

The background of the cover features a photograph of a modern building with a grid-like facade of windows. In the foreground, a tram is visible on a city street, with several people walking. A large, semi-transparent purple shape is overlaid on the right side of the image, containing the title text.

# 2018 Responsible Investment Report



# Editorial

“As a long-term investor committed to our mission to reduce territorial and social divisions, it is the duty of the Caisse des Dépôts Group to implement and promote responsible and resilient financial practices.

Caisse des Dépôts financially support sustainable growth and contribute by its investments to the reduction of greenhouse gas emissions. It fosters production and consumption methods that are more inclusive and economical in terms of resources. Caisse des Dépôts commits with regard to its customers and counterparties by encouraging them to play a role themselves in today’s key social issues.

The response to the urgency of climate change, is an integral part of the responsible investment policy that guides the Group’s investment practices. This policy is reflected in five operational objectives shared by our financial business lines: finance the ecology

and energy transition, decarbonise our portfolios, refrain from investing in thermal coal, assess and manage climate risks, and strengthen shareholder dialogue in favour of the climate. On Climate Finance Day in 2018, the Chairman and Chief Executive Officer of the Caisse des Dépôts Group reasserted these objectives and announced new commitments that step up our ambition.

In parallel, we have introduced a new organisation structure to unify and strengthen the environmental, social and governance (ESG) expertise of our business lines and entrust their coordination to the Group’s Finance Department. This development marks a further step towards the more integrated management of financial performance and societal impact. The aim of Caisse des Dépôts in 2019 is to structure a proactive policy contributing to the United Nations Sustainable Development Goals.”



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**Virginie Chapron-du Jeu**  
Group Finance Director



# Introduction

The Group's responsible investment policy is at the very heart of what the Caisse des Dépôts Group—defined by French law as a “public group serving the public interest and national economic development”—stands and works for.

This identity is reflected in the creation of **plural value** in the long term, covering in equal measure the following:

- **Financial value:** the security of the deposits entrusted to it, the long-term yield of its portfolio, and recurring revenues.
- **Intangible value:** safeguarding the trust placed in the Group by its beneficiaries and partners, including at regional level.
- **Social value:** the impact of the Group's business activities on society and the environment, and the satisfaction of the needs of the final beneficiaries of the Group's operations, which contribute to lead the strategic priorities of Caisse des Dépôts.

Consistent with this approach to the creation of plural value, Caisse des Dépôts endeavours, as a responsible long-term investor, to forge the most comprehensive understanding possible of the opportunities and risks of its potential and actual investments.

Caisse des Dépôts' approach as a responsible investor is part of a process of **continuous development**, shared by its business lines: Asset Management, Banque des Territoires, Strategic Holdings and Subsidiaries Management in the financial sector (including CNP Assurances<sup>1</sup> and STOA<sup>2</sup>), Bpifrance with company financing and development, and Pensions and Solidarity.

This strategy, which reflects the operational implementation of its slogan “*Foi Publique*” (public faith), contributes to increasing the **trust** placed in the Group by its clients and partners.

The Group reports on its responsible investment policy in its Business Review and Sustainable Development Report, as well as on its website. **The details of this policy, its developments and its implementation can be found in this report, which meets the transparency requirements defined by the French law on Energy Transition for Green Growth (the TECV Act)<sup>3</sup>.** The table in Appendix 4 summarises the relationship between the content of this report and the application criteria of Article 173.6. This report also falls within the scope of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) of the G20 Financial Stability Council on the financial reporting of risks linked to climate change.

<sup>1</sup> An insurance company.

<sup>2</sup> A subsidiary of Caisse des Dépôts and French Development Agency, STOA is an investment vehicle for financing infrastructure in developing countries.

<sup>3</sup> Act of 2015 introducing reporting requirements for institutional investors regarding their management of risks linked to climate change and the integration of environmental and social criteria in their investment policy.



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# 01

## Policy and governance



# Responsible investment policy

## An investment strategy grounded in the long term

Caisse des Dépôts leads a prudent, long-term and countercyclical asset management policy implemented on the basis of multi-year planning<sup>4</sup> applied to annual investment programmes. This provides for:

- Long-term investment horizons;
- The exclusion of specific types of products and instruments (e.g., hedge funds);
- The limited use of derivatives for hedging purposes;
- Non-speculative positions.

## A cross-cutting charter

Caisse des Dépôts introduced a **Responsible Investment Charter** in 2012 setting out the main principles that guide the Group in the management of its financial portfolios and investments. The charter promotes three complementary principles that translate the Group's vision of sustainable financing into concrete acts in its investment processes:

<sup>4</sup> For the portfolio of the Central Sector and for the Savings Funds.

1. The **analysis** and integration of environmental, social and governance criteria (ESG) into investment and management decisions.
2. The close **monitoring** of investments, notably through dialogue with the management of investee companies and voting at shareholder meetings with a view to fostering best ESG practices.
3. The **exclusion** of assets of companies whose activities or management fail to comply with the fundamental principles of treaties and conventions ratified by France.

Regularly updated by the Group Management Committee, the charter covers all the investment business lines.

In addition, a number of priority issues for all the portfolios have been reviewed in depth, reflected in theme-based policies. These principles, together with the Investment Charter, constitute the **responsible investor policy** of Caisse des Dépôts:

## Governance principles

The governance principles of listed companies form the positions of Caisse des Dépôts where it fulfils its shareholder responsibilities by voting at shareholder meetings. These principles serve as a basis for dialogue with French and international listed companies in which Caisse des Dépôts is invested, as well as with market authorities and financial bodies.

## Exclusion principles

Caisse des Dépôts and its subsidiaries and strategic holdings are committed to preventing financial, legal and reputational risks that may arise from investing in jurisdictions known for their lack of regulation, transparency and cooperation in the prevention of tax fraud, money laundering and the financing of terrorism.

Caisse des Dépôts has established a blacklist prohibiting operations in countries on the list of non-cooperative states and territories (NCSTs) established by the French Ministry of the Economy and Finance, as well as in territories against which the Financial Action Task Force (FATF) requires counter-measures in order to protect the financial system.

These exclusion principles apply to all directly managed assets and are gradually being rolled out to indirect management (such as private equity funds and index funds).

These principles are supplemented by sector-based exclusions:

- Anti-personnel mines and cluster bombs;
- Tobacco (Banque des Territoires, Asset Management and Bpifrance);
- Thermal coal:
  - Banque des Territoires, Asset Management and Bpifrance: any security of a company that generates more than 20% (10% as of 2019) of its revenues from thermal coal and any project leading to the development of new production capacity.
  - CNP Assurances: any company that generates more than 25% (securities held) / more than 10%<sup>5</sup> (newly acquired securities) of its revenues from thermal coal and the companies with the greatest involvement in the development of new coal power plants.

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<sup>5</sup> The threshold for new acquisitions was 15% previously.

## Climate commitments

Climate change is a key challenge for society. It is having an increasing effect on our everyday life, on business and on all territories, whose resilience is being put to the test. On a global scale, climate disruptions are affecting the stability of our ecosystems, demographics, economy, finances and socio-political systems, which are all interdependent.

Through its 2°C roadmap, the Group is seeking to gradually increase the resilience of all its asset portfolios and to transition towards **zero-carbon allocations by 2050**. To that end, pluridisciplinary working groups meet regularly to implement and strengthen action plans relating to their respective business lines.

As part of this long-term programme, regular updates are made to the Group's climate policy, detailed in the second part of this report, and the corresponding climate performance targets are gradually being increased.

The Group endeavours to raise awareness of these targets at international events. The climate policy formed ahead of COP21 in 2015 was reinforced for the One Planet Summit in 2017 and then for Climate Finance Day (pp. 20-21) in Paris in 2018, notably with a stronger withdrawal from thermal coal and new financing for the ecology and energy transition.

Find out more about the responsible investment principles and doctrine on the [Caisse des Dépôts website](#)



## Diversified business lines

Each Group business line rolls out its responsible investor policy in line with its corporate purpose, the way in which it manages its portfolios, and the different asset classes that it manages:

### Asset Management

Committed to a responsible investor policy, the Asset Management business line is composed of Caisse des Dépôts' Financial Investments Division and Group subsidiaries working in asset management.

Caisse des Dépôts is an institutional investor that manages investment portfolios (listed and unlisted equities, bonds, real estate, money market assets, forests) on its own behalf and the regulated savings accounts mandates entrusted to it over a long-term horizon, mainly through direct and active management. It delegates some aspects of financial management to three subsidiaries:

- CDC Croissance, an equity fund manager supporting company growth over the long term;
- Société Forestière, an asset management company that ensures the sustainable management of privately-owned forest assets for its clients;
- CDC Investissement Immobilier, which manages the real estate portfolio and investments.

### Banque des Territoires

This business line invests, principally on a minority basis, in assets and companies that contribute to the development of the French territories, including real estate, infrastructure, semi-public companies and social businesses. Banque des Territoires' responsible investor policy, implemented until recently by its in-house investment teams, has been managed since 2018 by an ESG Assessment Unit created to unify and strengthen sustainable

development expertise with a view to integrating non-financial aspects in all processes (including the design of services and products, financing decision-making, and planning).

### Bpifrance

As part of its mission of financing French companies, Bpifrance acquires minority investments, directly and in funds of funds, in businesses of all sizes. The central objective of its socially responsible investment (SRI) policy is to encourage companies to develop a corporate social responsibility (CSR) policy adapted to their stage of development.

### Strategic Holdings Management

Within the Group, some business activities are led by subsidiaries or companies in which Caisse des Dépôts holds a strategic investment. Two of these shareholdings (CNP Assurances and STOA) are financial institutions with a significant investment business and as such respect the Group's responsible investment policy:

- CNP Assurances delegates the management of its portfolios of directly held assets and the corresponding SRI research to Ostrum AM and La Banque Postale AM, which are both strongly committed to responsible investment.
- STOA, an investment vehicle set up in 2017 by Caisse des Dépôts and French Development Agency, makes long-term investments in infrastructure and energy projects in developing countries.

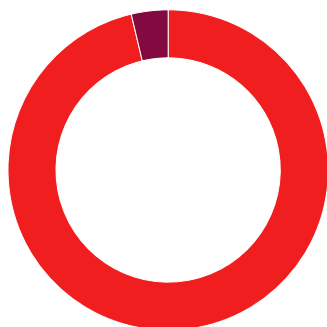
### Pensions and Solidarity

The Pensions and Solidarity business line brings its clients a global and modular financial and non-financial management service. It provides clients seeking to integrate ESG criteria in their investment decisions with support in the implementation of policies on SRI and the ecology and energy transition (EET).

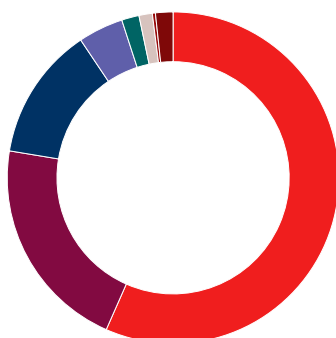


## Caisse des Dépôts investments

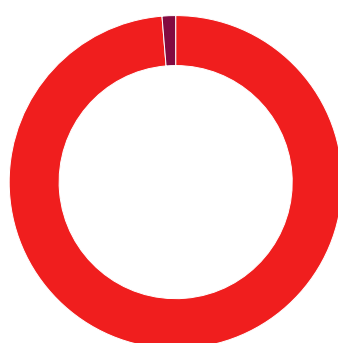
Caisse des Dépôts invests in diversified assets, the large majority of which in developed markets:  
Data at 31/12/2018 - These figures do not include the investment assets of the subsidiaries and strategic holdings (except STOA) or outstanding loans.



- 96.3% - Internal management
- 3.7% - External management



- 56.6% - Sovereign bonds
- 21% - Listed stock
- 13% - Corporate bonds
- 4.4% - Property
- 1.7% - Infrastructure
- 1.3% - Private equity
- 0.3% - Forests
- 1.7% - Other assets



- 98.7% - Developed markets
- 1.31% - Emerging markets

# 1.2

## Governance of responsible investor policies

The implementation of the Group's responsible investment policy is overseen by its governing bodies. It is also monitored by the operational business lines, grouped alongside ESG experts as part of an information and coordination body, the 'Responsible Investors Network'. This policy is presented on the next page.

The annual RI objectives of the entities are specified in the objectives assigned to managers and, where applicable, the teams. Caisse des Dépôts thus establishes collective and individual objectives for most of its managers.

This approach is accompanied by training courses on responsible finance. To round out its digital training module on the ecology and energy transition, Novethic<sup>6</sup>, working with Caisse des Dépôts, developed a digital training programme in 2018. The programme has been made available to all the institution's staff and was completed by 130 employees in the launch year. Extending the policy to new targets, with the support of Human Resources, serves to supplement the system intended for Group directors, followed by some 100 individuals a year.

The Caisse des Dépôts teams were also trained on the Sustainable Development Goals and relative issues.

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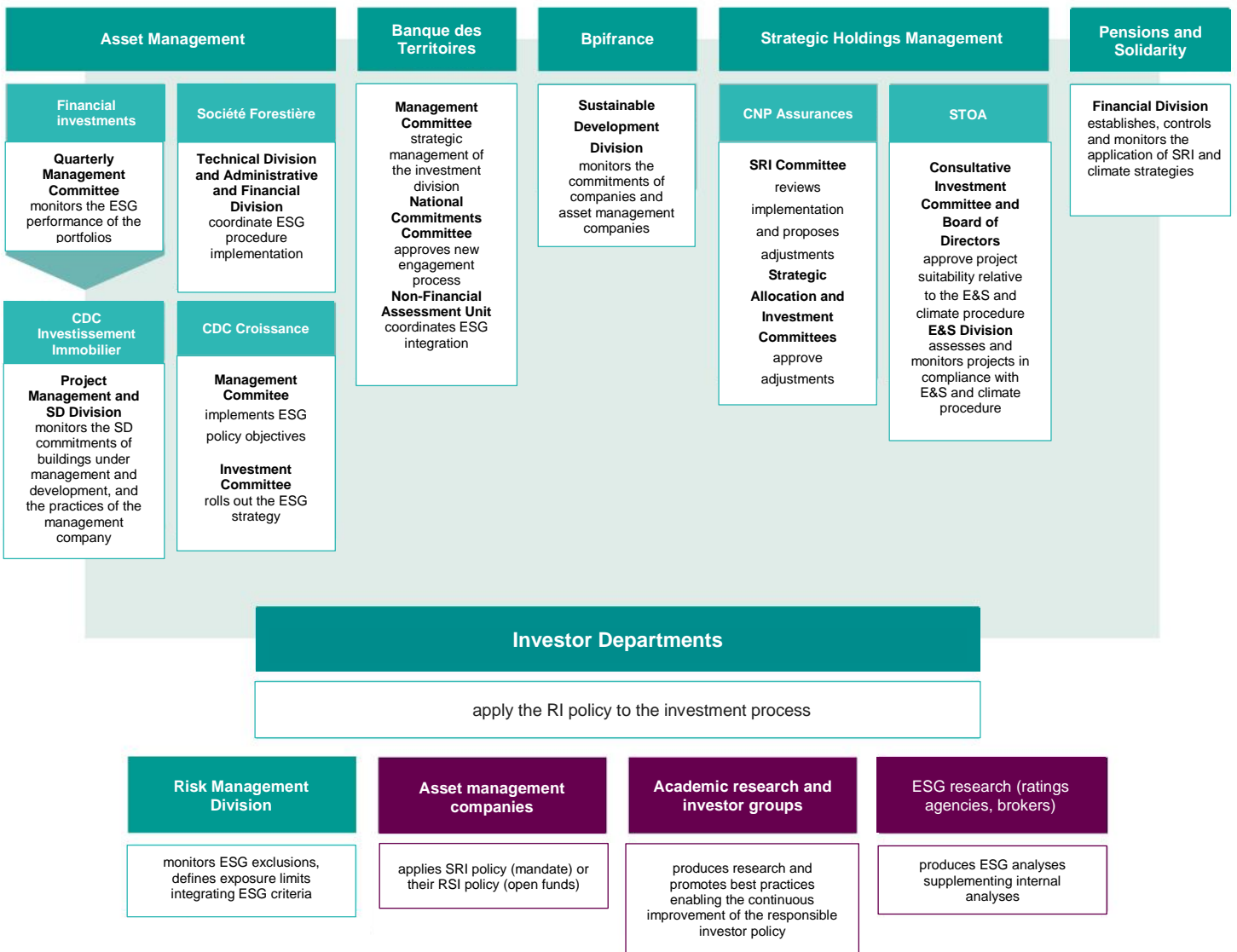
<sup>6</sup> Online sustainable development media and certification of financial products on the basis of ESG criteria.

## Group Management Committee and Supervisory Board

Definition and oversight of ESG strategy, updating of the Group's Responsible Investment Charter and the corresponding theme-based policies

## Group Finance Division

**Sustainable Policy Department**  
coordinates the development and supervision of the Group's RI strategy



■ Internal Responsible Investors Network ■ External management and advice

# 1.3

## Further deployment in 2018

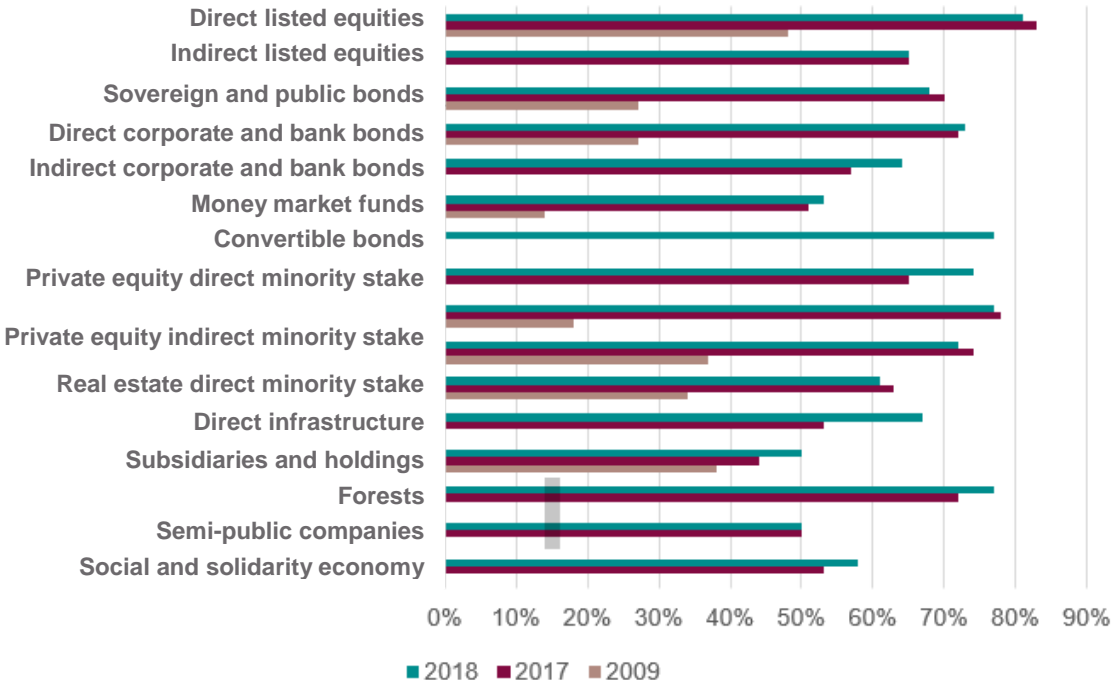
### Deployment indicator

The Group assesses the deployment of its responsible investment policy every year using an indicator to monitor the implementation by all of its teams of the constituent operational processes, including the collection and analysis of ESG data, the integration of this analysis in investment decisions, shareholder commitment on identified ESG shortcomings, team training on these issues and the integration of responsible investment criteria in

the calculation of the variable remuneration of employees.

