the capacity to adapt to climate change are assessed in six areas: health, food, ecosystem service, human habitat, water and infrastructure. Exposure projection is attained from the changing greenhouse gas emission scenario established by the IPCC, where RCP4.5 corresponds to the most likely pathway in view of the current state of commitments to the COP21.

The study provided CNP Assurances with a clear picture of the assets at end-2018 according to seven levels of physical risks.

Outcome on sovereign bonds

According to ND-Gain's methodology, each State's vulnerability was affected by emissions aimed at financing the State or local authorities' operations. 92% of sovereign and supranational bonds were covered. For the most part, CNP Assurances' exposure is low or non-existent.

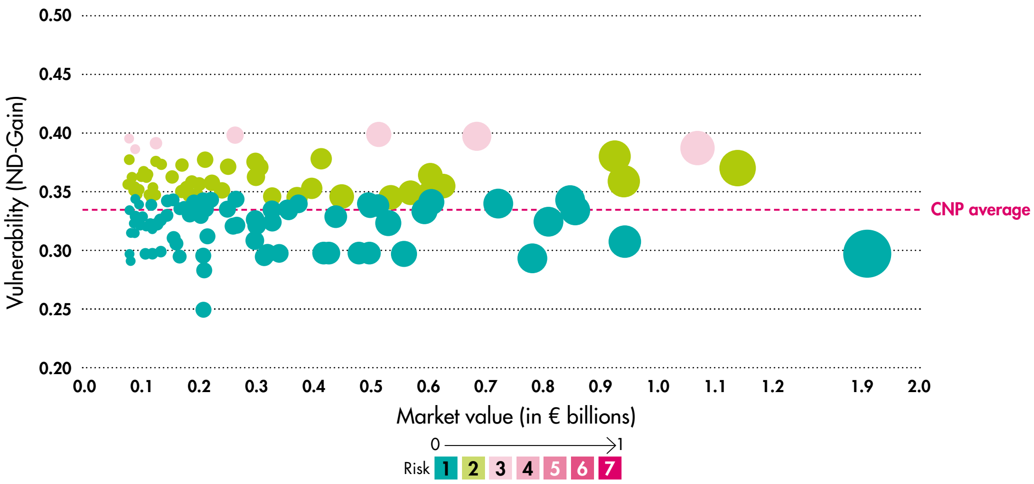
VULNERABILITY OF SOVEREIGN ISSUERS IN THE PORTFOLIO



Outcome on corporate bonds and equities

The analysis was carried out on issuers in economic sectors vulnerable to physical risk, particularly due to difficulty adapting. Securities with a significant market value were included. 42% of corporate bonds and equities had a medium vulnerability, depending on geographical location. Depending on the sector, this may be determined based on location of production sites or equipment, revenue, production capacity, etc. For the most part, CNP Assurances' exposure is low or non-existent.

VULNERABILITY OF CORPORATE ISSUERS IN THE PORTFOLIO



Use of results

The analysis identified some securities that needed to be monitored as CNP Assurances' exposure was weak or non-existent across the portfolio.

3.1.2 Transition risk

The value of our assets is potentially exposed to regulatory, technological, market and reputational risks. CNP Assurances manages these transition risks with a combination of approaches, improved from year to year.

- **All portfolios:** exclusion of assets from coal-related activities
- **Equity portfolio:** alignment of the equity portfolio with model portfolios that give a high weighting to the contribution to the energy and environmental transition (see "Directly-held equities")
- **Equity and corporate bond portfolios:**
  - carbon footprint
  - segment information of portfolio by 2023
- **Equity, corporate and sovereign bond portfolios:** prospective analysis and portfolio temperature
- **Property portfolio:** reduction in the property portfolio's carbon footprint
- **Woodland:** carbon sequestration

At end-2018, 79% of assets were subject to a transition risk analysis.

All portfolios: exclusion of assets from coal-related activities

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) do exist (contrary to coal used in steel production).

Coal was identified as the most material risk in 2015, which prompted CNP Assurances to dispose of all securities held in companies deriving more than 25% of their revenue from thermal coal and to discontinue investing in companies deriving more than 15% of their revenue from thermal coal. It stepped up its commitment at the end of 2018 by reducing the proportion of revenue to 10% and banning investments in the companies that are the most involved in developing new coal fired power stations.

Information used for the analysis

- Revenue derived from thermal coal – the approach is based on data provided by Trucost[1]. 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.
- Companies that are heavily involved in building new coal-fired power stations: CNP Assurances supports "Coal Plant Developers" on the "Global Coal Exit List".
- CNP Assurances intends to continue to support the efforts of companies that show they are willing to stop financing thermal coal by investing in other energy instead.

Results

- Excluding the acquisition of new financial assets: 271 securities excluded at the end of 2018.
- Exclusion from the portfolio of financial assets: 91 securities excluded at the end of 2018.

Use of results

- Exclusion from purchases: the list of companies exceeding the 10% threshold and companies that are heavily involved in building new coal-fired power stations is communicated to CNP Assurances' asset managers appointed to manage listed securities as well as teams responsible for unlisted investments. This exclusion also applies to dedicated mutual funds.
- Exclusion from the portfolio: holdings above 25% in companies have been sold. By 2021, CNP Assurances will no longer be investing in companies that are heavily involved in building new coal-fired power stations.
- Shareholder engagement: CNP Assurances also undertakes engagement initiatives with certain issuers below the thresholds (see "Involving shareholders").

