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**CNP Assurances**

# 2020 Shareholder engagement policy report

February 2021



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# I - GENERAL DESCRIPTION OF THE EXERCISE OF VOTING RIGHTS

## 1 Voting scope

CNP Assurances votes at the general meetings of almost all French and European companies in its portfolio. The voting scope is determined taking into account the resources, experience and skills of CNP Assurances' relevant in-house teams. CNP Assurances ensures that its teams receive regular training and participate in industry discussions on corporate governance.

## 2 Analysis of resolutions

CNP Assurances exercises its voting rights in accordance with the principles of its voting policy, which is reviewed annually and approved by senior management.

CNP Assurances applies its voting policy in a pragmatic manner, taking into account each investee company's specific characteristics in some cases (business sector, national regulations, main ESG risks, size, shareholder structure, economic and financial circumstances, etc.)

As a long-term shareholder, CNP Assurances is responsible for promoting good social, environmental and governance practices, with the belief that they are decisive for companies' sustainable growth and the creation of long-term value and that these practices benefit all stakeholders. CNP Assurances therefore seeks to foster the establishment of transparent, responsible and balanced governance structures. Through its voting and shareholder engagement policies, CNP Assurances is committed to a constructive and long-term relationship with companies.

When CNP Assurances decides on how to vote at the general meeting, it takes into account:

- Social and corporate governance issues, in particular restructuring plans leading to a significant reduction in headcount, conflicts of interest, and cases of corruption and money laundering
- Environmental issues, including climate change and the loss of biodiversity. CNP Assurances notably assesses efforts made to reduce greenhouse gas emissions by the companies in which it is a shareholder

Voting rights are exercised independently by the Corporate Social Responsibility (CSR) department.

The CSR department analyses resolutions in light of CNP Assurances' voting policy. Analysis by the proxy voting advisory agency Proxinvest is used as technical support to facilitate the review of resolutions submitted to vote, but in no way does it replace CNP Assurances' own voting policy.

The voting proposals drawn up by the CSR department are submitted to the Investment department for approval.

## 3 Transmission of voting orders

CNP Assurances exercises its voting rights through different channels:

- Through the ISS Proxyexchange platform, which transmits votes to general meetings for companies outside France
- By post by sending the voting slips to CNP Assurances' account administrator for French companies
- By participating directly in the general meeting








## II - REPORT ON VOTES CAST AT GENERAL MEETINGS

This report covers the 2020 voting campaign, during which CNP Assurances extended the scope of its voting.

In 2020, CNP Assurances voted at 110 general meetings held by 103 companies operating in ten countries. These companies accounted for 95% of assets under management in CNP Assurances' directly-owned share portfolio, compared with 83% in 2019.

More specifically, CNP Assurances voted at:

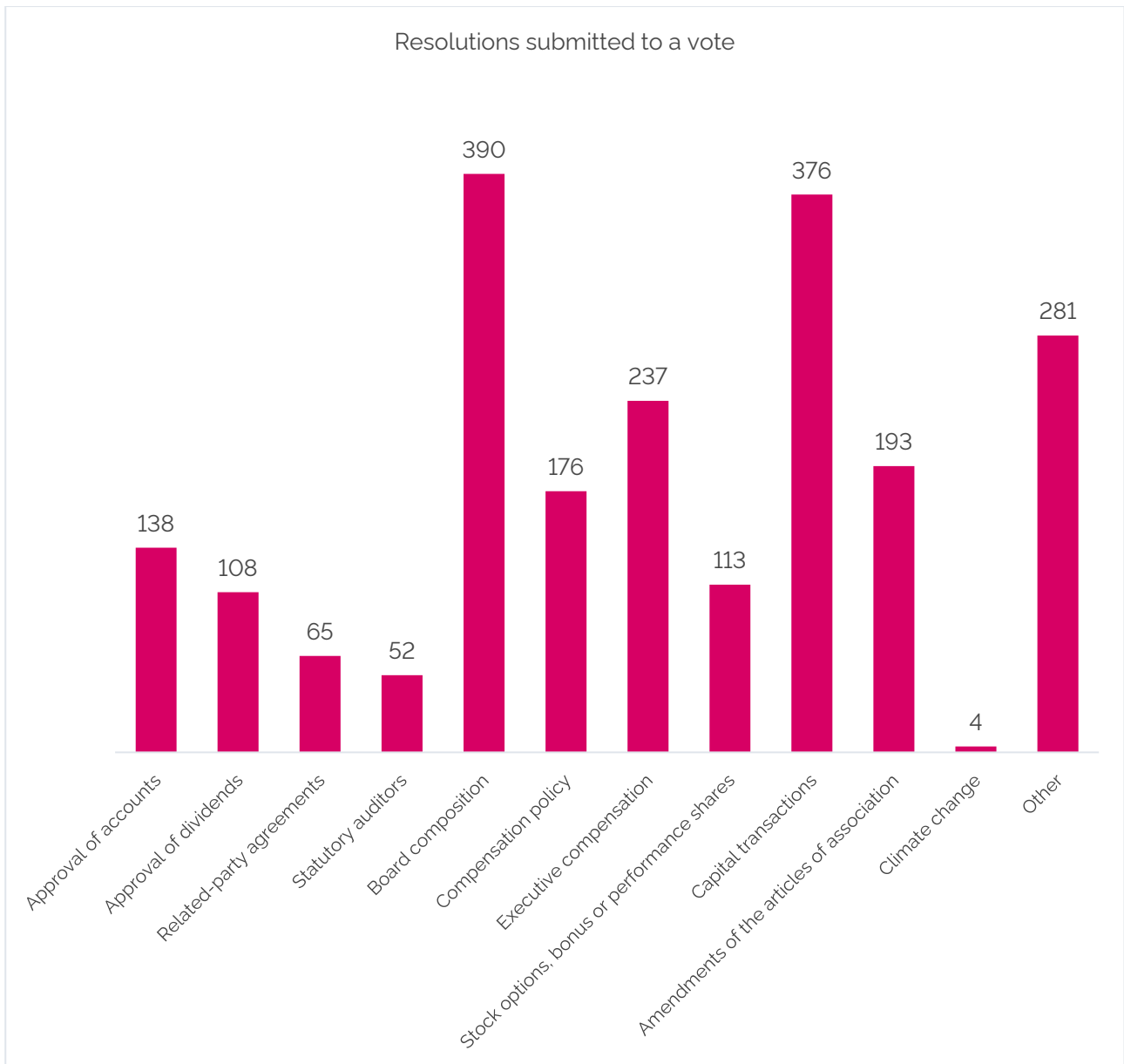
- 54 general meetings held by 52 French companies
- 56 general meetings held by 51 international companies

Coverage		Analysis	
	95% of AUM management		2,133 resolutions
	10 countries		110 general meetings
A  B  C 	103 companies		

