Sustainable Investment

2019 Report

An insurance underwriter since 1850

A COMPREHENSIVE RANGE OF SOCIAL PROTECTION SOLUTIONS.

5,353
employees worldwide

38
million insureds [1] under personal risk/protection policies [2] worldwide

12
million [1] savings and pensions policyholders worldwide

350
distribution partners

OPERATIONS IN EUROPE AND LATIN AMERICA WITH A STRONG PRESENCE IN BRAZIL

No. 1
in France for term creditor insurance [3]

No. 2
in France for life insurance [4]

No. 3
in Brazil for insurance [5]

No. 7
in Europe for insurance [6]

Scope

This report covers all assets held by CNP Assurances, CNP Caution and MFPrévoyance.
Data reported are as at 31 December 2019.

(1) Estimates partly based on the number of contracts under management
(2) Personal risk, health, term creditor and property & casualty insurance
(3) 2018 data, Argus de l'Assurance, October 2019, term creditor insurance rankings
(4) 2018 data, FFA, July 2019
(5) Data published in October 2019 by SUSEP (Brazilian insurance supervisor that oversees Caixa Seguradora)
(6) Data published in November 2019 on the Bloomberg site, companies ranked by size of technical reserves based on their consolidated financial statements

Editorial

CNP Assurances has recently strengthened its strategy and engagement as a responsible investor, with several major developments that are important to highlight.

The first development concerns our membership of the Net-Zero Asset Owner Alliance, a UN-convened initiative to accelerate investor action in tackling climate change and achieving the goals of the Paris Agreement. Under the terms of the Alliance, CNP Assurances and its fellow members commit to transitioning their investment portfolios to net-zero GHG emissions by 2050, to help limit global warming to 1.5°C above pre-industrial temperatures, to take into account the best available scientific knowledge and notably the findings of the IPCC, and to regularly report on progress, including by establishing intermediate targets every five years until 2050.

The second development is the success of the green bond issued by CNP Assurances. The €750 million raised through the operation will enable the Group to finance green projects in areas such as high energy-performance buildings, sustainably managed forest and green infrastructure such as renewable energy projects. The projects financed will help CNP Assurances meet its objective of doubling its green investments from €10.4 billion at the end of 2018 to €20 billion by the end of 2023.

The third key takeaway is the publication of CNP Assurances' shareholder engagement policy, which covers both voting policy and dialogue with companies. As a responsible investor, CNP Assurances adheres to a policy of shareholder activism, and has systematically voted at the shareholders' meetings of the listed companies in its portfolio since 2005. The principles set out in its voting policy aim not only to defend the rights of CNP Assurances as a minority shareholder, but also to foster the sustainable development of companies by supporting growth strategies which take into account the impacts on all stakeholders, be they customers, employees, suppliers or the environment.

And last but not least is the responsible investment governance in place within CNP Assurances. We can be particularly proud of the collective commitment and contributions of a network of correspondents supported and guided by the Group Chief Investment Officer and the Group General Secretary, and expressed through staff contributions from the Investment department, the Risk department and the CSR department. It is these contributions that – together with the necessary expertise – enable us to develop and nurture the Group's engagement and strategy as a responsible investor.

At a time when companies are dealing with unprecedented health and environmental crises, this strategy is all the more important for an institutional investor that is responsible for the environmental, social and societal implications of its investment decisions.

Antoine Lissowski
Chief Executive Officer

Contents

This report discloses the information requested in Article 173-VI of France's law on Energy Transition for Green Growth.

It also discloses the information recommended by the **Task Force on Climate-related Financial Disclosure (TCFD)**. Governance, strategy, risk management and indicators related to climate change issues in investment activity are denoted by the following acronyms:

TCFD | GOVERNANCE   TCFD | STRATEGY   TCFD | RISK MANAGEMENT   TCFD | INDICATORS AND OBJECTIVES

These components can be identified in the following cross-reference table:

TCFD recommendations		Corresponding section in the report
TCFD | GOVERNANCE	Board of Directors' view of the risks and opportunities related to climate change	**3.1** Governance of risks and opportunities related to climate change
	Role of management in the assessment of risks and opportunities related to climate change	**3.1** Governance of risks and opportunities related to climate change
TCFD | STRATEGY	Risks and opportunities related to climate change identified in the short, medium and long term	**3.2** Physical and transition risk analysis
	Impacts of these risks and opportunities on organisation, strategy and financial planning	**3.2** Physical and transition risk analysis
	Potential impact of various scenarios, including the 2˚C scenario, on organisation, strategy and financial planning	**3.2** Physical and transition risk analysis **3.3** 1.5°C convergence
TCFD | RISK MANAGEMENT	Methods used to identify and assess climate risk	**3.2** Physical and transition risk analysis **5.** Appendices
	Methods used to manage climate risk	**3.2** and transition risk analysis
	Inclusion of climate risk identification, assessment and management processes in the overall risk management process	**3.1** Governance of risks and opportunities related to climate change
TCFD | INDICATORS AND OBJECTIVES	Metrics used to assess the risks and opportunities related to climate change as part of the strategy and the management of company risks	**3.2** Physical and transition risk analysis **3.3** 1.5°C convergence **5.** Appendices
	Greenhouse gas emissions (scopes 1, 2 and 3 if necessary) and related risks	**3.2** Physical and transition risk analysis
	Targeted objectives for managing the risks and opportunities related to climate change	**1.2** Overview of our responsible investment strategy

Chapter 1

Responsible investment strategy

1.1 In figures

As a responsible investor, CNP Assurances endeavours to have a positive impact on society as a whole.

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

Over the last five years, CNP Assurances has made compelling commitments in favour of the energy and environmental transition and the fight against global warming. A signatory of the Montreal Carbon Pledge, it published the carbon footprint of its portfolio of directly held listed equities in December 2015, and undertook to reduce it. On joining the Net-Zero Asset Owner Alliance in 2019, CNP Assurances pledged to achieve carbon neutrality in its investment portfolio by 2050.

As a signatory of the UN's Principles for Responsible Investment (PRI) since 2011, the Group chooses its investments according to environmental, social and governance (ESG) criteria that have been extended to every asset class over the past 10 years.

At the end of 2019, 82% [1] of CNP Assurances' traditional and unit-linked product portfolio assets were managed with ESG filters (89% of traditional portfolio assets).

With **€14 billion** in green investments at end-2019 and new targets to rid its portfolios of investments in the coal industry, CNP Assurances has stepped up its commitment to the fight against global warming, in the belief that large-scale environmental problems generate a financial risk against which it has a duty to protect itself if it is to uphold long-term commitments with policyholders.

What makes us a responsible investor

- An investment strategy and ESG approach defined by the Group.
- The delegation of asset management to 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.
- The long-term nature of our investments that are based on our commitments to our policyholders.

(1) Versus 81% at end-2018

1.2 Overview of our responsible investment strategy

CNP Assurances is a responsible investor with a global approach based on methods tailored to the specific nature of each asset class. This approach contributes to five of the United Nations' 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	✓		

- Countries rated "partly free", "not free", or "corrupt", 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

CNP Assurances is committed to the energy and environmental transition needed to achieve carbon neutrality by 2050.

TCFD | INDICATORS AND OBJECTIVES

	OBJECTIVES	ACHIEVEMENT RATE AT END-2019
-47%	**between 2014 and 2021** **Reduction in the carbon footprint** of the portfolio of directly held listed equities to achieve 0.25 $teqCO_2$/€k invested in 2021	**110%** (0.23 $teqCO_2$ /€k invested)
-40%	**between 2006 and 2021** **Reduction in the carbon footprint** (1) of the directly held properties portfolio to achieve 18 $kgeqCO_2$/sq.m. in 2021	**93%** (19 $kgeqCO_2$ /sq.m)
€5 Bn	**between 2018 and 2021** **New green investments** in the energy and environmental transition	**139%** (€7 billion in new green investments)
	Exclusion of new investments in companies deriving more than 10% of their revenue from thermal coal or that are involved in the development of new coal mines or power stations	**100%**

(1) Greenhouse gas emissions related to energy consumption.

Having exceeded the new green investments target at the end of August 2019, a year and a half ahead of schedule, CNP Assurances announced in November 2019 that it aimed to double its green investment assets to €20 billion by the end of 2023. At the end of 2019, they amounted to €14.4 billion.
In addition, the Group has strengthened its thermal coal exclusion policy (see section 2.4.2).

1.3 Description of our responsible investment strategy

The integration of ESG criteria is an essential vector for CNP Assurances' values. It reflects the Group's commitments and is a core component in the Group's investment strategy governance.

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

in order to apply its values in its work as an investor, CNP Assurances has adopted an ESG/SRI policy:

- 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 public and private players in all business sectors with the necessary stability 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 and generally holds bonds until they mature, while at the same time maintaining active management to ensure that commitments made to insureds are met each year.

A responsible shareholder

CNP Assurances votes at the shareholders' meetings of the listed companies in which it is a shareholder. It ensures the rights of minority shareholders are respected and supports each company's long-term growth.

Promoting responsible unit-linked products

CNP Assurances promotes responsible unit-linked products for policyholders through its distribution partners.

Supporting the real economy

CNP Assurances supports the development of the real economy through its investments, particularly those with an environmental and social impact.

Principle No. 2: Four principles for ESG integration

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

As a signatory of the Global Compact, the Principles for Responsible Investment (PRI), and the Net-Zero Asset Owner Alliance, and convinced 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. The four conditions guiding the integration of ESG criteria are:

- respect human rights as defined in the Universal Declaration of Human Rights;
- adhere to the principles of the International Labour Organization (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 conditions 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 of ESG, with particular attention paid to governance, which is the key to the quality of engagement over the long term.

Exclusion policy

CNP Assurances excludes certain activities or production methods.

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

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 as part of the overall investment policy approved by Executive Management and the Board of Directors.

Implementation

CNP Assurances undertakes to:

- respect principles No. 1 and No. 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.

1.4 Governance of our responsible investment strategy

The responsible investment strategy is defined in the investment strategy approved by Executive Management and the Board of Directors.

A dedicated governance framework for responsible investment is implemented to enable the Board of Directors, Executive Management, relevant committees and investment teams to integrate ESG and climate issues in all decision-making and operational processes.

OVERSIGHT

- **Board of Directors** chaired by an independent Director
- **Audit and Risk Committee** chaired by an independent Director

MANAGEMENT

- **Chief Executive Officer**
- **Strategic Allocation Committee** chaired by the Chief Executive Officer
- **Investment Committee** chaired by the Deputy Chief Executive Officer, the Chief Financial Officer or Group General Secretary

OPERATIONAL MANAGEMENT

- **Internal SRI Committee** Investment department, CSR department
- **External SRI Committee** Investment department, CSR department, Group Risk department, asset management companies
- **Climate Risk Committee** Investment department, Group General Secretary, CSR department, Group Risk department, Group Actuarial department
- **External Management Committee** Investment department, asset management companies

01 Oversight

CNP Assurances has implemented a risk management policy as part of the Group's decision-making processes. The strategic risk management priorities are decided by the Board of Directors based on input from the Audit and Risk Committee. The Board of Directors assesses the inclusion of ESG criteria in asset management as part of its annual review of the investment strategy.

The responsible investment strategy, its objectives and implementation are presented once a year to the Board of Directors and the Audit and Risk Committee.

02 Management

The effective and operational implementation of responsible investment processes is the responsibility of the Chief Executive Officer, supported by the Group's Chief Investment Officer and General Secretary, who are both members of the Executive Committee. They oversee the organisation and monitor the operational implementation of the responsible investment strategy.

CNP Assurances' Corporate Social Responsibility (CSR) department reports to the Group General Secretary. The head of the CSR department in turn reports to the Chief Executive Officer and the Board of Directors on the main environmental, social and governance (ESG) challenges and risks, as well as the implementation of the Group's CSR approach.

The CNP Assurances SRI department reports to the Group's Chief Investment Officer.

The CSR and SRI departments draft the Group's responsible investment policy and ensure that ESG criteria are integrated into asset management.

The responsible investment strategy review is presented annually to the Strategic Allocation Committee, chaired by the Chief Executive Officer, which is responsible for setting the strategic investment allocation guidelines. This committee also approves proposed changes to the responsible investment strategy.

The Investment Committee decides on investments and is chaired by the Deputy Chief Executive Officer, the Chief Financial Officer or the Group General Secretary. It oversee the risk acceptance process and is supported by the Group Risk department.

The committee ensures that the ESG criteria are integrated into the decision-making process.

With all the measures implemented, ESG management is strongly integrated into the management and investment management processes.

03 Operational management

A network of operational stakeholders

Within the Investment department, the implementation of the responsible investment strategy relies on the SRI department and a network of correspondents appointed for each asset class. They deploy this strategy with the partner asset management companies in charge of managing the various asset classes (equities, bonds, real estate and woodland). In 2019, more than 50 employees from the Investment department had an objective related to responsible investment in the calculation of their variable remuneration.

See what some of the members of the Investment department (Daniel, Virginie, Luc, Gaël, Frédéric and Nathalie, pictured below) had to say throughout this report in the sections corresponding to their activity.

The Internal SRI Committee coordinates the responsible investment strategy within the network of correspondents and the CSR department. It monitors the operational implementation of the responsible investment strategy according to asset class, performing a review and proposing changes.

The Group Risk department verifies the correct application of the exclusion rules in the asset portfolios.

The CSR department drafts and manages CNP Assurances' engagement and voting policy. It is responsible for exercising voting rights at shareholder meetings and for shareholder engagement. The voting policy is approved by the Board of Directors and the voting decisions of each shareholder meeting proposed by the CSR department are approved by the Chief Executive Officer or the Chief Investment Officer.

The Climate Risk Committee brings together all of CNP Assurances' stakeholders in this area to share regulatory news, market initiatives and to monitor the climate roadmap implemented by the entire company, including liability risks and asset risks. The work of the committee is described in section 3.1.

Management delegated to asset management companies and steered by CNP Assurances

External management committees enable CNP Assurances' investment department to oversee the tactical management of assets. The asset management companies report on non-financial management.

For the management of listed assets, the Investment department controls the ESG processes of the two asset management companies, Ostrum and LBPAM, which use their own SRI analysts. Every quarter, each management company presents its portfolios' ESG ratings, developments, sector issues and securities at risk to the CNP Assurances SRI Committee.

The following roles are represented for each asset class that have underlying assets with delegated management (1):

- the role of CNP Assurances in terms of the management principles defined by all stakeholders and through the involvement of management teams;
- the operational role of the external asset management companies.

		SRI management CNP Assurances	CNP Assurances portfolio management A dedicated management team monitors each asset class	Management is delegated to the asset management companies
Directly held listed equities **Directly held corporate bonds** **Directly held sovereign bonds**	**ESTABLISHES THE GROUP'S RESPONSIBLE INVESTMENT POLICY AND CLIMATE COMMITMENTS FOR ALL ASSET CLASSES**	▪ Determines and monitors the correct application of exclusions on securities and countries. ▪ Defines and implements its engagement policy.	▪ Ensures the proper application of the SRI policy and the diligent implementation of related projects with the management companies.	▪ Applies the investment policy using its own ESG mechanisms. ▪ Reports to CNP Assurances on compliance with the responsible investment policy and the achievement of objectives.
Property held directly or through wholly owned vehicles		▪ Determines and monitors the correct application of the exclusions on securities and countries. ▪ Sets the green charter that applies to all management agreements.	▪ Ensures the delegation to the management company is subject to compliance with CNP Assurances' socially responsible approach.	▪ Carries out an ESG analysis before any property assets are acquired. ▪ Undertakes to manage properties in accordance with the ESG principles set by CNP Assurances.
Woodland held directly or through wholly owned vehicles		▪ Has set the recurring target of making 100% of woodland PEFC-certified. ▪ Determines and monitors the correct application of the exclusions on securities and countries.	▪ Assesses all investment opportunities proposed by the management company. ▪ Undertakes to continue its effort to improve woodland areas where possible (management of enclaves, easements, etc.) so as to increase the qualitative nature of the portfolio in terms of sustainable management. ▪ Participates in meetings of the Board of Directors.	▪ Implements its sustainable woodland management manual on CNP Assurances' portfolio on a day-to-day basis, and ensures that the PEFC commitments are met. ▪ Commits 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.