(1) Methodology: Trucost collects and analyses data obtained from companies, then secures 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.

Equity and corporate bond portfolio

Carbon footprint on corporate assets

This calculation is used to highlight the companies most exposed to transition risk, i.e., those with the most carbon-intensive businesses.

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

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

First analysis: carbon footprint on equity portfolio

Information used for the analysis

CNP Assurances took responsibility for measuring the carbon footprint. The data needed to estimate the carbon footprint are the Scope 1 and Scope 2 emissions data published by companies, retrieved primarily from CDP and Bloomberg. CNP Assurances uses the most recently published information. In line with this, the carbon footprint at 31 December 2018 is calculated on the basis of companies' 2016 GHG emissions. Some companies (marginal among CNP Assurances' assets) do not publish this information, and the corresponding estimate is therefore not reliable. CNP Assurances has opted not to perform estimates.

The carbon footprint at 31 December 2018 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 2016 are taken into account to calculate the carbon footprint.

CNP Assurances estimates GHG emissions of portfolio companies without eliminating overlap between Scopes 1 and 2, based on the portfolio's gross asset value. The carbon footprint is expressed in tonnes of CO_2 equivalent per thousand euros invested.

The calculation method is as follows:

$$\frac{\sum_i \frac{\text{CNP holdings at market value } (i)}{\text{Market capitalisation } (i)} \times \text{Carbon footprint } (i)}{\sum_i \text{CNP holdings at gross asset value } (i)} \times 1{,}000$$

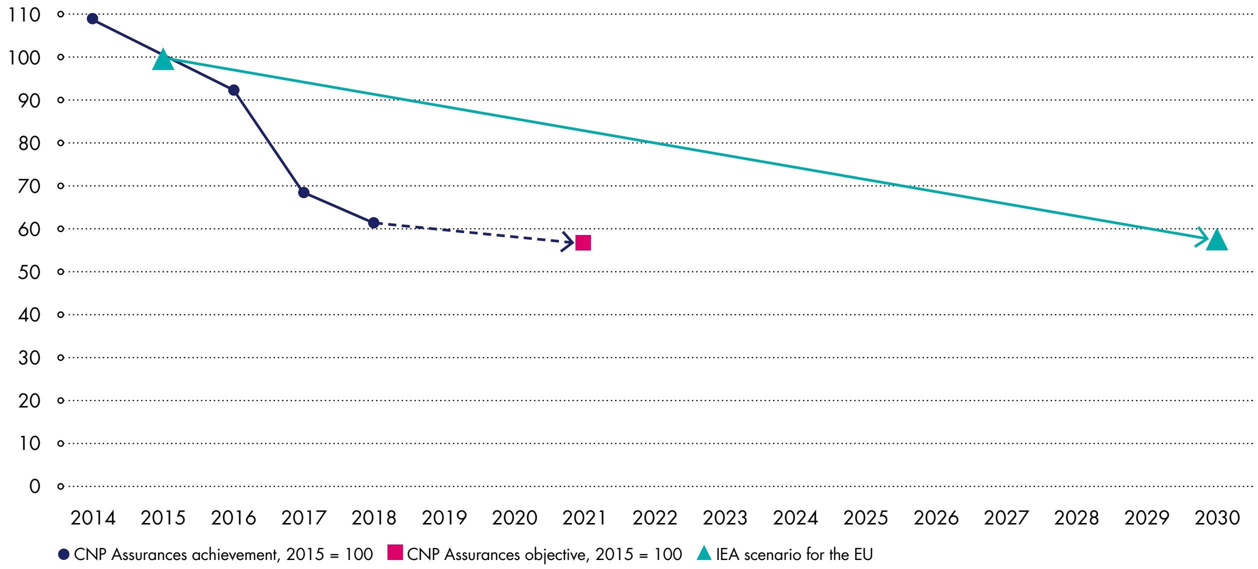
i: company in the equity portfolio disclosing its emissions, from CDP or Bloomberg.

Results

At 31 December 2018, the carbon footprint is estimated at 0.27 tCO_2 equivalent per thousand euros invested, compared with 0.47 tCO_2eq at 31 December 2014. CNP Assurances set the initial goal of reducing the end-2014 level by 20% by 2020. In early 2018, it increased this target to 0.25 tCO_2eq/€k invested, or a 47% reduction by 2021. Estimates are volatile, and depend notably on the scope and data collection methods used in the various companies, as well as changes in reference emission factors. For this reason, while the 2018 results are very encouraging, CNP Assurances remains vigilant and committed.

The target of reducing the carbon footprint of the portfolio of directly held equities reflects a similar pathway – within a shorter time frame – to the last AIE estimate that, in order to meet the Paris agreement objectives (2017 WEO sustainable development scenario), it will be necessary to reduce GHG emissions in the European Union by 42% over the period 2015-2030.