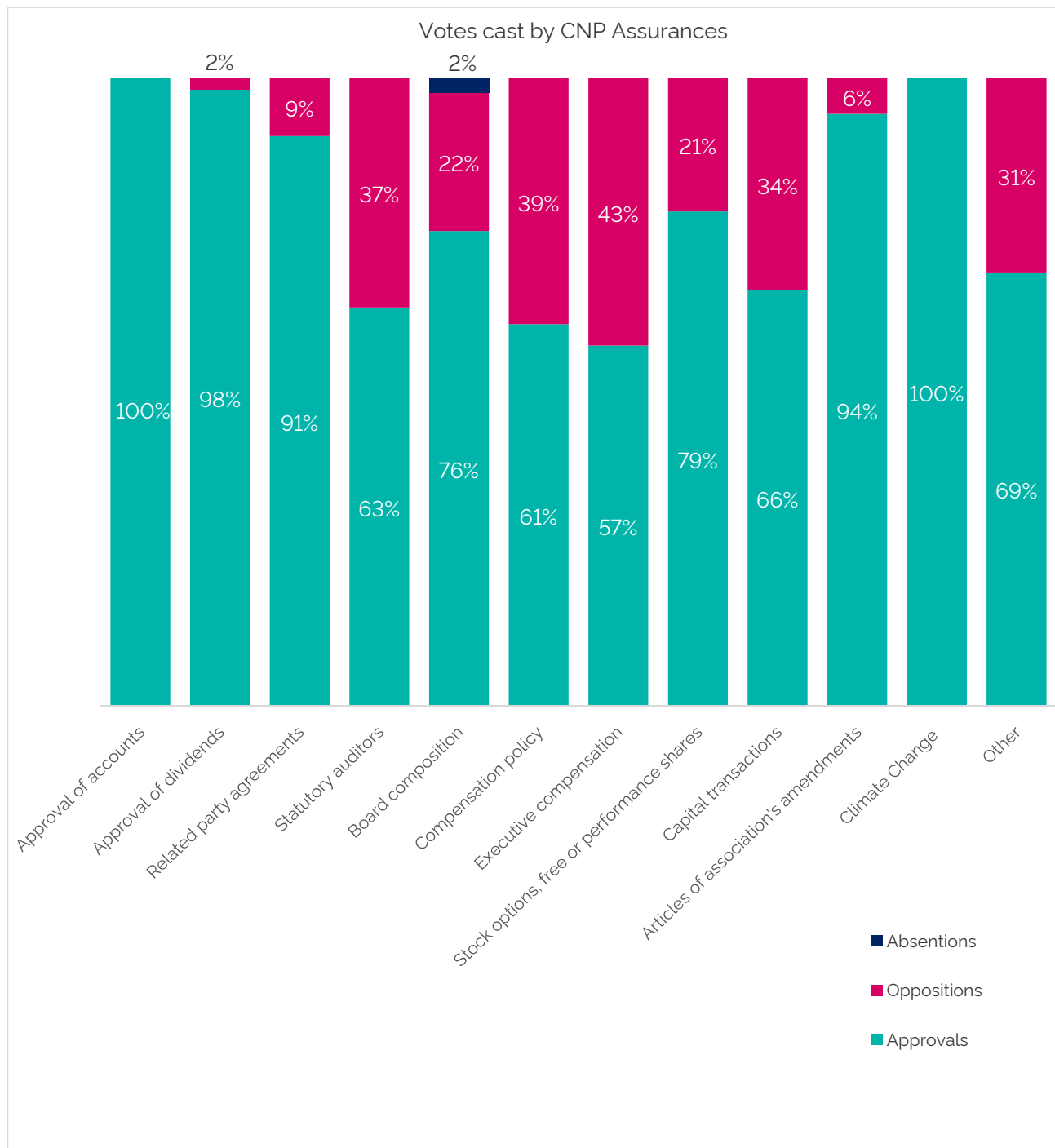
In 2020, CNP Assurances analysed 2,133 resolutions:

- CNP Assurances approved 1,592 resolutions, or 74.6% of proposed resolutions
- CNP Assurances opposed 532 resolutions, or 24.9% of proposed resolutions
- CNP Assurances abstained on 9 resolutions, or 0.4% of the proposed resolutions