In 2018, Banque des Territoires updated its ESG criteria integration tool (notably by developing non-financial rating tables designed to assist decision-making on new investments), contributing to the progress observed in the directly held non-controlling private equity and infrastructure asset classes. Further evolution of the indicator concern the organisation or non-organisation of training during the year and the extension of the calculation scope with the addition of two subsidiaries, STOA and CDC Croissance.

Group responsible investment policy implementation by asset class 2009-2018





# Outcome of shareholder engagement

Portfolio managers at Caisse des Dépôts endeavour to systematically discuss ESG issues at their meetings with managers of listed companies, in order to encourage them to progress in this area. For unlisted companies, especially those supported by Bpifrance, these discussions are based on the results of the annual ESG surveys conducted with companies either directly or through asset managers.

Over the past three years, these conversations have involved more in-depth discussions of climate change, the aim being to prompt companies to

translate the expectations expressed by the Group in its climate policy into actual operations.

As well as these discussions with company management, Caisse des Dépôts and Bpifrance seek to systematically exercise their voting rights at the shareholder meetings of the companies in their portfolios. CNP Assurances also systematically exercises its voting rights relative to its portfolio of French companies and is extending its voting scope, which now covers 63% of its assets outside France.

If the dialogue undertaken informally or by a formal voting procedure proves unsuccessful, investment decisions may be taken instead.

In 2018, Caisse des Dépôts also contributed to two collaborative commitment initiatives through Climate Action 100+ (see p. 25).

## Review for Caisse des Dépôts

**1,092** general meetings

**69** in France and **540** in the rest of Europe

**243** in the United States

**240** in Japan

**15,227** resolutions voted

**83%** positive votes

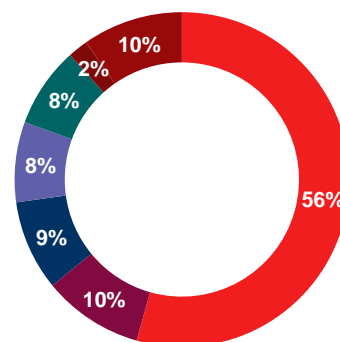
**16.5%** negative votes

**0.5%** abstentions

**33** environmental resolutions voted

**67%** votes in favour of the latter

## Themes of voted resolutions



- Composition of the boards
- Executive remuneration
- Financial transactions
- Approval of financial statements and dividends
- CAC nominations and remuneration
- External resolutions
- Other

# 1.4

## Transparency and contribution to the dissemination of best practices

### A transparent approach

The Group maintains transparency with its investors and partners. Caisse des Dépôts Group investors publish their responsible investment policies on line on their respective websites and assess them in their institutional reports.

As asset managers, CDC Croissance and Société Forestière provide investors with an ESG report at least once a year, as well as on request. Société Forestière's sustainable forest management charter is part of the management agreement with its clients.

CNP Assurances promotes its responsible investor strategy among its policyholders via more than 19 million emails sent out to them. Moreover, CNP Assurances, its two partner distributor networks and their asset managers, the Banque Postale with LBP AM and BPCE with Ostrum AM, offer unit-linked SRI and climate funds in all their major life insurance policies. In its own network, AMETIS, CNP Assurances offers a thematic unit-linked fund, "CNP Développement Durable".

Banque des Territoires provides the public with two sets of interactive mapping of climate-friendly projects financed via regulated savings through its Prêt Croissance Verte and Eco-Prêt offers<sup>7</sup>.

#### Institutional reporting on ESG issues

Caisse des Dépôts Group	Bpifrance	CNP Assurances
<ul style="list-style-type: none"> <li>■ Business Review and Sustainable Development Report</li> <li>■ Corporate Social Responsibility Report</li> <li>■ Responsible Investment Report (Article 173.6 of the TECV Act)</li> <li>■ Interactive map of Banque des Territoires loans</li> </ul>	<ul style="list-style-type: none"> <li>■ Annual reports:               <ul style="list-style-type: none"> <li>- Bpifrance Investissement</li> <li>- Bpifrance Participations</li> <li>- Bpifrance SA</li> </ul> </li> <li>■ Responsible Investor Approach<sup>8</sup></li> </ul>	<ul style="list-style-type: none"> <li>■ CSR Report</li> <li>■ Responsible Investment Report (Article 173.6 of the TECV Act)</li> </ul>
<a href="http://www.caissedesdepots.fr/en">www.caissedesdepots.fr/en</a>	<a href="http://www.bpifrance.fr">www.bpifrance.fr</a>	<a href="http://www.cnp.fr/en">www.cnp.fr/en</a>

<sup>7</sup>In French :  
<https://public.tableau.com/profile/gilquin#!/vizhome/PrtsTE/E/Eco-Prt>  
<https://public.tableau.com/profile/gilquin#!/vizhome/PrtsTE/E/PCV>

<sup>8</sup> Bpifrance's SRI policy applies to direct investment funds (in French) : <https://www.bpifrance.fr/Qui-sommes-nous/Nos-metiers/Fonds-propres2/Fonds-directs-Bpifrance> and to its funds of funds business: <https://www.bpifrance.fr/Qui-sommes-nous/Nos-metiers/Fonds-propres2/Les-fonds-de-fonds>



## Sustainable Development Goals

In 2015, as part of the Agenda 2030, the United Nations developed 17 sustainable development goals (SDGs) designed to eradicate extreme poverty, fight inequality and injustice, and protect the planet over the next 15 years. The intention is that over the coming years, these goals will become an integral part of public policies and company strategies.

The Caisse des Dépôts Group is currently structuring its sustainable policy on the basis of these common guidelines. A cross-functional working group commissioned by the Group

Executive Committee is responsible for implementing a process with the dual objective of optimising Caisse des Dépôts' contribution to the SDGs and systematically integrating the latter into business management.

In 2019, it initiated a policy on the analysis of the activities of all its business lines with respect to the SDGs. The objective is to use these goals as a basis for the priority actions and targets of its sustainable policy. The implementation shown below does not refer to the results of the working group; it reviews the initiatives led in 2018.

For more information on the Group's SDG contributions, refer to the 2018 Business Review and Sustainable Development Report

### Group SDG contributions in 2018



- Exclusion of thermal coal above a specific threshold (strengthened in 2019) (p. 20)
- Issues of green and sustainable bonds financing green-energy infrastructure assets (p. 28)
- Investments in green-energy infrastructure via the STOA subsidiary (p. 67) and Banque des Territoires (p. 54)
- Banque des Territoires is a shareholder in semi-public companies working in the production of renewable energy and energy efficiency (pp. 55-56)



- Group exclusion policy (non-cooperative states and territories, jurisdictions with a high risk of money laundering and terrorism financing) (p. 7)
- Bpifrance supports the development of listed and unlisted companies (pp. 58, 61)
- Asset Management calls on companies to commit to social issues (p. 13)



- CNP Assurances is committed, via the Meridiam Transition fund, to investments in sustainable energy infrastructure and to waste recovery (p. 66)
- Banque des Territoires invests in the modernisation and extension of digital and transport networks and supports local authorities in respect of sustainable mobility (pp. 53-54)



- Contribution of Banque des Territoires to the structuring and development of the social and solidarity economy sector (pp. 56-57)



- Investment of Asset Management and Banque des Territoires in real estate transactions with strong environmental requirements (pp. 44-45, 51-52)
- Commitment of Caisse des Dépôts and CNP Assurances to reducing the energy consumption of their real estate assets (p. 24)
- Issues of green and sustainable bonds financing energy-efficient real estate projects (p. 28)
- Banque des Territoires is a shareholder of semi-public companies working in city-centre regeneration and the development of eco-districts in brownfield areas (pp. 55-56)



- Green appendix in all the leases signed between tenants and Caisse des Dépôts, and in some of CNP Assurances' commercial leases (pp. 45, 66)
- Commitment of management companies to sign a charter on the energy efficiency of the commercial buildings of CNP Assurances (p. 66)
- Group support for the management boards of the companies in which it invests, notably with a view to monitoring ESG policies (pp. 53-54, 69)



- Strengthening of the Group's climate policy to contribute to the management of climate crisis (pp. 20-21):
  - Reduction of the carbon footprints and energy consumption of real estate portfolios
  - Financing of the EET (€16bn between 2018 and 2020)
  - More stringent coal exclusion starting in 2019 (threshold reduced to 10% of revenues)



- Sustainable management of Group forests by Société Forestière (pp. 46-48)
- Medium-term plan of Banque des Territoires including the remediation of urban wasteland (p.52)
- Issues of green and sustainable bonds financing funds dedicated to the regeneration of polluted sites (p. 28)



- Signature of the ACT Charter by Asset Management and Bpifrance, an initiative for assessing the degree to which company climate strategies are aligned with the Paris Agreement objectives (p. 21)
- Contribution to initiatives fostering sustainable finance (p. 17)
- Contribution to best practices (pp. 15-17)
- Employee training on ESG issues (p. 10)
- Collaborative shareholder commitment (p. 25)
- Support for developing countries via STOA, with a renewable energy infrastructure project in Cameroon and India in 2018 (p. 67)

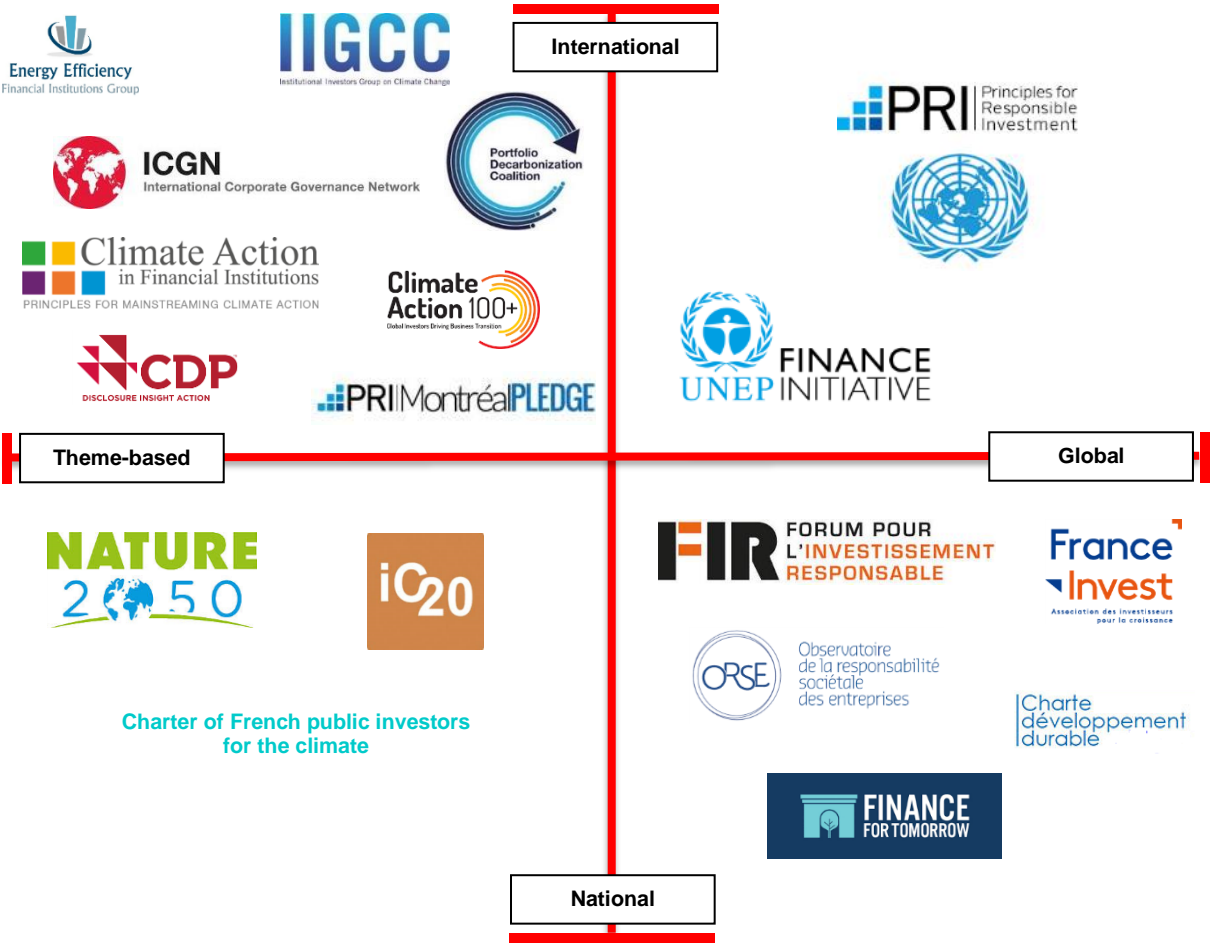


# Contribution to numerous other initiatives

Caisse des Dépôts is one of the founding members of the Principles for Responsible Investment (PRI), a United Nations initiative whose signatories commit to integrating ESG issues in their investment decisions. It encourages its subsidiaries and holdings to subscribe to this approach and produces, along with each of its financial subsidiaries, a

detailed annual report on how these principles have been applied.

Caisse des Dépôts and its subsidiaries are also members of or support numerous other collaborative initiatives, both at national and international level, in favour of a more sustainable financial system.



Likewise, the Group entities participate in responsible initiatives undertaken by the Paris financial centre:

- Caisse des Dépôts is a member of the french **Forum for Responsible Investment (FIR)**, for which it acts as one of the deputy chairs. It is joint leader of a working group on the integration of ESG issues in asset allocation.
- Caisse des Dépôts is an active member of **Finance for Tomorrow** and present on the board of directors of the initiative, which promotes green and sustainable finance.
- Bpifrance is a signatory of the **France Invest** (formerly AFIC) Charter of Commitments for Investors in Growth, and plays an active role in its ESG committees.
- CNP Assurances is heavily involved in the working group set up by the Fédération Française d'Assurance (French Federation of Insurance Companies), which in 2018 published guides on non-financial reporting and ESG commitment and exclusion practices, and is also a member of the ESG-climate working group.
- Caisse des Dépôts, Bpifrance and CNP Assurances are members of the **Observatoire de la Responsabilité Sociétale des Entreprises (ORSE, the French watchdog for corporate social responsibility)**, in particular taking an active part in its Finance Club.
- Caisse des Dépôts is an active member of the **Association française des investisseurs institutionnels** (French association of institutional investors, Af2i). Af2i actively informs its members on responsible investment and has introduced a Responsible Investment Committee chaired by a Caisse des Dépôts manager.

Caisse des Dépôts and CNP Assurances are also signatories of the **United Nations Global Compact** and strive to integrate its ten principles, relating to human rights, labour law, the environment and the fight against corruption, in their financial activities.

To promote the dissemination of best practices in CSR and responsible investment, and to present the Group's ESG policies, Group representatives take part in public events and internal seminars involving financial and corporate players.

Lastly, Caisse des Dépôts is in regular communication with other stakeholders. The objective is both to make its investment practices more widely known and to promote the creation of regulatory standards and incentives to encourage more sustainable financial practices. As part of its advocacy work, Caisse des Dépôts emphasises the importance of ensuring a greater connection between the framework in which financial institutions operate and other public objectives and policies, so that the financial system is more incentivised to take these public interest objectives into consideration in its operations.

## Main Group contributions to the marketplace in 2018

### Case study of PRI on ESG integration in credit ratings

Since 2017, Caisse des Dépôts has contributed to a PRI working group aimed at encouraging financial ratings agencies and investors to integrate ESG criteria into their credit ratings. The working group has published three studies, the *most recent* of which in January 2019. The latter includes a case study on Caisse des Dépôts investments in emerging sovereign bonds.

Internally, Caisse des Dépôts continues to reinforce the use of climate risk considerations in its credit ratings.

### Promoting responsible investment among unlisted companies

Caisse des Dépôts and Bpifrance contribute actively to the work carried out by the ESG Committee of France Invest and the Finance Club run by the Observatory on Corporate Social Responsibility. As part of these efforts, the Bpifrance Hub has since 2017 organised and supported the France Invest Impact Committee, bringing together 26 management companies representing nearly 800 entrepreneurial companies with high social and environmental impact. The role of the Committee is to foster market growth through a demanding vision of impact, central to the strategy of the funds.

### Preparation of the European action plan on sustainable finance

Caisse des Dépôts and its subsidiary Novethic monitor the work of the group of European experts aimed at enlightening the European Commission in the implementation of its action plan for sustainable finance, following its publication in March 2018. The latter aims to redirect capital towards sustainable assets and activities, manage climate-related, environmental and social risks, and increase transparency and the long-term view in the financial world.

In 2018, Caisse des Dépôts also responded to the European Commission consultation on the sustainability obligations of institutional investors and asset managers.

### Contribution to the market study

Caisse des Dépôts actively contributes to the publication of structuring research on sustainable finance, in 2018 relying on:

- Novethic, its expert subsidiary tasked with stepping up sustainable transformations;
  - *“Europe: promising trends in unlisted green funds”*, which for the first time establishes a quantified review of the green assets held by 223 unlisted European funds, a relatively unexplored field of sustainable finance.
  - *“173 Shades of reporting – Season 2”*, which analyses the climate and ESG reporting of the main French institutional investors.
  - *“SDGs: a new focus for non-financial ratings agencies”*, which compares the emerging SDG offers of the six main non-financial ratings agencies.
  - *“Shareholder Commitment Memorandum 2018”* (in French), reviewing the place of the climate at the shareholder meetings of large companies.

- I4CE, a think tank addressing economic and financial issues relating to the ecology and energy transition:
  - *“2018 edition of the Landscape of Climate Finance”*, which reviews the investments made by public authorities, households and companies in favour of the climate;
  - *“Article 173: overview of climate-related financial disclosure after two years of implementation”*, analysing the consequences of the law on the evolution in climate reporting and investment management practices.

#### **Participation in the European FIR-PRI Award jury**

Caisse des Dépôts was a member of the 2018 European FIR-PRI Award for the best European research work on sustainable development and finance. The prize, supported by Caisse des Dépôts since its creation, is organised by the Forum for Responsible Development (FIR) and associated with the Principles for Responsible Investment, two initiatives of which the Group is an active member.

#### **Coordinating working groups**

Caisse des Dépôts coordinates two working groups as part of Finance for Tomorrow dedicated to sustainable finance research and education and training on these subjects. The work of these groups notably led to the publication of interactive mapping of players in sustainable finance research in France, in collaboration with the Louis Bachelier Institute and the FIR. The mapping was launched in November 2018 for the Green Finance Research Advances event co-organised by the Caisse des Dépôts subsidiary I4CE.

## **Focus on Climate Finance Day**

Held on 26 to 28 November 2018 in Paris, the third Climate Finance Day brought together key players in finance committed to the fight against global warming and its consequences. At the event, Caisse des Dépôts, a key partner since its creation in 2015, presented a review of its climate policy and new commitments on limiting global warming to 2°C and, if possible, 1.5 °C, consistent with the provisions of the Paris Agreement. The Group also announced that it was strengthening its climate commitments, notably through:

- A new objective of €16 billion in financing for the EET between 2018 and 2020, along with a broad range of new dedicated offers from Banque des Territoires;
- A new wide-ranging survey with Group-held listed companies with the highest exposure to climate risks as well as to climate opportunities;
- The advanced integration of climate risk into the risk management policy and tools of Caisse des Dépôts;
- The issue of a sustainable bond in 2019 covering, inter alia, the following types of projects: the production of green energy and heating, real estate compliant with high-level energy and environmental certification, sustainable mobility infrastructure and services, and eco-efficient data centres;
- A more stringent thermal coal exclusion policy, with the company exclusion threshold being reduced from over 20% of revenues generated by thermal coal to 10%, with a long-term commitment to total divestment.