(1) Discretionary management and funds

		SRI management CNP Assurances	CNP Assurances portfolio management A dedicated management team monitors each asset class	Management is delegated to the asset management companies
Infrastructure held through funds	**ESTABLISHES THE GROUP'S RESPONSIBLE INVESTMENT POLICY AND CLIMATE COMMITMENTS FOR ALL ASSET CLASSES**	▪ Determines and monitors the correct application of the exclusions on securities and countries.	▪ Conducts a due diligence process before any investment in the new funds.	▪ The managers that publish an ESG report annually report to CNP Assurances on compliance with the responsible investment policy and the achievement of objectives.
Private equity held through funds		▪ Determines and monitors the correct application of the exclusions on securities and countries.	▪ Conducts a due diligence process before any investment in the new funds.	▪ Applies the investment policy using its own processes and ESG analyses. ▪ The management companies that publish an ESG report annually report to CNP Assurances on compliance with the responsible investment policy and the achievement of objectives.
Listed equities and bonds held through funds dedicated to CNP Assurances		▪ Determines and monitors the correct application of the exclusions on securities and countries.	▪ Conducts an ESG investigation of management companies every six months.	▪ Depending on the case, applies an ESG strategy specific to the management company or co-constructed with CNP Assurances that complies with exclusion constraints.
Other funds			▪ Conducts an ESG investigation of management companies of listed funds every six months.	▪ Applies a responsible investment policy at the discretion of the management company.

SRI is a core component of the collective remuneration of CNP Assurances employees

Outside the Investment department, all employees are regularly informed about the Group's responsible investment strategy. The proportion of financial assets managed using an ESG criterion, which is a key indicator of this strategy, was included in CNP Assurances' employee profit-sharing criteria for the first time in 2019.

1.5 Timeline of our responsible investment strategy

OUR COMMITMENTS		OUR ACTIONS	
WE SUPPORT	**Member of the UN Global Compact**	The CNP Assurances Group is committed to upholding the human and citizens' rights set out in the Universal Declaration of Human Rights, and to complying with the principles of the International Labour Organization (ILO) and the national labour laws of each host country	2003
		First disclosure of greenhouse gas emissions to the Carbon Disclosure Project	2005
		First-time implementation of an ESG Best-in-class strategy for the entire equity portfolio	2006
		Exclusion of producers of anti-personnel mines and cluster munitions	2008
Signatory of: PRI Principles for Responsible Investment	**Signing of the Principles for Responsible Investment (PRI)**		2011
novethic cercle	**Member of the Institutional Circle of Novethic**		2013

	OUR COMMITMENTS	OUR ACTIONS
2014		Exclusion of offshore financial centres
2015	PRI Montréal PLEDGE **Signing of the Montreal Carbon Pledge**	- First climate strategy with quantitative objectives - Reduction in the investment portfolio's carbon footprint - Green investments - Coal policy
2016	CDP SUPPORTER 2019 **Supporting member and signatory of the Carbon Disclosure Project**	First public report on the inclusion of ESG factors in the investment strategy
2017	Climate Action 100+ Global Investors Driving Business Transition **Member of the Climate Action 100+ initiative**	
2019	FINANCE FOR TOMORROW THE SUSTAINABLE FUTURE BEGINS IN PARIS THE NET-ZERO ASSET OWNER ALLIANCE **Member of the Net-Zero Asset Owner Alliance and Finance for Tomorrow**	- Commitment to having a carbon-neutral investment portfolio by 2050 - Enhancement of the coal policy - Increased quantitative target of green investments

1 Responsible investment strategy

Chapter 2

ESG approach

2.1 Shareholder engagement

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

CNP Assurances' shareholder engagement takes two forms:

- voting at general meetings;
- shareholder dialogue.

As a responsible investor with an equity portfolio of €11 billion, CNP Assurances has followed a policy of shareholder activism since 2005, systematically voting at the general meetings of the listed companies in its portfolio.

In accordance with the provisions of the PACTE Law, CNP Assurances publishes on www.cnp.fr website the details of its **shareholder engagement policy**, which covers both voting policy and dialogue with companies.

2.1.1 Voting at general meetings

The principles set out in the voting policy aim not only to defend the rights of CNP Assurances as a minority shareholder, but also promote the sustainable development of companies, by supporting development strategies which take into account the impacts on all stakeholders, be they customers, employees and suppliers or the environment.

In 2019, CNP Assurances voted at 85 general meetings of 84 companies in 10 countries. These companies account for 83% of the equity portfolio assets held directly by CNP Assurances.

More specifically, the Group participated in:

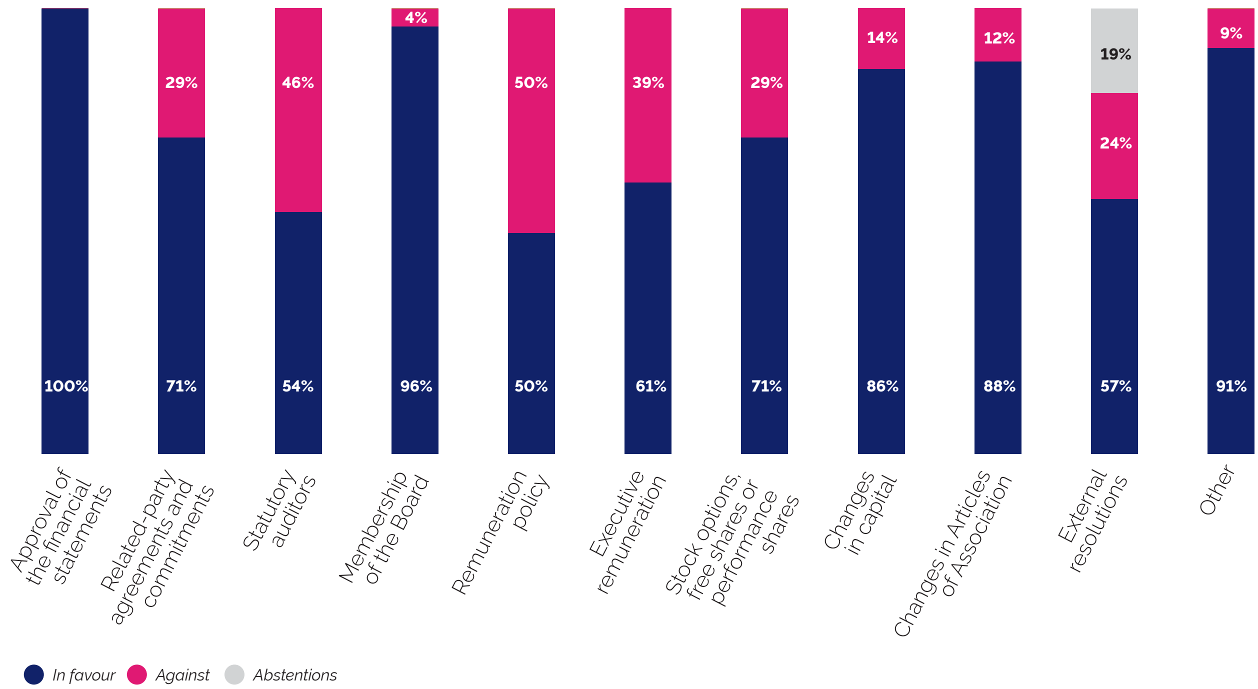
- 53 general meetings of 52 French companies. These companies account for 97% of the French equity portfolio assets held directly by CNP Assurances.
- 32 general meetings of 32 international companies. These companies account for 67% of the international equity portfolio assets held directly by CNP Assurances.

COVERAGE	ANALYSES
83% of investments	**1,671** resolutions
10 countries	**85** general meetings
84 companies	

Aside from the 41 non-voting resolutions, the Group analysed 1,671 resolutions that were voted on, of which it:

- approved 1,383 resolutions (82.8% of the proposed resolutions);
- voted against 284 resolutions (17.0% of the proposed resolutions);
- abstained from voting on 4 resolutions (0.2% of the proposed resolutions).

Breakdown of votes cast by CNP Assurances



The main objections raised in 2019 by CNP Assurances concerned both remuneration policies and the remuneration of Executive Management when:

- the company demonstrated a proven lack of transparency on one or more components of remuneration;
- the proposed increases in fixed and variable remuneration were disproportionate to those of other European companies in the same sector and were insufficiently justified;
- variable remuneration did not comply with the ceiling set by CNP Assurances' voting policy or was not significantly linked to the company's performance;
- variable remuneration of corporate officers of companies with significant environmental issues was not based on any environmental criteria.

2.1.2 Shareholder dialogue

By promoting direct dialogue with the companies in which it is a shareholder, CNP Assurances pursues the following objectives:

- to support its climate and biodiversity strategy by encouraging companies to disclose information on risks related to climate change and biodiversity loss;
- to improve the governance of the companies for which CNP Assurances has the most opposing votes at general meetings in terms of remuneration or the composition of the Board of Directors.

In 2019, CNP Assurances:

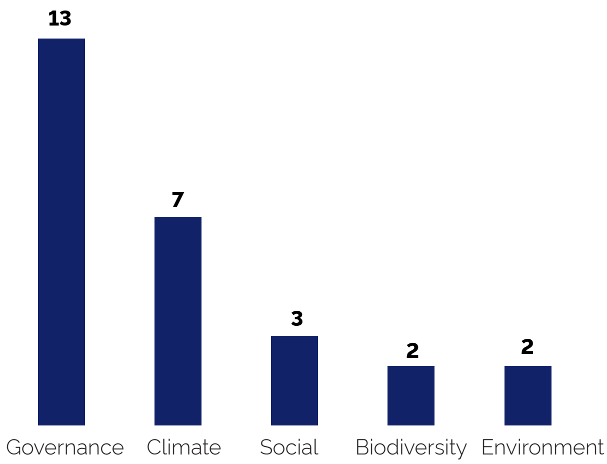
- held 14 direct talks with 11 companies. Overall, these talks were constructive and enabled CNP Assurances to gain a better understanding of the choices made by companies, particularly in terms of governance and their energy and environmental transition, and thus to shed more light on the analysis of the resolutions submitted to the shareholders' vote. In 2020, CNP Assurances will continue this shareholder dialogue strategy in the long term;
- participated in CDC Group's energy transition survey of 41 companies in its portfolio of directly held equity or bonds. Among these companies, 23 agreed to respond to the survey, accounting for 56% of companies surveyed;
- supported a collaborative engagement with a European oil company through the Climate Action 100+ initiative. This engagement has yielded positive results, as the company is now working with investors to strengthen its alignment with the Paris Agreement.

Direct dialogue breakdown

Over the course of the 14 direct talks held with 11 companies in 2019, the following areas were discussed with CNP Assurances:

- governance (13 talks, i.e., 93% of instances);
- climate (7 talks, i.e., 50% of instances);
- social welfare (3 talks, i.e., 21% of instances);
- biodiversity (2 talks, i.e., 14% of instances);
- environment (2 talks, i.e., 14% of instances).

Direct dialogue



2.2 The ESG criteria that guide our decisions

2.2.1 Directly held listed equities

Financial assets concerned

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

Proportion of assets based on balance sheet value: €11 billion in net balance sheet value at 31 December 2019.

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).

CNP Assurances ensures the governance of the ESG approach implemented by the asset management companies

Responsible investment and, more specifically, climate change and the protection of the environment are CNP Assurances' main strategic priorities in the management of directly held listed shares.

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

Each manager presents their portfolios' ESG ratings, developments and sector issues, and the securities at risk to the CNP Assurances SRI Committee on a quarterly basis. 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 approach of its two agents through their commitment to responsible investment and by bringing their dialogue more in line with its own or even by excluding securities issued by companies whose practices violate SRI principles.

CNP Assurances' commitments towards directly held listed equities

The Group's ESG approach on all directly held listed equities is based on the following four complementary pillars:

- **Best-in-class management:**
  The best-in-class approach has been chosen, meaning that preference is given to investments in companies with the best non-financial (ESG) ratings within their sector;
- **Climate commitments:**
  Since the end of 2017, the management of directly held equities has been aligned with model portfolios that heavily weight contribution to the energy and environmental transition. These model portfolios are deployed in collaboration with La Banque Postale Asset Management (LBPAM) and Mirova (Natixis Investment Managers).
  As a signatory of the Montreal Carbon Pledge, CNP Assurances published the carbon footprint of its portfolio of directly held equities at 31 December 2015 and undertook to reduce it by 47% between 2014 and 2021 to attain a level of 0.25 teqCO_2/per €k invested by 2021: this target was reached in June 2019, a year and a half ahead of schedule.
  As part of its climate commitments, CNP Assurances is also pursuing its policy of excluding companies that derive a certain percentage of their revenue from thermal coal;
- **A shareholder engagement policy** since 2005:
  CNP Assurances manages and implements a strategy focused on voting at general meetings and shareholder dialogue. The key areas of this ESG engagement policy are governance, gender equality and climate action, as described in section 2.1 of this report.
  In 2018, CNP Assurances also became a member of Climate Action 100+, a collaborative shareholder engagement platform created in December 2017;
- **Exclusion rules on securities and countries determined by CNP Assurances:**
  These rules, described in section 2.4, also apply to the Group's equity portfolio.

2.2.1.1 The ESG approach led by 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 soon as it becomes a defining element of their business project enables companies to seize opportunities related to ongoing transitions;
- **managing risks:** the "in-sourcing" of external environmental and social factors, often in the form of managing disperse 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 case-specific challenges

The analysis of risks and opportunities seeks to focus on the factors most likely to have a tangible impact on the assets under consideration and on society as a whole. Moreover, the challenges 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 characteristics of each asset under review.

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 working conditions is an important focus for a supplier in textiles, for carmakers, priority hinges more on energy consumption when using products.

A qualitative rating scale

The main result of these analyses is the production of a global qualitative rating on five levels in order to assess an asset's fit 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

The selection of securities 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 2019, equity portfolio management focused on investment opportunities based on certain major underlying ESG trends.

A number of themes were reflected through the investments made, including:

- the digital transition, connectivity and cyber security;
- healthcare, access to treatment and healthcare equipment, and the development of medicine that integrates new technology;
- the energy transition, by shifting part of the investments towards greener energies and companies providing energy efficient solutions;
- sustainable mobility;
- sustainable finance, with the focus on companies offering climate risk insurance solutions and financing the development of a low-carbon economy.

Based on the analyses presented above, Mirova rates companies in the CNP Assurances portfolio, and presents the consolidated ratings at SRI Committee meetings with CNP Assurances.

QUESTIONS TO...

Nathalie Gonnet

What are your duties?

I am a portfolio manager with CNP Assurances' Investment department. I am in charge of investments and their follow-up for group pension contracts (companies, mutual insurers and retirement savings plans).

How do you perceive the integration of ESG criteria into the day-to-day management of investments, particularly when their ability to generate returns is important?

Integrating ESG criteria into our management compels us to apply additional ESG filters to our investment choices and to penalise certain sectors of activity.

For example, the energy and utilities sector or the automotive sector are considered to be sectors at risk because of their activities. Most of the stakeholders in these fields have already embarked on an energy and technological transformation that generates very significant financial costs. Due to this unfavourable rating, the weighting of these sectors in our asset portfolios should not be increased in the future even though they offer very attractive returns both in terms of dividends and in the form of bonds (as high-rated issuers with long maturities). While this risk reduction in our management may initially be detrimental to the performance of our portfolios, as it results in the loss of opportunities, it should have more of a positive impact in the long term. Choosing to finance companies that are the most virtuous in terms of sustainable development leaves room for revaluation, as these securities will be more sought-after by investors.

2.2.1.2 The ESG approach led by LBPAM

ESG analysis

LBPAM boasts a team of SRI and financial analysts using multiple external sources to analyse medium- and long-term ESG challenges. The analysis is based on the SRI philosophy – named "GREaT" – defined by LBPAM in 2016 and is built 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 the management of natural resources (water, biodiversity, recycling and waste) 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 9,000 issuers, including 2,000 in Europe): it compares ESG assessments performed by the MSCI ESG 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 twice a year 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/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 heavily weight contribution to the energy and environmental transition, notably through the following indicators: carbon intensity, exposure to coal and the financing of "green solutions". "Green solutions" correspond both to green bonds and investments in companies that derive a significant portion of their revenue from environmental themes (renewable energies, environmental solutions and services, circular economy, green buildings, transport and sustainable mobility and sustainable agriculture and food).

Sector-by-sector and company-by-company 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 is available to managers in order to build their investment portfolios and monitor ESG performance. 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.

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 methods to gradually improve the way in which SRI criteria are included in the portfolios.

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.

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 sector-based 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.

At the end of 2019, 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 €11 billion at the end of 2019;
- more specifically, the SRI and energy transition 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 reduced focus on industries with the greatest carbon footprint.

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 CO_2 emissions and energy use. 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

Scope: 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: €8.9 billion at 31 December 2019.

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

Engagement with CNP Assurances management companies

The operational management of acquisitions is delegated to asset management companies tasked with overseeing contractual relations with property or land managers. This delegation requires a master agreement laying down the obligations of management companies, which apply *de facto* to their subcontractor. The 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 management companies to also sign the Energy Efficiency Charter for Commercial Buildings. At the end of 2019, 67% [1] of management companies had signed the charter.

(1) Versus 63% at end-2018

ESG analysis when acquiring property

Nature of the main criteria: the acquisition of property assets involves screening under the master agreement between CNP Assurances and its management companies. There are many ESG criteria; the main ones of which 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 management companies must also comply with five ethical principles of action that cover market conduct and integrity and respect for suppliers, including subcontractors.

