



# Responsible Investment Report 2019





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## Editorial

The year 2019 was marked by a growing integration of the need to achieve a climate and environmental transition. The Group has thus developed a strategy to position itself as the French 'climate bank', committed to achieving carbon neutrality by 2050 as defined by the IPCC and the French national low-carbon strategy. This goal is reflected in the creation of the Net-Zero Asset Owner Alliance, committing us, along with other major global investors, to align the management of our investment portfolios with this objective. It is also reflected in the expansion of initiatives by the Banque des Territoires and Bpifrance to support the transition of regions and businesses.

Our financial profitability cannot be the only criterion for funding our economy. It must go hand in hand with impact on society. Caisse des Dépôts' role is to direct all its investments towards a more sustainable society. Integrating the Sustainable Development Goals into the decisions made by all our financial business lines aims to contribute to an inclusive economic recovery plan that accelerates the transition to a low-carbon world, the urgent need of which has been highlighted by the current health crisis. In 2020 and 2021, the Group will thus implement its new mission: **To operate in all regions for social cohesion and sustainable development.**

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# Introduction

## Serving the public interest

Responsible investment is central to the mission of the Caisse des Dépôts Group, which is defined by French law as 'a state-owned group serving the general interest and the country's economic development.

This identity is reflected in the conception of long-term plural value creation, which includes, in equal measure:

- **Financial value:** the security of deposits entrusted to it, long-term return on its portfolio, recurring revenues;
- **Intangible value:** the preservation of the confidence that the Group inspires in its beneficiaries and partners, including at regional level;
- **Societal value:** the impact of its activities on society and the environment, and meeting the needs of the end beneficiaries that define its strategic priorities.

## 100% responsible investments

Consistent with this identity, the Group, as a long-term investor, is applying itself to understanding the opportunities and risks of its potential and realised investments, with the aim of making investments that are 100% responsible.

This approach is part of a dynamic of continuous development that is shared with its various business lines: asset management, Banque des Territoires, management of strategic holdings in the financial sector (CNP

Assurances<sup>1</sup> and STOA<sup>2</sup>), funding and supporting French businesses through Bpifrance, and pension management.

## Transparency standards

The Group accounts for its responsible Investment policy in its Business [Review and Sustainable Development Report](#) and its [website](#).

**The details of this policy, its developments and its implementation are presented in this Responsible Investment Report, meeting the transparency requirements defined by the French Law on Energy Transition for Green Growth.** Appendix 4 provides a summary view of the link between the content of this report and the criteria for applying Article 173-VI.

Also presented in the Business Review and Sustainable Development Report in voluntary compliance with the EU NFR directive. In 2019, 26 significant risks were identified in the declaration and are the subject of a reporting, including three relating to responsible investment and a more global one with respect to the energy and environmental transition, to which the Responsible Investment Policy contributes. This year, these risks are tracked by nine indicators.<sup>3</sup>

This report also aims to implement the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) on reporting risks linked to climate change.

<sup>1</sup> Insurance company

<sup>2</sup> Investment subsidiary of Caisse des Dépôts and the French Development Agency (FDA) that finances infrastructure in developing countries.

<sup>3</sup> These nine indicators make it possible to monitor the following types of risk: 'ESG Integration', 'Shareholder Engagement', 'Strategic Holdings and Subsidiaries Management' and 'Ecology and Energy Transition'. The indicators, which are audited by external auditors before publication, are: the amount accumulated of green financing, the decrease in carbon footprint on three

portfolios (listed equities, corporate bonds, property investments), the implementation rate of the responsible investment charter on three points (documented integration of ESG data in investment decisions, quantity and quality of ESG information collection and analysis, quantity and quality of shareholder dialogue on ESG issues), certain portfolio companies having been the subject of shareholder dialogue on climate matters and the level of participation of Caisse des Dépôts representatives on the Board of Directors of listed and unlisted subsidiaries and strategic holdings.

# Four Highlights of the Year

## Incorporation of SDGs in strategic management

Since 2019, the Group has been restructuring its sustainable policy around the United Nations Sustainable Development Goals (SDGs), to allow the Board of Directors to evaluate and direct the contribution of each of its business lines, in compliance with the Group's mission, 'to operate in all regions for social cohesion and sustainable development'.

A cross-business task force, commissioned by the Executive Committee, has thus been given responsibility for:

- Assessing **priority and significant SDGs**<sup>4</sup> at the level of each Group entity, and defining action plans for each entity to improve its positive and negative impacts on these SDGs (phase 1 – finalised mid-2019);
- Integrating these plans into **strategic and financial planning**, and setting up monitoring indicators (phase 2 – finalised in early 2020);
- Defining **quantitative targets** linked to these action plans (phase 3 – in progress).

These action plans apply to the different financial business lines, galvanising the Responsible Investment Policy by defining areas of progress and associated indicators, in particular relating to:

- Increasing funding contributing directly to achieving the SDGs;
- Reinforcing the integration of SDGs in investment decisions;
- Increasing shareholder engagement to encourage companies and communities to develop their own contributions to achieving the SDGs;
- Restrict financings to activities that have a negative impact on the achievement of these goals.

This process was carried out in a 'bottom-up' process with the different financial business lines, to reflect their specific missions and the ways in which they work. The conclusions of each phase are discussed and validated by the Executive Committee. The Group governance is thus highly involved in this transformation.



<sup>4</sup> Priority SDGs are those that require strategic steering to ensure an increased contribution. Significant SDGs require monitoring to prevent negative impacts.

## Green transition survey

Stepping up shareholder dialogue to improve the environmental impact of companies is part of the Group action plan for SDG goals 13 (Climate Action) and 9 (Industry, Innovation, and Infrastructure).

The Caisse des Dépôts Group therefore carried out a large-scale corporate survey in 2019 of the listed companies<sup>5</sup> in its portfolio that are most exposed to climate-related risks and opportunities – 73 companies, mainly European – and questioned them on their exposure and strategic resilience in the face of these risks.

The respondent companies represent

**73.2%**

of the carbon footprint of the (listed) shares and bonds in the Group's portfolios.

44 companies responded to the survey, leading to the following conclusions:<sup>6</sup>

- One third of the companies reported publishing an analysis of the transition risk.  
**For the Group: encourage other companies to produce and disclose such an analysis.**
- More than 50% of companies have adopted an evaluation method to assess the alignment of their climate goals with the Paris Agreement.  
**For the Group: encourage all companies to test one of these methods when it exists for their sectors, to participate in developing such when it does not, and to publish its main hypotheses and results.**
- 100% of utilities companies have declared that their coal-based electricity production/cogeneration will be close to 0 by 2050, but with targets set between 2030 and 2050, or with no communicated target.  
**For the Group: encourage companies to set a public target to eliminate coal-based electricity production by 2030 in the OECD, and by 2050 in the rest of the world. In 2021 it revised this target to seek a phase out by 2040 in non-OECD countries.**

- More than two thirds of the companies have identified legal, reputational or market environmental risks besides emissions.  
**For the Group: encourage companies to step up their corporate communications on their exposure and the management of their environmental impacts.**
- More than one third of the companies reported being exposed to risks of deforestation.  
**For the Group: encourage companies to take measures against deforestation.**
- Only 8% of companies have a carbon price in line with scientific price recommendations that allow global warming to be limited to less than 2°C.  
**Caisse des Dépôts calls on states to set up direct or indirect pricing mechanisms for GHG emissions in line with scientific recommendations.**
- 64% of companies have dialogued with their investors concerning their transition risk, and indicate that this has led to them improving their transparency and has influenced their decision-making.  
**For the Group: step up shareholder dialogue and back it up with the voting policy at General Meetings.**

More than **50%** of the portfolio companies that may be exposed to climate-related risk have adopted an evaluation method to assess the alignment of their climate goals with the Paris Agreement.

<sup>5</sup> Listed equities and fixed income

<sup>6</sup> All conclusions are based on feedback from participating companies only.

## Towards carbon neutrality

The Group has been committed to reducing the carbon footprint of its portfolios for many years. Faced with the continuous rise in temperatures, it has revised its ambition and **is now aiming for carbon neutrality by 2050, in order to limit global warming to 1.5°C.**

Caisse des Dépôts is a founding member of the Net-Zero Asset Owner Alliance (AOA), launched in late 2019 at the United Nations Climate Action Summit. The Alliance was notably joined by CNP Assurances and the French Pension Reserve Fund, and in 2020 represents more than \$4,000bn in assets under management.

This initiative brings together international institutional investors with a common goal: to reinforce and accelerate commitment to the implementation of the Paris Agreement.

To this end, the signatories undertake to ensure the transition of their investment portfolios to achieve carbon neutrality by 2050. In this context, the members of the alliance will consider advances in available scientific knowledge and will report on the progress made by setting regular intermediate targets for the decarbonisation of their portfolios.

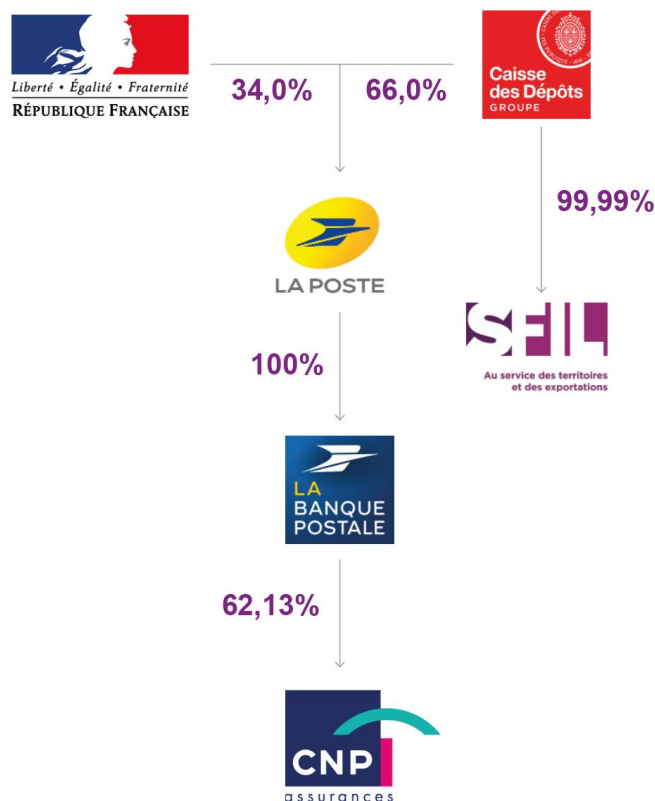
Caisse des Dépôts thus undertakes to set itself targets, by early 2021, every five years, with the first results presented in 2023. To achieve these results, it will rely chiefly on regular engagement with companies to encourage them to set up a transition strategy to enable this target of carbon neutrality to be achieved.

## Merger with La Poste

Introduced in June 2018, the merger between the Caisse des Dépôts and La Poste Group (French postal services) will **strengthen regional cohesion and reduce inequalities** across France.

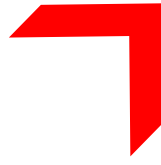
Following this merger, the Caisse des Dépôts Group will own 66% of the La Poste Group, giving rise in early 2020 to a major public financial hub that will include La Banque Postale, CNP Assurances and SFIL<sup>7</sup> specialising chiefly in funding of the local public sector.

As this Responsible Investment Report relates to the year 2019, La Banque Postale and SFIL are not consolidated here, but CNP Assurances' responsible investor policy is integrated.



Target diagram for 2020 merger

<sup>7</sup>SFIL's integration process is planned for 2020 and is not yet effective.



**01**

**Policies and  
Governance**

# Responsible Investment Policy

1.1

## A long-term investment strategy

Caisse des Dépôts leads a prudent, long-term and countercyclical asset management policy. It is defined in multi-year financial planning (strategic allocation) and stated in the annual investment programmes. It provides for:

- Long-term holdings;
- The exclusion of certain types of products and instruments (e.g. hedge funds);
- The limited use of derivatives for hedging purposes;
- Non-speculative situations.

The Responsible Investment Policy is part of this long-term investment strategy.