Caisse des Dépôts also contributed to the organisation of a side event aimed at raising awareness on the Assessing low-Carbon Transition (ACT) initiative by ADEME and CDP. With Bpifrance, it announced its signature to the initiative and thus its support for ACT's methodology, which translates the 2°C alignment concept into an operational analysis framework for companies.

At the end of 2017, the French government, which defines the management mandate assigned to Caisse des Dépôts relating to centralised savings from regulated passbook accounts, asked the Group to report on the allocation of sums collected on the Sustainable Development and Solidarity Passbook Account (LDDS) towards the funding of projects with a favourable impact on the climate. At Climate Finance Day, the French Ministry of the

Economy and Finance announced that the funds collected on the LDDS should be used entirely to fund green projects. That commitment has been respected:

€1 deposited on an LDDS passbook in 2018

=

€1 for a green project

[Find out more about the LDDS passbook on the website](#)



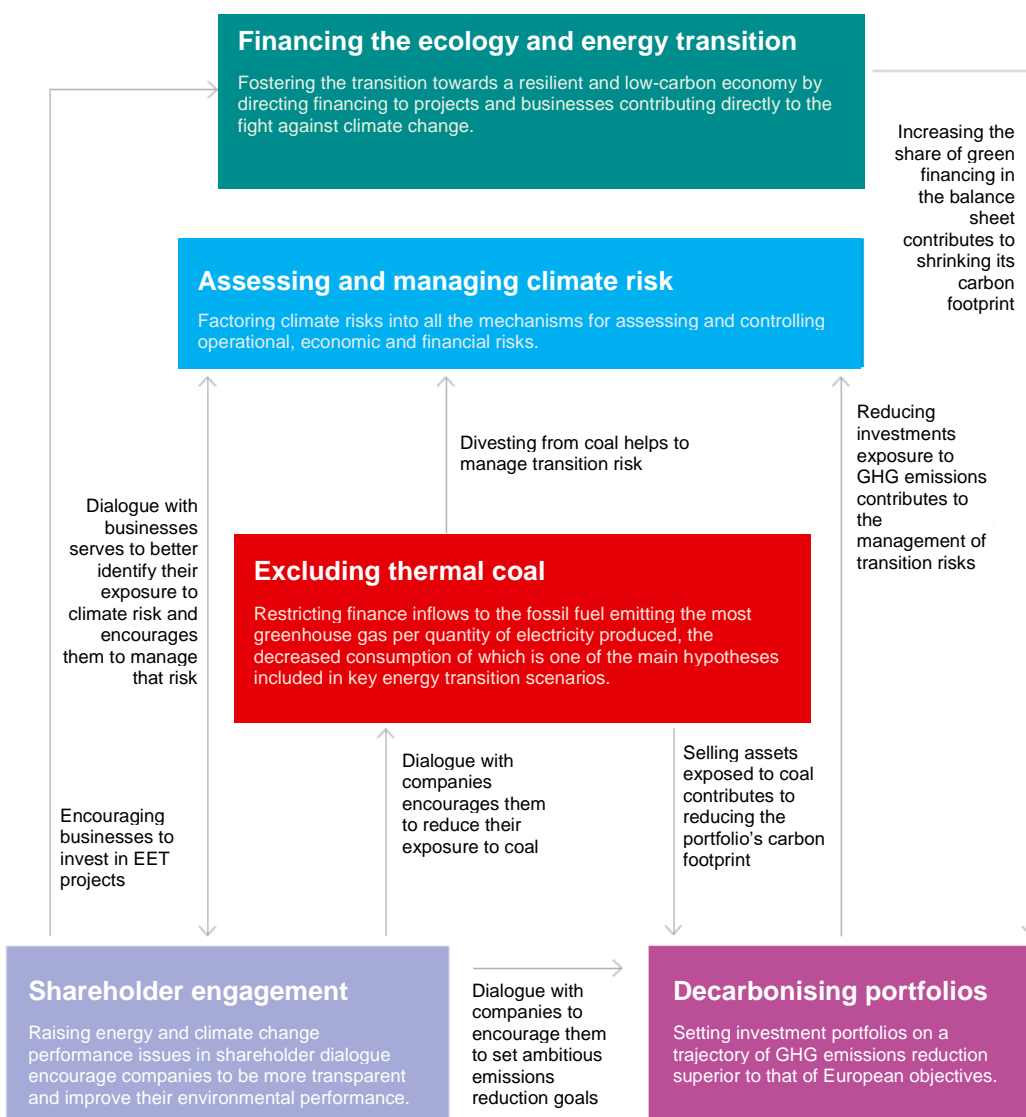
© Climate Finance Day

# 02

## Climate strategy

# 2.1

## The Group five climate action areas



The Group's climate policy is based on five key action areas fostering the transition of the real economy to carbon neutrality, the aim being to limit the rise in the global temperature to 2°C and, if possible, 1.5°C, compared with the pre-industrial era.

In its approach to climate issues, the Group endeavours to take into account the economic, industrial, social and environmental consequences of transition scenarios leading to the effective control of climate risk. It does the same for scenarios in which the transition is insufficient to fight against the fracturing of the global climate system.

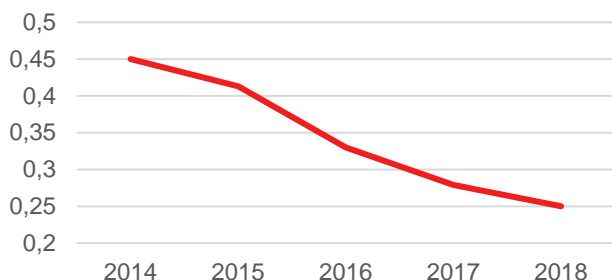
# Decarbonisation of portfolios

Through its investment portfolios, the Caisse des Dépôts Group contributes to the gradual decarbonisation of the real economy.

It committed to reducing the carbon footprint of its Group listed equity portfolios and the corporate bond portfolio of Caisse des Dépôts by 20% between 2014 and 2020<sup>9</sup>. It had already achieved this consolidated target by the end of 2017, prompting CNP Assurances to raise its own target in February 2018 to 0.25 teq CO<sub>2</sub> per thousand euros invested by 2021, 47% lower than in 2014.

At 31/12/2018, the carbon footprint of the Group equity portfolio was 0.25 teq CO<sub>2</sub>/€K and the carbon footprint of Caisse des Dépôts' corporate bond portfolio was 0.16 teq CO<sub>2</sub>/€K.

Carbon footprint of directly owned listed equity portfolios (in teq CO<sub>2</sub> per thousand euros invested) - Caisse des Dépôts Group



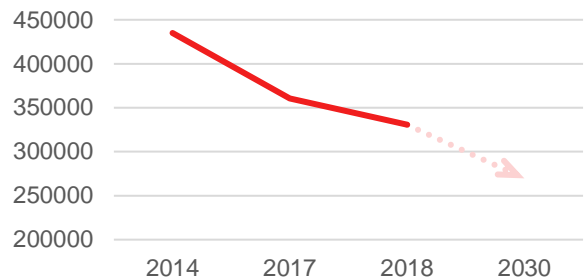
In 2017, Caisse des Dépôts also began monitoring the commitment of countries to reducing greenhouse gas emissions. To do so, it lists GHG reduction commitments and tracks the trend in the total emissions of each country in which it holds debt securities. If any drift is observed relative to the stated objectives of the countries, Caisse des Dépôts may envisage an adjustment in its allocation.

As regards Caisse des Dépôts' real estate portfolio, the goal is to reduce primary energy consumption by 38% between 2010 and 2030.

<sup>9</sup> Between 2014 and 2018, the carbon footprint of the Group's equity portfolios decreased by 45.5% and that of Caisse des Dépôts' corporate bond portfolio by nearly 55%.

At end-2018, the energy consumption of the portfolio had decreased 24% since 2014.

Energy consumption of Caisse des Dépôts' real estate portfolio (MWh/year)



The CO<sub>2</sub> reduction objective is 40% by 2021 for CNP Assurances for all its directly held assets in France; this target had been 85% achieved by the end of 2018.

Banque des Territoires will gradually adopt a policy aimed at measuring and reducing the energy consumption of its real estate assets via the application of certification according to the maturity of the real estate sectors concerned. The energy consumption and CO<sub>2</sub> emissions corresponding to the energy consumption of a building are already monitored concerning assets backed by the green bond.





## Shareholder dialogue on climate

The Caisse des Dépôts Group factors climate and energy performance issues into its shareholder dialogue with a view to incentivising companies to demonstrate greater environmental performance and transparency. It expects listed and unlisted

companies to implement ambitious climate commitments and strategies.

Caisse des Dépôts is also working with the unlisted funds market to strengthen the integration of climate change into management decisions, in particular the objective to control GHG emissions. To that end, it has adapted its investment process. In 2018, Caisse des Dépôts joined the IC20 initiative, the first collective commitment on the part of French private equity in favour of the responsible and transparent management of the GHG emissions of companies.

Caisse des Dépôts' listed equity portfolio management team is pursuing its discussions with the

**17** companies contributing nearly **92%** of the carbon footprint of the equity portfolio to encourage them to set an objective in line with a 2°C scenario

**2** companies (agri-food, oil) committed in 2018 by Caisse des Dépôts and Climate Action 100+, an initiative in favour of collective investor commitment with regard to the businesses with the highest carbon emissions worldwide

The Group committed over **500** listed and unlisted companies on the climate in 2018

Caisse des Dépôts voted in favour of **22** resolutions on environmental issues, or **67%** of the environmental resolutions submitted to shareholder voting

### Collaborative engagements

In late 2017, Caisse des Dépôts joined the Climate Action 100+ initiative, an international group of over 300 investors calling on the companies with the highest emissions or strong exposure to climate change. As part of these efforts, it addressed an agri-food business in 2018, sending a collective letter signed by the investors to the company chairman asking him about the company's environmental and social commitments, and organising a meeting with the ESG heads.

By explicitly factoring climate-related criteria into its investment process, the Group is able to better assess and manage the physical and transition risks of climate change.

**Physical risks**<sup>10</sup> result from damage caused directly by the weather and climate events stemming from changes in the climate system.

**Transition risks** result from the adjustments made with a view to the transition to a low-carbon economy, particularly where these adjustments are poorly prepared for or are made in an abrupt manner.

## Managing climate risk

As part of internal efforts on implementing a financial trajectory aligned on the Paris Agreement objectives, a working group was set up to adapt risk management procedures related to the climate. Four initiatives have been launched at Caisse des Dépôts:

- the introduction, in 2018, of climate change risks in risk management rules;
- the incorporation, in 2018 and 2019, of climate change risks into the internal ratings attributed by the Risk Management Department;
- the construction, under way, of climate risk mapping of the balance sheet;
- a pinpointed assessment, under way, of the impact of global climate scenarios and a review of the sensitivity of held assets to physical risks.

### Transmission of economic crises stemming from the materialisation of a physical risk

Deterioration or destruction of an asset on the production line or in the supply chain

Loss of revenue, decrease in quality of sold products, inability to respect commercial contracts, litigation

Reduction of cash flow impairing financing and liquidity capacity: increased likelihood of default

<sup>10</sup> Definitions of the French Treasury - <https://www.tresor.economie.gouv.fr/Ressources/File/447123>



## Exclusion of thermal coal

As the reduction of the use of thermal coal is one of the major means for achieving international energy transition scenarios, in 2015 the Group committed to applying a policy stipulating the conditions for financing assets exposed to thermal coal, the long-term aim being full divestment.

It has thus undertaken to no longer invest directly in the listed shares and debt securities of companies that generate more than 20% of their revenues through the extraction of thermal coal or the production of electricity therefrom. The threshold was reduced to 10% in 2019. The Group has also committed,

through its equity investments and credit activities in territorial projects, to not finance new coal-based energy production capacities (greenfield investments). Caisse des Dépôts may invest in existing coal-based production facilities (brownfield investments) only with a view to contributing to their conversion to renewable energies. It encourages all the companies in which it invests, and whose residual revenues depend on thermal coal, to reduce their business activities in this area.

Consistent with its policy, in 2018 the Group did not hold any shares or bonds linked to coal above the fixed thresholds, with the exception of a Bpifrance and CDC Croissance holding in a French energy company, Albioma, whose low-carbon transition strategy, principally based on the production of electricity from biomass fuels, the Group is supporting.

### **The world's first turbine powered by local bioethanol in Réunion Island**

Albioma is an energy production company committed to the energy transition and the leading producer of solar power in French overseas departments. In 2018, Albioma commissioned a 100% biomass and bagasse power plant, tripling renewable energy production in Martinique. The world's first turbine powered by local bioethanol was commissioned in Saint-Pierre in Réunion Island in early 2019.

# Financing of the EET

To respond to the various financing needs of the transition to a low-carbon economy, the Caisse des Dépôts Group has adapted and directed its financing ranges towards projects and businesses contributing to decarbonising the economy, notably in the sectors of soft mobility and sustainable cities, the production of renewable energies, and the development of energy efficiency solutions in real estate and manufacturing.

The Group earmarked €15 billion for this financing between 2014 and 2017, of which €10 billion in loans to territorial authorities and social housing bodies by Caisse des Dépôts and nearly €4 billion for EET companies by Bpifrance. **This objective was more than met at end-2017 with some €18 billion allocated in four years.**

Caisse des Dépôts and Bpifrance thus made a new commitment in 2018 with the aim of financing<sup>11</sup> this transition to the tune of €16 billion between 2018 and 2020. **A total of €5.5 billion was already committed in 2018.**

CNP Assurances will also contribute €5 billion between 2018 and 2021; at end-2018 its dedicated investment flows amounted to €3.1 billion.

Banque des Territoires will be working in particular to support the territories in their transition, which must be fair and inclusive, reflected in a broad range of special offers and services in the three activities of advising, financing and operating.

Internationally, the STOA investment vehicle, created in partnership with the French Development Agency, AFD, to make equity investments in infrastructure projects with a high primary and development component in Africa, South America, the Caribbean and South and South-East Asia, must invest at least 30% of the total amounts invested in projects that benefit the climate.

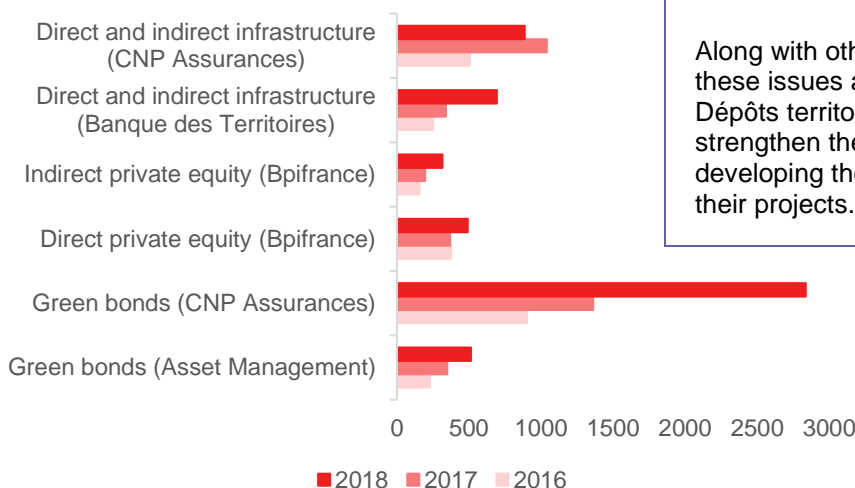
## Green, social and sustainable bonds

In February 2017, Caisse des Dépôts issued its first **green bond for €500 million** over five years<sup>12</sup>, financing some 30 assets with high environmental value. The total estimated reduction in GHG emissions, all projects combined, is **248,000 tCO<sub>2</sub>eq/year**.

Building on the success of the issue with investors, Caisse des Dépôts is planning to issue a **€500 million sustainable bond** in 2019 to fund projects with both environmental and social aims.

Along with other forms of additionality, these issues are leading the Caisse des Dépôts territorial investment teams to strengthen their ESG initiatives by developing the **impact assessment** of their projects.

Green assets per asset class (€m)



<sup>11</sup> In loans and investments

<sup>12</sup><https://www.caissedesdepots.fr/en/green-social-and-sustainability-bonds>

# 2.2

## Application of the TCFD recommendations

In June 2017, a group of experts mandated by the G20 Financial Stability Board published guidelines for helping businesses to disclose information on climate risks and opportunities. The guidelines are presented in the shape of four thematic areas: governance, strategy, risk management, and metrics and targets.

Caisse des Dépôts analysed these recommendations carefully. A self-assessment was carried out based on all the available information, in order to identify improvements to be implemented over the coming years to bring the Group into line with these recommendations.

- Properly integrated
- To be better integrated
- To be integrated

Recommendations		2018	Improvements under way
Governance	Describe the board's oversight of climate-related risks and opportunities	●	<ul style="list-style-type: none"> <li>- The climate strategy is integrated into the Group's strategic medium-term planning, approved by the Executive Committee and the Supervisory Board.</li> <li>- The sustainable policy has been coordinated at Group level by Caisse des Dépôts' Finance Division since the start of 2019, reflecting the desire to factor climate performance into financial management mechanisms.</li> <li>- The Group Executive Committee oversees the structuring of the sustainable policy on the basis of the UN SDGs.</li> </ul>
	Describe the management's role in assessing and managing climate-related risks and opportunities	●	
Strategy	Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term	●	<ul style="list-style-type: none"> <li>- Ongoing decarbonisation and development of increased resilience of the portfolios between now and 2050.</li> <li>- Strengthening of climate commitments at 2018 Climate Finance Day.</li> <li>- An in-depth assessment is under way of the financial impact of climate scenarios backed up by research on sensitivity to specific risks.</li> </ul>
	Describe the potential impact of climate-related risks and opportunities on the organisation's business model and strategy, including financial.	●	
	Describe the resilience of the organisation's strategy with respect to different climate-related scenarios, including a 2 °C or lower scenario	●	
Risk management	Describe the organisation's processes for identifying and assessing climate-related risks	●	<ul style="list-style-type: none"> <li>Climate risk has been integrated into the risk management policy. Two parallel programmes serve to ensure integration at operational level:</li> <li>- Work on the financial risks stemming from climate change aimed at three deliverables: mapping of the exposure to physical and transition risks of the entire Caisse des Dépôts balance sheet, the development of a fine-tuned methodology of climate stress tests, and the implementation of a methodology for integrating transition risk into the credit rating of corporate issuers.</li> <li>- The implementation of a non-financial risk management approach and the integration of non-financial risks into the Group's global risk management process. The work explicitly incorporated climate risks and served to identify the most significant risks. The corresponding management systems are currently being identified or defined.</li> </ul>
	Describe the organisation's processes for managing climate-related risks.	●	
	Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management	●	
Metrics and targets	Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	●	<ul style="list-style-type: none"> <li>The scoring of climate risks for the entire balance sheet assumes that indicators already tracked will be added to and extended to all assets, and that vulnerability to physical risks is measured. Initial work on the definition of methods and new objectives has been undertaken, including a sector-based diagnostic of the impact of private equity portfolios.</li> </ul>
	Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and the related risks.	●	
	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	●	

# 03

## Policy implementation by business line

# 3.1

## Asset Management

### Overview

The Asset Management business line is a key contributor to the results of the Caisse des Dépôts Group, thus providing the institution with the means for fulfilling its public-interest missions.