Methodology

The management companies are in charge of analysing these criteria. Before any acquisition, they are required to present CNP Assurances with a comprehensive file including an analysis of the building's technical, environmental and public health aspects. This file describes the environmental risks, the energy performance (mandatory diagnostic), the building's GHG emissions and its position with respect to new environmental regulations (green leases, certification, labels), and public health (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 2019.

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 building management

The ESG management principles described below are included in all management agreements between CNP Assurances and its management companies at 31 December 2019. CNP Assurances management companies undertake to manage properties in accordance with these criteria.

Nature of the main criteria

Management companies mandated by CNP Assurances undertake to respect:

- **the principle of safety and security for properties 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 for this principle is based on the selection and the systematic use of competent companies while keeping costs under control;
- **the owner's socially responsible approach.**

Information used for the analysis

To meet their commitments, CNP Assurances management companies may base their analyses on such factors as satisfaction surveys of tenants, environmental studies, Health & Safety and Environment 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 management companies 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) Noise pollution

- 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) Odour pollution

- 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 [1], 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.

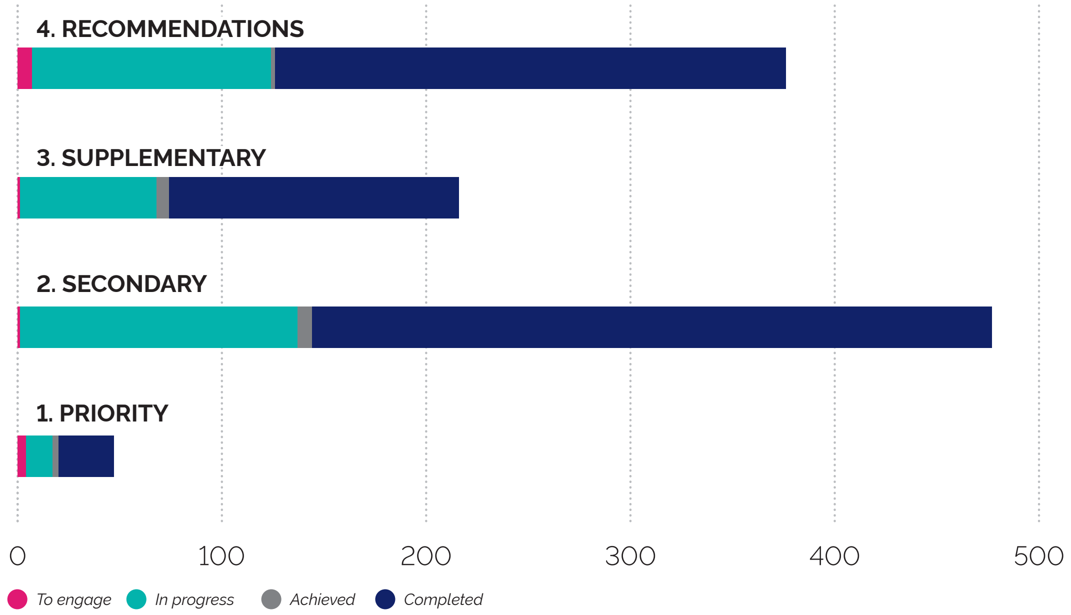
CNP Assurances management companies are responsible for the risks associated with this charter. CNP Assurances expects them to manage these risks in an appropriate and balanced manner on a case-by-case basis depending on the materiality of the challenge in question.

(1) A more environmentally friendly management method that acts as an alternative to intensive horticultural management and that adapts to the use of the premises

Health & Safety and Environment analysis

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

Ninety-two audits have been carried out across the board, and progress in dealing with observations as of 31 December 2019 is as follows:



2.2.3 Woodland

Sustainable management certification, preserving biodiversity and adapting to climate change

CNP Assurances is the largest private owner of woodland in France, with 56,537 hectares of forest at end-2019.

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 forest 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

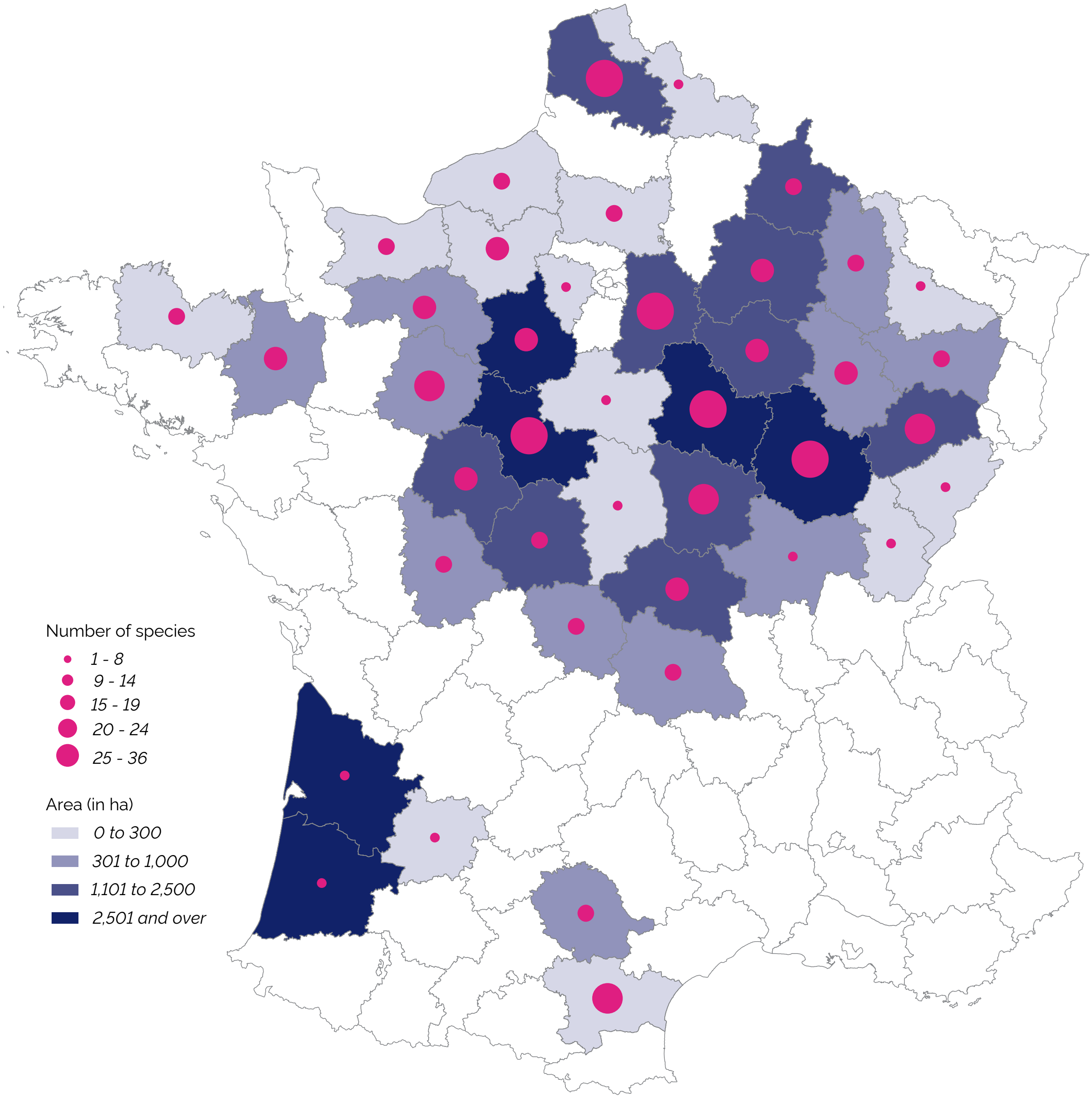
Scope: 204 forest areas wholly owned or owned through vehicles wholly owned by CNP Assurances covering a total of nearly 53,572 hectares, including 14 forest areas covering 2,381 hectares in Scotland. 6 interests in forestry partnerships (2,965 hectares).

Proportion of assets based on balance sheet value: €298 million at 31 December 2019.

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) Programme for the Endorsement of Forest Certification

Tree species diversity map



Sources: Société Forestière/IGN - Date: 27/02/2020

Engagement

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

Société Forestière monitors the application of its sustainable woodland management manual across 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 an ISO 9001 certified 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 AFAthe world's leading body in management system certification, which oversees the company's proper application of the 2015 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

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. Examples include their ability to produce wood, a renewable raw material, to maintain original biodiversity and to protect the soil against erosion.

Information used

PEFC, the world's leading sustainable management certification, is committed to ensuring that woodland management allows these long-term services to be preserved. Société Forestière has 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 2019, 100% of the woodland held by CNP Assurances had PEFC certification. Having 100% of the area certified [1] is a recurring target.

Preservation of biodiversity

The sustainable woodland management manual mentioned above describes the 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.

Results

At the end of 2019, CNP Assurances' portfolio held a diversified collection of tree and plant species as illustrated in the map above.

(1) Only one area in Scotland is not subject to certification as it consisted only of treeless moorland until the last quarter of 2019. The other Scottish woodland areas were subject to certification throughout 2019

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.

QUESTIONS TO...

Virginie Ducable

What are your duties?

I am the head of the property, infrastructure and woodland asset management unit within CNP Assurances' Investment department. I am also a Director of Société Forestière, of which CNP Assurances and Caisse des Dépôts are joint shareholders.

Have you felt the impact of global warming in the forests owned by CNP Assurances?

Yes, particularly damaging was the impact of the serious health crisis that affected the spruce forests in 2018 and 2019, following the spread of insects (bark beetles) that attack these softwoods. These insects have thrived because of winters that are too mild and not wet enough, and summers that are too hot and dry. As early as 2003, Société Forestière, which manages our woodlands, conducted an in-depth study which looked at adapting the woodlands to the predicted climate change. It decided to stop planting spruces in particular in the plain where it is not suitable.

How does Société Forestière view the balance between exploiting silviculture and reasonable management?

CNP Assurances is a shareholder of Société Forestière alongside Caisse des Dépôts, and I myself am a Director. We therefore have a right to review the strategy through the Board of Directors.

As a responsible client and investor, we provide guidance in order to implement sustainable and multifunctional forest management that ensures a fair balance between production and environmental preservation issues. Silviculture exploitation is an integral part of its reasonable management and these issues should not be pitted against one another. The harvest enables timber industries to meet the ever-increasing demand for this renewable material.

Could you tell us about Société Forestière's other achievements in 2019 with regard to preserving biodiversity?

Société Forestière deploys a number of initiatives to preserve biodiversity in the woodlands it manages, for example, by maintaining river banks or by keeping inventories of heritage species in order to better protect them. Other initiatives include the installation of nesting boxes to accommodate and breed tawny owl populations in the Gaudinière forest, in the Loir-et-Cher *département*, as well as the specialist management of a wetland in the Landes de Gascogne to restore its remarkable biodiversity.

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 15 private equity funds were rated in 2019.

ESG reporting is also used for new infrastructure investments. In 2019, 81% of our infrastructure funds took part in this reporting or voluntarily provided us with their own CSR reporting.

QUESTIONS TO…

Gaël Le Clec'h

What are your duties?

I work in the private equity team within CNP Assurances' Investment department. We invest indirectly in these companies through investment funds.

How do you incorporate ESG criteria in your investments?

When we consider an investment, there are two parts to our analysis:

- a financial component that consists of ensuring the right combination of return and risk of our commitment;
- an ESG questionnaire aimed at ascertaining the best practices of the teams and companies that we finance indirectly. This questionnaire was developed by CNP Assurances on the basis of the United Nations Principles for Responsible Investment (PRI) and best market practices. Our objective is both to limit non-financial risks and to be consistent with our strategy, for example, with regard to the exclusion of certain sectors from our investment portfolio (coal, cluster munitions, etc). We are also available to help those who wish to integrate an ESG dimension into their investment activities. We have noticed that the funds are much more involved today than they were a few years ago, and we want to make sure that the management companies of these funds apply the same criteria as the companies in which they invest.

We also pay close attention to the signals we receive from our ESG analysis, which can lead us to give up an investment. Our approach is to develop practices, so dialogue is essential.

ESG survey of asset management companies for investments in listed funds since 2010

Every two years, CNP Assurances conducts an ESG survey of the management companies in which it invests in funds of listed securities, i.e., nearly 80 management companies at the time of the last survey in 2019. The survey covers SRI commitments, rules on controversial weapons, embargoes, tax havens and the incorporation of the environmental and energy transition issue into the voting policy.

It allows the Group to raise awareness among those companies that have not yet implemented this type of practice. In addition, it provides reassurance about the development of best practices in asset management companies as it shows a clear improvement over time.

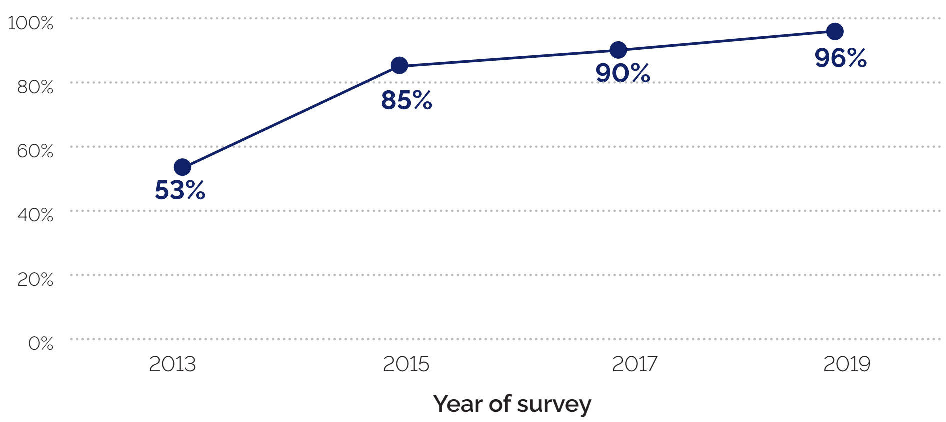
For example, today, the vast majority of management companies surveyed exclude investments in controversial weapons as well as anti-personnel mines and cluster bombs from their portfolio, in comparison with 2010, when only 20% of the companies surveyed had such a policy.

Since 2017, this survey has shown us that the fight against climate change has become one of the major focuses of the sustainable development policy of most asset management companies, and the voting policy is a growing influence in favour of a low-carbon economy.

Most management companies have engaged in a "climate" dialogue related to the energy transition and are generally in favour of greater corporate transparency on these issues (generally supporting shareholder resolutions aimed specifically at this).

At the end of 2019, 96% of listed securities asset management companies with which CNP Assurances works signed the Principles for Responsible Investment (PRI), which has been increasing steadily for several years, reflecting their commitments in favour of responsible finance.

Proportion of asset management companies that have signed the PRI



2.3 Our other contributions to a sustainable society

In addition to its investment policy incorporating ESG criteria (section 2.2) and its contribution to the energy and environmental transition (section 3.1.1), CNP Assurances pursues an active policy in terms of societal impact investments.

2.3.1 Supporting the entrepreneurial network

CNP Assurances has been investing in the private equity business since 1992, and had invested €520 million in capital and €1,730 million in unlisted debt in unlisted companies by the end of 2019. The Group is committed, under the French Tech plan, to supporting French technology companies for a total of €820 million, including €220 million in private equity.

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 chose to support a telemedicine solution to fight against social and geographical inequalities in access to healthcare.

By the end of 2019, Open CNP had invested in eight start-ups. For instance, CNP Assurances works with Stratumn, a start-up specialising in blockchain technology. Lastly, since 2017, CNP Assurances has been a shareholder in Alan, the first independent insurance company created in France for 30 years. Its aim is to bring about change in health insurance in France, focusing on the customer experience, the care pathway and the implementation of value-added digital services. Alan offers start-ups, self-employed entrepreneurs and SMEs a fully online supplementary health insurance solution.

2.3.2 Social impact funds

CNP Assurances had also invested a total of nearly €220 million in several socially beneficial funds at 31 December 2019. Examples include financing small businesses that have trouble raising capital due to social barriers.

Since 2016, CNP Assurances has partnered with a long-term loan fund on behalf of around 100 European SMEs. Since June of the same year, it has also supported the NovESS fund, whose objective is to support the transition and change in scale of the social and solidarity economy (health, social welfare, 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 responsible investment funds

Among investments combining environmental and societal aspects, CNP Assurances has purchased SRI funds for €4.8 billion, i.e., 14% of assets of all non-dedicated mutual funds held at 31 December 2019.

For details of policyholders' investments in unit-linked SRI funds, see section 4.

QUESTIONS TO...

Frédéric Mary

What are your duties?

I am in charge of short-term investment operations, and more specifically cash management, within CNP Assurances' Investment department. Our team makes numerous investments, both in securities and in mutual funds.

How do you perceive the integration of ESG criteria into the day-to-day management of investments, particularly when their ability to generate returns is important?

For several years now, insurers have been operating in an environment of low interest rates, notably as a result of the policies implemented by central banks. Portfolio management has changed significantly as a result and we have increased the importance assigned to ESG criteria. But this does not mean compromising on returns, quite the opposite!