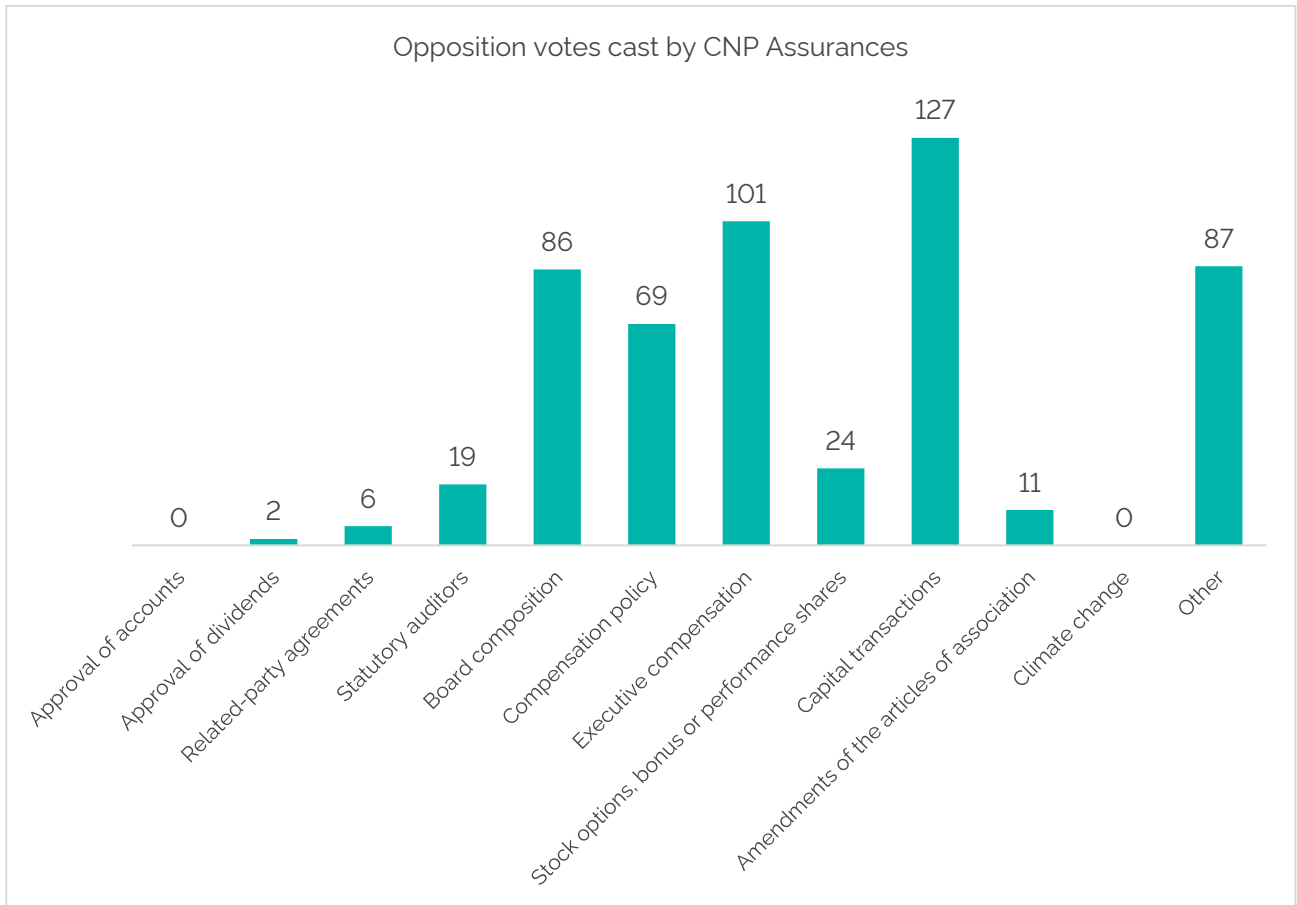
# 1 Breakdown of resolutions submitted to a vote



## 2 Breakdown of votes cast by CNP Assurances



### 3 Breakdown of opposition votes cast by CNP Assurances



## 4 Analysis of the votes cast by CNP Assurances by topic

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### 4.1 Approval of accounts and discharge

The parent company and consolidated accounts are approved provided they are certified by the statutory auditors. As in previous years, all resolutions proposed this year were approved.

CNP Assurances did not approve requests to grant discharge to the directors, senior managers or statutory auditors, except in countries where this is mandatory.

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### 4.2 Related-party agreements

In most cases, the reasons for opposition concerned non-transparent resolutions and agreements taking part of the company's wealth for the benefit of the controlling shareholder, or establishing dependence between management and the majority shareholder.

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### 4.3 Statutory auditors

The independence of the statutory auditors is assessed in terms of their regular rotation and by the transparency of their fees. CNP Assurances opposed many such resolutions when the total term in office exceeded 18 years.

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### 4.4 Dividends

CNP Assurances took into account the economic and financial consequences of the health crisis when considering the appropriation of 2019 income. It followed AFEP-MEDEF recommendations concerning the cancellation or reduction of dividends for companies that benefited from one or more government support measures in 2020 (deferred social security charges or taxes, state-guaranteed loans, use of furlough schemes for some of their employees). Against this backdrop, CNP Assurances opposed the payment of dividends proposed by two companies this year, as the amount of the dividend did not seem responsible to us as a long-term shareholder of these companies.

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### 4.5 Appointment or reappointment of directors

Proposed appointments and reappointments of directors are carefully reviewed. This year, special attention was paid to the percentage of women on the Boards of French and international companies. In 2020, CNP Assurances rejected proposals for the appointment or reappointment of directors for the following reasons:

- The percentage of independent Board members was too low
- The percentage of women on the Board was less than 40%
- The director held too many mandates, suggesting he/she would have little time available for the Board
- Attendance at Board meetings was less than 75%.

All applications for employee shareholder representatives were approved.