## A Group-wide charter

The Caisse des Dépôts Group adopted a Responsible Investment Charter as early as 2012, which sets out the main principles **guiding the management of its financial portfolios and its investments in companies and regions**. It defines three complementary principles in order to implement the Group's vision of sustainable funding in its investment process:

1. **The analysis and integration** of environmental, social and governance (ESG) criteria in all investment decisions;

2. **The monitoring** of investments, in particular through continuous dialogue with company directors and voting at General Meetings to promote ESG best practices;
3. **The exclusion** of asset whose activities or management do not meet the fundamental principles contained in the treaties and conventions ratified by France.

Regularly updated by the Group's Board of Directors, the Responsible Investment Charter is designed to cover all investment business lines.

Certain issues that are priority for all portfolios have also been studied in depth, resulting in thematic policies. These principles, combined with the Investment Charter, constitute Caisse des Dépôts' Responsible Investor Policy:

## Governance principles

The governance principles of listed companies define Caisse des Dépôts' position when it fulfils its shareholder responsibilities in voting at General Meetings. A document further detailing the main voting lines applied by Caisse des Dépôts is now also available online.

### Caisse des Dépôts always exercise its voting rights

These principles also serve as the basis for dialogue with French and foreign listed companies in which Caisse des Dépôts is invested, and with other stakeholders such as market authorities.



## Exclusion principles

The Group strives to prevent financial, legal and reputational risks that might arise from investments in jurisdictions that are recognised as being poorly regulated, non-transparent or non-cooperative in the areas of tax fraud, money laundering and terrorism funding.

Caisse des Dépôts has adopted a list prohibiting it from operating in the countries on the French list of non-cooperative states and territories established by the French Ministry of Finance and the Economy, as well as in jurisdictions against which the Financial Action Task Force (FATF) has called for countermeasures to protect the international financial system.

**These normative exclusion principles apply to all assets** managed directly and are gradually being extended to those managed indirectly (capital investment funds, index funds, etc.).

Added to them are **sector-specific exclusions**:

- Anti-personnel mines and cluster bombs;
- Tobacco;
- Thermal coal, whose exclusion has been further reinforced this year (see p.26).

## Climate and environmental commitments

Key challenges for society, the climate change emergency and exponential damage to biodiversity are having a growing impact on the lives of citizens and companies, as well as on all the regions whose resilience is being tested. Globally, they are affecting the stability of the ecological, economic, financial and socio-political systems, which are interdependent.

In 2017, the Group committed itself to a 2°C strategy. In 2019, it raised the bar by gradually increasing the resilience of all its asset portfolios and by embarking on an initiative to achieve a fully carbon-free allocation by 2050.

To this end, a new Group climate policy has been published and is beginning to reinforce these commitments, which will be continued in 2020. To aid in this endeavour, multidisciplinary working groups are regularly convened to implement and reinforce action plans in their respective business lines.

The results of the climate policy are presented in the second part of this report.

[Consult the website for further information on responsible investment principles and policies](#)



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## Diversified business lines

The Caisse des Dépôts Group's five business lines apply this responsible investor policy in accordance with their corporate purpose and the different asset classes they manage.

## Asset management

Asset management is a key contributor to the Group's results, providing it with the financial means to fulfil its general-interest missions.

This business line is comprised of Caisse des Dépôts financial investments department and three subsidiaries:

- CDC Croissance, equity fund manager, supporting the growth of small and medium-sized businesses over the long term;
- Société Forestière, manager of private forest assets, offering its clients sustainable management of their assets;
- CDC Investissement immobilier, manager of the real estate investments portfolio.

The investment portfolios (listed and unlisted equities, bonds, real estate, monetary assets, woodlands) are managed<sup>8</sup> with a long-term perspective, and for the most part are directly and actively managed. ESG issues are incorporated into the management process of all of these portfolios, with the goal of systematically analysing those that are most relevant to these respective activities.

Regarding climate in particular, the asset management strategy is based on the Group climate policy (see p.20), with commitments relating to:

- The exclusion of thermal coal;
- Shareholder engagement;
- Reducing portfolio carbon footprint.

## Banque des Territoires

It makes minority investments in projects, assets and companies that contribute to the sustainable development of regions and reducing inequalities: real estate, infrastructures, local public enterprises, social economy companies and dedicated investment funds.

The Banque des Territoires' intervention policy sets out the procedures for intervention across all its business activities.

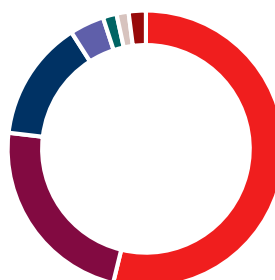
### Caisse des Dépôts' investment assets under management at the end of 2019

*The financial business lines invest in diversified assets, more than 99% of which are in developed markets.*

*Asset management presents an overall turnover rate of its portfolios at 5.9%.*

*In the interests of readability and comparability, the value of Bpifrance and of the subsidiaries and strategic holdings are not included in this graph (with the exception of STOA), although the RI charter also applies to them.*

- Sovereign bonds - 54%
- Listed equities - 23%
- Corporate bonds- 14%
- Real estate - 4%
- Infrastructure - 2%
- Private equity - 1%
- Other assets - 2%



<sup>8</sup>In the case of Caisse des Dépôts' own account and the regulated savings management mandates entrusted

A 2019–2024 medium-term plan and its non-financial section completes this policy, defining the different departments' objectives and funding targets in order to manage the evolution of portfolios and measure their externalities.

The progressive operational deployment of a new scoring tool for new investment projects, designed to provide a global *ex-ante* view of the project (strategic alignment, financial performance, risk assessment, non-financial externalities) and its ESG features, will also make it possible to take into account the sustainable development dimension when making decisions on new investments.

## Bpifrance

The Banque publique d'investissement (Public Investment Bank) is the subsidiary, jointly owned by the State and Caisse des Dépôts, dedicated to the funding and development of French companies, in particular through supporting their international development.

In this mission, Bpifrance invests in minority shareholdings, directly and in funds of funds, in businesses of all sizes. The main objective of its responsible investment approach is to help

companies to develop a corporate social responsibility (CSR) policy tailored to their stage of development.

In addition, it applies the sector-specific and standard exclusions established by the Group.

## Strategic shareholdings management

This business line oversees acquisitions, transfers and management of Caisse des Dépôts' subsidiaries and strategic holdings. The business line supports their development in compliance with the shareholding policy based on three criteria: the long-term interest of companies and their stakeholders, Caisse des Dépôts' equity-related interest and the general interest.

Amongst the strategic portfolio, two financial institutions have an important financial activity and are therefore falling within the Group's Responsible Investment Policy. These are CNP Assurances and STOA (specialises in long-term investment in infrastructure and energy projects in developing countries).

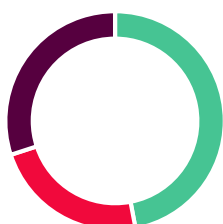
## Pensions and solidarity

The Pensions and Solidarity division offers its clients a global and flexible range of financial and non-financial management services.

In particular, it offers clients wishing to incorporate ESG criteria into their investment decisions support in the implementation of policies related to responsible investment and ecology and energy transition (EET). This is notably the case with the Ircantec supplementary pension scheme.

### Bpifrance's investment outstanding amount at the end of 2019

- Listed equity – 47%
- Direct private equity - 23%
- Indirect private equity - 30%



# Governance

1.2

## Integration and monitoring

The Group's governance bodies – the Executive Committee and the Supervisory Board – oversee and approve the development of the Group's Responsible Investment Policy.

These deliberations are prepared, via the 'responsible investors network', a dedicated information-and coordinating body, made up of the heads of the investment teams, support functions and ESG specialists. The Group Finance Director, who oversees the Sustainable Policy department, which coordinates the Responsible Investment Policy and hosts this network, is responsible for presenting the work to the Executive Committee.

In 2019, a new step was taken in incorporating ESG issues into the Group's management control systems by including them in the formulation of Caisse des Dépôts risk appetite framework.

In addition, the annual strategic goals of entities, in terms of responsible investment, are translated into the annual targets of the managers and, where appropriate, teams, since responsible investment is an integral part of the investment process. Caisse des Dépôts thus defines collective and individual ESG targets for the majority of its managers, reflected in their variable remuneration.

## Training courses

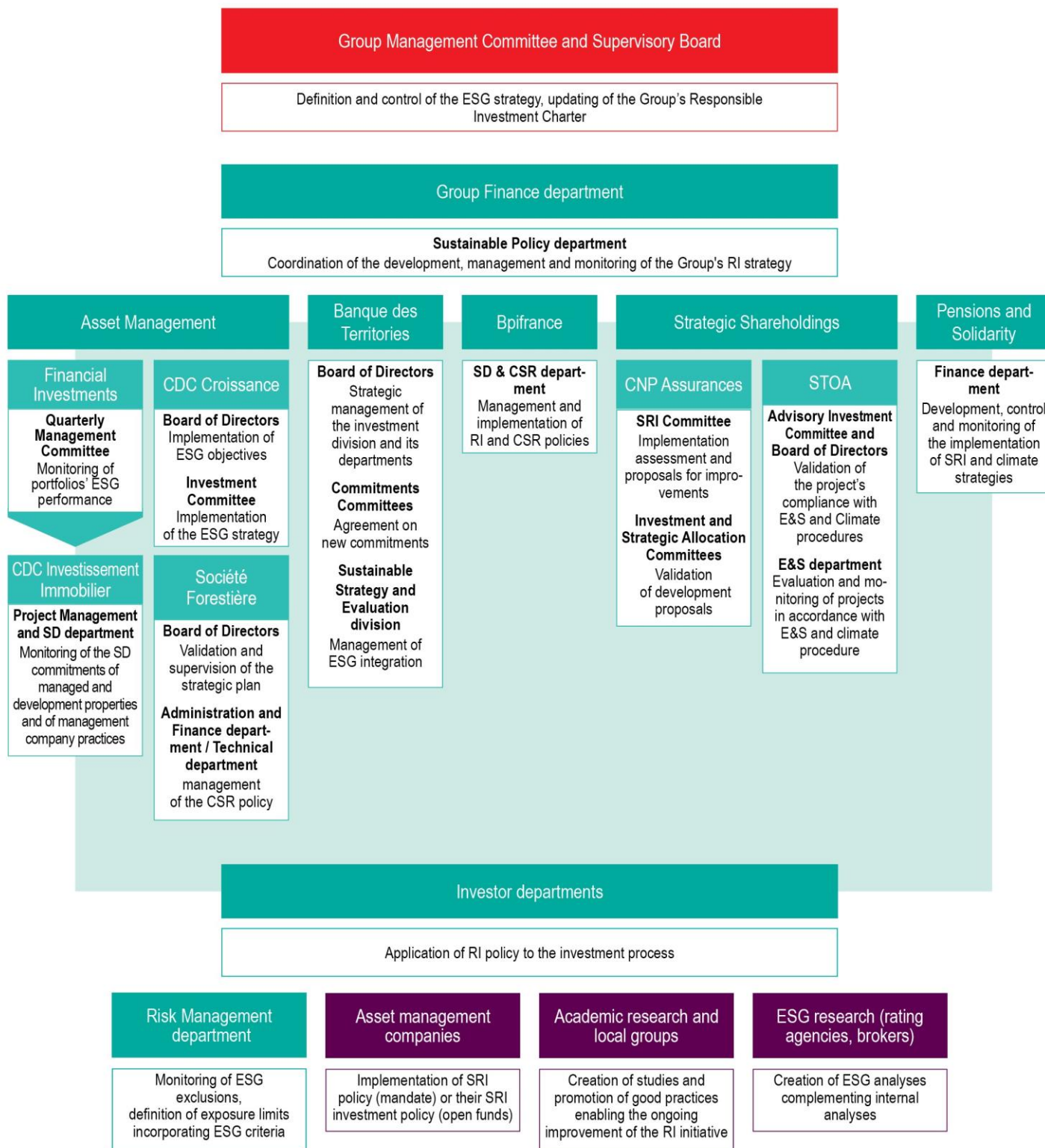
Training these investment teams in developing and implementing this policy is a key success factor.