It means that by considering these criteria, our investments have greater significance. I would go as far to say that in certain instances, the integration of ESG criteria is essential. Take the example of a company that we excluded from our investments because of governance problems. It ended up having a number of problems but we had already excluded it. Integrating these governance criteria makes it possible to exclude issuers that will sooner or later face difficulties.

From a practical point of view, to take these criteria into account, we rely on internal analyses, but also on reports from ESG rating companies, company reports and SRI labels for funds. The issues at hand are regularly discussed at committee meetings.

It is possible to build a portfolio based on issuers' SRI ratings, and therefore support companies that are moving in the right direction. This enables us to invest in issuers who are making a genuine effort in terms of energy and environmental transition, while preserving the performance of funds.

Could you give us an example where you took this criteria into account in 2019?

We have replaced companies in our portfolios whose energy production relied too heavily on coal with companies in the same sector that are more environmentally friendly. In other words, we have decarbonised our portfolio. We have also worked on numerous projects with an environmental component, such as the SRI labelling of several of our money-market funds and the analysis of physical risks (e.g., the impact of rising water levels for a company in which we invest).

2.3.4 Social impact bonds

For several years, CNP Assurances has invested in bonds that have a social impact, such as social bonds and sustainable bonds. These bonds address major social issues, measure their social impact and contribute to creating sustainable value for all stakeholders. At the end of 2019, the amounts invested by CNP Assurances in social and sustainable bonds totalled €1.2 billion.

2.4 Assets excluded from our portfolios

Scope and ESG exclusion criteria

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 [1];
- ensure compliance with regulations and its responsible investor approach regarding 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 management companies – LBPAM and Mirova (an affiliate of Natixis Investment Managers) – as well as on indices in the public domain.

Two exclusion criteria are applied

1. 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.

2. Securities exclusion

Four 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. CNP Assurances has since strengthened its exclusion policy to support its climate commitment. At the end of 2018, it lowered this threshold to 10% and included the exclusion of the 120 companies most involved in the development of new mines and coal-fired power plants, which it changed at the end of 2019 to include all companies involved. In addition, as of the end of 2019, CNP Assurances will no longer be involved with companies in the sector that derive over 20% of their revenue from thermal coal;
- since 2018, CNP Assurances has stopped all new investments in the tobacco sector. In 2020, CNP Assurances formalized this commitment by signing the Tobacco-Free Finance Pledge.

Financial assets concerned

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

Proportion of assets based on balance sheet value: €266 billion at 31 December 2019.

Management of the ESG approach

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

(1) Prevention of money laundering and financing of terrorism

2.4.1 Countries excluded from our investments

Application of the ESG approach in 2019

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

	GOVERNANCE	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: democracy, freedom and corruption (very high risk, high risk and low risk).	CNP Assurances annually rates countries based on the aforementioned lists.
2019 results	70 countries were deemed very high risk and 27 high risk.	There were 94 countries on the list of prohibited countries.

Integration 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 excluded from our investments

Application of the ESG approach in 2019

Main criteria: exclusion of producers of anti-personnel mines and cluster munitions, companies involved in thermal coal and tobacco, and companies not respecting the Global Compact's fundamental principles.

	PROHIBITED WEAPONS	NON-COMPLIANCE WITH THE GLOBAL COMPACT
Information used	CNP Assurances uses the list of producers of anti-personnel mines (APM) and cluster munitions prepared by Mirova (Natixis IM). 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 (ISS-ESG), 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 applies the list directly without any adjustments.	When the alert corresponds to a breach of the fundamental principles of the Global Compact, CNP Assurances asks its companies 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.
2019 results	97 companies were excluded.	5 companies were excluded.

	THERMAL COAL	TOBACCO
Information used	The revenue derived from thermal coal is obtained with data provided by Trucost. CNP Assurances compiles its list of companies most involved in the development of new mines and coal-fired power plants from the Global Coal Exit List.	The Group uses companies whose activity is listed in the Bloomberg tobacco subsector index.
Methodology	Trucost calculates the share of thermal coal in corporate revenue on the basis of financial data (revenue, enterprise value, etc.) and production data (coal reserves and GWh production) disclosed by companies [1]. For the exclusion list applying until the end of 2019, CNP Assurances selected the 120 Coal Plant Developers on the 2018 Global Coal Exit List.	List based on the tobacco sub-sector at the end of 2018.
2019 results	Excluding investments in companies with more than 10% of revenue related to thermal coal or among those most involved in the development of coal mines or power plants: 271 securities excluded. Divestment of companies with more than 25% of revenue related to thermal coal: 117 securities excluded.	Excluding investments in companies manufacturing tobacco products: 2,566 companies excluded.

(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

Integration in investment policy

The list of excluded companies is communicated to employees and to CNP Assurances asset management companies. Securities are sold where appropriate and excluded from the authorised investment universe. This exclusion also applies to dedicated mutual funds.

In 2019, CNP Assurances sold its holdings in one issuer for more than €100 million.

Specific monitoring for open-ended funds

For open-ended funds, CNP Assurances conducts a biennial survey of all partner asset management companies (almost 80) on the application of the principles adopted by CNP Assurances, excluding producers of controversial weapons and, since 2015, on internal management rules regarding tax havens and embargoes (see section 2.2.4).

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

Chapter 3

Risks and opportunities related to climate change

3.1 Governance of risks and opportunities related to climate change

TCFD | GOVERNANCE

Monitoring climate issues

The Group's climate strategy is submitted to the Chief Executive Officer and then to the Board of Directors for approval.

Climate issues are presented once a year to the Board of Directors and the Audit and Risks Committee during the review of the Group's CSR approach and the presentation of the Non-Financial Information Statement. More specifically, it includes the commitments set out to combat global warming, enabling CNP Assurances' corporate governance to monitor the actions implemented and the level of achievement of these commitments. They are also presented to shareholders at the CNP Assurances general meeting.

The results of the Climate Risk Committee's work were also presented to the Executive Committee and the Audit and Risks Committee in November 2019.

Leading the assessment and management of climate risks

The CSR department is in charge of managing climate issues at the Group level and is supported by the Climate Risk Committee that the CNP Assurances Group set up in early 2019. The committee meets quarterly to monitor the actions put in place to integrate the climate risk dimension across all aspects of the business (including investment, insurance and internal operations).

Alongside the Investment department, the Group General Secretary and the CSR department, the Climate Risk Committee draws on the expertise of the Group Risk department and the Group Actuarial department. The sharing of information (monitoring of industry studies and regulatory developments, requests from stakeholders, initiatives undertaken) at this quarterly committee encourages interaction and exchanges between the various operating functions:

- the Investment department is in charge of the investment portfolio;
- the Group Actuarial department is in charge of the assessment of technical reserves and the management of the policy;
- the Group Risk department is in charge of the measurement and cross-functional management of risks. It assesses the impact on solvency and leads the work on climatic stress tests.

The Climate Risk Committee's roadmap sets out the actions to be taken on the company's various activities: risk mapping and measurement work, as well as changes in strategy to reduce risks. The progress of the roadmap is reviewed by the committee and new actions are added regularly.

In addition, the Investment department has set up a green finance reporting system to measure and communicate changes in key indicators related to climate issues to employees. The operational implementation of the climate strategy at the heart of asset management is based on the same process as the responsible investment strategy (see section 1.4).

Raising employee awareness of climate risks

The Executive Committee and the Audit and Risk Committee received climate risk training in November 2019.

In November 2019, employees of the Group's Investment and Risk departments received training on physical climate risks as part of a study on portfolio investments.

In 2019, the network of SRI correspondents was strengthened within the Investment department. These employees are asked to take part in working groups conducting studies on regulatory changes (taxonomy), metrics (carbon sinks in forests), and climate risks and their impact on the portfolio (physical risks).

Awareness-raising work on climate change issues is also presented to external SRI Committees in liaison with management companies.

In addition, for the 2019 Responsible Finance Week, an internal awareness-raising campaign was conducted on CNP Assurances' climate objectives in its investment activity. Quizzes and posters were distributed within the company and placed on the Intranet and the CNP Assurances social network.

3.2 Physical and transition risk analysis

TCFD | STRATEGY   TCFD | RISK MANAGEMENT   TCFD | INDICATORS AND OBJECTIVES

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

PHYSICAL RISK	TRANSITION RISK
Risks related to physical disruptions caused by climate change (storms, flooding, heat waves, etc.)	Risks caused by adjustment processes to limit greenhouse gas emissions (regulations, technological developments, changing consumer behaviour, etc.)

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.

3.2.1 Physical risk

CNP Assurances has mainly focused on analysing the physical risk exposure of its property and woodland assets. CNP Assurances also carried out a more in-depth 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.

LEVEL OF PHYSICAL RISK	ASSETS BARELY OR NOT EXPOSED TO PHYSICAL RISK	ASSETS WITH HIGH EXPOSURE TO PHYSICAL RISK	ASSETS WITH VERY HIGH EXPOSURE TO PHYSICAL RISK
Timescale	Long term (10-50 years)		
Physical risk monitoring tools	Degree of exposure and vulnerability, risk score		
	Financial impact (VaR) of physical risk		
	Analysis of physical risk in the woodland management plans		
Actions implemented to control physical risk	Appropriation of these new risks: Reporting and sharing results with the Investment department, the Risk department and property and woodland management companies		
	Shareholder engagement with companies on the degree and reduction of their exposure to physical risk		
	Integration of climate risk into work decisions and property investments		
	Factoring physical risk into woodland management plans: adaptation and diversification of tree species, geographical diversification of forest areas		Excluding investments in forests in regions presenting a significant natural hazard (south-east France, for instance, due to the risk of fires)
Assets covered by a physical risk analysis	Equities, corporate and sovereign bonds, property and forests At 31 December 2019, 79% of assets were subject to a physical risk analysis		

3.2.1.1 Buildings

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. This analysis was carried out for six climate hazards that could potentially impact buildings and their occupants (temperature, submergence, drought, flooding, winds) over the near term (2021-2050), based on two scenarios using different levels of greenhouse gas emissions established by the International Panel on Climate Change (IPCC). See the methodology breakdown in 5.1.1.

Results

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

Use of results

CNP Assurances will aim to reduce this exposure by encouraging its management companies 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.

3.2.1.2 Woodland

Société Forestière is committed to an approach aimed at mitigating risks related to climate change for the CNP Assurances portfolio by monitoring the four analyses detailed in 5.1.2. They are based on the integration of criteria into management plans, insurance coverage, geographical diversity, and species diversity.

Results and their use

- At 31 December 2019, 58% of the woodland portfolio was covered by a plan incorporating climate change as a criteria. 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 risk of fires). 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 2019 are mapped in section 2.2.3.
- All the forests owned by CNP Assurances are covered by insurance policies that include the main climate risks.

3.2.1.3 Equities, corporate and sovereign bonds

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.

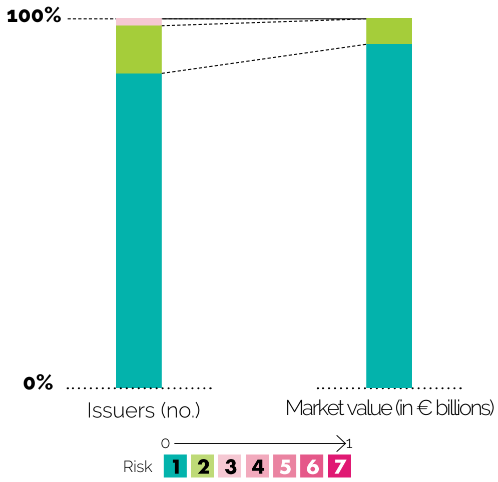
Physical risk analysis is based on the degree of vulnerability according to the ND-Gain methodology (see section 5.1.3) RCP4.5 which corresponds to the most likely pathway in view of current commitments to COP 21.

The study provided CNP Assurances with a clear picture of the assets at end-2018 according to seven levels of physical risks, the results of which are shown below. In late 2019, an additional study was carried out to measure the degree to which directly held listed securities were exposed according to a more pessimistic RCP8.5 scenario which corresponds to the "Business as usual" pathway (i.e., an average temperature increase of between 3.5 and 5.5°C).

Outcome for sovereign bonds

For the most part, CNP Assurances' exposure is low or non-existent.

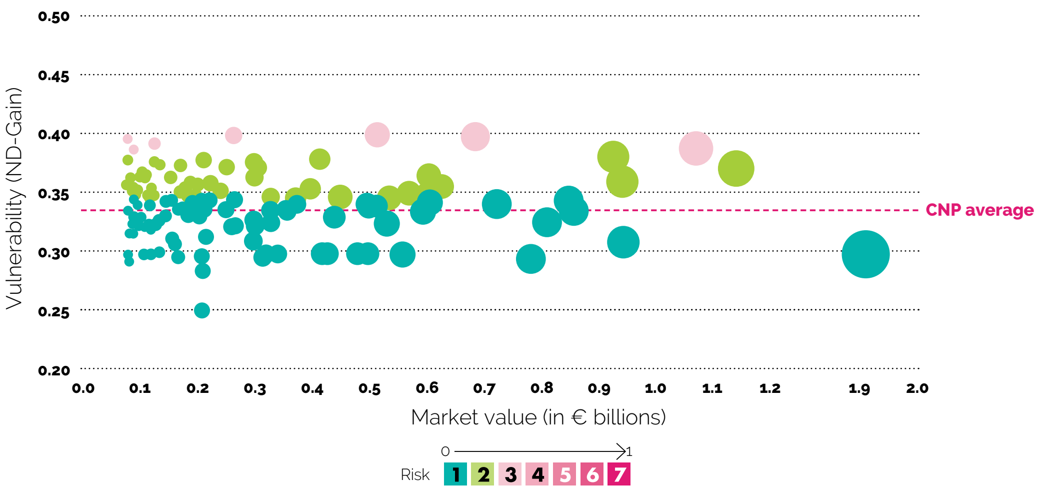
Vulnerability of sovereign issuers in the portfolio



Outcome for corporate bonds and equities

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.

3.2.1.4 Financial impact of the physical risk (VaR)

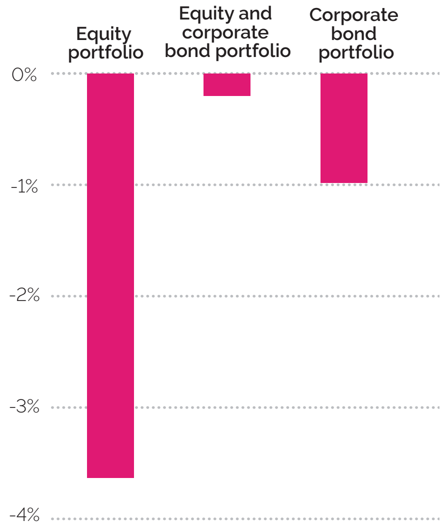
The Climate VaR indicator provides an evaluation for potential financial losses (negative value) and gains (positive value) related to the transition and physical risks. The VaR of a security is given as a percentage of the security's market value. The VaR of the CNP Assurances portfolio therefore gives the total potential financial losses or gains of the portfolio, expressed as a percentage of the assets at market value.

CNP Assurances called upon the services of MSCI ESG, who implemented a climate model based on the various integrated evaluation models (see 5.1.4 for further details). This model applies to equity and corporate bond portfolio companies directly held by CNP Assurances. The model covered 100% of securities in the equity portfolio and 74% of securities in the corporate bond portfolio.

Results

The VaR for physical risk of the CNP Assurances portfolio in late 2019 was evaluated according to a "Business-as-usual" temperature scenario (RCP8.5 of the IPCC, i.e. a projected temperature increase of between 3.5 and 5.5°C).

VaR for physical risk



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By applying this methodology, the equity portfolio would be far more vulnerable than the corporate bond portfolio to the physical risk. The equity portfolio could potentially incur financial losses of over 3.5% of its value, while the corporate bond portfolio would only be marginally impacted.

3.2.2 Transition risk

The value of our assets is potentially exposed to regulatory, technological, market and reputational risks.

CNP Assurances has classified assets into four categories, based on market studies:

Assets on which the transition will have a positive impact, more specifically for which the energy transition represents an opportunity, assets from barely or marginally exposed sectors, assets from exposed sectors according to the TCFD (energy, transport; materials, buildings, agriculture, agrifood and woodland). Stranded assets like coal sector assets are classed as very high risk.

CNP Assurances manages these transition risks with a combination of approaches, improved from year to year.