COMMITMENT TO THE EVOLUTION OF CO_2 EQUIVALENT EMISSIONS, 2015 = 100
(directly held equities portfolio)



Use of results

In keeping with its commitment as a responsible shareholder, CNP Assurances has established dialogues with companies to ensure that they are aware of the associated risks and opportunities, and to help them in the transition to a sustainable low-carbon economy (see "Involving shareholders").

Second analysis: carbon footprint on equity and corporate bond portfolio

Continuing its commitment to the Montreal Carbon Pledge, CNP Assurances began regularly calculating the carbon footprint of its corporate assets in 2016, estimating the share held directly in equities and bonds in proportion to the balance sheets of the respective companies. Greenhouse gas emissions are estimated by taking solely into account the disclosures made by portfolio companies in respect of their Scope 1 and 2 emissions, without adjusting for overlap. As a large number of companies do not provide this data, the estimate covers 67% of the portfolio. It amounted to 0.09 tonne of CO_2 equivalent per thousand euros invested at 31 December 2018.

Portfolio sector analysis by 2023

CNP Assurances monitors its directly held equities and bonds in the sectors (as defined by Bloomberg) considered to be the most exposed to transition risk, i.e., energy, transport, materials and construction and agriculture.

To improve this sector analysis, CNP Assurances took part in the 2° Investing study on aligning its directly held equity and corporate bond portfolios with 2 °C climate scenarios.

Information used for the analysis

The study is based on the International Energy Agency's "Beyond 2 °C" scenario (ETP 2017 – B2DS) corresponding to a 50% chance of limiting the average increase in temperature to 1.75 °C.

The sectoral analyses cover 17% of the equity and corporate bond portfolios (market value data reported at 31 December 2017).

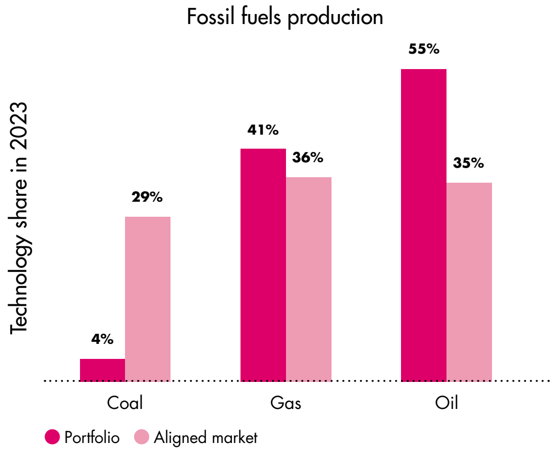
Results

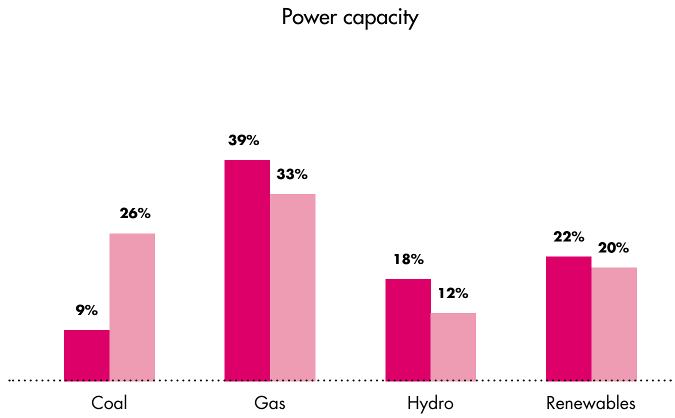
Exposure by 2023[1]

The graphs below show the results of the study on CNP Assurances' portfolio. They provide a technology exposure projection of the equity and bond portfolios for 2023 (on the basis of CNP portfolio holdings per issuer at 31 December 2017, with the projection per issuer in 2023), compared to a market aligned with a Beyond 2 °C scenario.

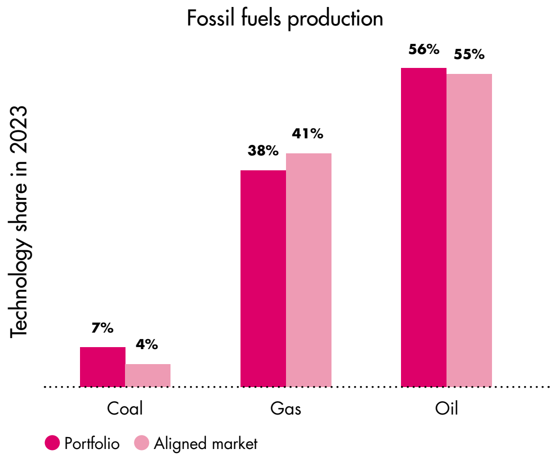
EXPOSURE BY 2023

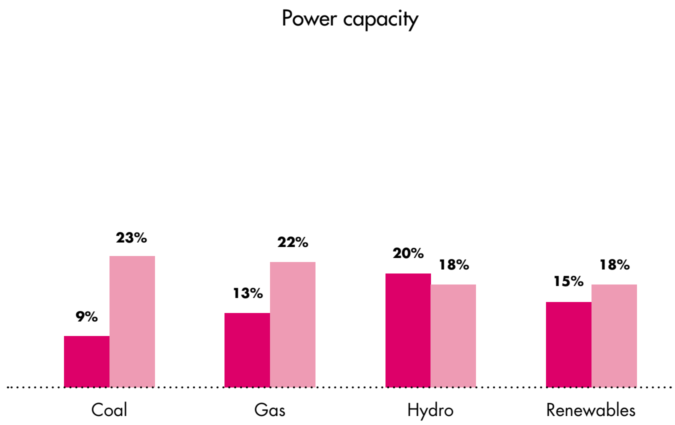
Equity





Corporate bonds





Use of results

The analysis of CNP Assurances' equity and corporate bond portfolios enables it to:

- strengthen the approach taken since 2015 on thermal coal and since reinforced;
- reinforce its commitment in terms of dialogue with companies, particularly in the gas and oil sector; to support them in the energy and environmental transition;
- continue to develop its investment prospecting activities in favour of the energy and environmental transition, particularly through "green" solutions in its directly-held equity portfolio aligned with model portfolios that give heavy weighting to the energy and environmental transition.

(1) Clarification on the 2° Investing methodology: in view of the marginal weight of "renewable" activities in the oil and gas businesses, the weight was not included in the analysis, despite potentially representing an increasingly greater proportion in the future. For the "fossil fuel" sector, the real output in barrels, cubic metres or tonnes is converted into gigajoules (GJ) for comparison.

Listed equity and corporate and sovereign bond portfolios

Prospective analysis

Methodology

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

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

The method provides a detailed analysis of the carbon impact of the issuers in a portfolio comprising sovereign and corporate bond assets and directly-held listed equities, and also consolidates the results across the entire portfolio. It offers a specific approach for sectors facing significant challenges, with an individualised study of each company, following an approach adapted to each sector.

A qualitative assessment of each security examined:

- the future carbon impact: this is a forward-looking indicator split into four levels, based on the company's overall strategy, its objectives for lowering GHG emissions, its investments in carbon reduction and its spending on related research and development;
- the carbon performance: this is a summary indicator consolidating the carbon footprint figures across the three scopes, as well as the positioning and strategy, research and development expenditure and investment. For companies, this indicator also takes into account the reporting quality and information specific to each sector in which the company operates.

Measuring the portfolio temperature

The CIA tool measures the alignment of the portfolio with a climate change pathway on the basis of the average rating of companies in the portfolio and its position compared to the average scores of the two benchmarks:

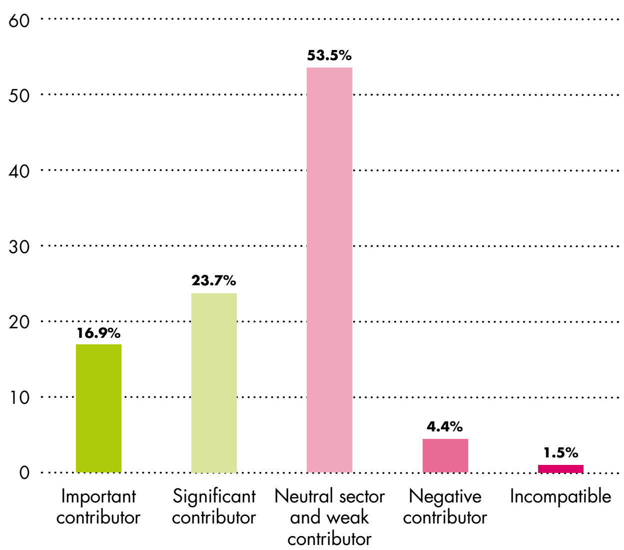
- a business-as-usual benchmark made up of all the companies in the CIA database, which predicts a 3.5 °C increase in temperature, corresponding to the ICC's RCP6.0 scenario;
- a 2 °C benchmark, made up of companies with the best ratings in their sector.

Results

The CIA tool covered 78% of CNP Assurances' sovereign and corporate bond asset and directly-held listed equity portfolio at 31 December 2018.

CONTRIBUTING TO THE ENERGY AND ENVIRONMENTAL TRANSITION PORTFOLIO

Breakdown of the carbon performance of equity and corporate and sovereign bond portfolios at 31 December 2018.



The sovereign and corporate bond assets and directly held listed equities portfolio at 31 December 2018 was aligned with a 2.8 °C pathway.

Portfolio CNP Assurances 2019 Calculation method	CIA coverage	Portfolio overall rating	Aligned with a trajectory of
	78.4%	2.1	2.8°

Use of results of the two analyses

The amount of emissions avoided across the equity portfolio, as well as ratings of the strategies and commitments of companies to the "Carbon Impact Analytics" approach were analysed on a company-by-company basis on companies with the highest level of GHG emissions in CNP Assurances' equity 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.

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

Lastly, the approach conducted over the last two years also sheds light on matters beyond the measurement of the portfolio's carbon footprint: for 2018, the results make it possible to measure significant progress made in terms of aligning the portfolio with a "2 °C pathway", although there is still a long way to go.