It is composed of Caisse des Dépôts' Financial Investments Division and the following subsidiaries:

- CDC Croissance, an equity fund manager supporting company growth over the long term;
- Société Forestière, an asset management company that ensures the sustainable management of privately owned forest assets for its clients;
- CDC Investissement Immobilier, which manages real estate investments.

### Strategy

Caisse des Dépôts factors ESG issues into the management process for all of its portfolios and asset classes as part of a long-term vision. To that end, Asset Management seeks to systematically analyse the ESG issues corresponding to the business activities and take them into account when adding them to the portfolio and in subsequent management decisions.

The Group's norm- and sector-based exclusions are applied, meaning that the following are excluded from all financing: countries that are deemed non cooperative from a tax enforcement perspective or with a high risk of money laundering and terrorism financing, companies associated with anti-personnel mines and cluster bombs, tobacco companies, and companies that generate more than 20% of their revenues from thermal coal (10% starting in 2019).

Regarding the climate in particular, in addition to the exclusion of thermal coal, the Asset Management strategy also concerns:

- Shareholder dialogue in favour of aligning the companies in which Caisse des Dépôts invests with the Paris Agreement objectives;
- The reduction of the carbon footprint of its security portfolios, the **objective being to shrink the carbon footprint of directly held listed equity portfolios and corporate bonds by 20% between 2014 and 2020**;
- The reduction of the energy consumption of the real estate portfolio (housing, retail and commercial), with an **objective to reduce energy consumption by 38% between 2014 and 2030 and by 20% by 2020**.

The business line's responsible investment approach is integrated into the multi-annual financial planning process and the execution of the approach gives rise to an indicator included in the business line's remuneration objectives.

#### Directly held listed equities and bonds

**0.29** t<sub>eq</sub>CO<sub>2</sub>/€k<sup>13</sup>: carbon footprint of asset management, down 20% on 2017

**0.16** t<sub>eq</sub>CO<sub>2</sub>/€k: carbon footprint of direct corporate bond management, identical to that in 2017

**138** companies engaged in their initiatives for the climate

**0** holding in equities and corporate bonds issued by companies that generate more than 20% of their revenues from thermal coal

**100%** of votes at general meetings

#### Private equity

**93%** of invested funds integrate ESG criteria in their decision-making process

#### Directly held real estate investments

**330,576** MWh/year: energy consumption, down 5.7% on 2017

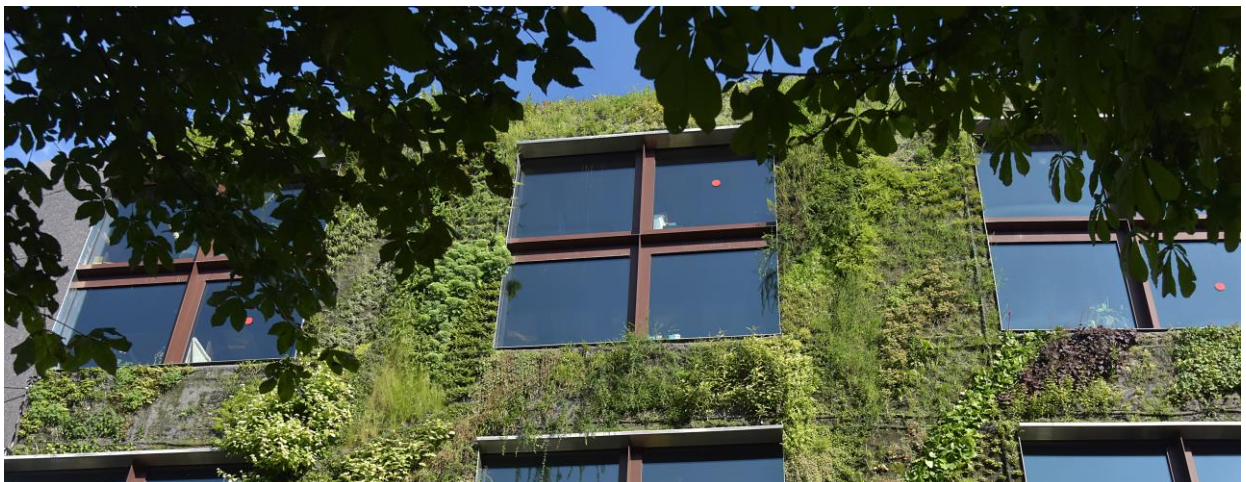
**36.7%** of the buildings in the investment portfolio are certified

#### Forests managed by Société Forestière

**100%** of the forests of Caisse des Dépôts and CNP Assurances are managed sustainably

**341,400** tCO<sub>2</sub>eq/year of net carbon sequestered for the assets of Caisse des Dépôts and CNP Assurances, which total **108,000** hectares

In 2018, Caisse des Dépôts' forest portfolio sequestered around **1.88%** of the emissions of its equity portfolio



<sup>13</sup> All the carbon footprints presented in this report are calculated in balance sheet value at 31/12/2018.



based exclusions, as well as on a security-by-security analysis carried out by the management team, and subsequently on the monitoring of the trend in the portfolio's ESG performance.

## ESG risk management

The materialisation of a physical or transition risk may have an impact on the commercial or operational business of listed companies, reflected in their financial statements and their valuation.

To limit these financial risks generated by climate factors, the Group's strategy is to invest in multiple economic sectors with a view to diversifying its portfolio along with the corresponding risks. It makes a prior identification of the main risks, which are then taken into account in the investment decision and monitored during the holding period.

## Identifying risks

The identification of ESG risks relies on the procedures for implementing norm- and sector-

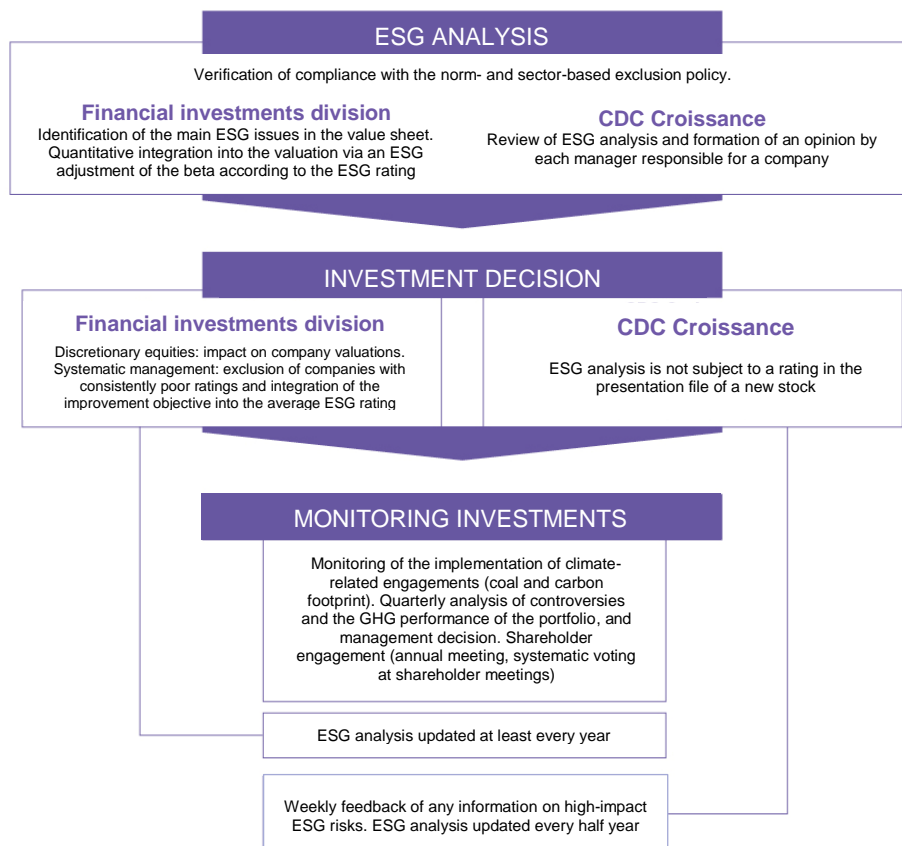
## Monitoring risks

Monitoring the financial risks linked to climate change integrates the dual aspect of the exposure of companies to thermal coal and their GHG emissions.

As such, transition risk is managed first of all on the basis of the decarbonisation objective set, as well as on the policy of shareholder dialogue on the management of climate issues and voting at shareholder meetings.

It is then approximated by looking at **the risk of an increase in GHG emissions**. For example, a carbon price has been integrated into the analysis of oil securities in order to simulate the financial effects of a carbon tax or a change in carbon prices on company valuations.

In addition, ESG controversies are subject to a specific identification and management procedure.



## Investment decision

### Financial Investments Division

The discretionary equity managers at Caisse des Dépôts carry out an ESG analysis for each security, depending on the most relevant issues identified for each company with regard to the long-term valuation risk of the companies and the integration of the public-interest mission of Caisse des Dépôts. The ESG criteria tracked cover, among other things, the companies' governance structure and their directors' remuneration, gender equality, accidents in the workplace, labour relations, greenhouse gas emissions, water, and major ESG controversies.

In particular, the portfolio managers use data provided by the non-financial rating agency MSCI, the CDP and Bloomberg, and internal analyses of the governance structures. These data are compiled in the analysis report for each security and updated annually, which gives rise to an ESG rating for the security.

The ESG analysis is factored into the valuation of the securities by means of an "ESG beta rating", improved in 2018. The quantitative measure of the financial risk on the security is adjusted for its ESG rating thereby influencing its valuation. This valuation, along with compliance with the exclusion policy, is taken into account in the investment decision.

For systematic management, MSCI data give rise to an ESG rating factored into the portfolio optimisation process as an objective on the improvement of the average score of the portfolios and on the exclusion of consistently poorly rated or highly controversial companies.

### CDC Croissance

CDC Croissance analyses the data available in company annual reports, ESG reports and integrated reports, where these last are

available, and takes into account the data of the non-financial ratings agency Ethifinance. Before they present their investment file, each manager responsible for a company is duty bound to review Ethifinance analysis. A summary ESG analysis is presented in the new securities file. On a case-by-case basis, managers pay attention to ESG aspects that may be a source of major risk for the company under review. They form an opinion on the potential harmful impact of the company and on the environmental, social and governance balances of the existing portfolio. The manager may also suspend his or her review of a company owing to the nature itself of its business activity.

### In 2018

- Signature of the **Assessing low-Carbon Transition (ACT)** initiative
- Continuation of work on an internal governance score, based on Caisse des Dépôts' voting policy and its implementation at companies, serving to supplement the ESG score of the Financial Investments Division.
- Support from CDC Croissance for Vicat, an international cement company, in the **development of its methods and know-how**, the aim being to gradually reduce the use of fossil fuels. The company continues to reduce its emissions per tonne produced by improving its processes and using substitute materials (various types of waste and biomass). In 2018, Vicat won a company-in-transition award for its Vicat Eco-Recovery offering (the recovery of waste from brownfield deconstruction or remediation sites).

## Monitoring investments

### Shareholder engagement

Caisse des Dépôts is an active shareholder, with a long-term investment horizon. The strategy of moderate rotation of its portfolios effectively means that its portfolio managers are able to maintain an active and constructive two-way dialogue with companies' executives, in order to encourage their progress over time, including on ESG issues.

#### Annual meetings

In their bilateral meetings with the companies' executives, which are held at least once a year, the managers discuss issues related to ESG, and especially the climate when this is a relevant issue for the company.

Caisse des Dépôts expects the companies in its portfolio to:

- Establish a formal, ambitious medium-term strategy on the ecology and energy transition and disclose detailed, accurate and audited information on the implementation of this strategy;
- Define a realistic and ambitious quantitative objective on the reduction of GHG emissions consistent with national and international climate scenarios;
- Establish a suitable corresponding governance process.

In addition to these meetings, an annual event is organised to prepare shareholder meetings with a large proportion of the companies in the portfolio. These events are an opportunity for obtaining transparent information, discussing Caisse des Dépôts' voting policy and voting orientations, and, insofar as possible, making changes to resolutions running counter to its principles.

#### Voting in shareholder meetings

Caisse des Dépôts systematically exercises its voting rights at the shareholder meetings of its portfolio companies, and votes against any resolutions that go against its governance principles. It may vote in favour of external resolutions that are not supported by the board of directors, if these resolutions are consistent with its voting principles and its strategic

priorities, particularly those that relate to ESG and climate issues.

Its position on each resolution is defined by a multi-disciplinary voting committee, based on an internal analysis of these resolutions carried out in accordance with an internal voting guide that sets out detailed rules to be applied. This guide has been established in line with market standards and recommendations issued by experts, and is updated annually.

**50** meetings ahead of shareholder meetings in 2018

**17** companies engaged on the climate, representing nearly 92% of the carbon footprint of the equity portfolio, by encouraging them to adopt a strategy compatible with the 2 °C objective. Eight of them currently have objectives covering over 50% of scopes 1 and 2 (excluding emissions avoided)

**22** resolutions on energy and climate issues supported by Caisse des Dépôts (compared with 2 in 2017)

**67%** of votes expressed in favour of environmental resolutions out of all the environmental resolutions submitted to vote

**17%** of challenges at shareholder meetings (compared with 14% in 2017)

### Measuring impact

Directly held listed equity portfolios are monitored on a quarterly basis regarding:

- The carbon footprint trend with respect to set objectives;
- The respect of thermal coal exclusion;
- A comparison of the ESG ratings of the portfolios with the benchmarks;
- Controversies.

## CDC Croissance

In addition to shareholder engagement and the contribution to impact assessment data, CDC Croissance managers take part in a weekly portfolio review meeting led by the head of management. Following these investment committee meetings, the head of management communicates any information on ESG risks with a potential impact on the investments to their management committee. The management company sets a limit of three years before divesting from a company where the latter fails to respect the established roadmap.

The ESG analysis of the files of the companies held in their portfolios is updated every half year.

## ESG risk management

The physical risks associated with climate change are not integrated for this asset class. Transition risks are partially included, in the energy sector.

Nevertheless, investing in green bonds – all those with external EET certification – contributes to the implementation of Caisse des Dépôts' climate policy and its determination to contribute to the adaptation and reduction of physical and transition climate risks.

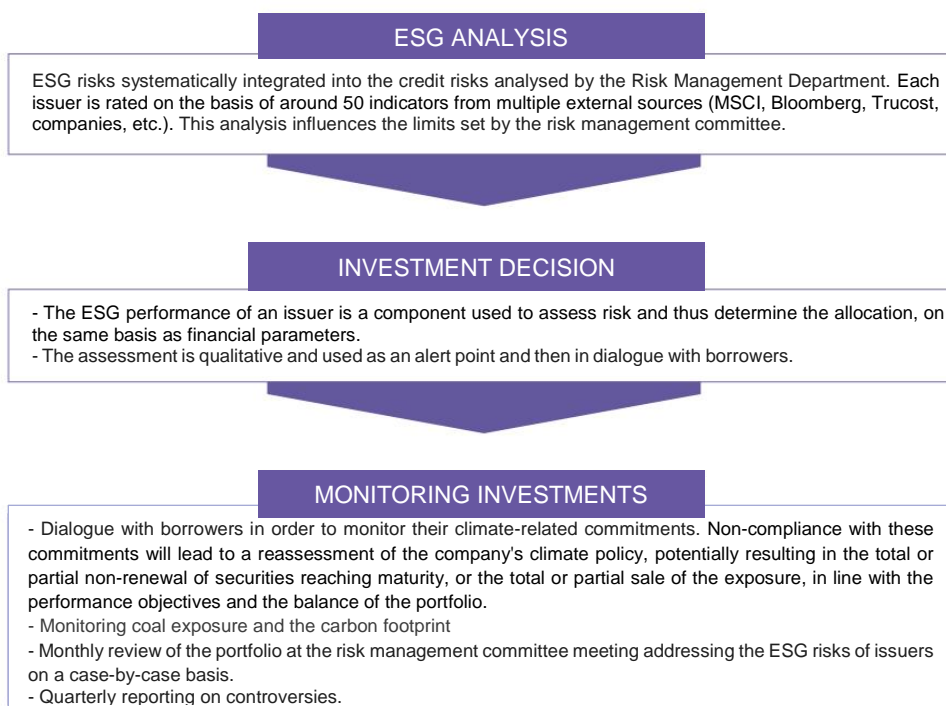
Accordingly, it dialogues with issuers at its road show, presenting its ESG objectives and explaining its coal-exclusion policy to energy companies.



## Directly held corporate bonds

## Investment decision

ESG analyses are systematically integrated into credit risks by the Risk Management teams. Each issuer is rated on the basis of around 50 indicators from multiple external sources (MSCI, Bloomberg, Trucost,



companies, etc.) and this assessment influences the limits set by managers.

### In 2018

- An automotive company was attributed a rating of 0 owing to the revision of its score on several sub-criteria (including fraud and product reliability). The management thus refrained from subscribing to the company's latest issues.

## Monitoring investments

The ESG risks of issuers are reviewed monthly on a case-by-case basis.

Dialogue with borrowers has also been strengthened in order to monitor their climate-related commitments. Non-compliance with these commitments will lead to a reassessment of the company's climate policy, potentially resulting in the total or partial non-renewal of securities reaching maturity, or the total or partial sale of the exposure, in line with the performance objectives and the balance of the portfolio.

**6.6/10**: overall weighted MSCI rating of the portfolio

**€513m** in green bond assets, o/w

**€184m** in new investments in 2018

**100%** of green bonds certified

## Delegated management of equities and bonds



With a view to the geographical diversification of its listed equities portfolio, Caisse des Dépôts mainly invests in mutual funds managed under passive strategies by third-party asset managers.

## ESG risk management

### Identifying risks

The approach consists in assessing the ESG policy of the asset managers and the consistency of their strategy with a 2°C trajectory, through a due diligence questionnaire.

Caisse des Dépôts has no internal procedure for identifying ESG or climate risks for indirect equity funds. However, it estimates some of these risks by monitoring the transparency and compositions of the open funds, using the MSCI ESG Ratings database, and their carbon footprint.

The exclusion rules for coal and the measurement of the carbon footprint are applied where possible.

### Monitoring risks

As voting has a direct impact on the behaviour and, potentially, the value of the companies in the portfolio, Caisse des Dépôts asks asset managers to commit to exercising their voting rights, which is the sole means of influence for index funds. It also asks them to produce ESG reporting according to its criteria.

## Investment decision

For innovative funds, ESG criteria are explicitly incorporated in the fund selection table, giving rise to an ESG scoring. For the other funds, a qualitative ESG assessment is integrated in the fund analysis report, which does not impact the investment decision but informs shareholder discussions with the asset managers.

The approach consists in analysing the ESG policy of the asset managers. Based on work carried out on the 2°C roadmap, Caisse des Dépôts has developed a new, more detailed due diligence questionnaire that integrates the climate policy of the target funds, including their investment policy consistent with a 2 °C objective and the exclusion of thermal coal.

Caisse des Dépôts gives a higher score to physical index funds that replicate exactly the composition of the index, and that clearly show the composition of the funds, thus facilitating the ESG and carbon monitoring of the investments.