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## 4.6 Compensation of executive officers

CNP Assurances is particularly strict regarding the application of the compensation criteria set out in its voting policy. The main objections expressed by CNP Assurances in 2020 concerned proposed compensation policies and past compensation of executive officers when:

- The company demonstrated a lack of transparency on one or more components of compensation
- The proposed increases in fixed and/or variable compensation were disproportionate to the performance of the company or other European companies in the same sector, and were insufficiently justified
- Variable compensation did not comply with CNP Assurances' voting policy limit, or was not significantly linked to the company's performance, or was more than 30% based on qualitative criteria, which are more difficult to assess
- The variable compensation of executive officers of companies facing material environmental issues was not based on any environmental criteria
- Rates of achievement of quantitative and qualitative objectives were not disclosed

Since variable compensation (annual and long-term) is calculated as a percentage of fixed compensation, frequent increases in fixed compensation have led to a significant increase in the total compensation of executives, which partly explains CNP Assurances' high rate of opposition to these resolutions.

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## 4.7 Compensation in the form of stock options, freebonus or performance shares

The transparency of long-term performance plans proposed by companies is improving year by year. However, CNP Assurances objected when:

- The amounts were too high in absolute terms or as a percentage of the company's capital
- No upper limit was set
- Performance conditions were not published, or were not measured over a minimum of three years

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## 4.8 Severance pay and non-compete bonuses

CNP Assurances objected to severance pay or non-compete bonuses for executive officers in the following cases:

- Options not yet exercised or bonus shares not yet awarded could be retained on the beneficiary's departure
- The compensation was only partially subject to performance conditions, or the conditions were easily achievable
- The triggering of the compensation was not limited to dismissals

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## 4.9 Supplementary pensions

CNP Assurances voted against resolutions concerning the supplementary pension plans of executive officers for the following reasons:

- The amounts were too high in relation to compensation
- Payment was not subject to the beneficiary's continued presence in the company at the time of retirement

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## 4.10 Compensation of directors

CNP Assurances opposed directors' compensation when the proposed amount was disproportionate to that of other European companies in the same sector.

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## 4.11 Employee share ownership

CNP Assurances did not object to any of the proposed resolutions provided the maximum legal discount was respected.

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## 4.12 Capital transactions

Most transactions aimed at supporting companies' growth were approved, with the exception of capital transactions that may be maintained when a public offer is made for the company's shares.

CNP Assurances opposed the issue of defensive "Breton warrants" (a mechanism that can be used during takeover bids allowing the target company to issue all current shareholders warrants to subscribe for new shares at a price significantly lower than the stock market price).

Moreover, in light of the economic and financial consequences of the health crisis, CNP Assurances opposed certain share buybacks when the amount of such programmes did not seem to be responsible to us as a long-term shareholder of these companies.

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## 4.13 Amendments of the articles of association

CNP Assurances approved the majority of proposed amendments to the articles of association, with the exception of those aimed at reducing minority shareholders' rights.

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## 4.14 Environmental resolutions

As part of its climate strategy, in 2020 CNP Assurances decided to support all climate resolutions, even when these resolutions were not approved by the Board.

# III - REPORT ON DIALOGUE WITH COMPANIES

CNP Assurances implements a policy of dialogue with companies, which is reviewed annually and approved by senior management. Together with the voting policy, it constitutes CNP Assurances' engagement policy.

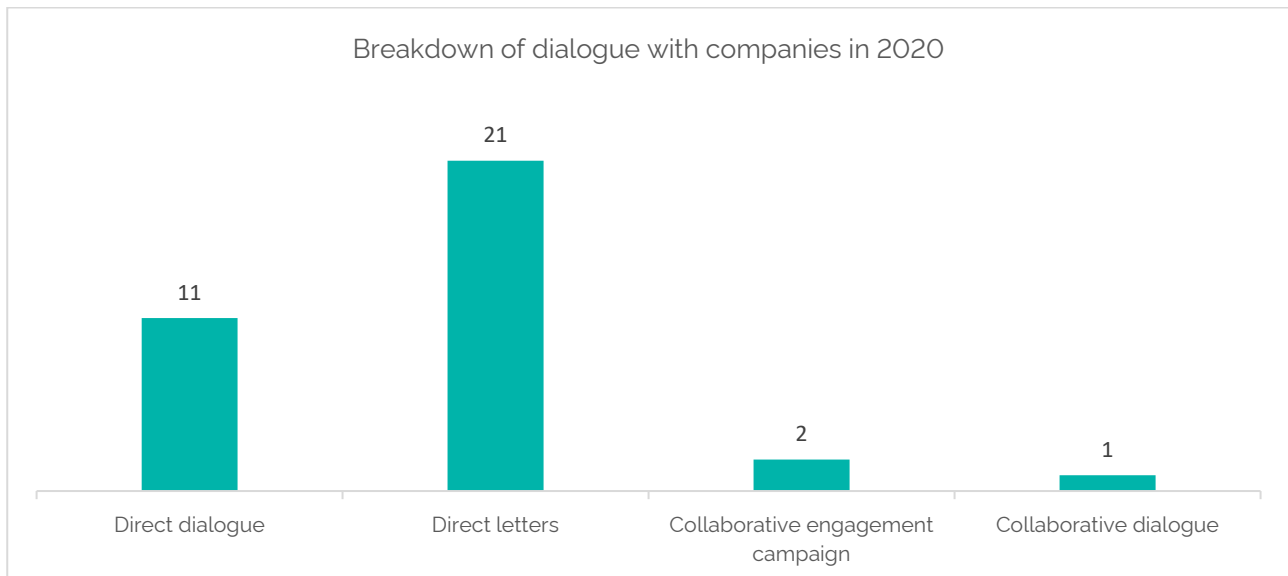
The objectives of the dialogue policy are as follows:

- To promote CNP Assurances' climate and biodiversity strategy by encouraging companies in which it is a shareholder or bondholder to make and implement ambitious decisions in support of the environmental and energy transition in line with the Paris Agreement, and to publish information on their greenhouse gas emissions and risks related to climate change and biodiversity loss
- To improve the governance of companies for which CNP Assurances has the most opposing votes at general meetings regarding compensation or the composition of the Board

It mainly takes a proactive approach to ensure that ESG criteria are taken into account at the highest level by the most exposed companies.

The scope of dialogue with investee companies is determined taking into account the resources, experience and skills of CNP Assurances' relevant in-house teams.

CNP Assurances engages with companies with the greatest ESG (environmental, social and governance) challenges. Direct dialogue is preferred for French companies. For companies outside France, CNP Assurances relies on collaborative engagement via Climate Action 100+, the Net-Zero Asset Owner Alliance and the Principles for Responsible Investment (PRI).



In 2020, CNP Assurances:

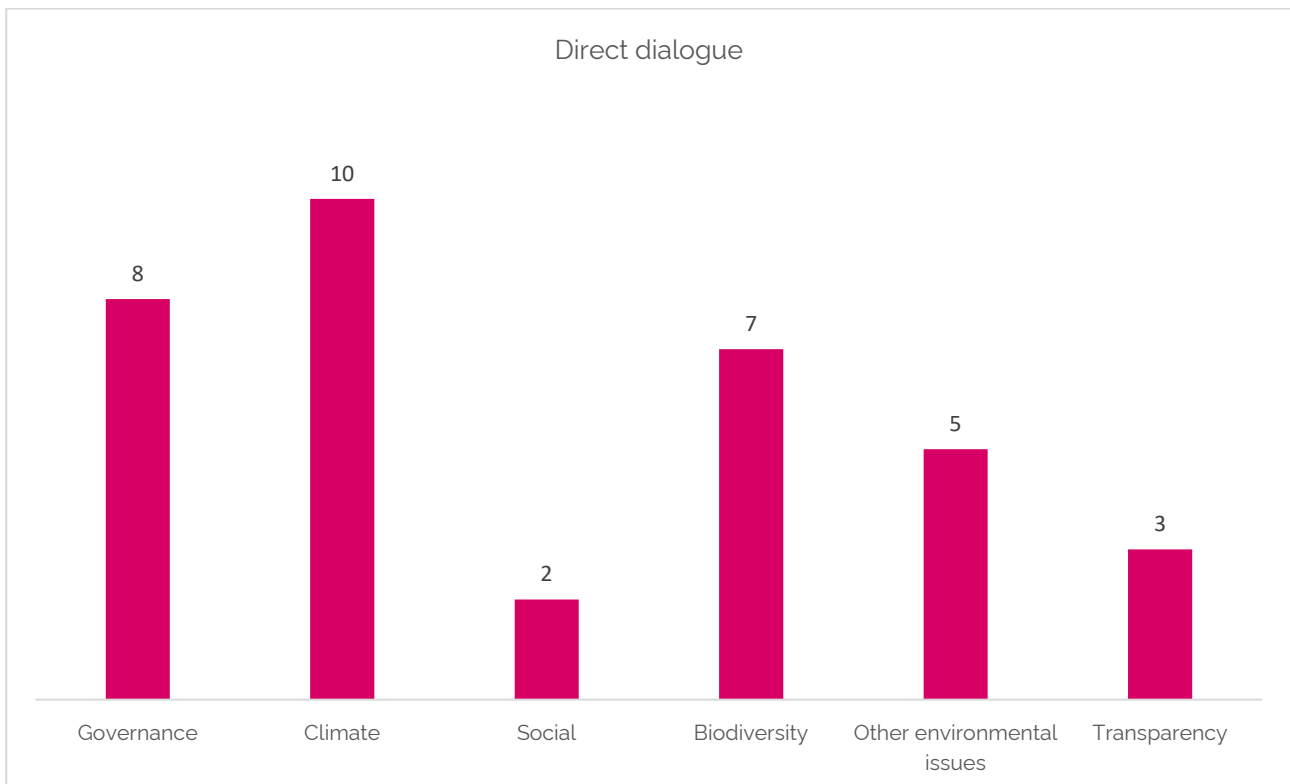
- Engaged in direct dialogue with 11 companies
- Sent 21 letters to companies asking them to publish a plan to fully divest from thermal coal
- Supported two collaborative engagement campaigns to stop the development of coal-fired power plants and reduce greenhouse gas emissions
- Participated in collective dialogue with a European energy company via Climate Action 100+