Level of transition risk	ASSETS ON WHICH THE ENERGY AND ENVIRONMENTAL TRANSITION WILL HAVE A POSITIVE IMPACT *Green assets*	ASSETS WHICH ARE BARELY OR NOT EXPOSED TO TRANSITION RISK	ASSETS WHICH ARE EXPOSED TO THE TRANSITION RISK ACCORDING TO THE TCFD *Energy, Transport, Materials, Buildings, Agriculture, Agrifood and Woodland*	ASSETS WHICH ARE THE MOST EXPOSED TO THE TRANSITION RISK, WITH A VERY HIGH RISK OF BECOMING A "STRANDED ASSET" *Thermal coal*
Timescale	Long term (10-50 years)	Medium term (3-10 years)		Short term (1-3 years)
Transition risk monitoring tools	Specific quarterly reporting on green assets		Segment analysis ending 2023	Monitoring revenue linked to thermal coal Monitoring new developments linked to mines and thermal coal-fired power stations
	Carbon footprint of companies and property, carbon sequestration by woodland, electrical power mix in countries			
	Financial impact (VaR) of transition risk			
	Measuring the pathway of companies by temperature			
Actions implemented to control transition risk	Reducing the carbon footprint of companies and property			
	Alignment of the equity portfolio with model portfolios that give a high weighting to the contribution to the energy and environmental transition			Exclusion
	Energy and environmental transition funding, with a target of €20 billion in investments by end-2023		Stronger shareholder engagement with companies on measuring and reducing their exposure to the transition risk	Shareholder engagement with companies on their exit strategy for thermal coal
			Renovation of the property portfolio	
Assets covered by a transition risk analysis	Bonds, infrastructure, *private equity*, property and woodland assets, funds	Equities, bonds and property assets At end-2019, 79% of assets were subject to a transition risk analysis		All assets, except dedicated open-ended funds and unit linked

3.2.2.1 Carbon footprint

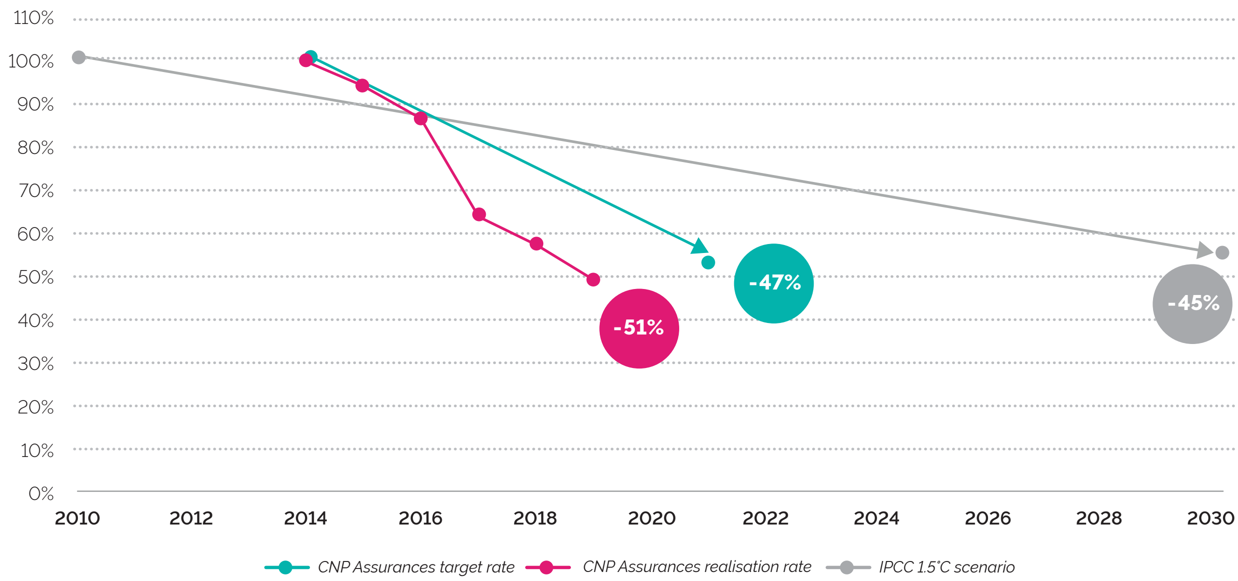
This carbon footprint calculation serves to highlight the listed companies with the highest level of emissions, and therefore those most likely to be heavily exposed to direct transition risks. This is not a comprehensive approach as it does not reflect the way in which companies manage this risk. Some companies with low emissions may actually be highly exposed to transition risks. This is why CNP Assurances has opted to complement this approach with a more forward-looking analysis. The methodology is described in detail in 5.2.1.

Results for the equity portfolio

The carbon footprint is estimated at 0.23 teqCO_2 per thousand euros invested at 31 December 2019 (scope 1 and 2, with an equity portfolio coverage rate of 96%) versus 0.47 teqCO_2 per thousand euros invested at 31 December 2014. CNP Assurances had set a goal of reducing the end-2014 level by 47% by 2021, i.e., 0.25 teqCO_2 per thousand euros invested.

The target of reducing the carbon footprint of the portfolio of directly held equities reflects a similar pathway with a shorter timeframe to the 1.5°C scenario of the International Panel on Climate Change (IPCC[1]), according to which it will be necessary to reduce GHG emissions by 45% over the period 2010-2030.

Target reduction in GHG emissions (portfolio of directly held equities)



Results for the equity and corporate bond portfolio

Continuing its commitment to the Montreal Carbon Pledge, CNP Assurances began regularly calculating the carbon footprint of its equity and corporate bond portfolio 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 75% of the equity and corporate bond portfolio and amounted to 0.08 tonnes of CO_2 equivalent per thousand euros invested at 31 December 2019.

(1) Source : *Global Warming of 1.5°C* - October 2018

The table below shows a sector-by-sector breakdown of greenhouse gas emissions produced by companies financed by CNP Assurances (scope 1 and 2, with a coverage rate of 75% of the directly held equity and corporate bond portfolio).

Company sector	Scope 1 and 2 greenhouse gas emissions produced by companies financed by CNP Assurances *(teqCO_2)*	Breakdown	Carbon intensity of equity and corporate bond portfolio *(teqCO_2/ €k invested)*
Utilities	2,463,490	41.8%	0.38
Materials	1,468,473	24.9%	0.76
Energy	685,351	11.6%	0.25
Industrial	582,734	9.9%	0.07
Baseline consumption	292,782	5.0%	0.05
Discretionary consumption	191,391	3.2%	0.05
Communication services	127,186	2.2%	0.02
Health care	43,679	0.7%	0.02
IT services	23,935	0.4%	0.01
Property	8,316	0.1%	0.00
Finance	4,765	0.1%	0.00
TOTAL	**5,892,103**	**100.0%**	**0.08**

The table below shows a country-by-country breakdown of greenhouse gas emissions produced by companies financed by CNP Assurances (scope 1 and 2, with a coverage rate of 75% of the directly held equity and corporate bond portfolio).

Company country of incorporation	Scope 1 and 2 greenhouse gas emissions produced by companies financed by CNP Assurances *(teqCO_2)*	Breakdown	Carbon intensity of equity and corporate bond portfolio *(teqCO_2/€k invested)*
France	2,398,125	40.7%	0.10
Netherlands	696,264	11.8%	0.09
United States	489,628	8.3%	0.04
Germany	396,114	6.7%	0.08
Italy	390,051	6.6%	0.09
Finland	250,323	4.2%	0.29
United Kingdom	246,309	4.2%	0.05
Luxembourg	200,293	3.4%	0.28
Ireland	178,776	3.0%	0.21
Spain	162,048	2.8%	0.04
Australia	120,715	2.0%	0.04
Norway	78,068	1.3%	0.08
Sweden	74,968	1.3%	0.07
Austria	66,319	1.1%	0.23
Czech Republic	56,345	1.0%	0.99
Belgium	35,074	0.6%	0.04
Denmark	25,507	0.4%	0.05
Switzerland	8,211	0.1%	0.02
Canada	6,075	0.1%	0.02
Mexico	4,514	0.1%	0.01
Brazil	3,886	0.1%	0.19
South Korea	1,619	0.0%	0.03
New Zealand	1,549	0.0%	0.01
Portugal	1,201	0.0%	0.01
Japan	121	0.0%	0.00
TOTAL	**5,892,103**	**100.0%**	**0.08**

Use of results

In keeping with its commitment as a responsible shareholder, CNP Assurances regularly communicates 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 Chapter 2.1 "Involving shareholders").

3.2.2.2 Exposed segment analysis ending 2023

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

To improve this sector analysis, CNP Assurances took part for a second year in the 2°Investing Initiative study on aligning its directly held equity and corporate bond portfolios with 2°C climate scenarios at end-2018 in line with the PACTA model.

Information used for the analysis

The study is based on the Sustainable Development Scenario developed by the World Energy Outlook (WEO 2017 – SDS), which is the scenario required to meet the objectives of the International Energy Agency's Paris Agreement.

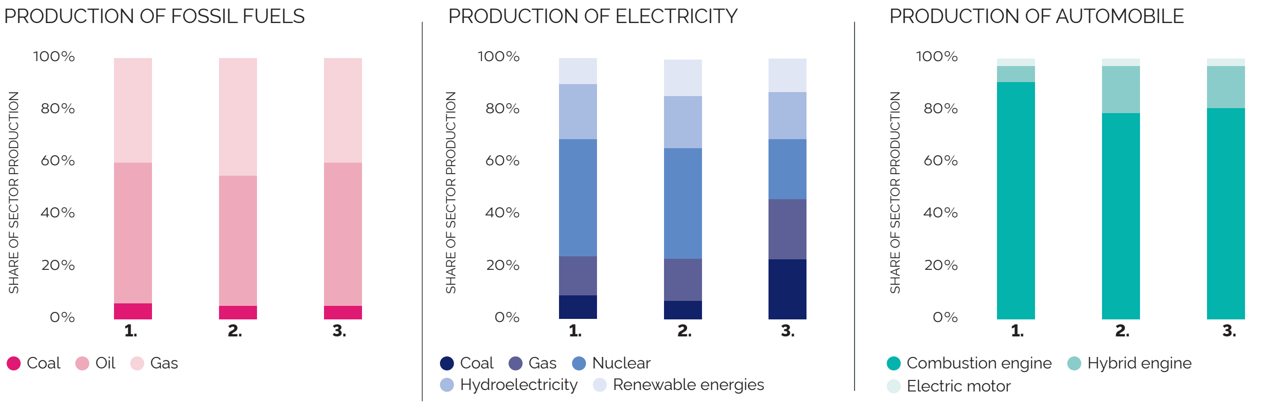
The PACTA model focuses on climate-related sectors. An analysis of the different IEA scenarios is carried out for the fossil fuel, electricity and automotive sectors. The methodology is described in detail in 5.2.2.

Results

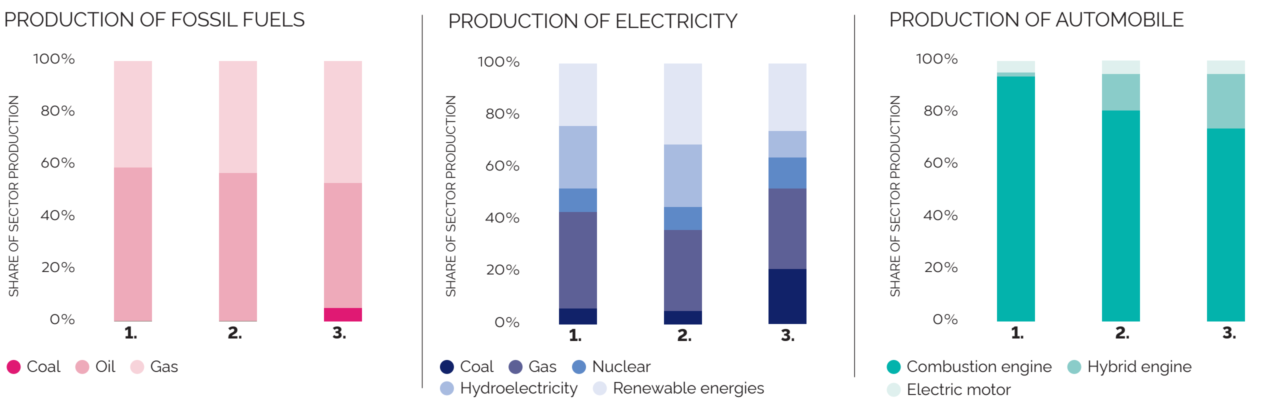
The graphs below show the results of the study on CNP Assurances' portfolio. They provide a projection of the exposure by technology for directly held equity and bond portfolios ending 2023, as against a market aligned with a Sustainable Development Scenario (SDS) ending 2023.

Projected exposure between now and 2023

CORPORATE BONDS



EQUITIES



1. Portfolio / 2. Aligned portfolio / 3. Aligned market

Portfolio: estimated technological mix of CNP Assurances portfolio by 2023
Aligned portfolio: target technology mix of CNP Assurances portfolio according to the IEA SDS scenario by 2023
Aligned market: technological mix of the aligned market as part of a transition according to the IEA SDS scenario by 2023

Use of results

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

- validate the approach taken since 2015 with regard to commitments linked to thermal coal which has subsequently been 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 strategy to invest more in companies working 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.

3.2.2.3 Financial impact of the transition risk (VaR)

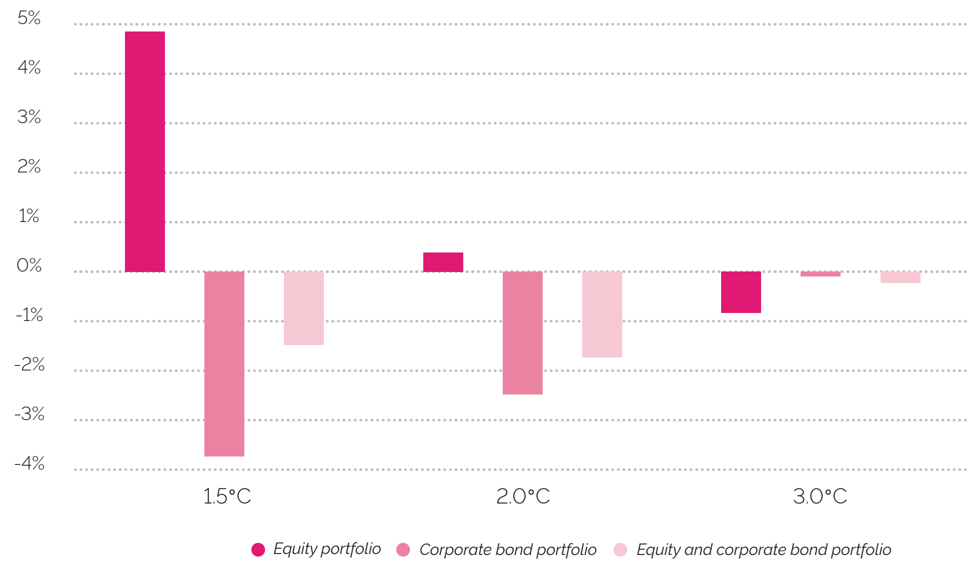
The climate VaR indicator provides an evaluation for potential financial losses (negative value) and gains (positive value) related to the transition and physical risks. The VaR of a security is given as a percentage of the security's market value. The VaR of the CNP Assurances portfolio therefore gives the total potential financial losses or gains of the portfolio, expressed as a percentage of the assets at market value.

CNP Assurances called upon the services of MSCI ESG, who implemented a climate model based on various integrated evaluation models (see 5.2.3 for further details). This model applies to equity and corporate bond portfolio companies directly held by CNP Assurances. The model covered 100% of securities in the equity portfolio and 74% of securities in the corporate bond portfolio.

Results

The VaR related to the transition risk for the CNP Assurances portfolio at end-2019 was evaluated using various temperature change scenarios in 2100.

VaR for transition risk



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By applying this methodology, the results show a considerable difference between the portfolios.

- For the equity portfolio, the financial gains generated from the transition would be greater than the financial losses in a target 1.5°C scenario: the portfolio could achieve financial gains estimated at 5% of its value. These gains fall as the temperature rises i.e., when the transition is less extensive.
- However, in a target 1.5°C scenario, the transition would result in a financial loss in the corporate bond portfolio of almost 4%. These losses also fall as the temperature rises, i.e., when the transition is less extensive, with no losses in a 3°C scenario.

3.2.2.4 Electric power mix of countries

Methodology

In order to estimate the transition risk to the directly held sovereign bond portfolio, CNP Assurances called on S&P Trucost to determine the electrical power mix of its portfolio.

The electrical power mix of a country is the proportion of each source of energy (renewable, nuclear, gas, coal, oil) in its total electrical power generation.