**€10m** invested in thematic funds

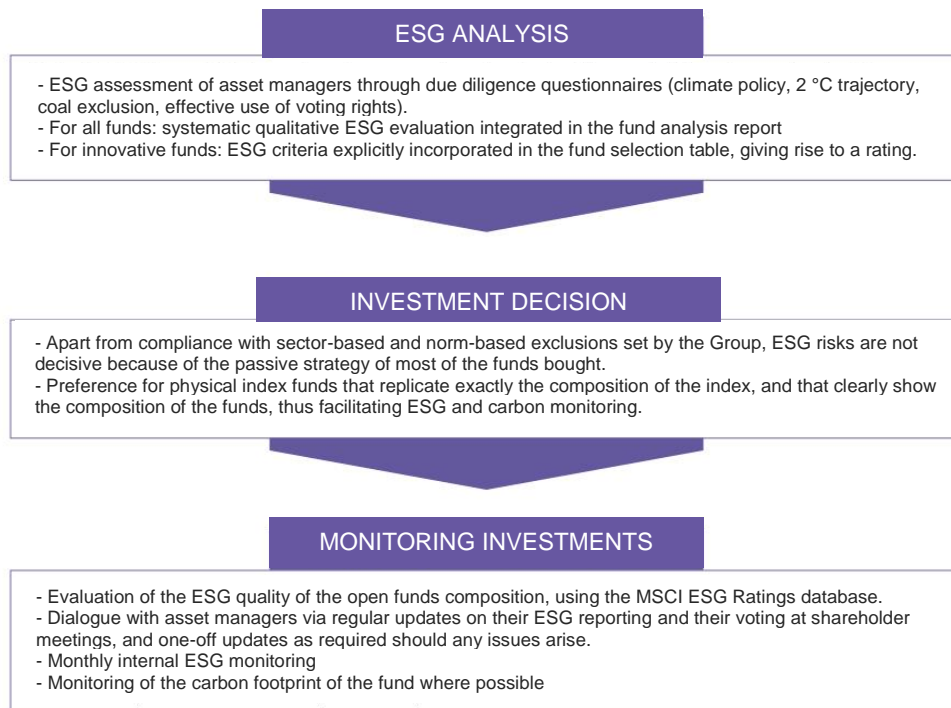
**100%** of asset managers have a formal environmental policy

**100%** of asset managers declare that they are active shareholder

**100%** of asset managers are PRI signatories

## Monitoring investments

The evaluation made during the investment decision allows to engage dialogue with the asset managers, via regular updates on their



ESG reporting and their voting at shareholder meetings.

Lastly, the carbon footprint of the funds is measured by transparency where this is possible.

### In 2018

- Request to an asset manager to sell a security domiciled in a tax haven before entry in a fund. The asset manager accepted the request.
- Request reiterated to an index fund management to put its voting policy into practice.

## Sovereign and public bonds

### ESG risk management

Caisse des Dépôts assesses the alignment of its sovereign and public bond portfolio with the 2015 Paris Agreement by establishing a forward-looking trajectory consistent with the commitments made on this occasion by each country and according to the bond amortisation profile of each country.

Caisse des Dépôts has established close dialogue with financial ratings agencies and encourages them to take greater account of ESG issues, particularly climate-related, in their ratings.

### Investment decision

Caisse des Dépôts integrates ESG criteria in the analysis and selection of its direct investments in sovereign and public bonds.

It establishes an internal rating for each issuer country, based on 40 weighted ESG criteria from different sources, including UNESCO, the United Nations and NGOs. Examples of the criteria integrated in the sovereign SRI rating include the following: for governance, the

quality of the regulation and freedom of opinion; for social criteria, the ratio of medical equipment and the Gini index, which measures inequality; and in terms of the environment, the use of pesticides and average levels of air pollution.

The weighting depends on the internal assessment of the materiality of the risk for each country; it however gives priority to governance criteria.

The results of the ESG analysis are taken into consideration in the assessment of risk and the allocation decision, in the same way as the other financial parameters. On a case-by-case basis, the investment committee excludes countries with high ESG risks, or it may set limits. The committee conducts a regular ESG review of the portfolio.

### In 2018

- Caisse des Dépôts no longer invests in the securities of a Gulf country on social criteria.
- New assessment of the environmental criterion on the basis of World Bank, IEA and FAO data.
- Participation in the European Commission working group on the low-carbon benchmark and a marketplace working group on the same subject.

### Monitoring investments

It is difficult to gain access to studies and data on the sensitivity to environmental factors of the macroeconomic variables that determine a sovereign state's creditworthiness.

Nevertheless, since 2017, in order to begin to understand how their investments are aligned with the 2 °C target, asset managers have been measuring and assessing the GHG emission trajectories of countries as determined in their international commitment to contribute to the implementation of the Paris

agreement (NDC<sup>14</sup>). At this stage, the understanding of the physical risks and transition risks linked to climate change is based on assessment of NDCs, and on tracking the GHG emissions of the countries in question.

Caisse des Dépôts' sovereign and public bond portfolios are on track for a **27%** reduction in emissions by 2030, compared with a 29% objective for the national 2 °C objective<sup>15</sup>

## Convertible bonds

### ESG risk management

The convertible bond investment process having begun in 2018, ESG risk management is identical to that applied by the entire Asset Management business line (sector- and norm-based exclusions, analysis and ESG monitoring of each company).

### Investment decision

The convertible bond managers at Caisse des Dépôts carry out an ESG analysis for each security, depending on the most relevant issues identified for each company with regard to the long-term valuation risk of the companies and the integration of the public-interest mission of Caisse des Dépôts. The MSCI ESG relative sector rating is analysed for each investment case, so that an ESG opinion may be factored into the manager's choice and major ESG controversies may be monitored.

<sup>14</sup> Nationally determined contribution

<sup>15</sup> As France accounts for 90% of the sovereign and public bond portfolios, the trajectory is closely linked

The score is integrated into the financial analysis of companies and the management establishes a weighted average of the scores.

**AA**: average weighted rating of the scores<sup>18</sup>

### Monitoring investments

Caisse des Dépôts dialogues with asset manager companies on their ESG practices and the improvement of these last in the management of convertible bonds (ECOFI Gestion, Groupama AM).

Consistent with Group policy, coal exposure is monitored continuously, and a quarterly measurement is made of GHG emissions and controversies.

#### In 2018

- Investment in a German company the aim of which is to manage the "ecological debt" relating to the use of coal in Germany and its impact on the ecosystem, with the economic development of mining regions through support for innovation.
- Dialogue with a chemicals company on the reduced use of synthetic products to the benefit of natural products. A review will be made on an annual basis.

to French GHG emissions, which did not meet its trajectory commitment in 2018.

<sup>18</sup> According to management



## ESG risk management

At this stage, the portfolio's climate-related physical and transition risks are not analysed, the very short holding periods making the analysis less effective.

## Investment decision

An ESG score is attributed to each sovereign issuer.

### In 2018

Continuation of work with the PRI Committee on the integration of ESG parameters by the ratings agencies alongside 147 institutional investors.

For corporate securities, the analysis is based on around 50 indicators, the environmental indicators being provided by MSCI (productivity of resources, proportion of renewable energies, GHG emissions). The credit analysis is realised by the risk department, which integrates these ESG criteria in its rating. This analysis forms the basis for the definition of the limits by the risk committee.

## Monitoring investments

The GHG emission reduction trajectory of each issuer is monitored.

## Indirectly held private equity

The Asset Management business line invests in private equity solely on a minority and indirect basis.

### ESG risk management

No specific study is made of ESG risk factors in private equity, apart from the strengthening of the integration of climate risk. The integration of these factors is nevertheless very much the case and in constant evolution.

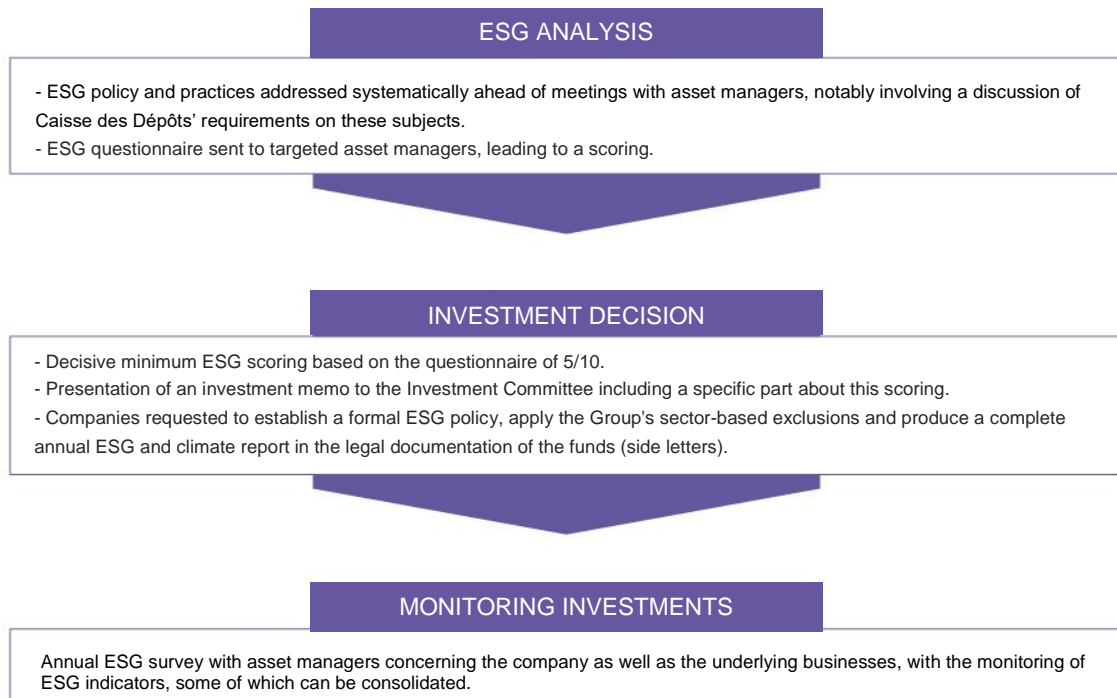
The management of ESG risks involves an in-depth assessment of the funds' SRI policies but does not entail a line-by-line analysis of underlying holdings.

### Investment decision

To better reflect greater maturity in the integration of ESG factors by asset managers, a new, more discriminating analysis table was introduced in 2018 covering climate topics in a more substantial manner:

- The signature of the PRI, the production of a carbon report at company level, the governance of the company and the resources for communicating with order-givers now rank as key factors in the assessment;
- Sector- and geography-based exclusions are no longer valued but are necessary when considering any investment;
- Rating criteria have been adjusted to take new best practices into account (for example, in terms of reporting).

The rating criteria are company governance (independent board members, code of ethics, etc.), employee training, practices in support of the environment, integration of ESG criteria in



management, environmental due diligence procedures on underlying companies, assessment of compliance with human rights, social impacts, and the quality of the company's ESG reporting.

The minimum scoring expected in the questionnaire is 5/10 for authorising an investment in the fund.

## Monitoring investments

An annual ESG survey is administered with asset managers, also focusing on environmental issues (documentation of a policy, certification, carbon emissions, exposure to coal, water, biodiversity, waste management, lawsuits, physical risks), social issues (employee profit sharing, disputes), and governance (composition of the board, gender equality, lawsuits). This survey was also reinforced in 2018.

Lastly, and once again with a view to strengthening the integration of climate risk, Caisse des Dépôts supports the Carbone 2020 initiative (IC20) by France Invest, which brings together private equity companies that are keen to calculate and measure the carbon footprint of their investments.

### Private equity

**93%** of invested funds integrate ESG criteria in their decision-making process

**88%** of asset managers have introduced environmental protection measures

### In 2018

- At the end of 2018, the cap on revenues generated by thermal coal was set at 0%, more binding than the decision of the Group<sup>21</sup>
- Strengthening of dialogue in discussions with asset managers before and after an investment.
- Gradual implementation of reporting on controversies through crisis letters.
- Review of the EET fund market with the proposal of a budget and an opportunity to invest in a fund with TEEC certification.
- Main contributor to the overhaul of the annual report common to the main French sponsors as part of France Invest's ESG Committee.

<sup>21</sup> With a latitude of 10% in negotiations with asset managers. This more stringent exclusion policy is documented in side letters with no "excuse clause" possible.

Caisse des Dépôts manages a real estate investment portfolio accounting for 80% of its total real estate assets.

## ESG risk management

In the medium term, the materialisation of physical risk may affect the real estate sector by making buildings unsuitable to their destination.

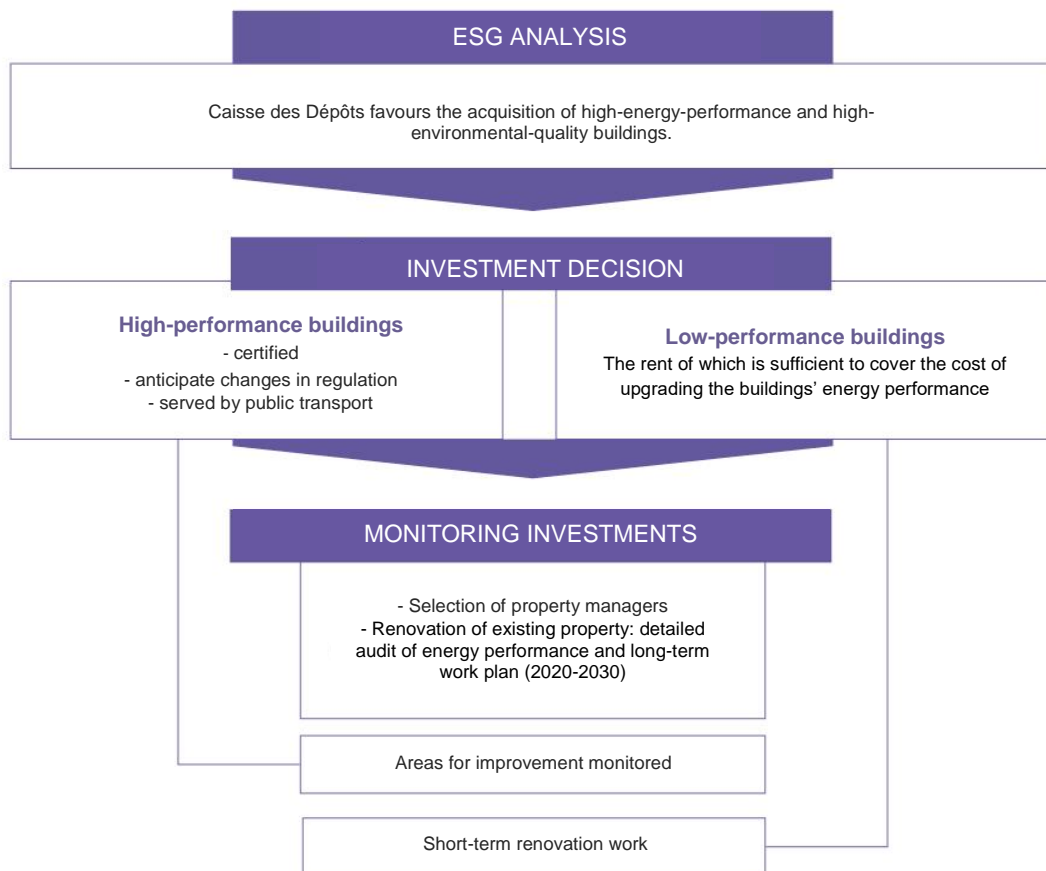
Regulatory and technological changes are gradual and constant in the building sector, so transition risks can be prepared for.

The following criteria may thus be applied:

- Regulatory changes (for example, a change in thermal regulation applying to buildings)
- The necessary adaptation of buildings to technological innovations, with non-adapted buildings becoming obsolete
- To a lesser extent, trends in the energy markets, the price expense of which is mainly incumbent on tenants, but which may also require an upgrading of production equipment (owner expense),

Adaptation possibilities exist, consisting in upgrading buildings (systems and equipment), but require further investments.

To address these climate risks, Caisse des Dépôts has implemented a policy of acquiring buildings with the best certification and new property developments, as well as the sales/renovation programme.



## Investment decision

The ESG information collected during the due diligence process is mostly provided by the vendor. This information is analysed by the team at Caisse des Dépôts and by external experts.

The criteria for acquisition are energy consumption, GHG emissions in operation, Low-Carbon Building accreditation (BBCA - Life Cycle), environmental accreditation and certification (construction and usage), certification and accreditation relating to the well-being of users (Well), proximity to public transport and the inclusion of a social clause in off-plan and property development contracts (realisation phase).

A green appendix is included in all the leases concluded between Caisse des Dépôts and its tenants.

## Monitoring investments

After carrying out energy audits across its entire portfolio of freehold properties, Caisse des Dépôts implemented a programme of arbitrage affecting the worst-performing assets, and a strategy of major renovations of some properties including improvements to their performance.

For the assets in which it holds a minority interest, the objective for environmental performance is presented in the investment file. Caisse des Dépôts encourages club deals to move forwards in terms of energy and climate performance. It does not have a way of measuring ESG impact and does not have full knowledge of the energy consumption. The monitoring of certified buildings and the

reduction in carbon emissions are possible only when these data are communicated to the Group.

The average energy consumption of the real estate portfolio is decreasing owing to the sale of low-performance assets and their replacement by high-performance assets, as well as the work initiated on managed assets. The reduction in CO<sub>2</sub> emissions is currently being quantified.

**37.2%** of the real estate portfolio is certified; this percentage will increase to 50% by 2022

- HQE (21.6%, and 24.9% the previous year)<sup>22</sup>
- BREEAM (16.9%, and 17.7% the previous year)
- BBC Effinergie (14.4%, and 17.5% the previous year)

**100%** of the office buildings acquired in 2018 are (i) either new or have high-performance certification (ii) or not new but subject to substantial restructuring taking account of the improvement of energy efficiency

**100%** of the residential buildings acquired in 2018 are new and with high-performance certification

**330,576 MWh:** primary energy consumption<sup>23</sup> scopes 1 and 2 of the portfolio, for a 21% decrease since 2014

<sup>22</sup> The % indicator is assessed in asset value. This value increased in 2018 per capitalisation without the number of certifications having varied as a result. The value of assets under construction is taken into account (engagements made not delivered) but not their certification, which is effective and confirmed only on delivery. This value

increased on 2017. These two items generate a slight dilutive effect of the indicator.

<sup>23</sup> Energy consumption calculated purely on majority-owned real estate



The forestry sector in France is the main contributor to the fight against climate change, preventing or offsetting 20% to 25% of emissions.

Société Forestière, a subsidiary of Caisse des Dépôts, sustainably manages all of the forest assets of Caisse des Dépôts and CNP Assurances on a mandated basis.

## ESG risk management

To date, analysis has been unable to identify the financial sensitivity of forest assets to ESG risk factors. However, there is a proven market risk, with a sharp fall possible in the wood price of species impacted by climate events. For example, in 2018, the spruce bark beetle crisis (a phenomenon occurring during droughts) led to a financial shortfall stemming from the sale of contaminated or dry wood at discounted prices.

### Analysis of physical and transition risks

The analysis of the physical risks linked to climate change regarding forest assets focuses on:

- The stated impact of local climate change;
- The adaptation of existing species and production cycles;
- The geographical distribution of forestry assets;
- The diversity of species.

This risk analysis results in Caisse des Dépôts not investing in fire-risk zones such as south-east France, diversifying its investment areas, particularly in Europe for CNP Assurances, and replacing fragile species with those that stand up better to rising temperatures.

Similarly, Société Forestière integrates transition risks into its ESG risk analysis. It is

committed to studying regulatory risks as well as those arising from changes in the availability of natural resources. In addition, for Caisse des Dépôts, these investments help to reduce GHG emissions and thereby transition risks.

### In 2018

- Caisse des Dépôts acquired the Lanoué forest, an exceptionally biodiverse environment with over 60 bird species identified.
- The Investment Committee of Société Forestière rejected several acquisition projects, having identified excessive risks concerning the continuation of forestry production in an environment of climate change. For example, two forests were disqualified owing to their shallow and calcareous soils, which present risks in the event of storms and also as regards the growth of trees in changing rainfall conditions.

### 100% sustainable management of forest assets

ESG risk management is based on two tools:

#### A sustainable management charter

This charter, reviewed and updated regularly, documents the implementation by Société Forestière of its ISO 9001-certified sustainable management manual for Caisse des Dépôts and CNP Assurances.