Property portfolio: reduction in the property portfolio's carbon footprint

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

Measures taken

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;
- the commitment to reduce GHG emissions related to energy consumption by 40% on owned assets (plus wholly-owned property assets) between 2006 and 2021: this point falls within the scope of the Gréco project launched by CNP Assurances in 2012 with the aim of drafting work plans tailored to each building from the outset in order to reduce CO_2 emissions and energy consumption;
- commitment related to the signing of the energy efficiency charter for commercial buildings.

Adaptation of the property portfolio

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

Nature of the main criteria

The aim is to monitor the impact of work on the consumption of the relevant assets in terms of "final energy", primary energy and GHG emissions.

Information used for the analysis

The analysis is based on energy consumption, thermal audits, regulatory and improved energy performance diagnostics, and dynamic thermal simulations.

Methodology

Definition of the scope: the varied nature of the property portfolio precludes adopting the same measures, as the approach will depend on such factors as location, ownership structure and building use (residential/commercial). CNP Assurances has undertaken an ambitious project on the property assets on which it has decision-making power (full ownership). As of 31 December 2018, 169 such assets were covered by this project, i.e., 53% of CNP Assurances' total property portfolio.

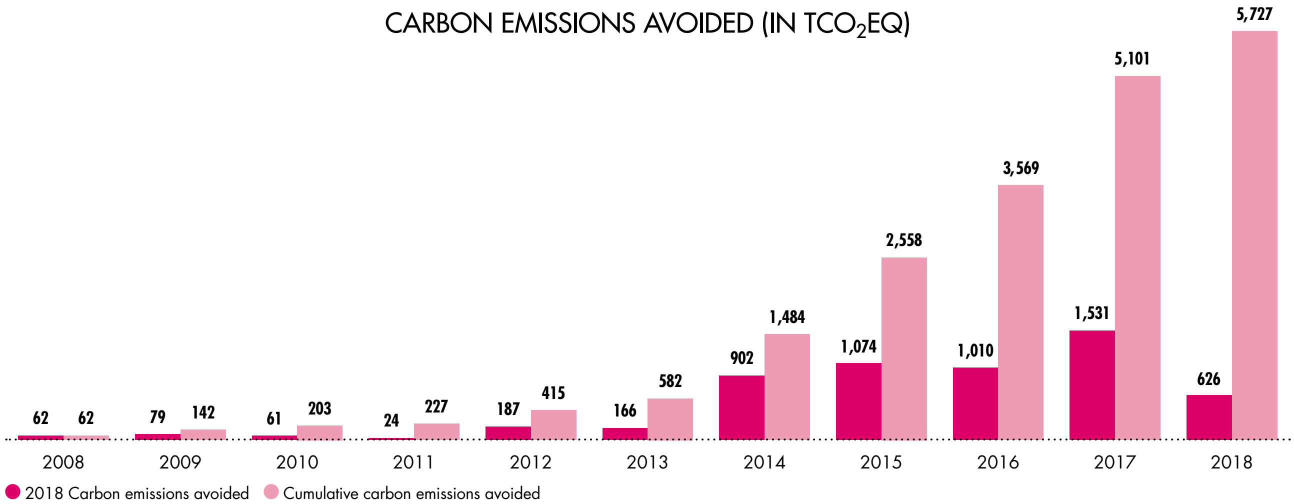
Results

- Progress on the Gréco project at 31 December 2018:
  - 136 of the 169 property assets covered by the project have either been analysed or are scheduled for analysis, i.e., a progress rate of 80%;
- Certification and labelling: in its maintenance and renovation of the property assets in its portfolio, CNP Assurances constantly aims to make the properties more energy efficient. Renovation projects are carried out to the highest environmental standards: 35% of the floor space of property assets under direct management had energy, environmental or operating certification at the end of 2018, a significant increase compared with 2017. For example, CNP Assurances restructured and finalised two office sites representing 30,000 m^2 in 2018, respectively certified Effinergie+/HQE Exceptional/Breeam Excellent & Bepos/HQE Exceptional/Breeam Excellent, and three residential buildings representing 11,500 m^2 certified NF housing HQE or Habitat & Environment. CNP Assurances also launched a project to restructure two sites: 25,000 m^2 of housing and 17,000 m^2 of offices, complying with the best performance standards.

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 2008 amounts to 5,728 tCO_2eq/year.

CARBON EMISSIONS AVOIDED (IN TCO_2EQ)



Use of results

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

Phase 1: Energy audits of the portfolio
Phase 2: Definition of several improvement scenarios on a building-by-building basis
Phase 3: Definition of the portfolio scenario via the selection of an asset-by-asset scenario
Phase 4: Verification of calculations made by consultants
Phase 5: Integration of work budgets into multi-year plans

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

- improved user behaviour;
- treatment of the building shell to reduce energy requirements;
- improved efficiency of equipment to optimise the use of energy;
- use of renewable energy.

To improve user behaviour, CNP Assurances' agents have established green leases on all commercial property assets of more than 2,000 m^2. In this context, the CNP Assurances asset managers 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.

An original contribution to managing transition risk: woodland and carbon storage

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

Carbon sequestration and adaptation to climate change are the main criteria for the energy transition in managing the woodland portfolio.

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

In reality, however, carbon can remain sequestered in other forms after logging. 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 buildings, known as "timber", stores carbon for the longest time before it is fully re-emitted into the atmosphere.