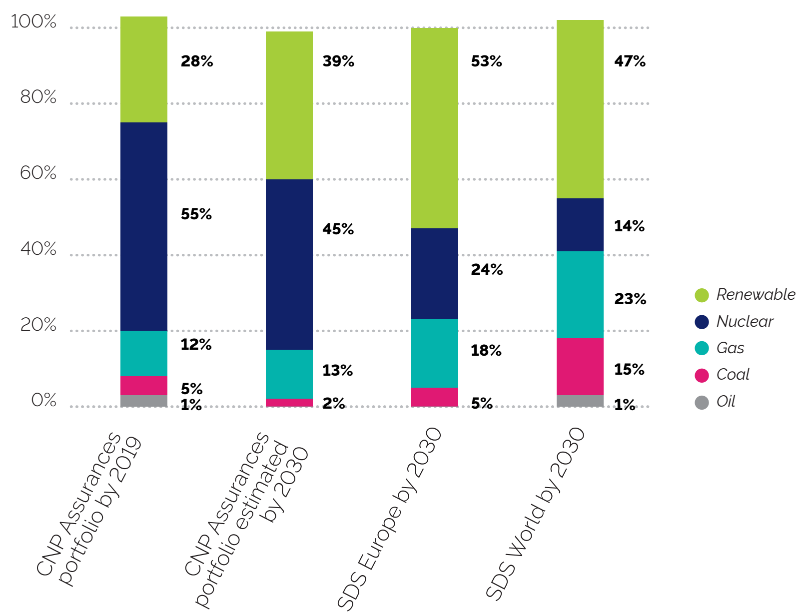
For each country where CNP Assurances is a bondholder, the electrical power mix is weighted by the holding based on balance sheet value at 31 December 2019. The portfolio's electrical power mix is projected up to 2030, with national commitments taken into consideration, all other things being equal.

The electricity mix of the sovereign bond portfolio is compared to the Sustainable Development Scenario developed by the International Energy Agency that corresponds to a pathway ensuring the objectives of the Paris Agreement are met (WEO 2017 – SDS).

Application to the CNP Assurances portfolio

The analysis considers the whole portfolio of sovereign bonds directly held by CNP Assurances at 31 December 2019.

Electric mix for sovereign portfolio



The transition risk to the sovereign portfolio seems low for two reasons:

- the share of bonds in France, where the electrical power mix is dominated by nuclear energy, is predominant in CNP Assurances' sovereign bond portfolio. Between now and 2030, in line with the national commitments, the share of nuclear energy is expected to gradually reduce in favour of renewable energies;
- the share of fossil fuels (oil, coal, natural gas) in electrical power mix of the sovereign portfolio at end-2019 is already lower than the projections of the SDS Europe scenario for 2030.

3.2.2.5 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 is covered in section 3.3.2 "Investments for the energy and environmental transition", the strategy of supporting the energy and environmental transition in property is focused above all on renovations.

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

- the systematic analysis of the improvement of energy performance when planning work;
- the commitment to reduce GHG emissions related to energy consumption by 40% on directly 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 (see the methodology in 5.2.4);
- the commitment related to the signing of the Energy Efficiency Charter for Commercial Buildings.

Results

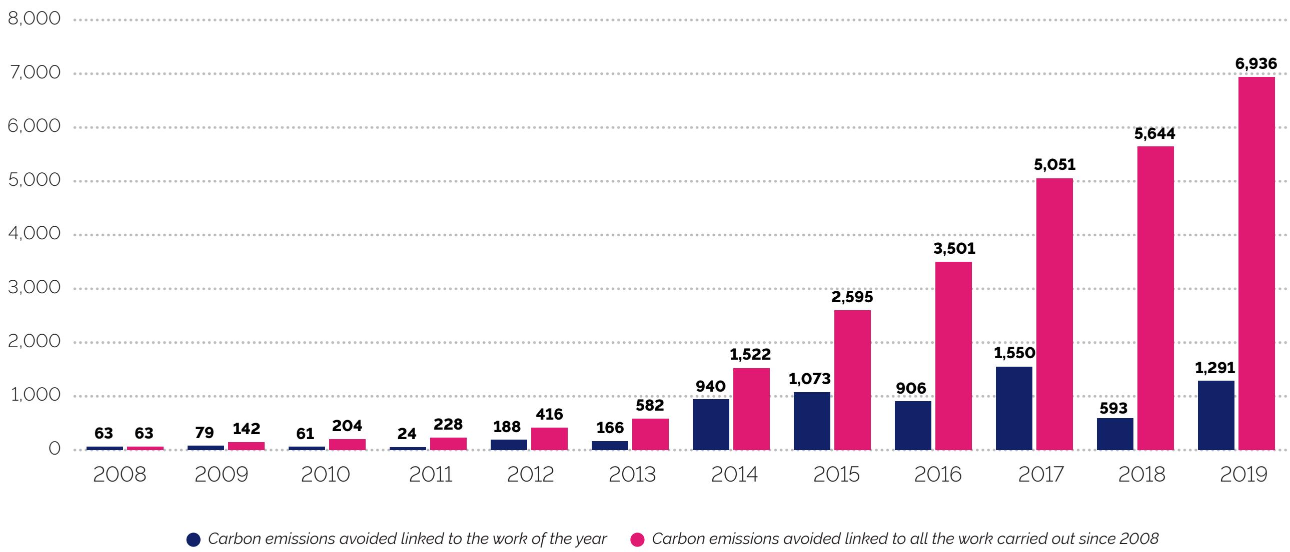
- 162 of the 176 property assets covered by the Gréco project have either been analysed or are scheduled for analysis, resulting in a progress rate of 92%. The various phases of the Gréco project serve to define energy improvement action plans for each property asset.

  CNP Assurances costed a €170 million long-term work programme aimed at reducing energy-related greenhouse gas emissions by 40% on directly owned assets (plus wholly owned property assets) between 2006 to 2021: this objective was 93% achieved at end-2019. For 2019, these emissions are estimated at a total of 25,000 teqCO_2, i.e., 19 kgeqCO_2/m^2.
- 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: 40% of the floor space of property assets under direct management had energy, environmental or operating certification at the end of 2019, a significant increase compared with 2018. For example, in 2019, CNP Assurances was awarded the *Bâtiment Bas Carbone* (BBCA — Low-carbon building) label for residential and commercial renovation as part of a restructuring project to convert a commercial building into housing. CNP Assurances also finalised two senior housing complexes totalling 213 lots covering 11,000m^2, certified respectively to HQE — *très performant* (high performance) and *NF logement* HQE standards.

Monitoring of GHG emissions avoided by the renovation of buildings

Total theoretical emissions avoided through work carried out since 2008 amount to 6,936 teqCO_2/year.

Carbon emissions avoided *(in teqCO_2)*



To improve user behaviour, CNP Assurances' agents have established green leases on all commercial property assets of more than 2,000 square metres. Its management companies organise meetings on 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. During each audit, the scope for the use of renewable energy is analysed and taken into account in the various work scenarios where appropriate.

QUESTIONS TO...

Luc Desmouceaux

What are your duties?

I am the technical manager of the property, infrastructure and woodland asset management unit within CNP Assurances' Investment department.

Could you tell us about the Gréco property renovation plan, its goals and its results?

The Gréco plan, which is short for "Grenelle Compliance", was designed following the Grenelle de l'environnement round table debate. CNP Assurances decided to assess the energy efficiency of its property assets and to reflect on ways of adopting related measures. After conducting energy assessments on 120 buildings, we collaborated with specialised consulting firms on compiling a list of recommended work to improve their energy efficiency.

Could you tell us about a concrete action undertaken as part of this energy renovation plan in 2019?

We restructured a 1,100m^2 office building in Paris on Rue de l'ancienne comédie in the sixth *arrondissement*. Most of these offices were reconverted into housing and we were awarded the BBCA Low-carbon building label in Autumn 2019, which is the first certification in France to recognise highly virtuous renovation projects. The BBCA label is awarded for a 50% reduction in day-to-day emissions, the use of low-impact materials such as low-carbon concrete, and the recovery and reuse of existing materials.

What does the energy efficiency improvement work entail nowadays, and what approaches are to be taken in the future?

These days we focus first and foremost on the insulation and the shell of buildings (façades, windows, roofs, basement ceilings) to minimise heat loss. After that, we look at ways of improving the technical performance of equipment (boilers, air conditioners, heat pumps, lifts, etc.). We also work on renewable energies, geothermal energy, and solar panels at the same time.

Looking ahead, i.e., to 2020 and 2030, we are going to use more renewable energy. We have a project on using solar panels on a warehouse, but also need to investigate its technical and legal feasibility... In the medium term we will need technological developments to improve gains.

3.2.2.6 Carbon sequestration by woodland

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

Results

- **Annual carbon flows:** the annual net balance of carbon sequestration for CNP Assurances' woodland portfolio was 234,193 tonnes of CO_2 in 2019. This figure corresponds to the gross annual amount of CO_2 storage, from which timber revenue over the year is deducted.
- **Total carbon storage:** estimated at between 14,212,269 and 16,122,330 tonnes of CO_2 at 31 December 2019, in accordance with the chosen method of recognition.

Use of results

Woodland is not used to offset carbon, but to derive value from services and wood. However, each acquisition is accompanied by a management plan (renewed, modified or in place), 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.

3.3 1.5°C convergence

TCFD | STRATEGY TCFD | INDICATORS AND OBJECTIVES

3.3.1 Commitment to carbon neutrality in 2050

In November 2019, CNP Assurances joined the Net-Zero Asset Owner Alliance and committed to a carbon-neutral investment portfolio by 2050.

Launched in September 2019 at the United Nations' Climate Action Summit, the Net-Zero Asset Owner Alliance brings together insurers and pension funds who commit to making their investment portfolios carbon neutral by 2050. By targeting the transition of their portfolios to net-zero greenhouse gas emissions by 2050, the members of the Alliance wish to help limit global warming to 1.5°C in line with the Paris Agreement.

The Alliance wants to bring together institutional investors in order to quickly achieve critical mass, and thus play a key role in decarbonising the global economy and investing in withstanding climate change.

As part of this long-term commitment, CNP Assurances and the other members of the Alliance will take into account advances in available scientific knowledge, particularly the conclusions of the IPCC, and will regularly report on the progress made by setting interim objectives every five years to 2050.

Joining the Alliance involves implementing three action levers: regularly measuring the investment portfolio's alignment with the Paris Agreement and publishing the progress made, maintaining shareholder dialogue with companies to ensure they are also targeting carbon neutrality, and lobbying for public policies that promote the transition to a decarbonised economy.

Find out more about the Alliance at www.unepfi.org/net-zero-alliance.

3.3.2 Investments for the energy and environmental transition

Large-scale investment is needed to limit global warming to 1.5°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 end-2019, CNP Assurances exceeded the objective by 39%; with €7 billion in new green investments between 2017 and 2019.

In storage

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

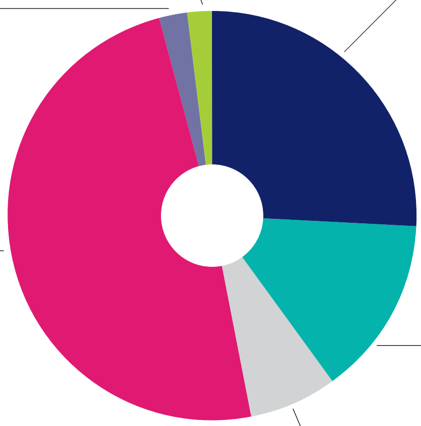
CNP Assurances invests in key areas to support the energy and environmental transition identified by the reference scenario of France's national low-carbon strategy, as well as the CBI (Climate Bond Initiative), the GreenFin label and the I4CE Climate Financing Panorama, namely the energy, mobility, 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, notably 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.

In total, at 31 December 2019, assets for the energy and environmental transition represented over 4.45% of CNP Assurances' assets, coming to over €14 billion. Green bond assets came to €6.2 billion at 31 December 2019.

Breakdown of assets that support the energy and environmental transition at end-2019



QUESTIONS TO...

Daniel Thébert

What are your duties?

I have handled the property, infrastructure and woodland sectors for ten years within CNP Assurances' Investment department.

Could you give us some concrete examples of how ESG criteria was factored into your investments in 2019?

In 2019, we invested in the new CNP Assurances headquarters under construction in the Cœur de Ville neighbourhood of Issy-les-Moulineaux. This 40,000-m^2 building will be one of the few positive energy buildings in the Île-de-France region, producing more energy than it will consume. Energy will be produced by solar panels on the roof and geothermal coils that extract the heat from the ground.

As for infrastructure, we have invested in socially beneficial assets that serve the community, i.e., in assets that promote the ecological and energy transition. There is also our investment in the electric charging station network for cars and buses, and financing of the production of biogas by converting agricultural waste into methane.

Does factoring in ESG criteria negatively impact the return on investments?

I personally believe that there will be an accelerated obsolescence of assets that are not in line with ESG criteria, particularly those not contributing to the ecological and energy transition, i.e., assets that reduce in value in the medium term. As CNP Assurances is a long-term investor serving its policyholders with sustainable payments over time, investing in this type of SRI asset, which may seem a stumbling block for short-term returns, is in fact a way of protecting the value of our assets. To give an example, investing in coal-fired power stations today may seem profitable in the short term, but it won't be in the medium term.

CNP Assurances issued its first green bond in November 2019

Committed to the transition towards a carbon-neutral economy, CNP Assurances successfully launched its inaugural green subordinated bonds issue. The bonds are due in July 2050 and have a first call date in July 2030. This €750-million inaugural issue was a great success and was heavily oversubscribed, with orders of close to €2 billion.

The funds raised through this operation will enable CNP Assurances to finance green projects in the following areas:

- high energy-performance buildings (new builds and renovations);
- sustainably-managed forests;
- green infrastructure such as renewable energy projects and low-carbon transportation systems.

The projects financed within the framework of this issue will help CNP Assurances to meet its objective of doubling its green investments to €20 billion by end-2023, versus €10.4 billion at end-2018.

In application of the best standards of the green bonds market (Green Bond Principles), CNP Assurances will publish a report on the use of the funds raised every year, and depending on the data available, the environmental impact of the projects financed (CO_2 emissions avoided, energy saved).

Virginie Ducable,
Head of the property, infrastructure and woodland management unit.

"During summer 2019 I took part in the presentations given to investors about our first green bond issue which took place in Autumn 2019 (issuance of a green bond that raises funds for green investments or the ecological transition). In my sector, the proceeds from this issue will allow for new acquisitions of woodland. I was very pleasantly surprised by the interest from potential investors in our work in the woodland sector, particularly in the forests we are planting in France and in Scotland."

3.3.3 Thermal coal disengagement policy

CNP Assurances has adopted a policy for reducing its exposure to thermal coal in its financial portfolios since 2015. In accordance with the recommendations of the French Federation of Insurance Companies (*Fédération française des assurances* – FFA) and the Declaration of the Paris financial marketplace of 2 July 2019, CNP Assurances decided in late 2019 to step up its disengagement of thermal coal:

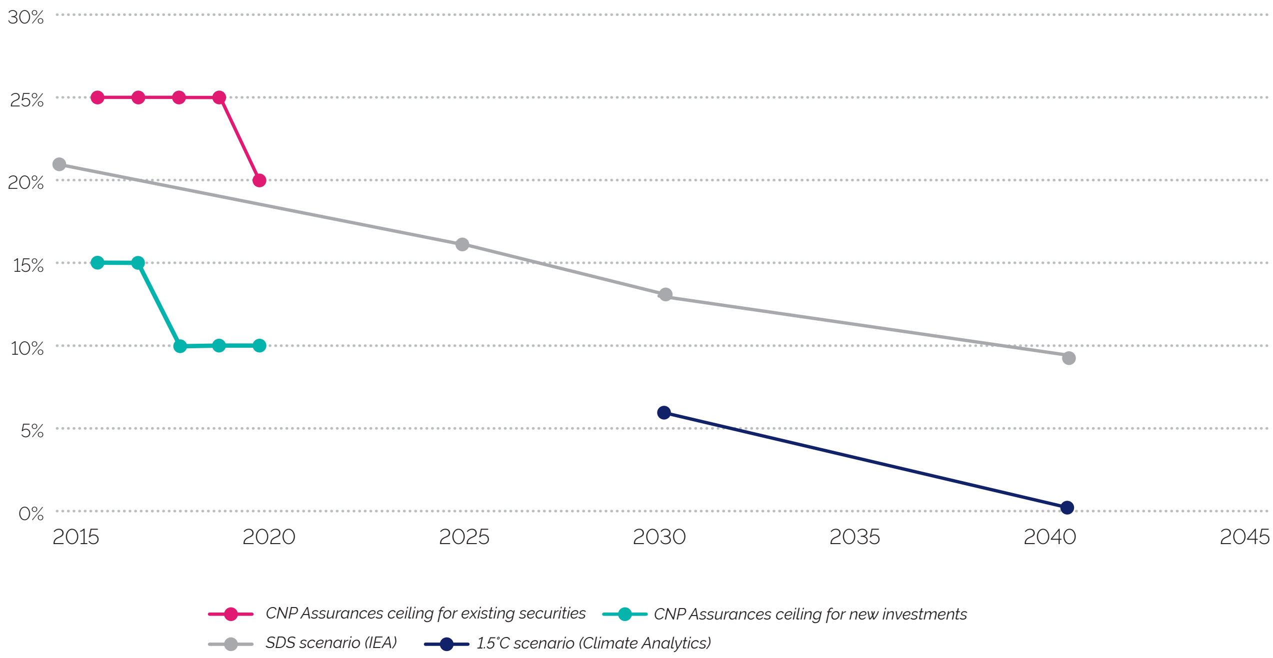
- by lowering the exclusion threshold for existing investments [(1)], i.e., by divesting from companies that derive at least 20% of revenue from thermal coal instead of 25% previously;
- by committing to excluding from the portfolio all companies that are developing new mines and coal-fired power plants (rather than only the 120 largest, as is currently the case) [(1)];
- by asking all companies in the investment portfolio to publish, by 2021, a thermal coal phase out plan aligned with an exit by 2030 in EU and OECD countries, and by 2040 in the rest of the world, that is based on the closure and not the sale of assets;
- by pursuing a policy of shareholder dialogue with companies in order to encourage those developing new thermal coal projects to abandon them, and those with thermal coal assets to adopt a plan for the phased closure of their infrastructure.