Training courses devoted to responsible investment are offered to them on an ongoing basis as well as in support of the development of the RI policy. In 2019, more than 90% of Caisse des Dépôts' investments managers received training on SDGs by Novethic.<sup>9</sup> In 2020, the focus will be on biodiversity issues, in support of the formulation and implementation of the Group's biodiversity action plan.

Within Bpifrance, online training is offered to all investment teams, in order to familiarise them with the ESG analysis tool which enables them to identify risks and assess a company before investing.

These training courses complement the e-learning climate program for directors representing the Group in investee companies of all sizes, undertaken each year by around a hundred employees, notably those representing Bpifrance.

<sup>9</sup> Online media for sustainable development and financial products certified according to ESG criteria, a subsidiary of Caisse des Dépôts.



## Implementation metrics

Year after year, the Group evaluates the deployment of its Responsible Investment Policy using indicators to monitor the implementation, by its different teams, of its underlying operational processes.

The deployment of the RI policy is thus evaluated by and for each team based on predefined criteria in three categories – ESG commitments, implementation of the RI policy, and team mobilisation – which are rated and then consolidated. A 100% assessment means that the various investment management teams working on an asset class ensure the complete implementation of the RI policy.

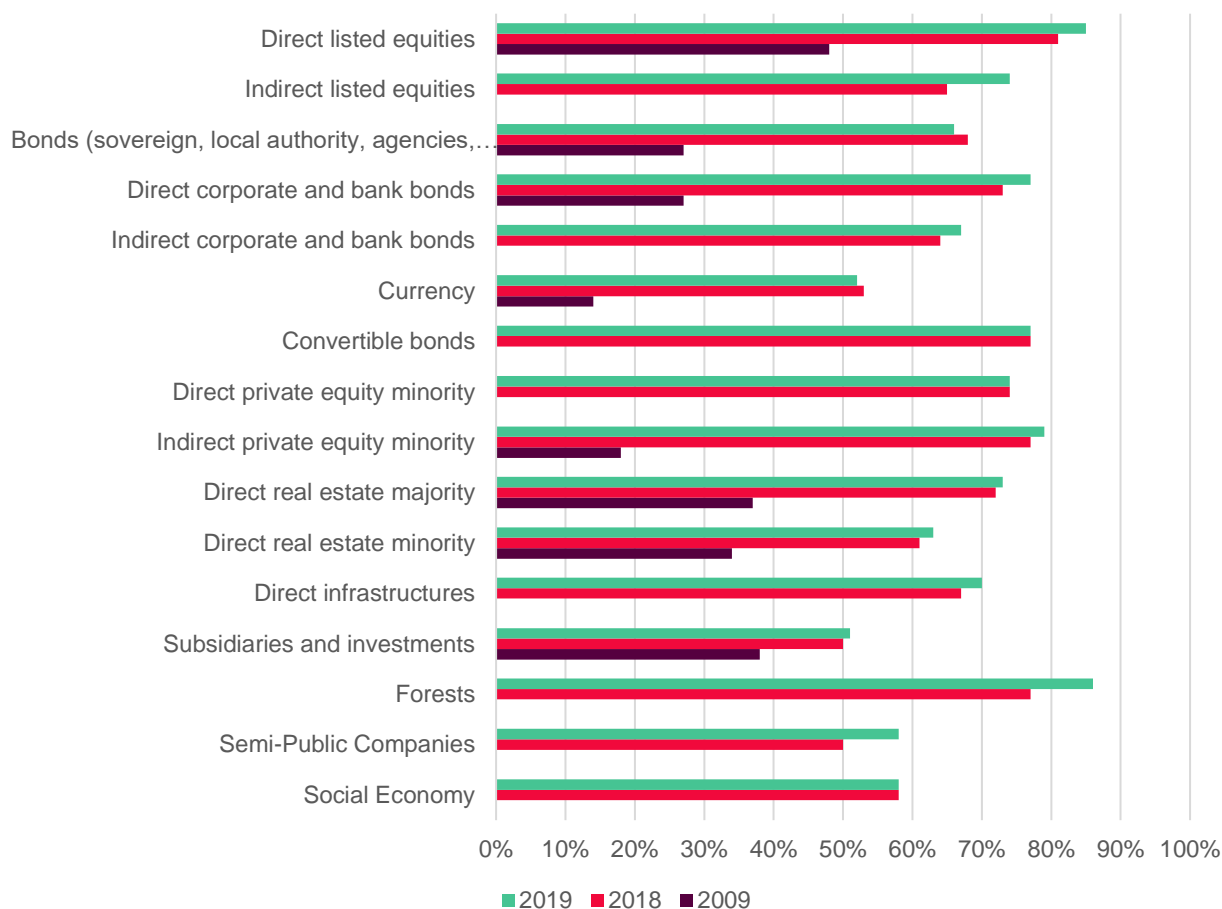
In 2019, the commitment to carbon neutrality via the AOA initiative strengthened **climate**

**commitments for directly managed listed asset classes. Integration of investment management teams in the development of the Group's SDG action plan**, with training on this subject, has also led to an increased operational mobilisation.

In terms of implementation, investment teams have consolidated their approach for selecting and tracking funds invested in listed assets, via a new ESG due diligence framework, associated to a formal rating, and an exclusion threshold below a minimum score.

The decline in sovereign bonds is explained by less mobilisation than in the previous year and by a tightening up of the indicator's rating scale.

### The evolution, 2009–2019, of the deployment indicator of the Group's Responsible Investment Charter



# Commitments to stakeholders

# 1.3

## Being transparent

The Group is striving to ensure transparency on its investments policies with its subscribers and partners.

In addition to the Group's Business Review and Sustainable Development Report and its supplements, Caisse des Dépôts Savings Fund annual report is dedicated to the management of regulated savings.

Investor subsidiaries publish their responsible investor policies online on their respective websites and reports.

For example, CNP Assurances has chosen, since 2011, to inform its policyholders in its annual report of the incorporation of ESG criteria into its asset management. In 2019, more than 11 million letters to policyholders mention CNP Assurances' adherence to the Global Compact and its responsible investor policy.

As asset managers, CDC Croissance and Société Forestière also provide their investors with ESG reporting at least once a year and on demand. The sustainable woodlands management charter of Société Forestière is part of the management agreement with its clients.

### Annual institutional reports treating ESG issues

Caisse des Dépôts Group	Bpifrance	CNP Assurances	STOA
<ul style="list-style-type: none"> <li>- Business Review and Sustainable Development Report and supplement</li> <li>- Responsible Investment report (Article 173.6 of the TECV Law)</li> <li>- Savings Funds report.</li> <li>- PRI transparency report</li> </ul>	Annual reports: <ul style="list-style-type: none"> <li>- Bpifrance investissement</li> <li>- Bpifrance Participations Bpifrance SA</li> <li>- PRI transparency report</li> <li>- Responsible investor policy</li> </ul>	<ul style="list-style-type: none"> <li>- RSE review</li> <li>- Responsible Investment Report (Article 173.6 of the TECV Law)</li> <li>- PRI transparency report</li> </ul>	ESG report and impact <sup>10</sup>
<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>	<a href="http://www.stoainfraenergy.com/en">www.stoainfraenergy.com/en</a>

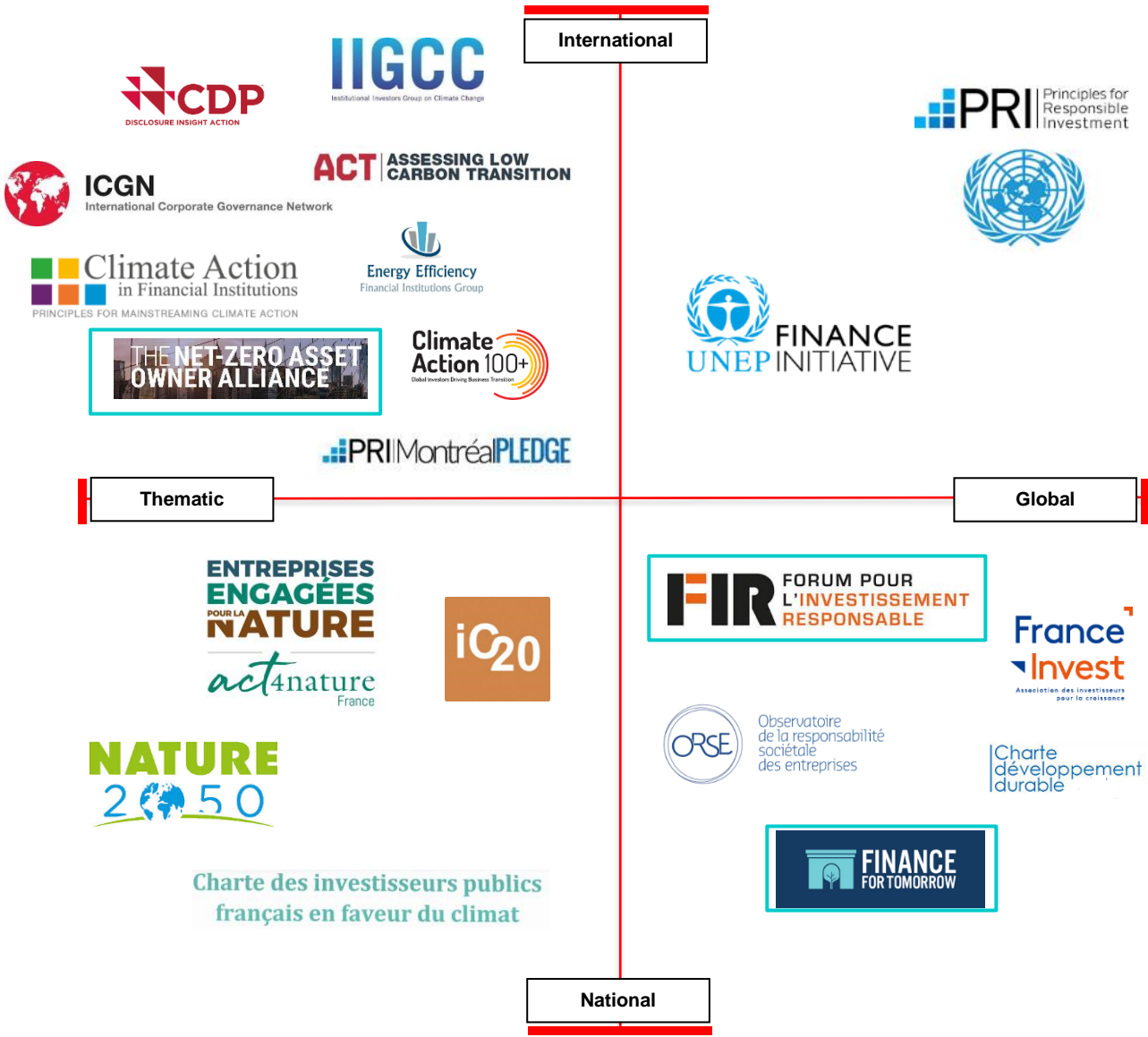
<sup>10</sup><https://www.stoainfraenergy.com/en/esg-impact-report-2020/>

# Playing an active role in promoting sustainable finance

Caisse des Dépôts is one of the founding members of the Principles for Responsible Investment (PRI), a UN-backed initiative whose signatories undertake to incorporate ESG issues into their investment decisions. It encourages its subsidiaries and shareholdings, as well as each of its financial subsidiaries, to adhere to it and to carry out

detailed annual reporting on the implementation of these principles.

Caisse des Dépôts and its subsidiaries are also members of, or support, many other collaborative national and international initiatives promoting more sustainable finance:



Boxed initiatives are those where a Group member contributes to their governance



## Promoting responsible practices

The diversity of the Group's business lines enables it to operate from a local to an international level, with national and international initiatives but also with local and regional authorities.

### Internationally:

The Group is very active within the Principles for Responsible Investment (PRI) international network. In 2019 it was involved in:

- An engagement initiative opposing deforestation and forest fires in the Amazon;
- participating in various committees charged with studying the incorporation of SDGs in infrastructures, revising the PRI reporting, and promoting ESG integration in credit ratings;
- systematically encouraging asset managers to become signatories of the PRI.