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

CNP Assurances' strategy of sustainable exploitation of woodland matches France's national objectives. Indeed, the national low-carbon strategy advocates a significant increase in wood removal, while also encouraging carbon sequestration in biomass. Logging permits the growth of new trees, and therefore uninterrupted carbon storage. The amount of timber sold by CNP Assurances, i.e., 252,881 m^3 in 2018 (down 5%), supports this transition.

Information used and methodology

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

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

For each subplot, information is available on:

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

The objective is to estimate the growth of wood for each subplot, measured in cubic metres per year. Timber volumes are then converted into 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 into a volume of CO_2, thereby giving the forests' annual "carbon-emissions" effect.

- **Total carbon storage:** this is the total amount of carbon present in the CNP Assurances portfolio. It is estimated in overall terms by reference to national data, published in *Forêt et Carbone: comprendre, agir, valoriser*, Martel, Casset et Gleizes, Institut pour le développement forestier (IDF), 2015.

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

Results

- **Annual carbon flows:** the annual net balance of carbon sequestration on the CNP Assurances woodland portfolio was 204,179 tonnes of CO_2 in 2018. This figure corresponds to the gross annual amount of CO_2 storage, from which timber revenue over the year is deducted.

- **Total carbon storage:** this figure is estimated at between 13,122,844 and 14,889,793 tonnes of CO_2 at 31 December 2018, in accordance with the chosen recognition method.

Use of results

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.

3.2 2 °C Convergence

3.2.1 Investments in favour of the energy and environmental transition

TCFD | Metrics

As highlighted in France's national low-carbon strategy, large-scale investment is needed to limit global warming to 2 °C by the end of the century. These investments play a role in the energy and environmental transition and are also a means of managing transition risk.

CNP Assurances has established two complementary approaches: supporting businesses in the energy and environmental transition, as discussed in the previous sections, and also funding sustainable business opportunities for key players in the transition.

In flow

At 31 December 2017, CNP Assurances pledged €5 billion in investments for energy and environmental transition projects by 2021.

At 31 December 2018, the progress rate was 61%.

In storage

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

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

CNP Assurances has invested in private equity funds in the clean energy, clean industry and cleantech sectors, and made direct and indirect investments in renewable energy infrastructure, sustainable mobility, and water and waste treatment, particularly via the Meridiam Transition fund. Launched in late 2015 with the Meridiam management company, this fund finances innovative development projects related to the energy transition, local services such as heating systems and energy recovery from waste, electricity grids and gas networks, and innovative renewable energies.

In addition to these funds, it also invests directly in green bonds funding specific environmental projects.

	Renewable energy, services and energy efficiency	Transport and sustainable mobility	Miscellaneous (waste, water, environmental industry, unspecified share of green bonds, etc.)
Financial securities	Debt and capital for infrastructure, private equity, green bonds		
Assets at year end	**€1.8 billion**	**€1.3 billion**	**€0.7 billion**
Target and position at 31 December 2018	Objective: €3 billion at 31 December 2018 Total at 31 December 2018 = €3.8 billion, i.e., 125% objective achieved		

	Sustainable buildings (label on acquisition and renovation)	PEFC-labelled woodland	Multi-sector in favour of the energy and environmental transition
Financial securities	Direct holdings, non-trading property companies, debt securities	Direct holdings, non-trading property companies, land companies	Listed equity funds
Assets at 31 December 2018	**€6.3 billion**	**€0.2 billion**	**€0.1 billion**

In total, at 31 December 2018, assets in favour of the energy and environmental transition represented over 3.4% of CNP Assurances' assets, coming to over €10 billion. Green bond assets came to €2.8 billion at 31 December 2018.

3.2.2 2 °C Scenarios

TCFD | Strategy TCFD | Metrics

This summary covers comparisons on CNP Assurances' position and/or objectives with national and international scenarios giving references for alignment with 2 °C pathways.

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

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

- the International Energy Agency's (IEA) sustainable development scenario (SDS) needed to meet the COP21 objectives – source: World Energy Outlook 2017;
- ADEME's 2 °C scenario – source: Update of the ADEME 2035-2050 energy-climate scenario;
- France's national low-carbon strategy.

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

Develop renewable energy to produce electricity, heat and cooling

Encourage the shift to rail transport

Reduce demand for energy in the building sector (see detail for the property sector in section 3.1)

Strike a balance between the increase in fuelwood and bio-based products, while preserving biodiversity and carbon sequestration in the forest ecosystem (see detail for the forest sector)