By combining these actions, CNP Assurances is involved in the progressive phasing out of coal. CNP Assurances' policy on capping revenue related to thermal coal (green and pink curve next page) is in line with the projections of the Sustainable Development Scenario developed by the International Energy Agency, which is the scenario required to meet the objectives of the Paris Agreement.

In 2020, CNP Assurances will pursue talks with companies in the thermal coal sector in line with the scenario of a limited temperature increase of 1.5°C developed by Climate Analytics: discontinuation of coal activities in European Union and OECD countries by 2030, and in the rest of the world by 2040 (dark blue curve next page).

(1) Excluding non-dedicated mutual funds (see section 2.4.2)

Share of coal in activity



3.3.4 Measuring temperature

In 2019, CNP Assurances embarked on a new measurement of the temperature increase pathway of its equity portfolio.

Methodology

CNP Assurances uses data provided by S&P Trucost to estimate the portfolio's climate pathway.

Greenhouse gas emissions data (scope 1 and 2) are provided by the issuer (e.g. Annual Report, CSR Report, other data disclosed by the issuer, etc.). Trucost fills in incomplete data with estimates (e.g. if an issuer has published its carbon footprint but excluded a segment of its business, Trucost estimates the GHG emissions produced by this segment in proportion to the revenue generated). Future GHG emissions produced by issuers are estimated based on the targets published by companies and on production data. If no future information is available, Trucost then extrapolates the historical carbon intensity trend. Yearly and systematic talks with issuers are conducted by Trucost.

The emissions produced are then compared to a number of reference scenarios. In line with the recommendations of the Science-Based Targets Initiative, two distinct methods are used in a complementary fashion:

- for homogeneous-production sectors (where the emissions intensity of a single-sector issuer can be determined using a physical unit, i.e., in tonnes of CO_2 per production unit), for which there is a specific carbon footprint reduction pathway provided by the IEA and based on the IPCC scenario, Trucost uses the Sectoral Decarbonization Approach (**SDA**). By using this method, the levels of carbon intensity per physical unit of activity (e.g. $teqCO_2$/GWh for energy production, $teqCO_2$/tonne of cement for cement plants) can be determined for each company, with a given temperature increase target. **This method can be used in the sectors producing the most greenhouse gases, such as metallurgy/aluminium production, energy production, cement and air transport;**
- for other sectors, or when the emissions produced by a company cannot be determined based on a single physical unit (as the company has several business activities), Trucost uses the **GEVA** (Greenhouse gas Emissions per Value Added) method, plotting out a pathway using scenarios from the fifth IPCC report (RCP 2.6W, RCP 4.5W, RCP 6W and RCP 8.5W). Using this method, an annual carbon intensity reduction target (in $teqCO_2$ per million euros of value added) can be set for each company, whatever their business sector, that is also compatible with a given temperature increase target. For example, based on the RCP 2.6W scenario, carbon intensity must drop 4.2% every year from 2021. **This method can be used in sectors producing lower emissions such as the consumer, financial, health, industry (other than metallurgy and cement), property, energy distribution and information and communication technology sectors.**

For each issuer, the theoretical pathways to follow based on one of the two methods above are compared to the actual or estimated emissions of the issuer between 2012 and 2023. The gap between the actual pathway and the different theoretical pathways representing different temperature increases indicates the degree of alignment of each issuer.

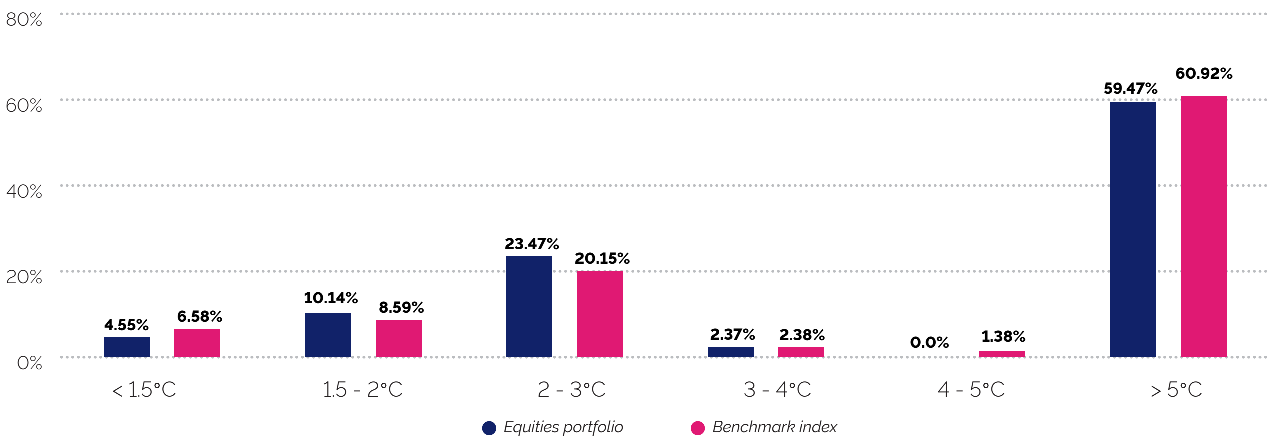
Application on the CNP Assurances portfolio

The Trucost data assigns a temperature increase to each issuer. The composition of the listed equity portfolio is compared to the representative benchmark of the investment universe (Eurozone, medium and large caps). The analysis covers 86% of the portfolio.

The GEVA approach, focused on issuers in low-emission sectors such as the consumer, financial, health, industry (other than metallurgy and cement), property, energy distribution, information and communication technology sectors and on multi-sector issuers covers 95% of the portfolio.

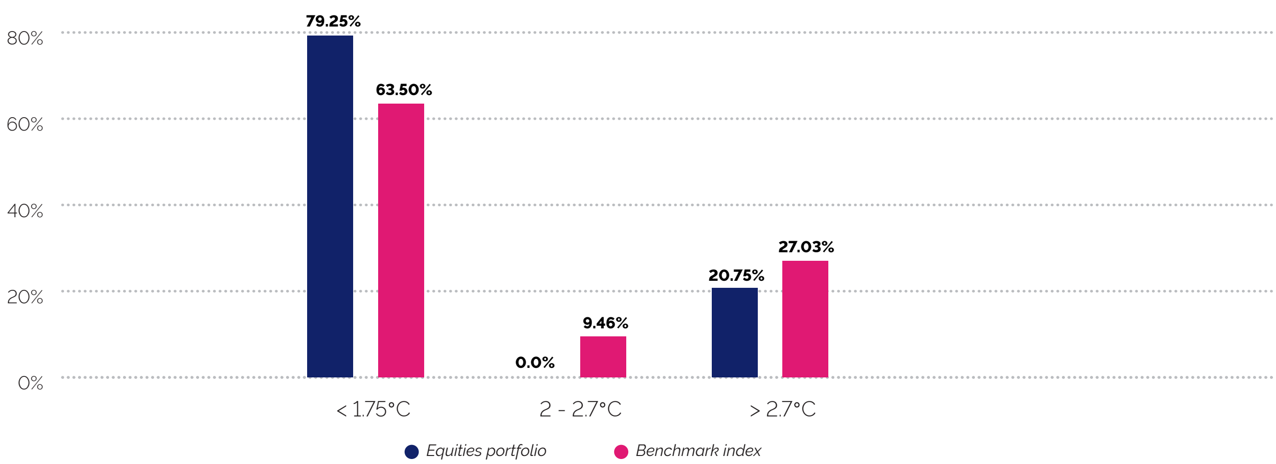
The temperature assigned to the issuers held in the portfolio is similar to the benchmark. There is a slightly larger portion of companies with a pathway below 3 C in the portfolio compared to the benchmark.

Issuer temperatures – GEVA approach



The SDA approach, focused on high-emission sectors (metallurgy, energy production, cement, air transport) covers 5% of the portfolio.

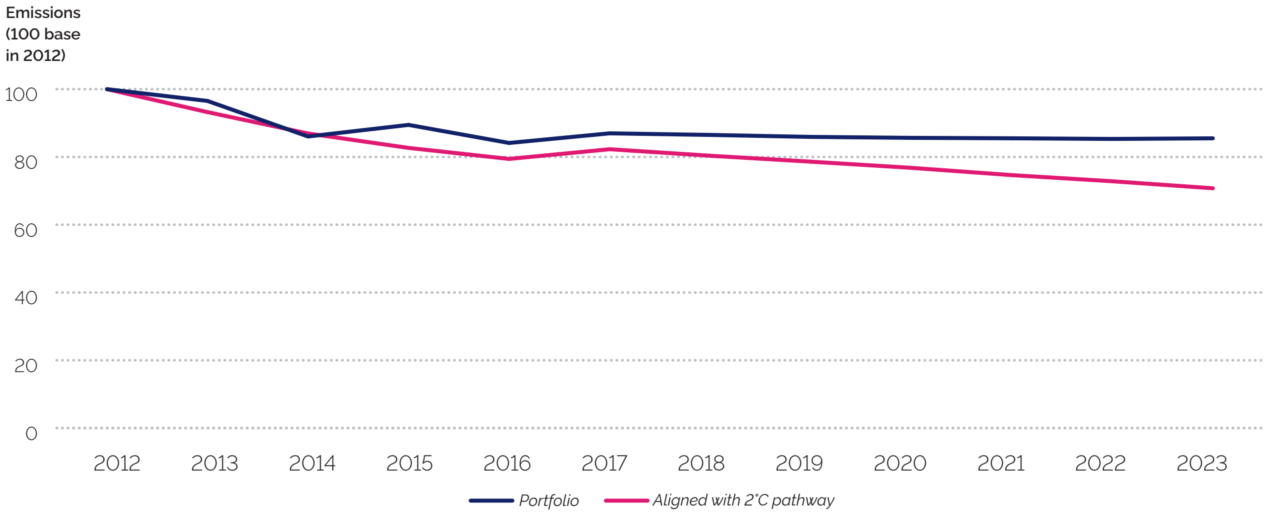
Issuer temperature – SDA approach



The analysis presents a better performance for the CNP Assurances equity portfolio in terms of the temperature of high-stakes issuers (SDA method) compared to the benchmark. This strong performance in the high-emissions sectors is due to the commitment undertaken since 2015 to progressively phase out the use of thermal coal, that has been stepped up ever since the energy and environmental transition was overweighted. The best-in-class approach in terms of the ESG rating of the directly held listed equity portfolio has also contributed to this performance.

These data allow for a comparison of the portfolio's SDA-GEVA pathway with a 2°C scenario pathway.

Equities portfolio pathway



The efforts made to reduce the carbon footprint of the directly held listed equity portfolio since 2015 can be seen on the pathway. However, there was an increase in absolute emissions between 2016 and 2017 due to an increase in the activities of underlying sectors. Nevertheless, the portfolio of listed equities directly held by CNP Assurances is not yet aligned with a 2°C pathway.

3.3.5 1.5°C scenarios

This summary covers comparisons of CNP Assurances' position and/or objectives with national and international scenarios giving references for alignment with 1.5°C pathways, which could be achieved with carbon neutrality from 2050.

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, life cycle and other factors.

To assess the consistency of investment for the energy and environmental transition with CNP Assurances' 1.5°C approach, the criteria were analysed regarding the following 1.5°C scenarios by sector or equivalent:

- the International Energy Agency's (IEA) Sustainable Development Scenario (SDS), needed to meet the COP 21 objectives – source: World Energy Outlook 2017;
- the 1.5°C scenario developed by the Intergovernmental Panel on Climate Change (IPCC) – source: Global Warming of 1.5°C, October 2018.

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. Participation in the Net-Zero Asset Owner Alliance projects will help to fine-tune the results year by year.

	1.5°C Scenario (1)	CNP Assurances
ALL ASSETS	To limit global warming to 1.5°C, carbon neutrality needs to be achieved by 2050	Joined the Net-Zero Asset Owner Alliance and committed to a carbon-neutral investment portfolio by 2050
ENERGY	Renewable energy: **52%** by 2030 Proportion of renewable energy by 2030 (IAE, WEO 2017 – EU)	Renewable energy: **23%** Proportion of renewable energy in 2019 (investment in infrastructure)
	Coal: **16%** by 2030 Proportion of thermal coal by 2030 (IAE, WEO 2017 - world)	Coal: **10%** Excluding investments in companies with more than 10% of revenue linked to thermal coal
EQUITY	**45%** by 2030 Reduction in GHG(2) emissions between 2010 and 2030 worldwide (2018 IPCC)	**51%** in 2019 Reduction in GHG(2) emissions in the listed equity portfolio between 2014 and 2019
PROPERTY	**45%** by 2030 Reduction in GHG(2) emissions between 2010 and 2030 worldwide (2018 IPCC)	**40%** by 2021 Reduction in GHG(2) emissions relating to the energy consumption of directly held buildings between 2006 and 2021

(1) Limit global warming to 1.5°C by the end of the 21st century
(2) Greenhouse gas

Chapter 4

Raising policyholders' awareness

4.1 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 unit-linked contracts by integrating ESG criteria in its unit-linked funds approval policy.

Policyholders can give meaning to their savings by choosing responsible, green or solidarity-based unit-linked products. CNP Assurances strives to ensure that unit-linked funds are available to policyholders in its main contracts. This commitment is in line with that of its two major distribution partners – La Banque Postale and BPCE – whose asset management companies have set up such funds.

Since 2011, CNP Assurances has kept policyholders informed about the inclusion of ESG criteria in its investment strategy in its yearly customer statements. In 2019, more than 11 million letters were sent to policyholders (by post or online) outlining CNP Assurances' adherence to the Global Compact and its responsible investment strategy.

CNP Assurances' ESG-climate approach is also described in the Group's CSR Report published each year since 2010, and the Group's website features a section on **Our CSR commitments**.

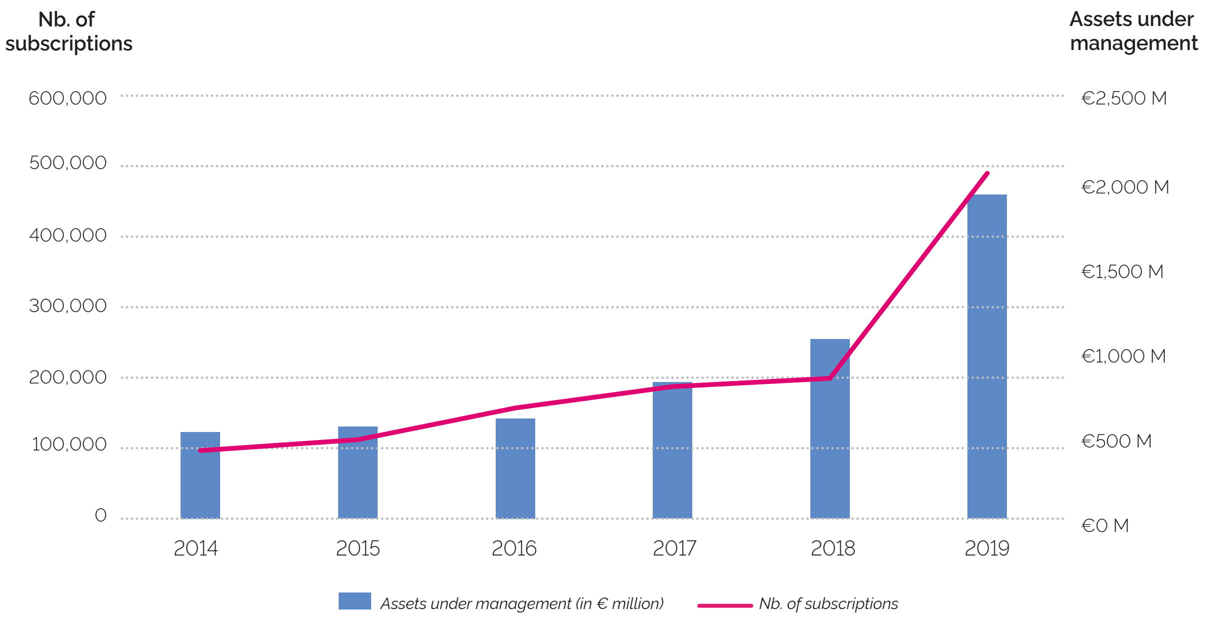
To round out this information and make it accessible to as many people as possible, CNP Assurances publishes a short brochure, which is available on the company's website, setting out the basics of its CSR approach and including information about responsible investing.