This year, the mobilisation of STOA also resulted in the signing of the IFC's Operating Principles for Impact Management, and its participation in the Climate Action in Financial Institutions initiative.

### In Europe:

The Europe division promotes the Group's positions on European initiatives relating to sustainable finance and facilitates group access to European funding for ecology and energy transition projects.

It coordinates an internal working group that discusses all sustainable funding-related European initiatives and prepares the Group's positions. In 2019, the Group responded notably to the consultations on the European taxonomy of sustainable activities, the updating of the guidelines relating to implementation of the NFRD<sup>11</sup> and on short-termism in financial markets.

The Group uses various levers to promote its positions on these subjects at European level:

<sup>11</sup>For more information on the Group's NFRD, see its Business Review and Sustainable Development Report.

in addition to its relations with French authorities handling European issues, the European Commission, the European Parliament and civil society, it actively share its positions with its European counterparts and with the European Long-Term Investors Association (ELTI), which it currently chairs.

Finally, the Group mobilises European funding for ecology and energy transition. It is already involved in multiple initiatives and is preparing for the deployment in France of the future European investment programme, InvestEU. To this end, it helps design financial instruments to support ecology and energy transition that will benefit from this programme. It is also participating in the formulation of sustainability analysis procedures for projects that will receive funding.

### In France:

- Caisse des Dépôts and Bpifrance participation in the work of the ESG Commission – France Invest (updating the annual ESG report common to the main French LPs);
- Af2i Responsible Investment Committee chaired by a director of Caisse des Dépôts;
- Vice-presidency of the French SIF (Sustainable Investment Forum) and co-leadership of a SIF working group on the incorporation of ESG issues in asset allocation;
- Participation in industry initiatives on the contribution of woodlands and forests and their evolution with regard to sustainable development;
- Member of the 2019 jury for the European research prize rewarding the best European research in the field of finance and sustainable development;
- Continuous promotion of responsible practices via the platform [Novethic](#), an expert in sustainable finance and a reference medium in the field of sustainable development.

## In French regions:

- Involvement in external reflections on impact investing in the social and regional innovation sector (open tools, partnerships, etc.);
- Supporting the state and local authorities with inclusive digital technology, real estate with better energy and environmental performance, innovative and sustainable transport, increased renewable energy production capacity, and
- Support for social economy companies and associative networks;
- Support for regional development projects, including via the system of Contrats de Transition Ecologique (environmental transition contracts)/post-coal territories with the participation of local authorities and other partners (French Environment Agency);
- Development of a number of tools made available to local public enterprises to help them develop a CSR strategy.

## Influential sustainable finance studies

Novethic, a subsidiary of the Caisse des Dépôts Group, and I4CE, an association supported by the latter, are actively involved in publishing studies, on a French and European scale and often in partnership with other institutions, on sustainable development and responsible investment. Notably, in 2019:

### Novethic:

- Two studies<sup>12</sup> analysing investors' approach to SDG inclusion;
- A survey of the **sustainable investment funds market** in 2019;
- **173 Shades of Reporting, Season III, Climate Spin-off**: the third edition of its analysis of climate reports and the ESG of the major French corporate investors;
- **Europe: Promising Trends in Unlisted Green Funds**, presenting, with ADEME, the results of a study that quantifies the amounts invested in green assets by more than 200 European funds.

### I4CE – Institute for Climate Economics:

- **Tracking Investment into Energy Transition in Germany and France**, which compares methodologies and investments by the two countries;
- **Towards an Alternative Approach in Finance to Climate Risks: Taking Uncertainties Fully into Account** is a study proposing a basis for discussions on alternative financial decision-making tools to accommodate the uncertainties of climate risks;
- **Landscape of Climate Finance in France – 2019 Edition**, which assesses the current situation regarding the investments made by public authorities, households and businesses in support of the climate;
- **A Framework for Alignment with the Paris Agreement: Why, What and How for Financial Institutions?** A project undertaken in association with the think tank Climate Policy Initiative, this document provides a framework for financial institutions seeking to align their strategies and businesses with the Paris Agreement;
- **Domestic Landscape of Climate Finance: Why Systemic Approach to Climate Finance Matters?** In this policy brief, WiseEuropa, New Climate Institute and I4CE present a survey of the way in which systematic tracking of these flows can help governments and other stakeholders, through quantitative data, assess progress made towards achieving national climate goals.

<sup>12</sup>[https://www.novethic.fr/fileadmin//user\\_upload/tx\\_ausynovethicetudes/pdf\\_complets/Novethic-ODD-un\\_rendez-vous\\_manqu%C3%A9\\_entre\\_entreprises\\_et\\_investisseurs-2019.pdf](https://www.novethic.fr/fileadmin//user_upload/tx_ausynovethicetudes/pdf_complets/Novethic-ODD-un_rendez-vous_manqu%C3%A9_entre_entreprises_et_investisseurs-2019.pdf),

[https://www.novethic.fr/fileadmin//user\\_upload/tx\\_ausynovethicetudes/pdf\\_complets/Novethic-ODD-nouveau\\_r%C3%A9f%C3%A9rentiel\\_pour\\_les\\_investisseurs\\_institutionnels\\_engag%C3%A9s-2019.pdf](https://www.novethic.fr/fileadmin//user_upload/tx_ausynovethicetudes/pdf_complets/Novethic-ODD-nouveau_r%C3%A9f%C3%A9rentiel_pour_les_investisseurs_institutionnels_engag%C3%A9s-2019.pdf)

## Corporate engagement

### Bilateral meetings

Investment managers systematically address ESG subjects in their meetings with executives of listed companies in order to encourage progress in these areas. With unlisted companies, supported chiefly by Bpifrance, these discussions are fuelled by the results of annual ESG surveys carried out directly with the companies or via external LPs.

**67** targeted meetings (54 in 2018) were conducted with the aim of preparing General Meetings

**85%** of listed companies in the Caisse des Dépôts portfolios were directly engaged on an ESG issue (climate trajectory, social challenges in supply chains, etc.)

### Voting

In addition to engaging in dialogue with company management, Caisse des Dépôts and Bpifrance systematically exercise their right to vote at the General Meetings of their portfolio companies, and oppose resolutions that go against their governance principles. They can thus vote in favour of external resolutions, not supported by a company's Board of Directors, if these resolutions comply with the voting principles and strategic priorities. To facilitate this dialogue, a document explaining to stakeholders the [key features of voting policy](#) applied by the Caisse des Dépôts was published in 2019.

Caisse des Dépôts' position on each resolution was defined following an internal analysis of these resolutions in the light of a voting guide setting the detailed rules to be applied. This guide was established according to market standards and expert recommendations and is updated annually.

## 2019 outcomes

Caisse des Dépôts annually reviews and updates its entire voting policy. In 2019, the main changes concerned:

- Consolidation of requirements regarding the independence rate of boards;
- An increase in the minimum number of women participating on boards from 20% to 30%;
- Clarification on the rules governing board members' availability (holding multiple offices, minimum attendance rate of 75%);
- Revision of the rules governing variable remuneration ceilings and the framework for special remuneration;
- Consolidation of the rules governing non-compete clauses;
- Revision of the rules governing external resolutions, with extending support for environmental resolutions.

If engagement performed, either through informal dialogue or through the formalised voting process proves unfruitful, the decision to disinvest may be taken.

For all the voting results, see the dedicated [2019 voting report \(in French\)](#)

### 19,818 resolutions voted

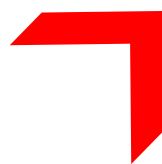
- In favour - 81%
- Against - 18%
- Abstentions - 1%



### Breakdown of votes against

- Composition of the Board - 37%
- Remuneration - 29%
- Capital transactions - 12%
- External auditor - 9%
- Other - 13%





02

**Climate Strategy**

# Results of climate action by financial business lines

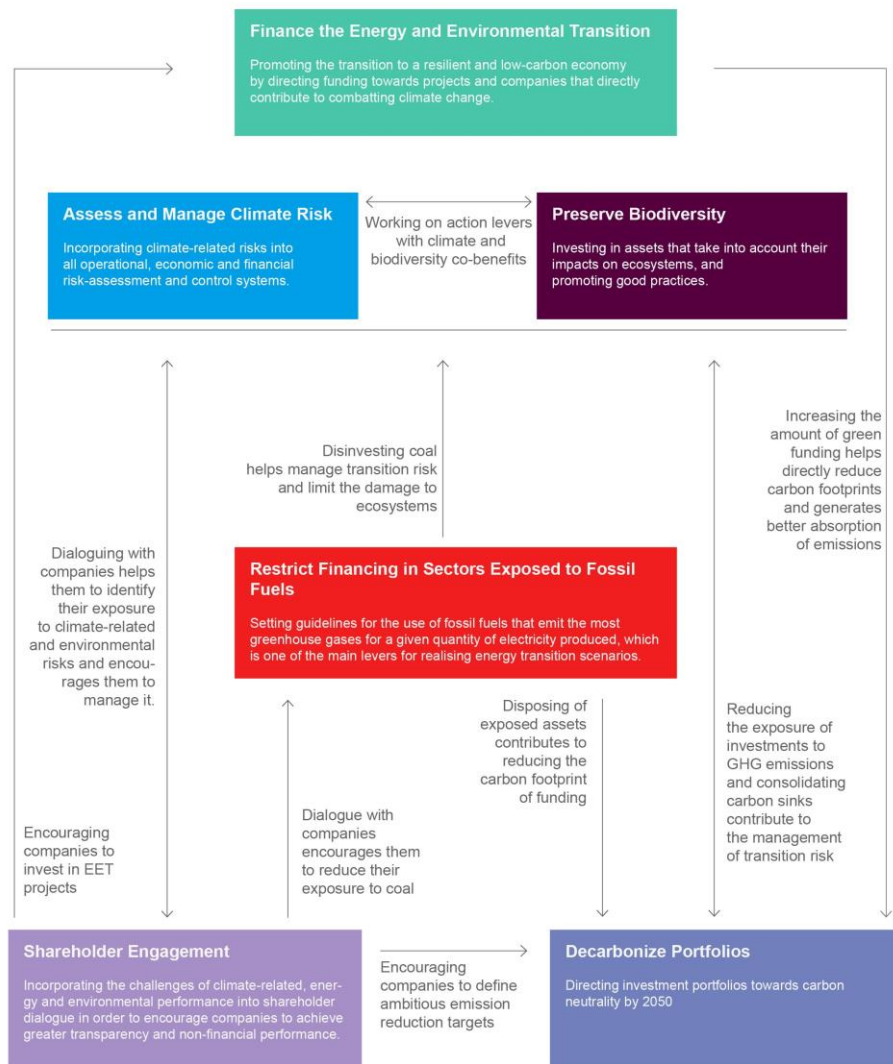


The climate policy of the Group's financial business lines is based on six concomitant performance levers to encourage the transition of the real economy towards carbon neutrality, with the aim of limiting climate change to a global rise in temperatures of less than 1.5°C compared to the pre-industrial era.

In its approach to climate-related challenges, the Group seeks to take into account the economic, industrial, social and environmental consequences of transition scenarios leading to effective control of climate-related risk, as well as the consequences of a lack of transition leading to serious human, environmental and economic impacts.

Targets are currently being revised to materialize the Group's new goal of becoming the French climate bank. These targets will be incorporated into the Group's SDG action plan.

**Caisse des Dépôts**



## Increased funding for the low carbon transition

### €20bn for the transition

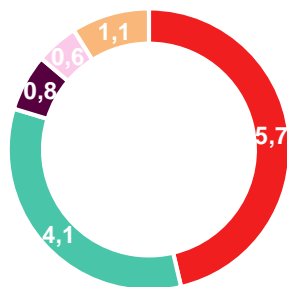
The Caisse des Dépôts Group is promoting the transition to a resilient and low-carbon economy by directing funding towards low-carbon projects, including:

- Innovative and intelligent transport;
- Renewable energy production and smart grids;
- Energy-efficient solutions for real estate and industry;
- Ecology and energy transition companies.