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

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

	2 °C scenario[1]	CNP Assurances' objectives
ESG-climate exclusion	**5% by 2030** Limit coal to 5% of energy production by 2030 (IEA, WEO 2017[2] – EU)	**10% by 2018** Exclude the purchase of securities in companies deriving over 10% of their revenue from thermal coal and undertake engagement initiatives with the most affected
Equities	**42% by 2030** Reduction in GHG[3] emissions in the EU between 2015 and 2030 (IEA, WEO 2017[2] – EU)	**47% by 2021** Reduction in GHG[3] emissions in the listed equity portfolio between 2014 and 2021
Property	**42% by 2030** Reduction in GHG[3] emissions in the EU between 2015 and 2030 (IEA, WEO 2017[2] – EU)	**40% by 2021** Reduction in GHG[3] emissions in the listed equity portfolio between 2014 and 2021
		CNP Assurances' situation
Woodland	Increase wood removal while storing carbon in timber (SNBC[4] – 2015) Tripling electricity production by bioenergy (IEA, WEO 2017[2] – World) Monitor impacts on biodiversity, soil, air and water (SNBC[4] – 2015)	Production of timber and fuelwood Fully-sustainable management, integrating the preservation of original biodiversity and the protection of soil against erosion
Financing for the energy and environmental transition (green bonds, infrastructure, etc.)	**52%** Share of renewable energy by 2030 (IEA, WEO 2017[2] – EU) **17%** Share of passenger and goods transport by rail by 2035 (Ademe[5], 2035-2050 – 2017) **100%** Share of buildings with low energy consumption by 2050 (SNBC[4] – 2015)	**23%** Share of renewable energy in 2018 (investment in infrastructure) **21%** Share of rail transport in 2018 (investment in infrastructure) **35%** Share of buildings labelled in 2018

(1) 2 °C scenario: limit global warming to 2 °C by the end of the 21st century.
(2) World Energy Outlook – International Energy Agency – SDS scenario.
(3) Greenhouse gas.
(4) France's national low-carbon strategy.
(5) French Environment & Energy Management Agency (ADEME).

4. RAISING POLICYHOLDERS' AWARENESS

INFORMING POLICYHOLDERS

Communication with policyholders

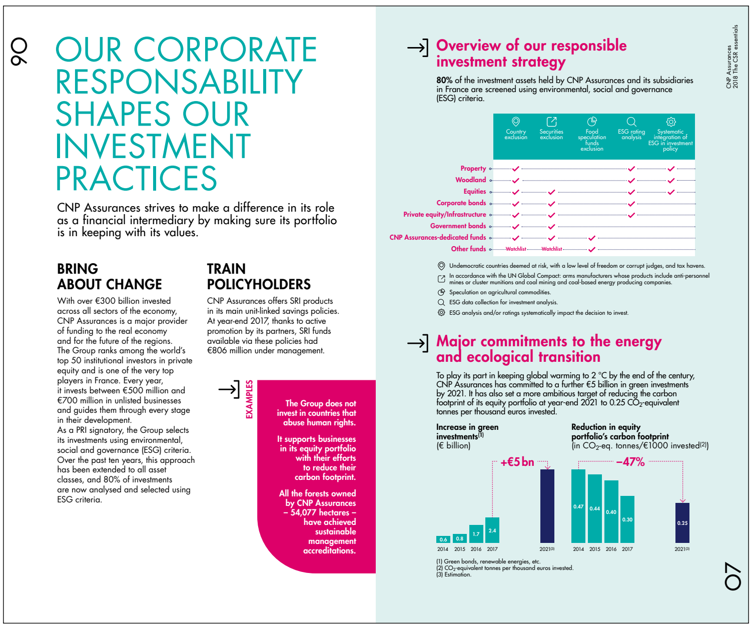
CNP Assurances takes a responsible investor approach both to traditional savings contracts, through the inclusion of ESG criteria in its investment policy, and to the unit-linked funds offered to policyholders.

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 strives to ensure that unit-linked funds are available to policyholders in the main contracts. This commitment is in line with that of its two major distribution partners – La Banque Postale and BPCE – whose management companies have set up such funds. For its part, CNP Assurances' own network, Amétis, has offered "CNP Développement durable", a unit-linked fund focused on sustainable development, since 2007.

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

CNP Assurances' ESG-climate approach is also described in the CSR Report, published annually since 2010 and available on the company's website. The cnp.fr website also devotes a page to the approach, and contains numerous news items and press releases on the subject: http://www.cnp.fr/en/the-cnp-assurances-group/who-we-are/our-csr-commitments.

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



06

OUR CORPORATE RESPONSABILITY SHAPES OUR INVESTMENT PRACTICES

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

BRING ABOUT CHANGE

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

TRAIN POLICYHOLDERS

CNP Assurances offers SRI products in its main unit-linked savings policies. At year-end 2017, thanks to active promotion by its partners, SRI funds available via these policies had €806 million under management.

EXAMPLES

The Group does not invest in countries that abuse human rights.

It supports businesses in its equity portfolio with their efforts to reduce their carbon footprint.

All the forests owned by CNP Assurances – 54,077 hectares – have achieved sustainable management accreditations.

Overview of our responsible investment strategy

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

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

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

Major commitments to the energy and ecological transition

To play its part in keeping global warming to 2 °C by the end of the century, CNP Assurances has committed to a further €5 billion in green investments by 2021. It has also set a more ambitious target of reducing the carbon footprint of its equity portfolio at year-end 2021 to 0.25 CO_2-equivalent tonnes per thousand euros invested.

(1) Green bonds, renewable energies, etc.
(2) CO_2-equivalent tonnes per thousand euros invested.
(3) Estimation.