The manual is a working tool designed to standardise the actions undertaken with respect to the sustainable management of the forests, governance, the management and organisation of relationships with customers and other stakeholders, and, finally, the implementation of forestry practices that take into consideration exceptional habitats and species.

Société Forestière is audited annually by AFAQ, a leading international certifying body for management systems that oversees the correct application of Société Forestière's ISO 9001 quality certification.

### Forest certification

The Program for the Endorsement of Forest Certification awards PEFC certification for a five-year period confirming that wood comes from sustainably managed forests. All the forests in the portfolios belonging to Caisse des Dépôts and CNP Assurances have obtained PEFC certification or are undergoing the accreditation process.

forestry groups of which it is systematically a member.

Société Forestière monitors the climate and weather alerts using satellite surveillance tools including Europe's Sentinel satellite. The latter is able to detect suffering trees, which serves to better orient inspection visits by forestry workers, which remain indispensable and complementary. Forest inspection rounds are organised three times a year with the owner.

## Investment decision

With the support of Société Forestière, Caisse des Dépôts and CNP Assurances integrate the ESG analysis into their investment processes in order to select high-quality forests or those that have the potential for value in the future if they are sustainably managed. Consequently, any forests that are not sustainably managed at the time of investment are valued based on their being sustainably managed as soon as they enter the portfolio, with a view to obtaining PEFC certification.

Regarding its acquisitions in France, Caisse des Dépôts pays particular attention to identifying and respecting ZNIEFF zones (natural zones of interest for ecology, flora and fauna), Natura 2000 (natural and semi-natural sites whose fauna and flora present significant heritage value) and any other zones affecting protected species; it also complies with the Water Act.

Analysis is carried out case by case according to the opportunities proposed by Société Forestière. Caisse des Dépôts places a premium on respect for the ecological continuity of forests.

## Monitoring investments

Société Forestière collects and analyses ESG data every year on behalf of Caisse des Dépôts and CNP Assurances respectively.

The indicators tracked are as follows: carbon sequestration, biodiversity and, for Caisse des Dépôts, the quality of the governance of the

**100%** of the forests of Caisse des Dépôts and CNP Assurances are managed sustainably

**137,238** tCO<sub>2</sub>eq<sup>24</sup> of net carbon sequestered for the assets of Caisse des Dépôts and CNP Assurances, which total

**50,757** hectares

**204,179** tCO<sub>2</sub>eq of net carbon sequestered for the assets of CNP

Assurances, which total **57,090** hectares

## Promotion of best practices

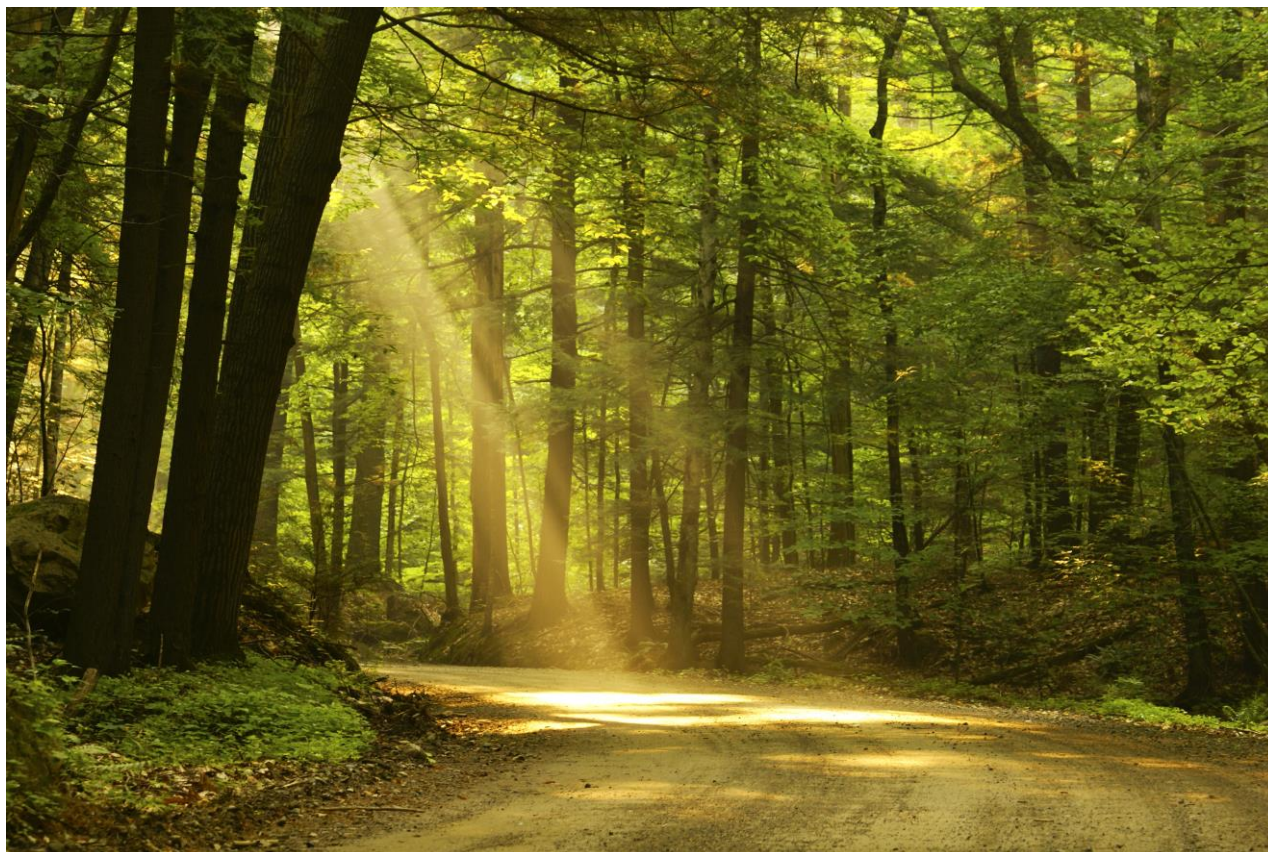
To encourage the development of methods used and shared by all those involved, including institutional investors, to derive value from carbon in forests, the dedicated investor teams at Caisse des Dépôts take part in working groups looking at the role of forests and how it is changing with regard to sustainable development:

- Club Carbone Forêts, managed by I4CE
- ASSFOR
- Groupe Bois and communities.

Caisse des Dépôts also takes part in work organised by I4CE on the creation of a national system to derive value from forest carbon with

<sup>24</sup> In this calculation, and contrary to the result published in 2017, the sale of wood was deducted from the CO<sub>2</sub> well.

low-carbon certification and incorporates the work of researchers from the French national institute for agricultural research, INRA, on trends in forestry practices relative to global warming.



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# 3.2

## Banque des Territoires

### Overview

Banque des Territoires aims to promote and build more sustainable, attractive, inclusive and connected territories to the benefit of all citizens, its primary mission being to fight against social inequalities and territorial divisions.

### Strategy

The investment doctrine of Banque des Territoires integrates non-financial criteria for each portfolio. Investments are made in accordance with the Group's sector- and norm-based exclusions.

To meet this goal, the business line introduced a medium-term plan (MTP) for 2018-2022 setting out the main policy directions and investment objectives for each Banque des Territoires entity. The MTP is implemented according to each investor department:

- Urban, real estate and tourism
- Infrastructure and transport
- Ecology and energy transition
- Economy and social cohesion
- Digital transition

- The mandates of the Investments in the Future Programme (PIA)
- Mixed economy

Within these investor departments, the objectives are re-specified according to the various activity sectors involved: real estate, private equity, infrastructure, semi-public companies, and the social and solidarity economy.

Banque des Territoires' ESG objectives – notably those on thematic investments – will be incorporated in the MTP in 2019, backed by stringent environmental and social requirements and impact assessment targets.

To monitor the plan, a monthly and quarterly dashboard addressed to the Director of Banque des Territoires contains indicators on the number of initiatives undertaken and/or contractualised in the ecology and energy transition, the digital transformation, infrastructure and transport, among others.

Banque des Territoires will be gradually rolling out a new tool for rating investment projects, designed to shed light on the ESG characteristics of new projects during their assessment. This will serve to take better account of ESG factors when deciding on new investments.

**€817m** in green financing in portfolio value at 31/12/2018

**15** companies and enterprises subject to shareholder dialogue on energy and/or climate-related topics depending on the specific themes of their intervention

#### Social and solidarity economy

**€40m** will be mobilised in 2018-2022 for the social and solidarity economy

#### Real estate

Out of **62** new projects initiated in 2018 that are likely to benefit from an environmental standard, 27, or **44%**, will be certified (BREEAM, NF Habitat, HQE, etc.)

#### Private equity

Caisse des Dépôts is a shareholder in **36** public initiative digital network companies (*Réseaux numériques d'Initiative Publique*), having invested over **€460m** in equity for over €4 billion in investments, the aim being to make very-high-speed Internet broadly accessible and increase territorial attractiveness

**6** new transactions for public initiative digital network projects were completed in 2018



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The objectives of the MTP in terms of real estate investment are as follows:

- Priority on fragile territories, including City Centre Action (75% of the real estate investments of this department);
- Support for a territorial policy on healthcare and the development of serviced senior residences (health, medical-social and ageing sector);
- Remediation and redevelopment of urban wasteland (“decontaminator - developer” investment fund);
- Investments in real estate assets with objectives on energy and environmental performance and number of projects eligible for green and sustainable bonds;
- Tourism, leisure and culture (accommodation and facilities, including social tourism);
- Support for industrial and business real estate projects that help to maintain employment in French territories;
- Health and ageing.

## Risk management

As they must remain attractive over the long term, real estate investments are predicated on the energy and environmental performance of the asset and its exposure to climate risks.

The environmental quality of a project is a priority for Banque des Territoires, which has ambitions regarding the number of projects eligible for green and sustainable bonds.

<sup>25</sup> If the project obtains a certification level qualifying it for green and sustainable bonds, it becomes eligible in principle for these issues

## Investment decision

The environmental objective must be included and specified from the project study phase. The level of certification expected must comply with stringent standards (HQE, BREEAM, LEED). The environmental requirement varies according to the maturity of the various sectors in sustainable development issues.

In 2018, the strategy on the environmental quality of real estate investments was strengthened and will be implemented gradually in line with the non-financial rating of new investments in order to better assess the environmental objectives of each project. Certification contributes to:

- Reducing energy consumption and GHG emissions by keeping to the climate 2°C roadmap;
- Favouring buildings that are resilient in terms of climate change and limiting their impact on resources;
- Investing in healthy and comfortable buildings;

Out of **62** new projects initiated in 2018 that are likely to benefit from an environmental standard, 27, or **44%**, will be certified (BREEAM, NF Habitat or HQE)<sup>25</sup> **4,443** MWh pe/year<sup>26</sup>: primary energy consumption of the portfolio associated with the issue of the Green Bond, scopes 1 and 2

<sup>26</sup> Pro rata data according to the average share of Banque des Territoires in its real estate assets, or 49% (total value of 9,067.41 MWh pe/year)

Banque des Territoires also invests in real estate transactions contributing to urban projects defined by public authorities, particularly as part of urban social cohesion contracts and in sensitive urban areas.

In addition to conventional real estate projects, the Urban, Real Estate and Tourism Department is investing increasingly in the remediation of urban wasteland areas with strong potential value, the aim being to restore them.

## Monitoring investments

For real estate assets<sup>27</sup> backed by the green bond of Caisse des Dépôts issued in 2017, a tool is used to measure the environmental and social impact of projects, notably in terms of CO<sub>2</sub> emissions avoided, jobs supported, energy performance and energy savings<sup>28</sup>. With the emission of a sustainable bond planned for 2019, new social indicators will be introduced to supplement the impact assessment.



## ESG risk management

Risks are managed through the systematic representation of Banque des Territoires in the governance bodies of the companies in which it invests.

## Investment decision

Banque des Territoires invests in the development of French territories through direct involvement in two sectors:

### Smart and sustainable mobility services:

In demand segments (socio-demographic or geographic) not covered by major industrial or digital concerns: carsharing, short-distance carpooling, on-demand transport, traveller information, urban logistics.

### Digital services:

The investment approach is guided by the determination to reduce digital divisions, both at territorial and societal level, and targets intervention in urban development and smart territories, connected ageing / e-health, e-administration, education and training.

The scoring tool currently under development will be used to establish formal criteria to be taken into account when deciding on investments, as well as the relevant impact assessment indicators (in digital technology, for example, the securing of networks, widespread access to digital technology, and the ecodesign of software).

### In 2018

Banque des Territoires, with the Investments for the Future programme (PIA) "City of Tomorrow" and Groupe IDEC, participated in the capital increase of the AMME company to develop the Fludis project, a last-mile delivery solution with very low CO<sub>2</sub> emissions in Paris.<sup>29</sup>

<sup>27</sup> 9 Banque des Territoires real estate assets are backed by the green bond

<sup>28</sup><https://www.caissedesdepots.fr/en/green-social-and-sustainability-bonds>

<sup>29</sup><https://www.caissedesdepots.fr/en/contributing-development-sustainable-river-logistics-paris-fludis>

## Monitoring investments

Banque des Territoires endeavours to observe and enforce the observation of best shareholder practices at all the companies in which it invests, and to that end sits on the governance bodies of the companies. By doing so, it is able to monitor commitments in the long term and table non-financial subjects during board meetings.

For digital assets, the contractual requirements of the very-high-speed public initiative networks in terms of labour and social issues are monitored via the collection of indicators included in the reporting required of the delegating companies in which Caisse des Dépôts holds a stake.



Banque des Territoires invests on a minority basis, both directly and indirectly, in infrastructure projects and companies, notably in renewable energy and transport. It makes sure that the investments comply with its commitments and those of the Group.

The 2018-2022 MTP provides for increased investment in infrastructure promoting the EET. This notably includes:

- Support for projects on renewable energy (RE) production, including solar power, land and offshore wind power, geothermal energy, marine energy and biomass, as well as innovative projects, particularly in energy storage;
- Support for local and regional authorities in the implementation of their EET action resources (renewable energy, distribution networks, the energy efficiency of buildings and industry, water and sanitation networks);
- The development of the circular economy offering, including waste-to-energy;
- Investment in the modernisation and extension of public transport networks, assistance for

communities in the shift to smart and sustainable mobility at the nexus of the digital transition and the ecology and energy transition.

## ESG risk management

If not managed, the physical and transition risks relating to climate change may lead to the loss of clients, who may turn to investments with more advanced tech content. Consequently, these risks are assessed in the investment selection process.

For example, following hurricane Irma in 2017, Banque des Territoires supported a project to rebuild the digital infrastructure of Saint Martin on the basis of 100% underground networks, the aim being to ensure the resilience and continuity of electronic communication services in the event of other extreme weather events.

However, other ESG risks are not currently managed widely on a systematic basis; the topic is under review with the investment business lines.

## Investment decision

New investments are undertaken solely for projects having obtained all the requisite authorisations and permits and those not subject to controversy and free of any administrative or regulatory claims.

## Renewable energy infrastructure

Banque des Territoires does not plan to invest in assets using non-renewable energies, except for, and on a case-by-case basis, heating network projects (if the objective for the network energy mix is over 50% renewable or recovered resources) and industrial energy efficiency projects consisting in co-investing in the improvement of the energy efficiency equipment installed at industrial sites, with the aim of gradually reducing the consumption of fossil fuels (including coal) in the site's energy mix. These projects do not contribute to the installation of new fossil fuel capacity.

For energy-transition assets, due diligence is carried out ahead of the project regarding the investment partners (co-associates, builders, operators, etc.) to determine their environmental and social commitments and policies and whether they are known for breaches in this area in France and/or outside France.

RE infrastructure projects include a phase of mandatory studies (environmental impact, visual impact, integration in landscape, hazard, etc.) in accordance with regulation on facilities classified for environmental protection (ICPE). These studies are performed by specialised firms.

Banque des Territoires also invests in various investment funds, including, since 2015, a fund with TEEC certification specialised in infrastructure financing in the environment and energy transition sector, and in funds supporting the development of socially-minded RE projects.

## Transport infrastructures

Regarding transport investments, Banque des Territoires invests as a priority in projects that contribute to the shift towards cleaner mobility. A wide-ranging and documented assessment of ESG impacts is completed for large projects (for example, impact studies).

## Monitoring investments

Caisse des Dépôts pays particular attention to the quality of the governance of its investments

(existence of a shareholders' agreement, number of board members, etc.) and takes an active part in shareholder meetings, board meetings and strategic committees. In this way, the representatives of Caisse des Dépôts raise questions about incidents or areas for improvement, for example.

As with real estate assets, a reporting tool is used to measure the environmental and social impact of renewable energy infrastructure projects backed by the Green Bond. Among other metrics, the indicators include green energy production, CO<sub>2</sub> emissions avoided, jobs supported in the construction and production phase, and the number of households supplied with green electricity.

The impact assessment scope will be supplemented by a scoring tool, currently being finalised, and the issue of the Sustainable Bond.

**€40m** assets under management in companies contributing to the EET, notably in the digital and transport sectors, o/w

**€11m** in 2018

**15** companies subject to shareholder dialogue on energy or climate issues

**€465m** in portfolio value at 31/12/2018 for renewable energy infrastructure

**€232m** in portfolio value at 31/12/2018 for sustainable transport infrastructure



## Semi-public companies

The policy on investing in semi-public companies (SEMs) integrates environmental indicators depending on the objective of each company, such as the forecasted number of MW produced in the area of renewable energies.

Caisse des Dépôts, along with French local authorities, owns shares in SEMs that operate in sectors such as local area development, economic development, social or industrial real estate, and the management of public facilities.

The 2018-2022 MTP integrates environmental and/or social aspects relating to semi-public companies (SEMs) and at the same time addresses structuring changes in legislation (including territorial reform and the ecology and energy transition imperatives of French territories).

It is notably based on the following focuses:

- Economic planning and development, including city-centre regeneration and the development of eco-districts on brownfield sites;
- Energy, including renewable energy production and energy efficiency, notably with joint syndicates (*syndicats mixtes*) in the energy segment, metropolitan areas, and regions;
- Housing, including social housing.

## ESG risk management

Banque des Territoires is actively involved in the governance and decisions on the strategic options of the SEMs in which it invests, in particular through shareholder pacts that illustrate its long-term, informed investor approach.

The creation of SEMs contributes to the ecology and energy transition of the territories (renewable energy production, energy efficiency, etc.), notably with joint syndicates in

the field of energy, metropolitan areas, and regions.

## Investment decision

As a general rule, memorandums for the Commitments Committee (which approves or disapproves new commitments) detail the non-financial items relating to future commitments. Each case is analysed consistent with the MTP objectives for SEMs at Banque des Territoires, particularly on support for territorial authorities (for example, the City Centre Action plan and support for the development of tourism and highly innovative projects).

The good governance of the SEMs and their environmental impact are included in the investment criteria. In the case of new investments, Caisse des Dépôts assesses the environmental impact of its investments in starting local public enterprises (EPLs) and encourages its co-investment partners to prioritise those with the lowest environmental impact possible.

The non-financial rating of new investments, serving to inform decision-making, provides for a series of ESG criteria, including, where applicable, the relevant certification.

Caisse des Dépôts is being called on increasingly by local authorities to participate in local and regional multi-energy operators and increase its commitments in this area. In this respect, it is investing in innovative sustainability, including eco-districts and energy efficiency.