Caisse des Dépôts and Bpifrance set themselves the target of devoting €18bn to funding the transition between 2018 and 2020. The green funding target was raised to €20bn by the end of 2020 by incorporating green financial investments targets for Caisse des Dépôts' asset management division. At the end of 2019, €12.3bn had already been committed.

#### 2018–2019 green funding (in €bn)

- Energy efficiency upgrades and and exemplary constructions
- Renewable energies
- Transition and adaptation of local authorities
- Energy efficiency of companies
- Other, including investments in green bonds and forestry



## 100% green savings accounts

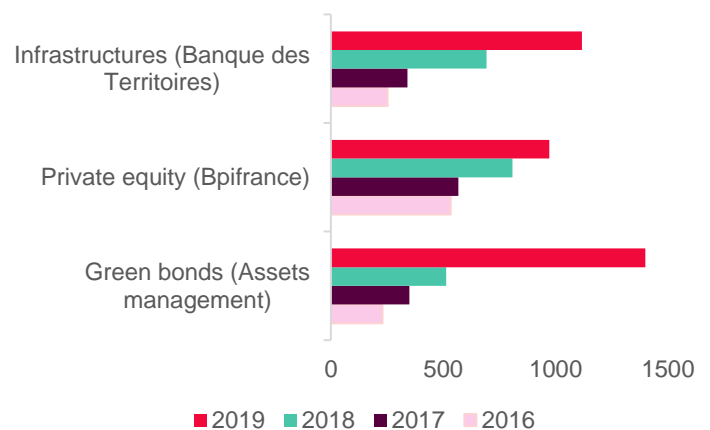
At the end of 2017, the French Government, which establishes the mandate of the savings funds centralised at Caisse des Dépôts from regulated savings accounts, asked it to report on how sums collected on livrets de développement durable et solidaire (LDDS – French sustainable development and solidarity savings accounts) were being directed towards funding climate-friendly projects.

Over the period 2017–2019, the net funding of €6.5bn raised on LDDS made it possible to grant €7.46bn in green loans and to invest in nearly €1 billion of green bonds. The matching target has been exceeded.

€1 placed in an LDDS = 1€ for a green project

The continuous growth of the Group's funding flows in support of low carbon transition has enabled the growth of the green share of its balance sheet.

#### Outstanding green investments by asset class (€m)



## Green, social and sustainability bonds

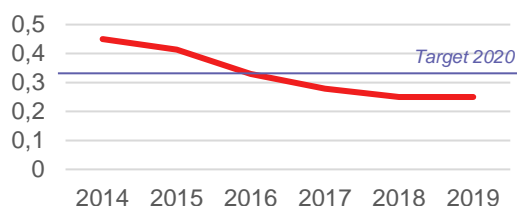
Following the issuance of its first green bond in 2017, Caisse des Dépôts issued in the summer of 2019 a sustainability bond of €500m maturing over 5 years, funding some fifty assets with environmental or social benefits. These issuances, among other forms of additionality, have encouraged the regional investment teams to consolidate their ESG initiative by developing project impact assessment.

## Increasingly carbon-free portfolios

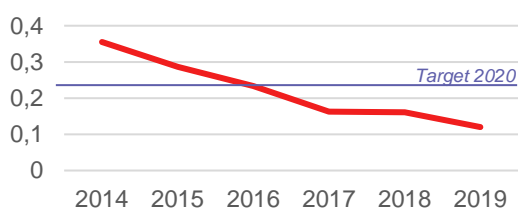
Portfolios	2020 target to reduce GHG emissions (scope 1 and 2)	Results 2019
Direct listed equities - Group	-20%	-43.5%
Corporate bonds - Caisse des Dépôts	-20%	-66%
Real estate investments	-20%	-25%

### Listed portfolios

#### Carbon footprint of directly held listed equities portfolios (in teqCO<sub>2</sub> per thousand euros invested) - Caisse des Dépôts Group



#### Carbon footprint of corporate bond portfolio (in teqCO<sub>2</sub> per thousand euros invested) - Caisse des Dépôts



As of 31/12/2019, the carbon footprint of the Group's equity portfolio, including Caisse des Dépôts' asset management, Bpifrance and CNP Assurances, was 0.25 teqCO<sub>2</sub>/€k. The carbon footprint of Caisse des Dépôts' non-financial corporate bond portfolio is 0.12 teqCO<sub>2</sub>/€k.

The carbon footprint of every holding is equal to CO<sub>2</sub> emissions of the company at the end of year N-1 multiplied by the capital holding at the end of year N for listed equities. For bonds, the emissions are multiplied by the holding in the total debt of the company. For this portfolio, the total of these weighted emissions is compared

to the amounts invested, in balance sheet value.

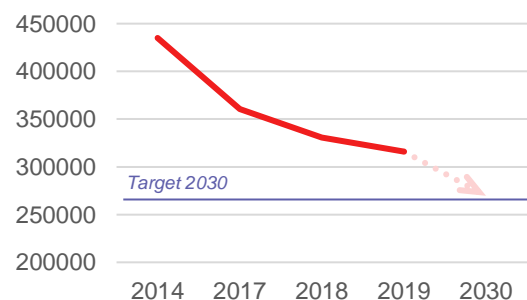
The sources used for carbon accounting are CDP, MSCI and Bloomberg.

In accordance with AOA's commitment, the goal is now to achieve carbon neutrality of the investment portfolios by 2050, with the next target to be defined at the end of 2020 for the following five-year period.

Caisse des Dépôts and Bpifrance also support, with their signatures, the ACT (Assessing low Carbon Transition) methodology, which translates the concept of strategic climate alignment into an operational analysis framework for companies.

### Real estate

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



Caisse des Dépôts has set itself the goal of reducing primary energy consumption in its real estate investment portfolio by 38% between 2014 and 2030. The goal covers approximately 85% of the real estate portfolio

by value. Normative values are used in the absence of data on other energy uses than those regulated. The reliability of the data is ranked, in ascending order: regulatory energy report, data collected, design calculations, energy audits. Data is collected and aggregated manually.

Banque des Territoires has adopted an approach aimed at measuring and reducing the energy consumption of its real estate investments, relying on an internal frame of reference that is based on energy labelling and environmental certification levels depending on the type of real estate asset. Since 2019, this has provided a better appreciation of the environmental performance of its projects.

## Sovereign bonds

Caisse des Dépôts has also set up a process for monitoring states' commitment to reducing greenhouse gas emissions, and is following the evolution of the total emissions of each state in which it holds debt securities. In the event of proven deviation from the goals, it may modify its allocations.

## Private equity

Caisse des Dépôts membership of IC20, effective since 2019, makes it possible to engage with GPs companies, in particular through joint working groups, to support portfolio companies in their sustainable management and reporting of greenhouse gas emissions. The goal with the initiative in 2020 is to work on developing toolkits for its members.



*Climate Change Summit 2019, during which the Net Zero-Asset Owner Alliance for carbon neutrality was signed.  
©UN Photo/Loey Felipe*



## Challenging shareholders to support transition

The Caisse des Dépôts Group engages companies on issues of climate, energy and environmental performance in order to encourage them to improve their transparency and performance, and expects listed and unlisted companies to make commitments and implement ambitious strategies.

Caisse des Dépôts expects portfolio companies to:

- Formalise an ambitious medium-term strategy with regard to ecology and energy transition and to regularly publish detailed and audited information on its implementation;
- Define a realistic, ambitious and quantitative target for reducing GHG emissions to comply with their alignment with national and international climate scenarios;
- Put in place a tailored governance.

**412** companies questioned on climate including **20** in in-depth bilateral executive meetings

**18** votes in favour of external resolutions on environmental issues at portfolio companies General Meetings

## Strengthened integration in 2019

In addition to the issue of energy transition, shareholder dialogue addressed other environmental aspects, such as imported deforestation, in 2019.

Further developing engagement with companies to incentive them to develop their climate strategy, and report on their climate resilience is part of the SDG action plan of the five business lines. The own-account investment businesses also undertake to consolidate engagement on the use of resources, the environmental impact of processes and projects, and the quality of service.

In 2019, Caisse des Dépôts voted in favour of resolutions that asked companies to report on the use of pesticides, on deforestation in value chains, on the management of food wastage and on the reduction of plastic pollution and responsible packaging.

Caisse des Dépôts is pursuing discussions with **17** companies contributing nearly **92%** to the carbon footprint of the listed portfolio to encourage their strategic alignment with a 1.5°C scenario

## Collaborative engagement

Caisse des Dépôts is involved in dialogue with an oil company as part of the investor coalition Climate Action 100+. A resolution asking the company to publish targets to reduce GHG emissions in line with the Paris Agreements has been tabled and co-signed by several investors, and the other climate resolutions have been studied by the coalition. These pressures enabled the resumption of discussions, which had been brought to a standstill by the company. In early 2020, a coordination meeting on General Meeting voting will be organised.

# Integrating climate risks in the risk management policies

## Key risks and opportunities of climate change

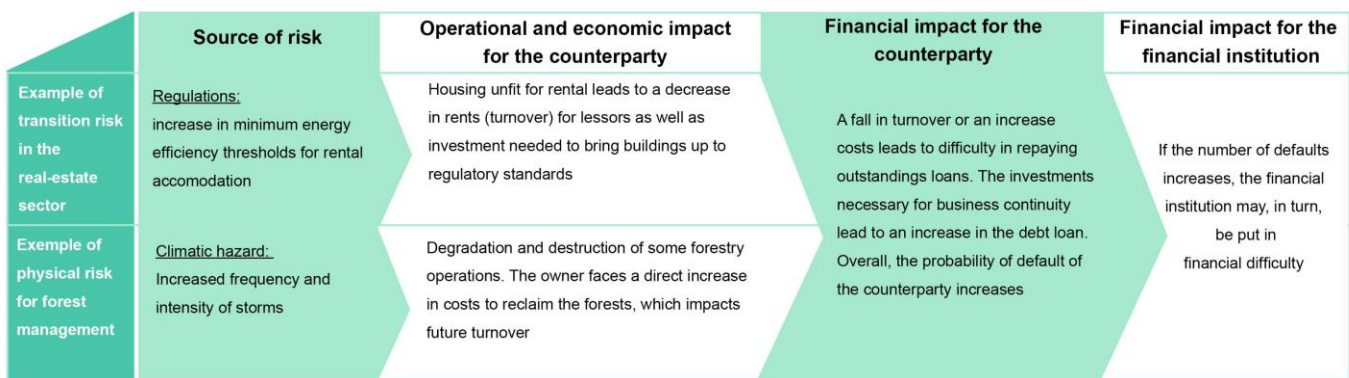
Transition risks	Physical risks
<ul style="list-style-type: none"> <li>- Opportunities linked to rising demands for climate financial services (loans and investments for energy efficiency, and more generally the transition to a low-carbon economy).</li> <li>- Reputational risk in the event of failure to meet the Group's objectives for funding the transition.</li> <li>- <b>Risk of impairment of financial assets and increase in payment defaults and expenses linked to upgrading environmental standards.</b></li> </ul>	<ul style="list-style-type: none"> <li>- Impairment of assets and increased spending to improve the resilience of assets located in areas exposed to rising sea levels, prolonged heat waves, risks of flooding, etc.</li> <li>- Increased damages on assets located in exposed areas.</li> <li>- Opportunities linked to rising demands for financial services to adapt activities to the physical impact of climate change.</li> </ul>

As part of the 1.5°C roadmap, designed to **implement a financial trajectory aligned with the objectives of the Paris Agreement**, several working groups are dedicated to adapting risk management to incorporate physical risks and transitional<sup>13</sup> risks linked to climate change.

These tasks, piloted by the Risk Management department in conjunction with the Sustainable Policy department, aim to incorporate climate-related risks assessment into existing financial risk management tools and processes, complementing the integration undertaken by the investment teams by:

- Introducing climate-related risks into the risk management reference framework (carried out in 2018) and the risk appetite process (2020);

- Incorporating transition risk into the internal credit ratings assigned by the Risk Management department via a sector-specific, scenario-based analysis tool (underway);
- Mapping the physical risks and transition risk for all the Caisse des Dépôts Group's balance sheets, based on sector-specific studies and by type of asset (underway);
- Carrying out a climate stress test to assess the resilience of the Group's balance sheets faced with different energy-transition scenarios. Following an initial exercise carried out in 2016, the Group is participating in the French Prudential Supervision and Resolution Authority's (ACPR) 2020 climate stress test, the results of which will be communicated in 2021.