CNP Assurances 2018 The CSR essentials

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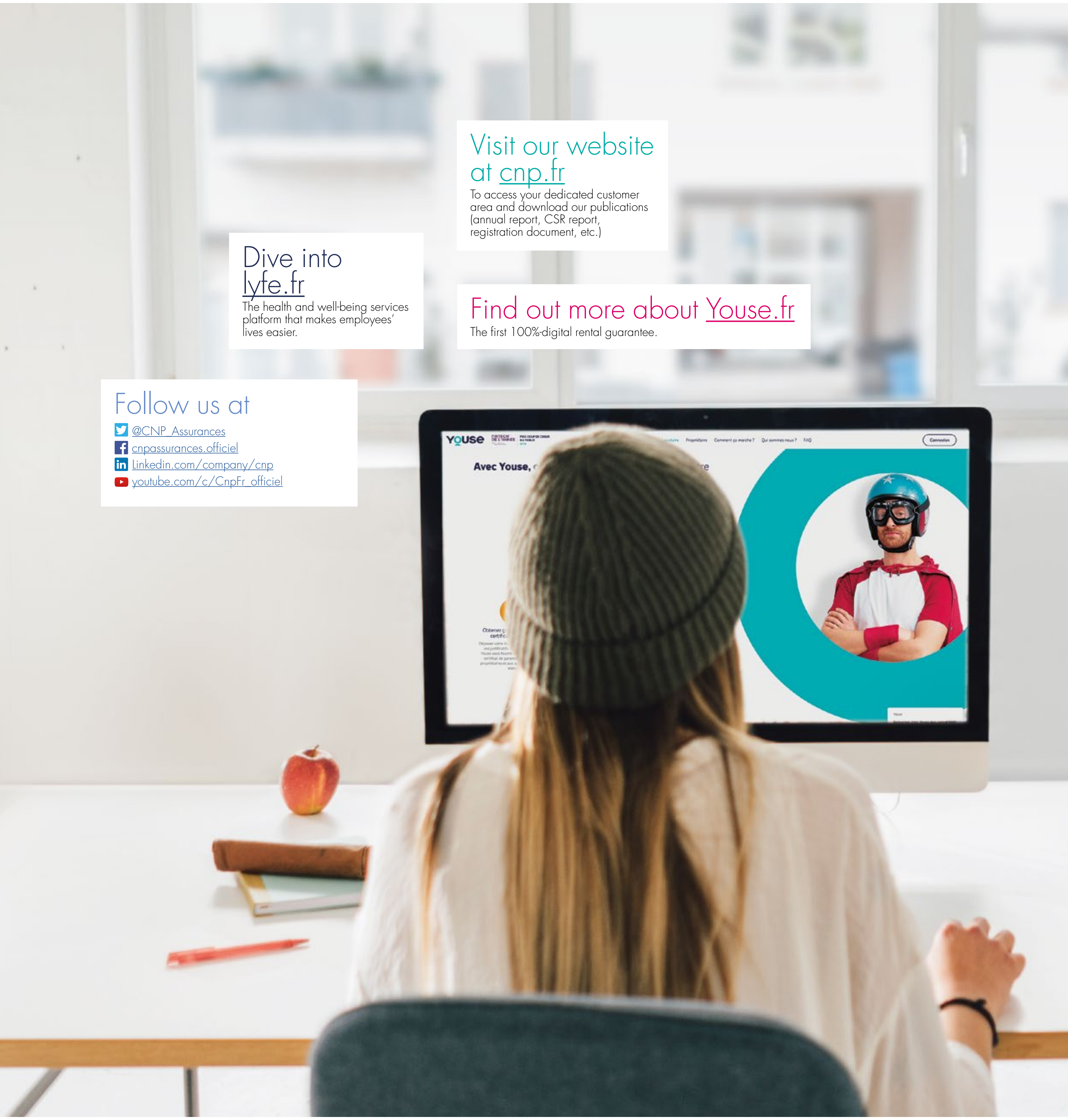
The brochure is available at our website cnp.fr

SRI unit-linked offering

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 unit-linked funds in savings products. They have been available for many years in each of the flagship unit-linked products available in the individual insurance offerings from CNP Assurances, which are regularly expanded.

- Since June 2018, life insurance policies sold by La Banque Postale propose an "SRI Conviction" offering, all of whose products have received the SRI label.
- CNP Assurances strengthened its offering of SRI products dedicated to wealth management clients this year with CNP Éthique. This offering gives its partners, private banks, IFA platforms and family offices access to 22 unit-linked products on SRI themes chosen by the client: environment, human capital and several sectors. It was widely promoted among private banking distributors during the Responsible Finance Week in September 2018.
- SRI is also represented through platforms such as CNP Développement durable for Amétis, and Mirova Europe Environnement and Mirova Emploi France for BPCE.
- For Amétis network contracts (CNP Trésor Projets and CNP Trésor Performance), a new unit-linked fund known as "Candriam SRI Equity World" was included at the end of 2018.

These developments have helped significantly increase its assets' value. At year end, nearly 199,000 individual life insurance policies at CNP Assurances included an SRI fund. SRI assets totalled €1,060 million at that date, an increase of more than 31% compared with end-2017.



Visit our website at cnp.fr

To access your dedicated customer area and download our publications (annual report, CSR report, registration document, etc.)

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