**€86m** assets under management in SEMs in EET-related sectors, o/w

**€3.7m** in investments in 2018

## Monitoring investments

Caisse des Dépôts is particularly attentive to good shareholder practices. Its representatives on governing bodies are trained in this area and have sound knowledge of ESG issues. Company directors are also encouraged to undertake ESG actions (signature of pacts, highlighting ESG indicators via the introduction of sustainable development charters).



## Social and solidarity economy (SSE)

Investments in the economy and social cohesion are made on the following bases, while addressing fragile territories and targeting specific populations:

- Territorial economic development and the creation of activities, catalysing territorial expertise to foster innovation, and support for the unemployed in their insertion process;
- Socially-responsible innovation, notably targeting access to healthcare and helping seniors to remain at home, the fight against medical deserts, innovative housing combined with services and/or a shared life project, including with networks working to develop social cohesion and in favour of people with poor housing conditions;
- Skills adaptation and development, by improving the employability of vulnerable unemployed populations;
- Partnerships and intermediated financing, including an SSE fund, with a view to raising the professionals standards of SSE entrepreneurs and serving to finance innovative social projects.

## ESG risk management

While an ESG analysis process had yet to be formally drafted in 2018, the new scoring for future investments, implemented as part of a test phase in 2019, will constitute the key decision-support tool based on an analysis of the intrinsic qualities of the project in ESG terms. The non-financial rating thus applies to the new-investment analysis phase.

## Investment decision

ESG analysis is carried out during due diligence assignments before entering the pool, to confirm that the project complies with the investment model. Projects are then examined in the light of their respective business sectors in order to identify their social and environmental impacts together with the target beneficiaries. Work on formalising and harmonising the policy has been led as part of the updating of non-financial rating table for new investments in the economy and social cohesion. The aim is to make a more systematic analysis of indicators such as the targeting of beneficiaries (number of people supported / targeted / trained / reinserted over the entire project lifespan), environmental impact assessment (land area recovered / converted into organic farming, number of consumers / clients targeted in local distribution networks) and good governance practices.

**3** companies subject to shareholder dialogue on energy or climate issues

**€40m** will be mobilised in 2018-2022 for the social and solidarity economy



## Monitoring investments

Caisse des Dépôts carefully monitors the shareholders' best practices and compliance with the companies' CSR objectives, particularly by playing an active role in the companies' governing bodies.

A tool used to evaluate and measure social and environmental performance, MESIS, was created in 2016 in collaboration with BNP Paribas and INCO, backed by structuring guidelines for the impact investing sector. It includes a range of non-financial indicators ranked by area of social action (access to employment, housing, education and healthcare, microfinance, the fight against insecurity, and environmental protection) and a rating system that sets and tracks objectives throughout the term of the investment. MESIS is used as part of the management of the NovESS fund, which invests in accelerating and growing SSE companies.



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<sup>30</sup> Find out more:  
<https://www.caissedesdepots.fr/en/1st-investment-territorial-food-project-terre-et-cite> and  
<https://www.banquedesterritoires.fr/la-banque-des->

## In 2018

### Signature of a new agreement

On 29 November 2018, the High Commission of the Social and Solidarity Economy and Social Innovation and Banque des Territoires signed an agreement to work in four areas:

- Promoting the SSE and social innovation through the “French Impact” initiative,
- Strengthening support for SSE companies,
- Funding SSE companies,
- Developing impact assessment.

### Investments in favour of the EET

Investments in social and solidarity economy projects contributing to the ecology transition of farming and food: support for local distribution networks in Plateau de Saclay and the development of a sustainable agriculture project in the Haute-Saône department through the creation of a professional insertion enterprise.<sup>30</sup>

[territoires-apporte-260-keu-lassociation-franco-suisse-daction-medico-educative](#) (in french)



# Bpifrance

## Overview

Banque Publique d'Investissement is a subsidiary of Caisse des Dépôts focused on the financing and development of French businesses, notably through support for their international expansion.

As a long-term investor, Bpifrance pays the same attention as the Caisse des Dépôts group to ESG issues and seeks to foster the highest standards in responsible investment.

It also contributes to the implementation of Group commitments on the decarbonisation objective for listed equity portfolios.

Complete information on Bpifrance's responsible investment policy can be found on its website

## Strategy

Bpifrance systematically integrates environmental, social and governance criteria in its investments and is convinced of the underlying value-creation potential.

Bpifrance's ESG approach, relative to the unlisted and listed companies in its portfolio, is primarily intended to promote a progressive CSR approach in the companies in which it invests directly and in the asset managers to which it entrusts its capital, via an initial diagnostic and an annual survey.

Bpifrance implements the sector- and norm-based exclusions set by the Group and excludes investments in securities exposed to thermal coal and the tobacco sector.

### Direct investments

**49%** of companies were subject to shareholder dialogue on energy or climate issues

**0.119** teqCO<sub>2</sub>/€k: carbon footprint of the listed equity portfolio

**€555m** outstandings invested in the EET, o/w **€76m** in 2018

### Indirect investments

**76** asset managers and 860 companies in which they invest responded to the ESG survey administered in 2018 on 2017

**€317m** outstandings invested in the EET (€45m in theme-based funds), o/w

**€120m** in 2018



## Direct listed and unlisted investments

Bpifrance invests in listed and unlisted companies with a view to consolidation and growth for the former (mid- and large-caps) and support for the latter (French start-ups, SMEs and mid-sized companies).

It makes one-off investments in the share capital of the largest companies considered as strategic for the national economy, especially in order to stabilise their share ownership, and participates actively in their governance.

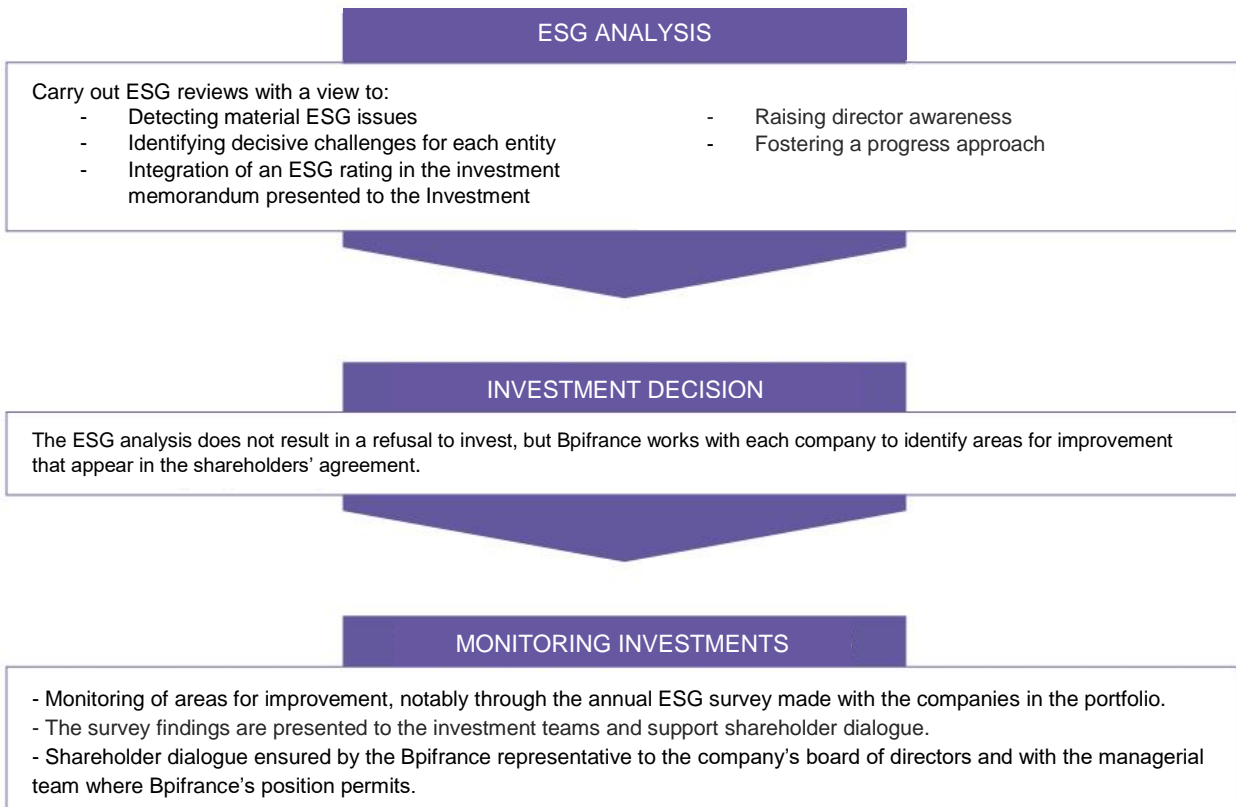
For the smallest businesses, Bpifrance systematically invests on a minority basis via specialised funds managed by its investment teams.

## ESG risk management

Physical and transition risks are identified relative to the business activities of the companies in the portfolio, systematically, line by line and for each valuation process.

The analysis is notably underpinned by in-depth knowledge of the company, the risk management measures implemented, and the strategies employed to adapt the business model or models.

This assessment is valid during the pre-investment and holding phase, as the risks are subsequently monitored on the basis of responses to the annual ESG surveys administered to the companies in the portfolio.



## Investment decision

The pre-investment ESG assessment is made with an analysis-support tool that determines the most important issues to be addressed. The tool covers 14 questions organised into four topics and weighted according to the company's size and business sector.

- Governance: transparency and balance; anticipation
- Human capital: employment and labour policy; management of jobs and skills; diversity and equal opportunities; occupational well-being; labour relations and social dialogue
- Stakeholders: sustainable and ethical relations with suppliers; quality and customer satisfaction; relations with other external stakeholders
- Environmental policy and management system: energy and GHG emissions; inputs and waste, restriction of other environmental impacts

The review helps to detect ESG shortcomings and initiate a progress approach consistent with the material issues. The analysis is included in the memorandum presented at the Investment Committee and may lead to a refusal where the ESG risks are substantial.

## Monitoring investments

Operational monitoring of the company's progress is performed by the investment teams, who participate in the governance of the companies and track the current status of the lines. Responses to the annual ESG questionnaires may also reveal risks that have not yet been raised in discussions with the company.

In addition to monitoring the decarbonisation of the portfolios, the impacts of the actions of Bpifrance are measured on a yearly basis. Support for sustainable growth is calculated in particular by the number of actions in favour of the ecology and energy transition and

initiatives in favour of the social and solidarity economy.

### Indirect investments

**26/57** of listed companies (compared with 44 last year) and **303/604** of unlisted companies (compared with 304 last year) responded to the ESG performance monitoring campaign in 2018, or 49% of the portfolio

**0.119** teqCO<sub>2</sub>/€k: carbon footprint of the listed equity portfolio, stable on 2017<sup>31</sup>

**€555m** direct outstandings (listed and unlisted) invested in the EET, o/w

**€76m** in 2018

### In 2018

Signature of the ACT Charter, an initiative aimed at assessing the strategy of companies relative to the requirements of a low-carbon world.

<sup>31</sup> An increase of 0.02%



## Indirect unlisted private equity investments

Bpifrance also acquires minority holdings in investment funds, and territorial funds in particular, which favour company development and growth.

### ESG risk management

Bpifrance is not involved in the ESG analysis of the funds regarding underlyings. Indirect risks are nevertheless managed through knowledge of the risks taken by the funds and monitored by the management teams, in particular via the annual ESG campaign.

### Investment decision

Bpifrance leads an incentivising policy with the funds and thus does not exclude in principle those having yet to initiate a responsible investment policy.

However, Bpifrance ensures, on a contractual basis in the legal documentation (side letters), that the asset managers promote a progressive CSR approach in the companies in which they invest.

### Monitoring investments

In addition to ongoing monitoring by the management teams, an annual ESG survey is addressed to the asset managers and portfolio funds. They are also asked to have the companies in their portfolio respond to the survey, the results of which are communicated to the relevant management teams at Bpifrance.

The sustainable development team meets, or is in relation with, a certain number of asset managers, and offers them access to Bpifrance's CSR training courses for entrepreneurs.

**76** asset managers and **860** of the companies in which they invest responded to the ESG survey administered in 2018 on 2017

**€317m** of green assets (€45m in theme-based funds), o/w **€120m** in 2018

# 3.4

## Strategic Holdings and Subsidiaries Management

### Overview

The departments of the Strategic Holdings and Subsidiaries Management business line are responsible for acquisition and disposal projects and the coordination of the subsidiaries and strategic holdings of Caisse des Dépôts. The business line supports their development in accordance with Caisse des Dépôts' shareholder policy. The latter is based on three criteria: the long-term interest of the companies concerned and their various stakeholders, financial interest, and public interest.

### Strategy

The subsidiaries are managed as part of Caisse des Dépôts' responsible investment charter, which specifies that the creation of value by an entity is not limited to financial interest alone but is also about intangible and societal value.

As such, Caisse des Dépôts calls on its subsidiaries and holdings to foster the best environmental, social and governance practices in their operations and through their business activities, and provides them with support for their actions in this area. In particular, Caisse des Dépôts encourages its subsidiaries and holdings working in investment activities to pursue and step up their responsible investor strategy and supports them in this process.

The Group's strategic priorities and value creation prospects are monitored regularly by the Group Executive Committee. As a shareholder, Caisse des Dépôts specifies its expectations on an annual basis through guidance letters. In 2019, the Chairman and Chief Executive Officer reasserted as a strategic priority that the subsidiaries and holdings continue to commit to a sustainable economy, with different approaches according to different business activity sectors.

When reviewing development projects, the teams may initiate norm- and sector-based exclusions (coal, tobacco, anti-personnel mines) and ensure strict compliance with the policy on combating money laundering and terrorist financing (AML-CFT) implemented by the Ongoing Control and Compliance Division. Caisse des Dépôts has also set out in a framework procedure the general AML-CFT principles applying to all its subsidiaries, subject to supplements and adaptations necessary to their business activities.



## ESG risk management

### Exclusion of countries and securities

CNP Assurances has for many years led a responsible investor strategy relative to the majority of its assets and those of its French subsidiaries.

It also applies the Group's climate policy via:

- An objective to reduce the carbon footprint of the equity portfolio by 47% to 0.25 teqCO<sub>2</sub>/€K by end-2021;
- An objective of €5bn in new investments in favour of the ecology and energy transition between 2018 and 2021.
- An objective to reduce the GHG emissions related to the energy consumption of directly held real estate assets (in teqCO<sub>2</sub>/m<sup>2</sup>/year) by 40% between 2006 and 2021.

The investment strategy is established internally and SRI research and operations delegated to the Ostrum AM and La Banque Postale AM asset managers.

The graph below shows how this approach is implemented.

Like Caisse des Dépôts, the company excludes controversial weapons (cluster bombs, anti-personnel mines) and the countries listed by the French government and the European Union, including non-cooperative states and territories, those under embargo, legal jurisdictions failing to cooperate with the EU, the counter-measures of the Financial Action Task Force (FATF), and tax havens on the basis of the Tax Justice Network indices. For countries that present serious problems with regard to democracy, human rights and corruption, the exclusion policy is based on the lists established by Freedom House and Transparency International.

The coal policy of CNP Assurances excluding companies engaged in thermal coal was strengthened in 2018 (threshold of 25% of revenues for securities held and 10% for newly acquired securities).

	Country exclusion	Security exclusion	Exclusion of food speculation funds	ESG rating analysis	ESG integrated systematically into investment policy
Real estate	✓			✓	✓
Forest	✓			✓	✓
Equities	✓	✓		✓	✓
Corporate bonds	✓	✓		✓	
Private equity and infrastructure	✓	✓		✓	
Sovereign bonds	✓	✓			
CNP Assurances dedicated funds	✓	✓	✓		
Other funds	Watch	Watch	✓		

## Physical risks

CNP Assurances called on the EcoAct firm to assess the physical risk of its real estate assets to gain an exhaustive view of the climate risk to which it could potentially be exposed. For the majority of risks, CNP Assurances has low or zero exposure. Only the buildings on the Mediterranean coast and in cities with an urban “heat island” effect present a higher risk regarding heatwaves and the rise in average temperatures between now and 2050. The company called on the services of Indefi to map the climate-change vulnerability of its equity and corporate and sovereign bond portfolios. For the majority of these risks, CNP Assurances has low or zero exposure.

Find out more about the responsible investor policy of CNP Assurances in its specific 2018 report

## Directly held listed equities

### Investment decision

The ESG approach at CNP Assurances is based on two cornerstones, exclusion and best-in-class management, the latter consisting of the selection of the best companies in a given sector in terms of ESG criteria.

The implementation of this strategy involves methodologies specific to each asset manager to which CNP Assurances entrusts its mandates:

- Ostrum AM and, in particular, Mirova, an affiliate of the Natixis Investment Managers group, focused on SRI: the suitability of the asset relative to the sustainable development objectives is assessed via ESG analysis and a global qualitative opinion with five levels (negative, risk, neutral, positive and engaged).
- La Banque Postale AM: for each sector of the economy, the SRI team establishes an SRI

<sup>32</sup> 25% of revenues. Beyond this threshold, CNP Assurances has no holdings. Since 2015, CNP Assurances has sold off nearly €300m in bonds issued by companies that extract coal and produce

rating based on a four-pillar analysis grid (responsible governance, sustainable resource management, energy and economy transition, territorial development), weighted according to the specific issues of each sector.

Securities given a very poor ESG rating by the two managers are analysed by CNP Assurances at the quarterly SRI committee meetings and may be excluded from the investment universe.

## Monitoring investments

Dialogue is initiated with companies in the portfolio ahead of shareholder meetings and ESG criteria are taken into account in voting. If this dialogue is not successful, the security may be subject to measures of varying severity: no more purchases, sale or even exclusion.

Since 2016, CNP Assurances has been associated with the letters of engagement sent by Mirova to companies with a high ESG risk that do not contribute (or contribute very little) towards the ecology and energy transition.

**0.27** teqCO<sub>2</sub>/€k: carbon footprint of the equity portfolio, down 10% on 2017

**6** companies committed to the climate

**0** coal assets above the threshold established by CNP Assurances<sup>32</sup>

**13** securities sold following a downgrade in their ESG rating.

## Corporate bonds

### Investment decision

The corporate bond portfolios are rated for ESG criteria every quarter by the SRI experts

coal-based energy. Since 2015, it has held no direct positions in the equities and bonds of companies generating more than 25% of their revenues from thermal coal.



of the companies responsible for managing these portfolios (Mirova for Ostrum AM and LBPAM). The ESG analysis of the securities is fed by the quarterly review of the listed equities, established since 2006 and carried out by the same non-financial analysts. In addition, CNP Assurances receives ESG alerts provided by its asset managers. When the alert corresponds to a company's non-compliance

with the fundamental principles of the Global Compact, CNP Assurances asks the management company to investigate, or even exclude, the issuer.

**€2.8bn** green bond assets at end-2018

## Monitoring investments

Pursuing its commitment to the Montreal Carbon Pledge, CNP Assurances has since 2016 calculated the carbon footprint of all its corporate assets, comparing the share held directly in equities and bonds to the balance sheets of the companies. GHG emissions are estimated purely on the basis of the statements of the companies in the portfolio on their scopes 1 and 2, with no restatements of duplications. As many businesses do not provide this data, the estimate covers 67% of the portfolio and amounted to 0.09 teqCO<sub>2</sub> per thousand euros invested at 31 December 2018.

## Delegated management

CNP Assurances invests in two types of mutual fund: dedicated funds and open funds. These investments involve different ways of implementing the ESG policy.

## Open funds

Before investing in open funds, CNP Assurances submits a due diligence questionnaire to the asset managers addressing their responsible investment commitments, their ESG policy where such a policy exists, speculation on agricultural commodities, exclusion principles relative to controversial weapons producers, and internal

management rules for tax havens and embargoes. The signing of the PRI is addressed as well. The questionnaire was extended in 2017 to include the integration of climate-change issues in the voting policy. CNP Assurances also surveys its partner asset managers every two years on the integration of these principles.