4.2 Responsible unit-linked offering

When it comes to personal insurance, direct action by policyholders in support of a responsible economy and the fight against climate change is reflected in the selection of responsible unit-linked products in their savings contracts. These products have been available for many years in each of the flagship unit-linked contracts available in the individual insurance offerings from CNP Assurances.

At the end of 2019, nearly 490,000 CNP Assurances life insurance policies included SRI unit-linked funds. They represent assets of €1.9 billion, an increase of 81% compared with end-2018. This very substantial increase is attributable both to demand from policyholders for responsible savings vehicles and to the efforts of asset management companies, notably LBPAM, Ostrum and Mirova, to label and integrate an SRI management strategy into existing funds.

Responsible unit-linked products in CNP Assurances contracts



Since June 2018, life insurance contracts marketed by LBP have included a "Conviction SRI" offer, all of which have received the SRI label. SRI is also represented through platforms such as CNP Développement Durable for Amétis, CNP Assurances' commercial network, and Mirova Europe Environnement and Mirova Emploi France for BPCE.

Since 2018, CNP Assurances has strengthened its offering of SRI products dedicated to wealth management clients with "CNP Éthique". This offering gives partners, private banks, independent financial advisor platforms and family offices access to unit-linked products on SRI themes including the environment, human capital and several sectors, at the client's discretion.

Most of the responsible unit-linked products sold in CNP Assurances life insurance contracts have a label:

Type of labelling of unit-linked products [(1)]	Assets at 31 December 2019	Number of subscriptions in labelled unit-linked products
SRI label (Socially Responsible Investment)	€1,670 million	478,804
Greenfin label (Green Finance)	€588 million	172,162
Finansol label (Solidarity Finance)	€203 million	72,113

(1) A unit-linked product can benefit from several labels, so the amounts in the table cannot be added together

QUESTIONS TO...

Nathalie Gonnet
portfolio manager, group pension contracts (companies, mutual insurers and retirement savings plans)

Do you find SRI labelling of the funds useful?

I personally participate in meetings to label the funds with our asset management companies. Today, 57% of savers want sustainable development to be included in savings products and 66% of savers think that the SRI products give them the confidence to manage their savings.

I'm a saver myself, and I find them useful. The SRI label takes on all of its meaning, and guarantees the ethical and committed nature of these investments. I feel like the label is a unique point of reference for savers and investors because it means greater transparency, providing a framework for the management process, which can be very restricted and can lead to investment opportunities being lost.

The label is given to funds if they adopt ESG criteria, measure non-financial quality and have a real commitment to voting policy. The SRI label is a genuine gauge of quality investments in an economy constantly looking to become more sustainable.

4 Raising policyholders' awareness

Chapter 5

Appendices

TCFD | RISK MANAGEMENT

TCFD | INDICATORS AND OBJECTIVES

5.1 Physical risk analysis methodologies

5.1.1 Exposure of 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 for its French property assets held directly or through wholly owned companies in order to assess the degree of exposure.

An 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,
  - extreme winds.

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

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

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

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

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

RISK SCORE = **PROBABILITY OF OCCURRENCE** (Exposure to climate hazard X Change in climate change indicator over time) **X** **SENSITIVITY TO RISK** (Severity of impact X Category of asset)

5.1.2 Physical risk analysis in the woodland management plans

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 climate change analyses into management plans:** the woodland management plans set out the forward management of forests for 10 to 20 years, on a case-by-case basis. They are approved by the forest administration, which guarantees compliance with the regulations in force. Since 2008, the consideration of climate change criteria in these plans has been reflected in the analysis of factors such as the expected impact of local climate change, the adaptation of existing tree and plant species and production cycles;
- **analysis of the geographical spread of woodland assets:** CNP Assurances has implemented an investment policy that has allowed the purchase of woodland in a wide number of areas. The spread of woodland assets also reduces the risk of exposure to extreme events such as storms or drought;
- **analysis of tree and plant species diversity:** in addition to its value in terms of biodiversity as noted above, tree and plant species diversity is a genuine means of spreading the risks run with each species in the face 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, ice and hail.

5.1.3 Geographical vulnerability of listed securities

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, a notion which is closely related to physical risk.

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

Exposure, sensitivity and the ability to adapt to climate change are assessed in six areas: health, food, ecosystem service, human habitat, water and infrastructure. Projected exposure is attained from the changing greenhouse gas emission scenario established by the IPCC, where RCP 4.5 corresponds to the most likely pathway in view of the current state of commitments to COP 21.

The study provided CNP Assurances with a clear picture of the assets at end-2018 according to seven levels of physical risks. In 2019, an additional study was carried out to measure the degree to which directly held listed securities were exposed in a more pessimistic RCP8.5 scenario established by the International Panel on Climate Change (IPCC), corresponding to the "Business as usual" pathway (i.e., an average temperature increase of nearly 4°C).

According to ND-Gain's methodology, for government bonds, 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 corporate bonds and equities, the analysis was carried out on issuers in economic sectors vulnerable to physical risk, particularly those having difficulty in adapting. Securities with a significant market value were included. 42% of securities 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.

5.1.4 Climate VaR (physical risk)

The Climate VaR indicator provides an evaluation for potential financial losses (negative value) and gains (positive value) related to the transition and physical risks. The VaR of a security is expressed as a percentage of the security's market value. The VaR of the CNP Assurances portfolio therefore gives the total potential financial losses or gains of the portfolio, expressed as a percentage of the assets at market value.

CNP Assurances called upon the services of MSCI ESG, who implemented a climate model based on the various integrated evaluation models. This model applies to equity and corporate bond portfolio companies directly held by CNP Assurances.

Measurement methodologies for potential financial gains and losses related to physical risks

The physical scenarios assess the impact of various extreme weather risks for the next 15 years, including:

- extreme heat and cold;
- heavy snowfall;
- rain;
- violent wind;
- tropical cyclones;
- coastal flooding;
- change in sea level;
- wildfires.

Exposure and vulnerability are measured by company according to their geographical location, sector, size and activity, based on methods developed in partnership with the Potsdam Institute for Climate Impact Research (PIK).

The cost of physical risks is measured as follows:

EXPECTED COST = EXPOSURE X VULNERABILITY X THREAT

	DEFINITION	EXAMPLES
Exposition *(sometimes called written "exposure")*	Presence of persons, subsistence, resources or other assets in place or environments liable to be affected.	• Geographical location, size, type and value of asset. • Asset allocation according to portfolio sector or region.
Vulnerability *(sometimes called "sensitivity" or "susceptibility")*	Propensity or predisposition of an asset to be affected, including its sensitivity or susceptibility to a financial prejudice (or opportunity) and its capacity to overcome and adapt.	• Heavy snowfall can have a negative impact on transport companies. • Conversely, heavy snowfall can extend the tourist season for a ski station.
Threat *(sometimes called "risk" or "impact")*	Probability that an event or change in climate will occur.	• Increase in the number of very hot days. • A measure of water stress in a given region.

The model also integrates climate change opportunities, notably in regions likely to be impacted by a reduction in extreme events.

Beyond the next 15 years, the model assumes that gains or losses will grow exponentially at a rate of 3% until the end of the century.

The model simulates the physical risk under the IPCC RCP8.5 climate change scenario. It is a "Business as usual" scenario aligned with a temperature increase of between 3°C and 5.5°C (≈ 4°C). The model calculates the VaR by determining an average cost of climate change.

Financial modelling

A company's Value at Risk (VaR) is calculated by comparing the discounted amount of potential financial gains and losses associated with future physical risks obtained via the various methods described above, against the company's market capitalisation.

5.2 Transition risk analysis methodologies

5.2.1 Measuring the equity portfolio's carbon footprint

Information used for the analysis

CNP Assurances took responsibility for measuring the carbon footprint. The data needed to estimate the carbon footprint are the scope 1 and 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 2019 is calculated on the basis of companies' 2018 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 chosen not to perform estimates.

The carbon footprint at 31 December 2019 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 2018 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:

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

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

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.

5.2.2 Portfolio sector analysis by 2023

CNP Assurances applies the PACTA model to the portfolio to carry out the analysis. Developed by 2 Degrees Investing Initiative (2°ii), the model produces a customised estimate of the alignment of the investment plans of the financial instruments covered by the study with the economic trends presented in the scenario(s), as identified by external data and scenario providers.

The PACTA model quantifies the estimated change in the portfolio's exposure to high- and low-carbon activities in five years (2023) based on the disclosed current production and investment plans of portfolio companies operating in the fossil fuel, energy and automotive sectors. The section compares the portfolio's estimated future technology mix in each sector to that of the market aligned with a scenario compatible with the Paris Agreement (IEA SDS).

It is based on forward-looking data and capacity in terms of physical assets (number of barrels of oil by field, cars by model and factory, and new capacity by power plant).

To measure production levels compatible with a climate scenario such as the IEA SDS, the model uses a fair share principle, which applies the changes predicted by the scenario for a given technology and region equally to all relevant physical asset holders.

Under the SDS, the portfolio in the context of a transition corresponds to the portfolio's "target production profile", illustrating the changes required in the production profile of the companies held in the portfolio in order to meet the scenario's production and capacity objectives.

The SDS-aligned market follows the same principle as above for a "benchmark portfolio", i.e., the listed equity market as a whole or the corporate bond market as a whole. Since the securities and their weight in the market portfolio differ from those in the portfolio, this comparison highlights "idiosyncratic" alignment or misalignment. In other words, it shows how the current composition of the portfolio affects the alignment with the different scenarios.

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.

5.2.3 Climate VaR (transition risk)

The Climate VaR indicator provides an evaluation for potential financial losses (negative value) and gains (positive value) related to the transition and physical risks. The VaR of a security is given as a percentage of the security's market value. The VaR of the CNP Assurances portfolio therefore gives the total potential financial losses or gains of the portfolio, given as a percentage of the assets at market value.

CNP Assurances called upon the services of MSCI ESG, who implemented a climate model based on the various integrated evaluation models. This model applies to equity and corporate bond portfolio companies directly held by CNP Assurances.

Measurement methodologies for potential financial gains and losses related to transition risks

1) Transition costs

Risk measurement means calculating risks from future regulations that aim to mitigate climate change impacts. The methodology begins with quantifying each country's greenhouse gas (GHG) emission reduction targets included in policies proposed in the Paris Agreement's Nationally Determined Contributions (NDCs). Country-specific emission reduction goals are then disaggregated by sector. Using production site data by company, emission reduction targets by sector are assigned to each production site by company over the next 15 years.

To calculate costs incurred by the company to meet the GHG emission reduction targets in the countries in which it operates, MSCI ESG uses technology and policy-based price estimates for the reduction of one tonne of CO_2, based on comprehensive integrated valuation models. The price of reducing CO_2 emissions per tonne differs depending on the countries and climate change scenarios.

2) Transition opportunities

Transition opportunities and the resulting gains are measured using the company's patent data, primarily low-carbon patents, and the company's current green share, which measures the income collected to date through selling green products and services. These data provide a factual understanding of the companies' strategic investments in research and development, as well as their innovation capacities in a low carbon economy.

The MSCI ESG tool simulates the companies that will potentially be beneficiaries if and when regulatory policies (3°C, 2°C, 1.5°C) are applied on a global scale. The 1.5°C, 2°C and 3°C scenarios were taken from the Asia-Pacific Integrated Model (AIM), which was developed by the National Institute for Environmental Studies (NIES) in Japan. The model is fairly comparable to the Energy Technology Perspectives models developed by the International Energy Agency (IEA).

Modelling technology-based developments follows methodologies by the IEA, the NIES AIM model in Japan and the International Renewable Energy Agency (IRENA).

The models assume that gains and losses beyond 15 years remain high until the middle of the century before declining on a straight-line basis and reaching 0 before the end of the century.

Financial modelling

A company's Value at Risk (VaR) is calculated by comparing the discounting of potential financial gains and losses associated with future transition risks obtained via the various methods described above, against the company's market value.

5.2.4 Improvement of the property portfolio's energy performance

In line with the Group's goals to decarbonise its property portfolio, CNP Assurances systematically analyses the improvement of energy performance when planning work.

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 (adaptation of the portfolio to the Grenelle de l'environnement recommendations).

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 over which it has decision-making powers (full ownership).

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.

5.2.5 Carbon sequestration by woodland

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

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 purposes. 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 for the sustainable exploitation of woodland is consistent with France's national objectives. 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 cubic metres 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 flow: In 2019, CNP Assurances and Société Forestière requested that Eco-Act conduct an independent methodological review of the method used thus far to recognise carbon flow across the woodland portfolio. The review showed the method to be conservative and robust, but also showed that the processing of output could be adjusted. These adjustments were made when presenting data for 2019.

Note:

- the conversion coefficient [cubic metres of green wood] -> [dry tonne] is now differentiated by tree and plant species;
- a new expansion coefficient has been added to assess below-ground biomass;
- the expansion coefficient for tree crowns is different for softwood and for hardwood;
- same input and output size.

The annual carbon flow is evaluated on each forest plot. These data, while not the most accurate, are the most homogeneous 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 clusters);
- 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 and 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.

5.3 Important information about the methodologies

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5.4 Glossary

ADEME: French Environment & Energy Management Agency

AML-CFT: Anti-Money Laundering and Combating the Financing of Terrorism

BBCA: Low-carbon building

CBI: Climate Bonds Initiative

CDP (Carbon Disclosure Project): Non-profit organisation collecting the Annual Reporting of greenhouse gas emissions and environmental strategies of several thousand companies worldwide

CSR: Corporate social responsibility

EET: Environmental and Energy Transition

ESG: Environment, Social and Governance

EU: European Union

FATF: Financial Action Task Force

FFA: French Insurance Federation

FPS: Specialised professional funds

GBP: Green Bonds Principles

GCEL: Global Coal Exit List

GEVA: Greenhouse gas Emissions per Value Added

GHG: Greenhouse gas

Global Compact: A United Nations initiative launched in 2000 to encourage companies to adopt socially responsible behaviour by making a commitment to integrate and promote several principles relative to human rights, labour law, environmental protection and the fight against corruption

GreCo: The energy efficiency programme for the CNP Assurances real estate portfolio

HQE: High environmental quality

HSE: Health, Safety and Environment

IEA: International Energy Agency

ILO: International Labour Organization

IPCC: Intergovernmental Panel on Climate Change

KYC: Know Your Customer

LBPAM: La Banque Postale Asset Management

NCST: Non-cooperative states and territories

NDC: Nationally Determined Contributions, the greenhouse gas reduction targets set by each country that signed the Paris Agreement

OECD: Organisation for Economic Co-operation and Development

PACTA: Paris Agreement Capital Transition Assessment

PEFC: Programme for the Endorsement of Forest Certification

PIK: Potsdam Institute for Climate Impact Research

PRI: Principles for Responsible Investment

RCP: Representative Concentration Pathway, the scenario set out by the IPCC relating to increases in greenhouse gases, radiative forcing and temperature

SDA: Sectoral Decarbonization Approach

SDG: Sustainable Development Goals

SDS: Sustainable Development Scenario

SRI: Socially Responsible Investment

SSE: Social and solidarity economy

TCFD: Task Force on Climate-related Financial Disclosure

TECV: Energy transition for green growth

teqCO_2: tonnes of CO_2 equivalent

UCITS: Undertaking for Collective Investment in Transferable Securities

WEO: World Energy Outlook, published by the International Energy Agency

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Download our publications, including the Annual Report, the Universal Registration Document, the Shareholders' Letter and the Corporate Social Responsibility Report.

The website, in French and English, complies with computer accessibility standards and can also be viewed on tablets and smartphones, reflecting CNP Assurances' commitment to a more open world.

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- A section on the CNP Assurances website open to analysts, investors and shareholders – where you can consult the CNP Assurances share price, shareholder information, press releases, financial calendar, presentations to analysts and details of the General Meeting.
- Email queries can be sent to two dedicated addresses: actionnaires@cnp.fr and infofi@cnp.fr.
- A toll-free number (toll-free only from a landline in France)

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  From Monday to Friday, shareholders can contact the shareholder relations helpdesk directly to obtain information about CNP Assurances, or to request financial documentation or register a change of address.

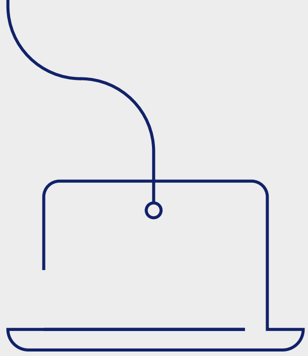
2020 Financial Calendar

17 APRIL
Annual General Meeting

15 MAY
First-quarter 2020 premium income and results indicators

3 AUGUST
First-half 2020 premium income and profit

19 NOVEMBER
Third-quarter 2020 premium income and results indicators



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