The annual report on dialogue with investee companies is presented to the Chief Investment Officer and the Corporate Secretary of CNP Assurances Group. In addition, the main results of dialogue with companies on climate risks are presented to the Climate Risk Committee.

# 1 Direct dialogue

In 2020, all requests for dialogue with companies targeted by CNP Assurances were accepted. In the direct dialogue held with 11 companies in 2020, the following topics were discussed with CNP Assurances:

- Governance (eight discussions, 73% of cases)
- Climate (ten discussions, 91% of cases)
- Social issues (two discussions, 18% of cases)
- Biodiversity (seven discussions, 64% of cases)
- Other environmental topics (five discussions, 45% of cases)
- Transparency (three discussions, 27% of cases)



The dialogue was overall constructive and enabled CNP Assurances to better understand the companies' choices, particularly in terms of governance and the environmental and energy transition:

- In 50% of cases, CNP Assurances noted satisfactory progress, particularly on greenhouse gas emissions reduction targets
- In 50% of cases, CNP Assurances is still waiting for progress and will continue to carefully monitor the commitments made by companies and their implementation

This dialogue also helped with the analysis of resolutions submitted to a vote by shareholders and had a positive impact on the votes cast by CNP Assurances:

- Either due to an improvement in the climate strategy, which avoided a sanction vote
- Or due to improved governance or transparency