## Dedicated funds

For dedicated funds, the ESG approach is based on the application of CNP Assurances' exclusion principles on countries and securities. The engagement and voting policies are delegated to the asset managers.

For dedicated mutual funds, the integration of transition risk and the consideration, during the investment process, of the contribution to the international target of 2 °C, are realised through the exclusion of securities linked to thermal coal.

**90%** of open mutual fund asset managers subscribe to the PRI

## Real estate

### Investment decision

CNP Assurances entrusts the management of its real estate assets to specialised companies on the basis of strict specifications including environmental respect and security.

Prior to any acquisition, the asset managers present CNP Assurances with a dossier containing a technical, environmental and health-related analysis of the building. This analysis concerns the environmental risks, energy performance (mandatory assessment) and GHG emissions of the building and its status relative to new environmental regulations (green lease, certification, etc.).

This ESG information can be added to if necessary by information from audits, benchmarks, international standards (certification) or other information from external experts.

CNP Assurances asks asset managers to join it in the signing of the charter on the energy efficiency of commercial buildings. At end-2018, 63% of the managers had signed the charter.

## Monitoring investments

The strategy on supporting the EET of real estate assets hinges above all on renovation. CNP Assurance has committed to a 40% reduction in the GHG emissions relating to the energy consumption of its assets between 2006 and 2021 and systematically analyses improvements in energy performance when planning works.

Lastly, to improve the behaviour of users, the administrators of CNP Assurances have incorporated green appendices in all commercial leases for over 2,000 m<sup>2</sup>.

**35%** of the surface area of directly managed real estate assets have obtained certification or accreditation

**5,728** teqCO<sub>2</sub>/year prevented by renovating buildings

## Other assets

### Private equity and infrastructure

CNP Assurances is committed to private equity funds in the eco-energy / eco-industry / clean-tech sector and to direct and indirect investments in renewable energy, sustainable mobility and waste and water treatment assets, in particular via the Meridiam Transition fund.

The company establishes an ESG rating on the basis of due diligence carried out ahead of any investment in a new private equity fund. It rated 14 funds in 2018.

A report on environmental, social and governance aspects is requested when making new investments in infrastructure. In 2018, 65% of the infrastructure funds submitted reports as requested or provided their own reports voluntarily.

### Sovereign and public bonds

The management of sovereign and public bonds held directly is assigned to Ostrum AM and La Banque Postale AM.

CNP Assurances applies governance criteria in its selection of sovereign and public bonds. Countries are excluded from investment universes in accordance with the blacklists of the French government and European Union, as detailed in the ESG risk management section.



STOA, a subsidiary of Caisse des Dépôts and AFD set up in 2017, is an investment vehicle for financing new or existing infrastructure in developing countries.

To that end, it has developed a robust procedure for assessing and monitoring environmental and social risks. The procedure is compliant with the performance standards on environmental and social sustainability of the International Finance Corporation (IFC) and based on a number of the AFD's reference documents.

The fund aims to invest 30% in projects with climate co-benefits.

## ESG risk management

The procedure provides for the assessment of resilience to physical risks stemming from climate change. Projects are analysed from the identification phase, with an assessment both of vulnerability to climate change and of the measures introduced to enhance the resilience of facilities to these vulnerabilities.

The fund's objectives also provide for the prioritisation of projects with the lowest GHG emissions (30% of climate co-benefit projects).

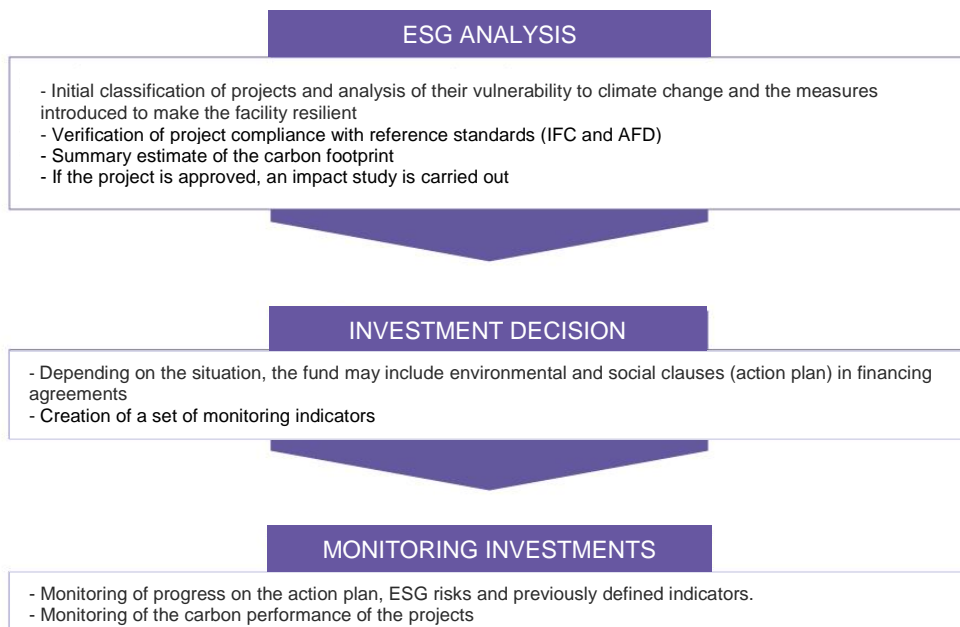
In 2019, STOA will be coordinating more advanced thinking on the exposure of its portfolio to physical and transitions, potentially including an assessment of the issues and the drawing up of general scenarios on external climate events and abrupt transition events, as well as stress tests.

## Investment decision

ESG risks are formally integrated into each project phase. The results of each phase of analysis may constitute an argument used to rule out a project.

Initially, STOA performs an E&S analysis to classify identified projects according to their sensitivity to climate risks and the measures implemented. The results of this analysis are decisive in decision-making.

A second, formally drafted opinion on compliance risks is obligatory before entering any business relationship (notably through an analysis of any differences between the E&S studies and applicable standards).



Consequently, the ESG criteria on which the investment process depends and which can serve to rule out a project are as follows:

In the project identification phase:

- The project's potential GHG emissions (projects with emissions of over 1 MtCO<sub>2</sub> / year are ruled out when located in intermediate or emerging countries)
- The project's incompatibility with the low-carbon / resilience objectives of the country (carbon locking, overly vulnerable) for pollution-emitting projects

In the assessment and decision-making phase:

A major and unreconcilable incompatibility with the IFC's performance standards (major forced displacement of populations, irreversible impact on a protected species, etc.) in the event where no mitigation measures may be contemplated.

For example: an energy infrastructure project was disqualified in 2018 because of the ESG risks it posed. The impact on biodiversity was too great (an endemic species and the entire associated ecosystem would have been affected with no real possibility of mitigation), as was that on the local human populations to be displaced.

**€8.70m** green assets through the acquisition of **2** projects

**2.5** MtonCO<sub>2</sub>eq prevented each year through the two projects funded

## Monitoring investments

Through its E&S action plan, STOA is able to initiate dialogue with project managers and set out the topics and work areas where compliance must be established.

STOA's system provides for negotiations on the governance rules of the project companies and a standard reporting clause on monitoring in the contracts.

The E&S procedure provides for the measurement of the ESG impacts of the portfolio. In the 2018 Business Review, it is based on indicators that can be disclosed and aggregated, including installed renewable capacity, the quantity of CO<sub>2</sub> prevented, the number of direct jobs created, and the amounts generated in the intervention countries through wages and benefits.

### In 2018

E&S and climate risks are analysed across the entire value chain of the identified project according to our E&S and Climate procedure. For example:

- The production and transport of hydroelectric power: An analysis was made of upstream and downstream water impacts, so as to take into account social impacts (subsistence resource assessment) and biodiversity impacts (endemic alga).
- Wind power platform: an analysis was made of collision risks (bird risk) and land appropriation risk.



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## Pensions and Solidarity

With nearly 70 mandates managed, mainly in social protection and occupational training, the Pensions and Solidarity business line brings its clients a global and modular service offering in financial and non-financial management. It provides clients seeking to integrate ESG criteria in their investment decisions with support in the implementation of policies on SRI and the ecology and energy transition.

Ircantec, a supplementary retirement fund for fixed-term contractual employees in the French public sector, is an excellent illustration. The business line manages Ircantec's assets on a delegated basis, for a total of nearly €11 billion at end-2018. It draws up proposals regarding the investment strategy, supports the board of directors in its strategic thinking and is responsible for implementing the investment policy in compliance with the general policy direction ruled on by the board. Pensions and Solidarity has supported Ircantec for several years now in the definition and implementation of a responsible investment approach by advising it and directing it towards investments that reflect its identity and respect its values.

### ESG risk management

Consistent with the Caisse des Dépôts Group's responsible investor strategy, these SRI commitments aim to foster the viable and responsible management of the pension scheme reserves issuing from contributions from the working population.

In addition, to support Ircantec in its commitment to the fight against climate change, and following the exclusion of coal stocks since 2016, in 2018 the business line proposed to the Ircantec board a strategy of targeted and gradual divestment from the fossil fuel sector. It also works with Ircantec on its EET strategy, for example through the launch in 2018 of a dedicated "green bonds" fund and a particularly in-depth assessment of EET aspects as part of the exercise of voting rights at the shareholder meetings of companies in which Ircantec holds a stake.

### Investment decision

Ahead of the investment, a strategy on SRI commitment and integration is established with the pension scheme directors (integration of ESG criteria into the selection of portfolio assets, implementation of a shareholder engagement approach at companies in which Ircantec is invested, etc.). In this respect, the business line can rely on its specialised networks, such as the Investor Network of Caisse des Dépôts, Novethic, asset managers and external providers.

## Monitoring investments

Following the investment, the business line controls and monitors the decisions taken by the directors in order to support them in implementation.

Training and communication programmes are organised to inform and educate pension fund directors and beneficiaries alike. As part of the training plan drawn up to train and support directors relative to their mandates, Pensions and Solidarity has trained new directors on the technical and financial management of Ircantec, financial management systems and SRI (three training modules over three days).

Regarding the control and monitoring of the implementation of investments, the business line follows a special procedure on the monthly monitoring of portfolio performances and risks, underpinned by a wide-ranging and detailed

analysis of each of the portfolios on the basis of data independent from that of the asset managers. Since 2013, the monitoring of the management implemented by asset managers as part of their mandated work for Ircantec has been carried out and structured with the consideration of financial and non-financial aspects alike. The monitoring of overall non-financial performance is supplemented by an external evaluation by a specialised provider, Vigeo Eiris.

**38** management committee meetings held with asset managers

**56/100**: ESG score of Ircantec's consolidated portfolio from Vigeo Eiris



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# Appendices

## Appendix 1: The Principles for Responsible Investment

- Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.
- Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.
- Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.
- Principle 5: We will work together to enhance our effectiveness in implementing the Principles.
- Principle 6: We will each report on our activities and progress towards implementing the Principles.

## Appendix 2: Charter of French public investors for the climate

- Principle 1 - Integration of climate issues in investment decisions: French public investors will implement internal procedures for the assessment and management of risks linked to climate change specific to each operator, fully integrated in their investment policy and their lending decisions.
- Principle 2 - Participate in financing the transition towards a low-carbon economy: French public investors will participate actively in financing the transition to a resilient, low-carbon economy to combat climate change, in accordance with their mandate, their specific restrictions, and subsidiarity with respect to other financiers.
- Principle 3 - Structured dialogue with stakeholders: French public investors will maintain an in-depth and structured dialogue with the companies in which they hold shares, the financial institutions to which they assign mandates or provide refinancing, and the stakeholders to which they grant credit, in

order to encourage these companies, financial institutions and stakeholders to increase their initiatives in favour of the fight against global warming and its effects.

- **Principle 4 - Dissemination of best practices:** French public investors will disseminate their best practices relating to the issues affecting the reduction in climate risks and adaptation to climate change to their peers, the companies and stakeholders to which they provide financing, and other stakeholders that they consider relevant.
- **Principle 5 - Issue of dedicated financial instruments:** French public investors will capitalise on their assets or activities as much as possible in support of the low-carbon transition in conjunction with their financing or refinancing policy and especially, if this method of financing is applicable, by issuing green bonds that comply with the exacting standards set by the market.
- **Principle 6 - Transparency and accountability:** French public investors will undertake to report on the actions undertaken in support of the climate and on the implementation of these principles, as well as the results obtained, by issuing an appropriate document in the public domain.

## Appendix 3: Recommendations by the TCFD

### Governance

- 1.1 Describe the board's oversight of climate-related risks and opportunities.
- 1.2 Describe management's role in assessing and managing risks and opportunities.

### Strategy

- 2.1 Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.
- 2.2 Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.
- 2.3 Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2 °C or lower scenario.

### Risk management

- 3.1 Describe the organisation's processes for identifying and assessing climate-related risks.
- 3.2 Describe the organisation's processes for managing climate-related risks.
- 3.3 Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.

### Metrics and targets

- 4.1 Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.
- 4.2 Publication of scopes 1 and 2, and, if appropriate, scope 3, and the risks incurred.



- 4.3 Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

## Appendix 4: Table of correspondence

### Article 173 - VI of the French Law on Energy Transition for Green Growth

This table of correspondence shows the link between the content of the 2018 Responsible Investment Report and the 2018 Activity and Sustainable Development Report, and the criteria in **article 173 - VI** of the French Law on Energy Transition for Green Growth (TECV). The Principles for Responsible Investment (Appendix 1), the principles of the Charter of French public investors for the climate (Appendix 2), and the recommendations by the Task Force on Climate-Related Financial Disclosure (TCFD) (Appendix 3) are also integrated in this table of correspondence.

Category	Indicator (Art. 173.6)	Section(s) of the 2018 Responsible Investment Report	Section(s) of the 2018 Business Review and Sustainable Development Report (Promoting Responsible Investment)	The Principles for Responsible Investment	Charter of French public investors for the climate
Presentation of the general approach	General approach to integration of ESG criteria in the investment policy and/or risk management policy	<p>1.1 Responsible investment policy</p> <p>1.2 Governance of responsible investor policies (TCFD – 1.1; 1.2)</p> <p>2 Climate strategy (TCFD – 2.1; 2.2; 2.3; 3.1; 3.2; 3.3; 4.1; 4.2; 4.3)</p>	<p>- A cross-cutting policy (TCFD - 1.1; 1.2; 3.1)</p> <p>- Climate commitments strengthened in 2018 (TCFD – 2.3; 3.2; 4.1; 4.3)</p>	Principles 1, 2, 3, 4, 5, 6	Principles 1, 2, 3, 4, 5, 6
	Content, frequency and resources put in place to inform subscribers, members, contributors, beneficiaries or clients of the existence of these criteria	<p>1.3 Extended deployment - review of shareholder engagement (TCFD - 3.1; 3.2)</p> <p>1.4 Transparency and contribution to the dissemination of best practices</p> <p>2.1 Five key climate action areas - shareholder dialogue in favour of the climate (TCFD - 3.1; 3.2)</p> <p>3 Implementation of the policy by business line (TCFD – 2.1; 2.2; 2.3; 3.1; 3.2; 3.3; 4.1; 4.2; 4.3)</p>	- Shareholder dialogue in favour of the climate (TCFD - 3.1)	Principles 1, 2, 3, 4	Principles 1, 2, 3, 4, 6
	Adhesion to a charter, a code, or an initiative, or gaining an ESG certification	1.4 Transparency and contribution to the dissemination of best practices	- Decarbonisation of portfolios	Principles 1, 3, 4, 5, 6	Principles 1, 3, 2, 4, 6
	Internal procedures for identifying ESG risks and the exposure of the activities to these risks	<p>1.1 Responsible investment policy</p> <p>2 Climate strategy (TCFD – 2.1; 2.2; 2.3; 3.1; 3.2; 3.3; 4.1; 4.2; 4.3)</p> <p>3 Implementation of the policy by business line (TCFD – 2.1; 2.2; 2.3; 3.1; 3.2; 3.3; 4.1; 4.2; 4.3)</p>	<p>- A cross-cutting policy (TCFD - 1.1; 1.2; 3.1)</p> <p>- Climate commitments strengthened in 2018 (TCFD – 2.3; 3.2; 4.1; 4.3)</p>	Principles 1, 2, 3, 4, 5, 6	Principles 1, 2, 3, 4, 5, 6

Analysis of implementation	ESG criteria: nature; reasons for choosing these criteria; risks associated with climate change; how these criteria contribute to achieving the objectives of the ecology and energy transition	<p><b>1.1</b> Responsible investment policy</p> <p><b>2</b> Climate strategy (TCFD – 2.1; 2.2; 2.3; 3.1; 3.2; 3.3; 4.1; 4.2; 4.3)</p> <p><b>3</b> Implementation of the policy by business line (TCFD – 2.1; 2.2; 2.3; 3.1; 3.2; 3.3; 4.1; 4.2; 4.3)</p>	- Chapter on promoting responsible investment (TCFD - 1.1; 1.2; 2.3; 3.1; 3.2; 4.1; 4.3)	Principles 1, 2, 3, 4, 5, 6	Principles 1, 2, 3, 4, 5, 6
	Information used in the analysis: financial and non-financial data, internal and external analyses, ratings, other information	<p><b>3</b> Implementation of the policy by business line (TCFD – 2.1; 2.2; 2.3; 3.1; 3.2; 3.3; 4.1; 4.2; 4.3)</p>	- Climate commitments strengthened in 2018 (TCFD – 2.3; 3.2; 4.1; 4.3)	Principles 1, 2	Principles 1, 2, 3, 4, 5, 6
	Methodology and results of the analysis	<p><b>3</b> Implementation of the policy by business line (TCFD – 2.1; 2.2; 2.3; 3.1; 3.2; 3.3; 4.1; 4.2; 4.3)</p>	- Climate commitments strengthened in 2018 (TCFD – 2.3; 3.2; 4.1; 4.3)	Principles 1, 2	Principles 1, 2, 3, 4, 5, 6
Reactions/changes made as a result of the analysis	Integration in the investment policy; consistency with the international objective for the limitation of global warming; indicative targets; consequences of investment or commitment decisions	<p><b>1.3</b> Extended deployment – deployment indicator</p> <p><b>2</b> Climate strategy (TCFD – 2.1; 2.2; 2.3; 3.1; 3.2; 3.3; 4.1; 4.2; 4.3)</p> <p><b>3</b> Implementation of the policy by business line (TCFD – 2.1; 2.2; 2.3; 3.1; 3.2; 3.3; 4.1; 4.2; 4.3)</p>	<p>- Diversified investments</p> <p>- Climate commitments strengthened in 2018 (TCFD – 2.3; 3.2; 4.1; 4.3)</p>	Principles 1, 2, 3, 4	Principles 1, 2, 3, 4, 5, 6
	Engagement strategy: engagement policies with respect to issuers and management companies if applicable, and review of these policies	<p><b>1.3</b> Extended deployment – deployment indicator</p> <p><b>2.1</b> Five key climate action areas - shareholder dialogue in favour of the climate (TCFD - 3.1; 3.2)</p> <p><b>3</b> Implementation of the policy by business line (TCFD – 2.1; 2.2; 2.3; 3.1; 3.2; 3.3; 4.1; 4.2; 4.3)</p>	<p>- A cross-cutting policy (TCFD - 1.1; 1.2; 3.1)</p> <p>- Shareholder dialogue in favour of the climate (TCFD - 3.1)</p>	Principles 1, 2, 3, 4	Principles 1, 2, 3, 4, 5, 6



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