<sup>13</sup> Physical risks result from damage caused by weather and climate phenomena brought about by the changes affecting the weather system.

Transition risks result from the adjustments made to transition to a low-carbon economy, in particular when these adjustments are poorly anticipated or intervene suddenly.

## Excluding thermal coal

Reducing the use of thermal coal is one of the main levers for achieving the international energy transition. In 2015, the Group committed to applying a policy restricting the funding of assets exposed to thermal coal. This policy is reviewed regularly with the aim, in the long term, of total divestment.

Accordingly, since 2019, the Group excludes from its investments the listed equities and debt securities of companies whose coal-mining activity or coal-fired power generation exceeds 10% of their revenue.<sup>14</sup>

Regarding its equity investments and lending activities for regional projects, the Caisse des Dépôts Group pledges not to finance any new coal-fired power-generation capacities.

The Group may however invest to support company's transition towards a new generation model meeting its coal exposure criteria.

Finally, it is encouraging all power-generating and mining companies in which it holds shares, and whose revenue is dependent on thermal coal, to reduce their operations in this area to reach almost no coal-fired power generation in the OECD by 2030 and in the rest of the world by 2050. To ensure this engagement is effective, by 2021, no new investment will be made in companies developing new coal-fired power plants.

In accordance with its policy, in 2019, the Group held no coal-related shares or bonds above its predefined threshold limits, with the exception of a stake held by Bpifrance and CDC Croissance in a French renewable energy company, Albioma, which the Group is supporting in its coal-withdrawal strategy, currently a seasonal complement to biomass.

## Preserving biodiversity

The Group is committed to preserving biodiversity, whose collapse is being exacerbated by global warming. Accordingly, Caisse des Dépôts' financial business lines are taking action via:

- Systematically incorporating environmental criteria into the analysis and rating of companies in the listed equity portfolio;
- Engaging companies on the issue of biodiversity via:
  - Dialogue to encourage food-industry companies to improve their management of deforestation in their value chain,
  - the Transition survey incorporating environmental risks,
  - signing a call from the Principles for Responsible Investment (PRI) that aims to combat deforestation and forest fires in the Amazon,
- The incorporation of biodiversity into real assets, such as real estate assets (by promoting environmental labelling, combating the use of phytosanitary products in gardens, etc.) and forest assets (through certified sustainable forestry management practices for assets managed by Société Forestière, a Caisse des Dépôts subsidiary);
- Annual financial contribution to Nature 2050 – a programme designed and piloted by CDC Biodiversité to implement nature-based initiatives, with quantifiable results, with the aim of adapting territories to climate change and restoring their biodiversity.

Aware of the importance of measuring its biodiversity footprint, Caisse des Dépôts continued to support the emergence of the Global Biodiversity Score in 2019.

Caisse des Dépôts has joined the Entreprises engagées pour la nature – act4nature France initiative and signed the associated charter in 2019. It will publish its first biodiversity action plan in 2020. In 2019, a working group to formulate this action plan was assembled from several Caisse des Dépôts business lines and subsidiaries, including CDC Biodiversité, a specialist in this field.

<sup>14</sup> The threshold between 2015 and 2019 was 20%.

# Implementation of TCFD recommendations

## 2.2

In June 2017, a group of experts mandated by the G20 Financial Stability Board published guidelines for companies and investors on the publication of information relating to climate-related risks and opportunities, presented in the form of four key elements: governance, strategy, risk management, and

the metrics and targets used. The Group is seeking to make progress in implementing these recommendations and is carrying out a self-assessment to determine the improvements to be made progressively in order to ensure their full implementation.

● Good compliance ● Compliance to be consolidated ● Compliance to be initiated

Recommendations		2019	Improvements underway
Governance	Describe the board's oversight of climate-related risks and opportunities	●	<ul style="list-style-type: none"> <li>- The climate strategy is incorporated into the Group's medium-term strategic planning, approved by the Executive Committee and the Supervisory Board.</li> <li>- The Group Executive Committee is overseeing the new structuring of the sustainability policy around the SDG framework. Its formulation and monitoring are coordinated by the Finance Director in coordination with the other directors. The task is led by a sustainable development steering committee and dedicated groups.</li> <li>- A new stakeholder committee was created in 2020, which advises the Group on its policy, particularly its climate policy.</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>- Steering of investment portfolios towards carbon neutrality by 2050.</li> <li>- Detailed assessment of the financial impact of climate scenarios on the balance sheet, accompanied by assessment of sensitivity to specific risks, is underway.</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>Two parallel programmes are helping to operationalise the incorporation of climate-related risk into the risk management process:                             <ul style="list-style-type: none"> <li>- The management of financial risks arising from climate change, with three deliverables: the mapping of exposures for the entire balance sheet of Caisse des Dépôts' physical and transition risks, the formulation of a detailed methodology for climate stress tests and the deployment of a methodology for integrating transition risk into the credit rating of corporate issuers.</li> <li>- The implementation of reporting procedures on non-financial risks as part of the NFRD in conjunction with the Group's overall risk management strategy, in particular the risk appetite process, adopted in 2020. The work carried out has explicitly incorporated climate-related risks, allowing the most significant risks to be identified; the associated control measures are currently being identified or defined.</li> </ul> </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 risks management process	●	<ul style="list-style-type: none"> <li>Multi-year allocation targets are defined in terms of exposure to green assets, brown assets and carbon in a wide scope of business activities. They are the subject of regularly updated policies, regular tracking and transparent reporting.</li> <li>The survey of equity portfolios enabled to assess the way in which portfolio companies understand their exposure to climate risks.</li> <li>The climate-related risk rating of the entire balance sheet, currently in completion, will enable to link these strategies more explicitly to the evaluation of transition risks and physical risks on a comprehensive scope of activity.</li> </ul>
	Disclose scope 1, scope 2 and, if appropriate, scope 3 GHG emissions, and the related risk	●	
	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	●	



**03**

**Implementation**

# 3.1

## Asset management

An overview:

- A financial investment department and three subsidiary management companies.
- A goal to achieve **100% responsible investment** with systematic inclusion of ESG issues.
- **Ambitious climate commitments** to reduce the carbon footprint of portfolios, notably by excluding coal, and decarbonize the real economy notably through engagement with investee companies to encourage them to align their strategy with target transition pathways.
- Strictly adhered to **exclusions of certain sectors**: anti-personnel mines and cluster bombs, tobacco, gambling.
- Incorporation of the responsible investor policy into the **remuneration targets** of all internal investments managers.
- 7 priority SDGs for the Asset management:



### ESG risk management

*The challenge: to identify, avoid and reduce the strongest environmental, social and governance risks. To this end, risks are assessed via thematic policies and specific processes to address the risks peculiar to each asset class. When a risk is detected, the goal is chiefly to encourage counterparties to remedy it, in accordance with OECD principles of responsible business conduct, by adapting best management practices, the key features of which are summarised in the Global Compact.*

Asset classes	Risk identification and tracking		Risk management	
Listed equities – direct	<ul style="list-style-type: none"> <li>- Group normative and sector exclusions</li> <li>- Climate-related risks incorporated into the risk management framework</li> <li>- Systematic ESG analysis and monitoring of the evolution of ESG performance in portfolios</li> </ul>	<ul style="list-style-type: none"> <li>- Controversy analysis</li> <li>- Carbon price integrated into the analysis of oil securities and which may impact the investment decision</li> </ul>	<ul style="list-style-type: none"> <li>- Regular shareholder dialogue on ESG issues, especially to encourage transition towards low-carbon assets</li> <li>- Respect of decarbonisation target (carbon neutrality 2050)</li> </ul>	<ul style="list-style-type: none"> <li>- Voting in General Meetings</li> </ul>
Corporate bonds – direct		<ul style="list-style-type: none"> <li>- Controversy analysis</li> </ul>		<ul style="list-style-type: none"> <li>- Dialogue with issuers during road shows on ESG topics.</li> </ul>
Equities and bonds – indirect		<ul style="list-style-type: none"> <li>- Assessment of the consistency asset managers' policy with a 1.5°C trajectory</li> <li>- Annual ESG reporting</li> <li>- Tracking of asset selection in open funds</li> </ul>		<ul style="list-style-type: none"> <li>- Call for asset managers to exercise their voting rights</li> </ul>
Sovereign bonds		<ul style="list-style-type: none"> <li>- Assessment of portfolio issuers' alignment with the Paris Agreement objectives.</li> </ul>		<ul style="list-style-type: none"> <li>- Dialogue with financial rating agencies to encourage them to incorporate ESG issues in a transparent way</li> </ul>
Convertible bonds				
Monetary assets				

Private equity - indirect	- Monitoring of exposure to thermal coal assets and of their GHG emissions	In-depth monitoring of RI fund policies		This control fuels discussions with companies.
Real estate investments	- Development of a mapping system (currently being created) to evaluate the physical and transition climate-related risks of the assets on the balance sheet	- Top label acquisition policy (new operations and retrofits) - Regulatory monitoring		Programme for the disposal of low-performing assets
Forests		Analysis of: - The impact of climate change - The adaptation of the species in place and production cycles - The geographic distribution of forest assets - Species diversity - Regulatory risks  - Climate monitoring and weather warnings made by Société Forestière with the aid of European satellites - Monitoring of regulatory risks and changes in the availability of natural resources		- Investments are chosen based on analyses and monitoring by Société Forestière - Frequent discussions with Société Forestière managing Caisse des Dépôts' forest resources, with visit to the forests three times a year

**Climate focus:** the manifestation of a climate-related risk can have an impact on the financial value of the assets. In order to limit these risks, the Asset management division identifies them in advance and takes them into consideration in its investment decisions and monitoring. The investment managers work with the Group's Risk department, and are involved in the working groups of initiatives specialising in the creation of scenario alignment methodology (ACT, AOA).

## Direct management

Direct management represents the vast majority (97%) of Caisse des Dépôts' assets under management, which it invests in listed equities, corporate and sovereign bonds, real estate and forests.

### Listed equities

The Financial Investments department is the main asset management entity and invests largely on a discretionary, active and European basis. The specialist asset manager CDC Croissance is a subsidiary managing listed shares of small- and medium-sized French capitalisations.

Under a common approach to responsible investment, each entity has its own management policy. Investments are monitored on the basis of aggregated indicators, such as the carbon footprint. A carbon reduction target has been largely achieved (p.23).

## Decision to invest

### Financial Investments department

Discretionary listed equities managers carry out an ESG analysis of each company focusing on material issues identified for each company in light of the long-term valuation risk of its business and Caisse des Dépôts' public-interest mission. ESG criteria cover, among other issues:

- The governance structure and the remuneration of company directors;
- Gender parity;
- Work accidents;
- Social relations;
- Management of GHG emissions and water, etc.

The asset management team relies in particular on data from the non-financial rating agency MSCI, the CDP and Bloomberg, and on an internal analysis of the governance structures. The ESG rating that results from this assessment is incorporated into the valuation of securities via the use of an 'ESG-adjusted beta', with an ESG weight increasing to 15% in 2019 from 10% in previous years.

Regarding quantitative strategies, the MSCI data are also used to produce an ESG rating that is incorporated into the portfolio optimisation process, with the aim of both improving the average portfolio rating and excluding companies that are permanently badly rated or very controversial.

## CDC Croissance

Asset managers include ESG as well as financial criteria in their investment decision-making.

To carry out its analysis, CDC Croissance relies on the Ethifinance database, and on ESG reports and integrated company reports, when these are available.

Each portfolio manager must, prior to the presentation of a new investment proposal, study the whole financial situation in the light of four key elements (governance, environment, social, stakeholders), along with controversies and climate-related risks.

A concise ESG analysis is presented in the resultant investment proposal. As a result, on many occasions, the investment team has not proceeded with an investment or divested from a company, due for instance to the nature of the business or serious controversy.