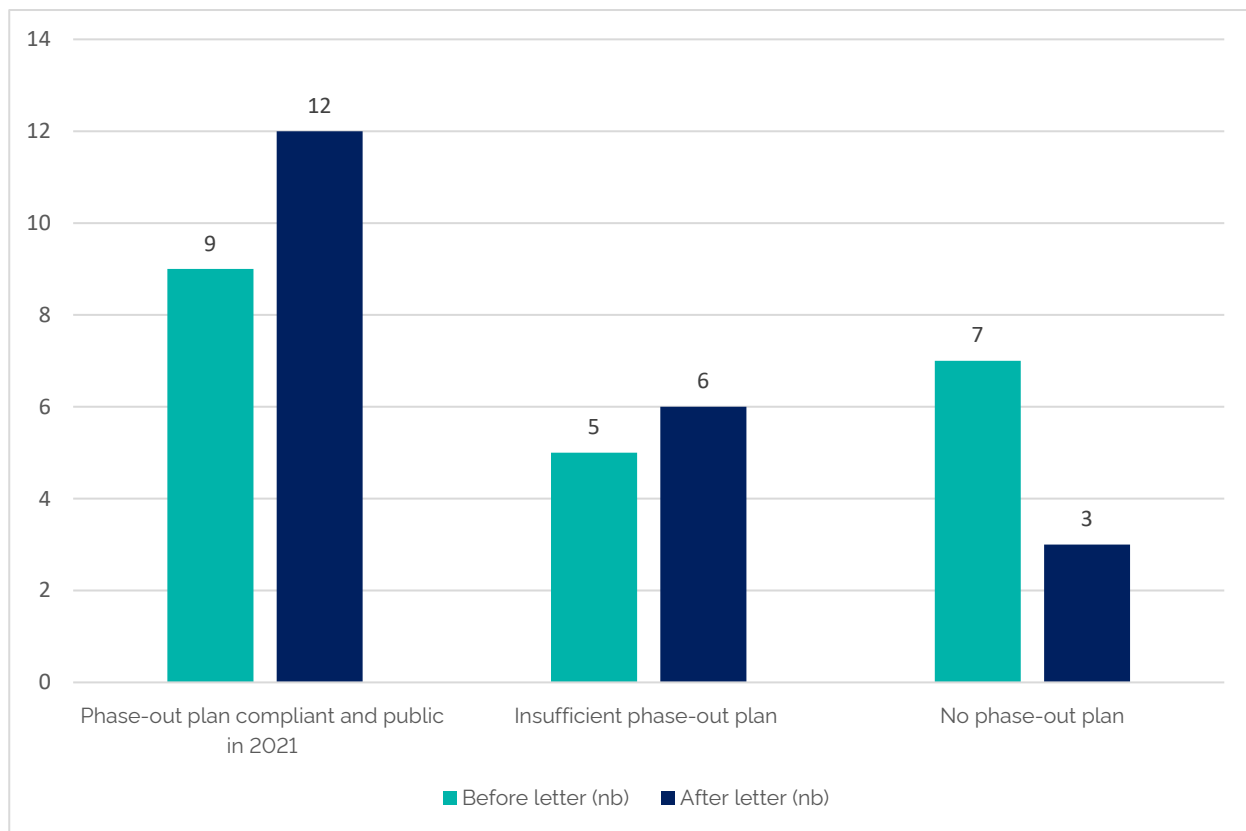
## 2 Direct letters on coal phase-out

In June 2020, the CEO of CNP Assurances sent a letter to the directors of companies involved in thermal coal activities in which CNP Assurances has invested directly (equities or bonds). In the letter, he asked these companies to publish, by 2021, a plan to phase-out from thermal coal, with full withdrawal by 2030 in European Union and OECD countries, and by 2040 in the rest of the world, based on the closure of assets rather than their sale, and encouraged companies that have already committed to phase-out.

21 letters were sent and the response rate was very high at 90%.

The following chart shows the results of this campaign:

- Four companies (19%) improved their coal phase-out plan in 2020
- Two companies (9%) with an insufficient plan requested direct dialogue with CNP Assurances
- Three companies (14%) responded without announcing a coal phase-out plan
- Overall, at the end of 2020, nine companies (43%) do not yet meet CNP Assurances' expectations: Six have an insufficient phase-out plan and three do not have a phase-out plan



In line with its public commitment, in 2021 CNP Assurances is continuing dialogue initiated in 2020 with companies in the coal sector to which it is directly exposed. CNP Assurances asks all such companies that have not yet done so to publish by the end of 2021 a plan to phase-out fully from thermal coal, with full withdrawal by 2030 in European Union and OECD countries, and by 2040 in the rest of the world, based on the closure of assets rather than their sale.

### 3 Collaborative engagement campaign

In 2020, CNP Assurances participated in two collaborative engagement campaigns:

- In March 2020, CNP Assurances supported a letter from Climate Action 100+/AIGCC to the Ministry of the Economy of South Korea, a majority shareholder of Korea Electric Power Company (KEPCO), asking it not to approve coal-fired power projects in Vietnam, Indonesia and the Philippines. However, KEPCO's Board of Directors approved the investment in these projects in October 2020
- In October 2020, CNP Assurances supported the CDP/SBTi campaign asking the 1,800 most GHG-emitting companies to commit to climate action by setting Science-Based Targets. Companies have until May 2021 to respond and sign the SBTi Business Ambition for 1.5°C Commitment Letter. At the end of 2020, 365 companies had signed this commitment

### 4 Collaborative dialogue

In 2020, CNP Assurances supported collaborative engagement with a European energy company via Climate Action 100+. The aim is to align the company's strategy with achieving carbon neutrality by 2050 and limiting global warming to 1.5°C in accordance with the Paris Agreement. It has not yet reached its target and will continue in 2021.

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