### In 2019

- Formulation (underway) of a sector-specific Oil & Gas policy.
- Creation of a Controversy Committee to formalise the monitoring process.
- Internal sector-specific study on CO<sub>2</sub> quota regulation in cement.
- Development of a new CDC Croissance fund developing a 'Best Effort' ESG strategy to promote the ESG strategy of small and medium-sized securities.

## Investment monitoring

### Shareholder engagement

The strategy of controlled rotation of their portfolios allows asset management teams to maintain sustained and constructive bilateral dialogue with companies in order to encourage their ESG progress over time.

In addition to these discussions, an annual meeting to prepare the General Meetings takes place with a large proportion of portfolio companies. This is an opportunity to obtain information, discuss Caisse des Dépôts' voting policy and its voting guidelines, and as far as possible, to change resolutions that are contrary to its principles.

For example, in 2019, CDC Croissance had discussions about governance with a company operating in the field of electrical specialities and advanced materials that led it to modify numerous resolutions at its 2019 AGM. This enabled it to support 100% of the resolutions (as opposed to 30% of negative votes the previous year).

[For more information on voting procedures, see p.19 of this report and the results detailed in the dedicated report on the 2019 financial year on Caisse des Dépôts website \(in French\)](#)

## Monitoring indicators

Direct listed equity portfolios are monitored quarterly with regard to:

- Evolution of the carbon footprint in relation to portfolio targets;
- Compliance with the exclusion of thermal coal;
- Comparison of the ESG rating of the portfolios with the benchmarks;
- Controversies;

At its quarterly meeting, the Controversy Committee notably takes follow-up decisions when necessary.

At CDC Croissance, portfolio managers participate in a weekly portfolio review meeting, under the direction of the head of investments. At the end of these investment board meetings, she reports any information on ESG risks that may have an impact on investments to the Board of Directors, of which she is a member.

The ESG analysis of the companies are updated at least once a year for the Financial Investments department, and semi-annually for CDC Croissance. The asset manager sets itself a three-year limit before the disinvestment of a company in the event of non-compliance with the action plan drawn up for the company.



**78** controversies analysed for **53** issuers<sup>15</sup>

**0** listed equities with more than 10% of the turnover from thermal coal<sup>16</sup>

**100%** of votes at General Meetings

**62** governance meetings

## Corporate bonds

Caisse des Dépôts invests directly in financial and non-financial corporate bonds, representing 14% of the institution's investment holdings. A decarbonisation goal has been specifically defined for this portfolio. This has been largely achieved with a 66% reduction in the carbon footprint between 2014 and 2020, compared to the target -20%.

### Decision to invest

Issuers are evaluated based on data from different sources, in particular data provided by companies, analyses by financial rating agencies and ESG analyses (MSCI, Bloomberg, Trucost).

Each issuer is thus rated on the basis of around fifty Indicators. This rating will then influence the decisions made by investment managers. In addition to these analyses, the Risk department carry out an ESG risk assessment for each issuer in the portfolio.

Investing in green bonds – all of which benefit from external EET certification – also contributes to the implementation of Caisse des Dépôts' climate policy. In 2019, investments in green bonds were increased,

in 2019:

- Reduced investment in the automotive, energy and basic materials sectors.
- Consolidation of shareholder engagement via the energy transition survey and participation to road shows to highlight the Group's ESG expectations.

<sup>15</sup> Data on equities and bond portfolios

and represented more than 12% of the year's investments in four of the five bond portfolios.

### Investment monitoring

Issuers' ESG risks are reviewed monthly on a case-by-case basis.

In addition, dialogue with borrowers has been consolidated in 2019 in order to monitor their climate commitments. Failure to comply with these commitments will lead to a reassessment of the company's climate policy, which could potentially result in the total or partial non-renewal of securities reaching maturity, or to a total or partial sale of the exposure, while ensuring compliance with performance objectives and portfolio balance.

**66%** reduction in the carbon footprint between 2014 and 2020

**€791m** new green bond investments that are **100%** certified

**6.84** (6.6 in 2018) vs 6.37: MSCI portfolio rating versus that of the benchmark index

## Sovereign and public bonds

Sovereign bonds represent the largest share of Caisse des Dépôts' investment holdings (50%), with a majority of French debt.

### Decision to invest

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

It establishes an internal rating for each issuing country, based on forty weighted ESG criteria from different sources: Unesco, United Nations, NGOs. For example, the criteria taken into account in the government SRI rating are:

- Concerning governance, the quality of regulation and freedom of thought;

<sup>16</sup> With the exception of Albioma, for which the Group is supporting the transition

- Concerning social, the medical equipment rating and the Gini index for measuring wealth inequalities;
- Concerning environment, the use of pesticides and the average air pollution.

In 2019, the rating calculated from these criteria was compared to SDG scores by country defined by a group of independent experts. This comparison makes it possible to check, at this stage, whether the internal ratings and those of the independent group are more or less identical.

The weighting emphasises the issue of governance and depends on the internal assessment of the materiality of the risk for each country. The results of the ESG analysis are considered in the risk assessment and in determining the allocation, in the same way as other financial parameters. On a case-by-case basis, the investment committee will either exclude countries with high ESG risks or set them limits. It carries out regular ESG monitoring of the portfolio.

### Investment monitoring

It remains difficult to assess the sensitivity to environmental factors of macroeconomic variables determining the ability of a government to repay its debt.

Nevertheless, managers measure and assess GHG emission trajectories of the countries included in their international commitment to contribute to the implementation of the Paris Agreement (NDC).

**50%** reduction in the exposure of a country whose governance score was severely weakened after an election.

technological and energy-market developments). The target of reducing energy consumption by 38% from 2014 to 2030 contributes to the implementation of this objective. At the end of 2019, the reduction achieved was already 24.4%.

### Decision to invest

The ESG data gathered during the due diligence is mainly provided by the seller. It is analysed by Caisse des Dépôts team and external experts.

Acquisition criteria are:

- Proximity to public transport;
- Environmental certification labels (construction and operation);
- Energy consumption;
- GHG emissions in operation;
- E+C-certification label requirement;
- User well-being certification labels (Well);
- The inclusion of a social clause in French VEFA (sale of property off plan) and CPI (development phase) acts.

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

In 2019

- New membership of the French Observatoire de l'immobilier durable (OID, sustainable real estate observatory).
- Participation in climate-related risk mapping for assets on the Group's balance sheet.

## Real estate investments

Via its subsidiary CDC Investissement Immobilier, Caisse des Dépôts manages a property investment portfolio representing 80% of its entire property holdings. The subsidiary invests, holding a majority interest, primarily in high-performance buildings.

Caisse des Dépôts' investment policy supports the highest standards and certification for new acquisitions and renovations, thereby controlling for transition risk (regulatory,

### Investment monitoring

After carrying out energy audits of its entire wholly owned property portfolio, Caisse des Dépôts has implemented an arbitration programme for underperforming assets and a strategy of major restructuring that includes improving assets' energy performance.

Caisse des Dépôts encourages real estate funds to consolidate their energy and climate performance. However, it is not always able to assess the ESG impact and is not fully

informed of the energy consumption. Monitoring of certifications and carbon emissions is only possible when the funds communicate this data, or is based on estimated data.

The average energy consumption of the property portfolio is decreasing due to the disposal of underperforming assets, their replacement by efficient assets and efficiency retrofits being undertaken on the assets under management.

**€3,973m** invested at the end of 2019 in certified, or in the process of being certified, assets, i.e. a proportion of investment in green assets representing 53.5% of the portfolio.

**24.4%** reduction in primary energy consumption since 2014<sup>17</sup>

## Forests

Forests in France are the main source of carbon dioxide sequestration and thus help offset French anthropogenic emissions by up to 15%. They are therefore essential in combating climate change and in achieving the national low-carbon strategy formulated following the Paris Agreement.

A subsidiary of the Caisse des Dépôts Group, Société Forestière, is responsible for the sustainable management of all the forest assets held by the largest French private institutions, foremost among which are Caisse des Dépôts and CNP Assurances, and a large number of private owners.

### 100% sustainable forest management

Société Forestière is ISO 9001-2015 certified for the sustainable management of forests on behalf of its forest-owner clients.

This certification is based on the Manuel de Gestion Durable (MGD, sustainable management manual), a working guide for the governance, management and implementation of forestry practices that take into account

some remarkable habitats and species. The MGD, which is regularly revised, is accompanied by a charter signed by the owner clients, who confirm in doing so their commitment to the sustainable management of their forest assets. Société Forestière encourages forest owners to adhere to PEFC (Programme for the Endorsement of Forest Certification), which guarantees that wood products come from sustainably managed forests.

Société Forestière has the task of implementing management procedures that allow this certification label to be retained. The implementation of the ISO 9001 certified MGD and the PEFC are subject to control by independent third parties.

Anticipating changes in societal expectations in relation to forests and wishing to support its clients in better practices, Société Forestière has developed an offer that enables to highlight the non-financial externalities of their forest stock, defined in terms of ecosystem, societal and economic services. Its approach applies an 'assess, manage and demonstrate' process to each of these aspects. Following this process encourages forest owners to better understand and incorporate the multifunctionality of forests and all their dimensions so that they can show that they are promoting a best-in-class approach to managing their assets.

### Decision to invest

Société Forestière is a responsible and committed manager of natural forest assets.

It supports Caisse des Dépôts and CNP Assurances in the selection of quality forests or those that have future value potential based on sustainable management practices. Analyses are made on a case-by-case basis, using both financial and ESG criteria:

- Environmental (impact of climate change and biodiversity with site studies, adaptability of species with regard to physical risks, for example systematic analysis and dedicated management of areas classified as being of high conservation value);
- Social (direct health and safety risks linked to forest management);

<sup>17</sup> Scopes 1 and 2, i.e. a consumption of 316,000 MWh in 2019

- Governance (multi-stakeholder materiality analysis to better understand current expectations).

In 2019, the Société Forestière investment committee decided not to go ahead with several acquisition projects, having identified high risks to forestry maintenance in a context of climate change.

With regard to Caisse des Dépôts, the analysis led to not investing in fire-risk areas like the South East of France, to diversifying its investment areas, especially in Europe for CNP Assurances, and to replacing fragile species with others that are more resistant to global warming.

### Investment monitoring

Société Forestière collects and analyses ESG data annually on behalf of its clients. The tracked indicators are regularly updated and now include, in addition to the carbon footprint of the holdings, measures of potential and managed biodiversity and an assessment of the degree of soil protection and the restoration of aquatic areas and wetlands. They also identify the destination of wood products with greater accuracy.

Climate monitoring and meteorological and health alerts are carried out by Société Forestière with the help of satellite surveillance tools, such as the European Sentinel satellite, which makes it possible to identify ailing trees in order to direct the foresters, who remain essential and complementary, to areas to visit. Notably, forest tours with the owner take place three times a year.

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

**45,000** teqCO<sub>2</sub> per year of carbon stored by Caisse des Dépôts' forests, which cover 55,000 hectares<sup>18</sup>

### Promoting good practices

In order to promote the Low-Carbon Label and contribute directly to achieving France's low-

carbon strategy, while allowing its clients to obtain private financial assistance, Société Forestière is seeking to formulate new forestry methods in partnership with key stakeholders such as the CNPF (French national centre for forest assets) and I4CE. In addition, to promote the emergence of methods to derive value from carbon in forests, shared by all stakeholders including corporate investors, Caisse des Dépôts' dedicated teams of investors are involved in external working groups on the role of forests and their evolution with regard to sustainable development, including the Carbon Forest and Wood Club, and the French forest and water association.

#### In 2019

- Training of Caisse des Dépôts teams to identify good practices in the sustainable management of uplands and related forest problems (diseases linked to global warming), on the decline of common oak and on carbon in forests by the CNPF.
- Deployment of the French Low-Carbon Label with a first case study Massif de Nousilières.
- Société Forestière has set up a team dedicated to promoting the forest as a carbon sink (and is responsible for developing low carbon label projects).

## Indirect management

### Multi-management diversification

With a view to the geographic diversification of its portfolios, Caisse des Dépôts is investing in Undertakings for Collective Investment in Transferable Securities (UCITS).

In 2019, Caisse des Dépôts invested in funds targeting innovative strategies in sustainable investment, in order to benefit from current best practices in the world of asset management.

<sup>18</sup> In 2019, there was a decrease in the total volume stored compared to the previous year, i.e. 45,000 tonnes, as

opposed to 137,000 in 2018, notably due to the bark beetle outbreak and a higher volume of commercialisation.

## Decision to invest

In 2019, the due diligence and selection grid for all funds was revised to update ESG criteria and include a formal ESG rating.

These criteria include:

- PRI rating;
- The management company's voting guide;
- The commitment policy;
- Formalised measurements of carbon emissions;
- The publication of an ESG report;
- The exclusion policy;
- MSCI rating;
- The amount of the fund's portfolio activities contributed to SDGs, expressed as a percentage of turnover.

These criteria result in an ESG score, with a minimum threshold that excludes funds with low scores.

In 2019

- Implementation of an ESG selection tool with a threshold for exclusion if an ESG score is too low.
- Incorporation of SDGs in the investment decision.

## Investment monitoring

As in the previous year, in order to more effectively encourage external asset managers to incorporate sustainability into their practice, an ESG questionnaire on the management company and the funds in which it is invested was sent to all the management companies in the portfolio.

**92%** of the management companies have a formalised environmental policy

**100%** of the management companies reported being active shareholders

**100%** of the management companies are PRI signatories

## Private equity

The Asset management business line invests in private equity only indirectly and in minority stakes. As a market leader in this area, it strives, year by year, to consolidate its ESG analyses and the high standards it requires from GPs, in order to have a knock-on effect on market practices.

### Decision to invest

Since 2018, a new ESG analysis scoring tool has been put in place that is more discriminating than the previous one and focusses more on climate:

- The signing of PRIs, the development of a corporate-level carbon audit, the governance of the company and means of communication with sponsors have become key elements in the assessment;
- Sector-specific and geographic exclusions have become prerequisites for considering an investment;
- Rating criteria are recalibrated to take account of new good practices (in terms of reporting, for example).

Rating criteria include, for example, the governance of the GP (independent members on the board, code of ethics, etc.), employee training, environmentally friendly practices, taking ESG criteria into account in management, environmental due diligence on underlyings, the assessment of respect for human rights, social impacts and the quality of the company's ESG reporting.

The minimum score on the questionnaire for authorising subscription is 5/10.

In 2019

- Implementation of a dedicated ESG rating for debt funds.
- Formulation of a new standardised annual questionnaire, in collaboration with three other French investors.
- Ongoing diligences on a number of EET-dedicated funds.

## Investment monitoring

An annual ESG survey is undertaken with GPs that focusses equally on the environment (formalisation of a policy, certification, carbon emissions, exposure to coal, water, biodiversity, waste management, proceedings, physical risks), social issues (profit sharing, conflicts) and governance (composition of the board, parity, proceedings). It was also consolidated in 2018 and 2019.

Finally, still with a view to consolidating the inclusion of climate risk, Caisse des Dépôts is supporting the Initiative carbone 2020 (IC20), which unites private equity companies wanting to monitor and reduce the carbon footprint of their investments.

Response rate to ESG questionnaires of

**99%**

More than **90%** of funds have formalised their ESG policy

More than **50%** of funds are incorporating SDGs into their responsible investment approach.

## Others

### Convertible bonds

#### Decision to invest

Caisse des Dépôts' convertible bonds managers (who manage directly held and external fund portfolios) carry out an ESG analysis of each value according to the main challenges identified for each company in light of the long-term valuation risk of the businesses and Caisse des Dépôts public-

interest mission. The MSCI ESG score (relative sector-specific rating) is analysed for each investment file, allowing the manager's ESG choices as well as the monitoring of major ESG controversies to be incorporated.

The rating is accordingly incorporated into the companies' financial analysis and a weighted average of the ratings is established by management.

## Investment monitoring

Caisse des Dépôts discusses with the management companies their ESG practices and how to improve them in their management of convertible bonds.

In line with the Group's policy, there is continuous tracking of coal exposure, greenhouse gas emissions and controversies, which are measured quarterly.

## Monetary assets

Each sovereign issuer is subject to an ESG rating via some forty indicators (human rights, corruption, etc.) and an assessment of its CO<sub>2</sub> trajectory.

For corporate securities, the analysis is based on some fifty indicators, including environmental ones provided by MSCI (resource productivity, share of renewable energies, GHG emissions). SRI investment objectives are defined in parallel.

The Risk Department conducts an independent ESG risk assessment for each issuer in the portfolio.

Finally, the GHG emission-reduction trajectory of each issuer is tracked.

# Banque des Territoires

## 3.2

An overview:

- One main goal: to promote and help regions to be **more sustainable, more attractive, more** inclusive and more connected, as set out in the division's Intervention Policy to assist all regions and reduce division and social inequalities.
- **A medium-term plan (MTP) 2019–2024** detailing investment orientations and objectives in relation to the strategic and transformation plan and the sustainable development action plan, which is adapted for all investor departments and their different activities.
- **A sustainable development action plan** describing the operational strategy for Banque des Territoires' partnerships, training/awareness-raising and new development initiatives as an impacts investor.
- **A non-financial rating tool** for new investment projects being deployed as a decision-making aid.
- Compliance with the Group's normative and sector exclusions.
- Monthly and quarterly management reporting schedules sent to the Director of Banque des Territoires containing **key performance indicators**.
- 5 priority SDGs for Banque des Territoires.



### ESG risk management

ESG risk management is part of a global long-term-investor vision, which aims to support regions in their transformation by seeking to optimize positive social and environmental impact. It is implemented by testing the ESG rating tool for new investments, which will be operational from 2020.

Asset classes	Risk identification and tracking	Risk management
Property	- ESG (implementation underway) presented to Investment Committee meetings  - Additional specific reporting on assets backed by green, social and sustainability bonds (infrastructure and real estate, in particular, representing 8% of the total investment portfolio)  - Seeking to ensure good shareholder practice within companies, notably by playing an active role in governance bodies, so that commitments can be monitored over time and ESG matters can be discussed at board meetings.	
Private equity		
Infrastructures		
Local public companies (French Entreprise publique locale, EPL)		- ESG factors can be incorporated into the clauses of the shareholders' agreement (to be implemented in 2020) - Support offered to facilitate the adoption of CSR approaches
Social Economy (French Économie sociale et solidaire, ESS)		

**Climate focus:** In the absence of a focussed management of the physical and transition risks linked to climate change, investment assets may be susceptible to greater long-term vulnerability and reduced alignment with consumer demands. These risks are thus assessed in the process of the technical selection and targeting of investments. To this end, Banque des Territoires focusses on investing in projects with ambitious and proven environmental performance.

In 2019, **60%** of investments made by Banque des Territoires focussed on assets that contribute to ecology and energy transition.

## Property

The goals pursued by Banque des Territoires' 2019–2024 real estate investment plan are:

- Prioritising fragile regions, including city centres losing their attractiveness, industrial territories and priority neighbourhoods;
- Prioritising projects environmental quality and energy performance through asset labelling and certification;
- Promoting historical heritage through tourism with the creation of a dedicated engineering fund;
- Continued investment in the health/ageing sector (senior service residences, nursing homes);
- Encouraging the emergence of multi-disciplinary health centres;
- Economic planning and development (redevelopment of brownfield sites, site decontamination);
- Managed accommodation, including innovative tourist accommodation.

## Decision to invest

Environmental and energy performance goals must be incorporated and documented at the project planning stage.

For property projects, the ESG rating, presented to the investment committee, is defined according to internal guidelines that

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specify the levels of certification or energy label expected (HQE, BREEAM, LEED), depending on the maturity of the different asset types (tertiary, shops, health/ageing, tourism/leisure).

This approach should contribute, notably, to:

- Reducing energy consumption and GHG emissions;
- Supporting climate-change-resilient buildings and limiting their impacts on resources;
- Invest in healthy and comfortable buildings.

In a pilot phase in a selection of regional offices in 2019, the rating tool will be fully deployed in 2020.

## Investment monitoring

The monitoring of the 2019–2024 medium-term plan includes a number of associated KPIs such as the number of new social housing units funded, new residential homes for the elderly created and thermally renovated buildings.

In addition, 32 property assets with a high energy-efficiency rating and good environmental performance, as well as an investment fund dedicated to soil decontamination, are backed by a green or sustainable bond issued by Caisse des Dépôts (on 438 lines of the property portfolio). These projects benefit from dedicated tracking and reporting on their impacts, in particular avoided CO<sub>2</sub> emissions, sustained jobs, energy performance and energy savings.

At the end of 2019, **58%** of property projects entered into during the year were eligible for the sustainable bond, i.e. with certification at levels meeting its demanding selection criteria

For more information, please see the [green and sustainability bonds page of Caisse des Dépôts website](#).

## Private equity

Banque des Territoires develops targeted corporate venture activities in innovative companies, to promote regional development by providing trusted solutions to local public



stakeholders. These are equity investments in companies that are characterised by:

- Targeted positive impact of their offers for citizens and regions;
- Innovative services (digital, transport, smart city);
- Multi-local to national market.

## Decision to invest

The ESG rating tool (in a pilot phase during 2019, to be operational in May–June 2020) requires that, before being presented to the investment committee, each investment project to be analysed by the investment teams according to three key sustainable-development dimensions, environment and climate, social and regional, and governance, which are applicable whatever the nature of the project.

The work carried out in 2019 resulted, in 2020, in this ESG rating being incorporated into the memo to the investment committee – the decision-making body – to highlight the ESG qualities and impacts of projects.

In January 2020, this rating tool will become fully operational via a dedicated platform and will be incorporated into the rules of procedure of the Banque des Territoires' investment committee in May 2020.

## Smart and sustainable transport services

**€34m** of holdings in 2019 in companies contributing to the low carbon transition, including **€5.3m** new commitments in 2019 in sustainable transport

Banque des Territoires invests in high-demand (socio-demographic or geographic) segments that are not already covered by large industrial or digital providers, such as car-sharing, short-distance carpooling, demand-responsive transport, passenger information and urban logistics (e.g. Cityscoot, Green On, Citiz, Totem.mobi, Ecov, Stations-e, Hype, Mybus, Transway, Freshmile Services, Girève, Fludis)

## Digital services

The investment policy focusses on reducing the digital inequalities, both territorial and societal, through interventions in the areas of smart cities and territories, connected ageing/e-health, e-administration, education and training (e.g. Terradona, a digital and environmental transition start-up that focusses on changing behaviours with its digital solution to waste sorting).

## Investment monitoring

Banque des Territoires seeks to observe and encourage good shareholder practices in all the companies in which it invests. It therefore plays an active role in the governance bodies of the companies in order to monitor ESG matters, notably through its participation in board meetings.

Aggregated monitoring of the portfolio is done via quarterly scorecards that include activity KPIs on strategic orientations, such as the number of green vehicles and terminals deployed, or the monitoring of contractual obligations of very high-speed public-initiative networks.

## Infrastructures

Banque des Territoires invests in minority form, directly and indirectly, in infrastructure projects and companies, notably renewable energy, transport and digital. It ensures that investments comply with its commitments and those of the Group.

The 2019–2024 medium-term plan provides for increased investments in infrastructures geared towards the low carbon economy. This includes:

- Support for renewable energy production projects, including photovoltaics, onshore and offshore wind energy, geothermal energy, marine energy and biomass, as well as innovative projects, particularly regarding energy storage;
- Supporting local authorities in the implementation of their EET initiatives (renewable energy, distribution networks, building and industrial energy efficiency, water and sanitation networks);

- Further development of circular economy proposals, including waste-to-energy processing;
- Investing in the modernisation and extension of public transport networks, helping communities provide intelligent and sustainable transport that aim to combine digital and green transitions.

## Decision to invest

All new investments have received necessary authorisations and permits, are free from controversy, and are cleared of any administrative or regulatory claims.

The ESG rating of new investment (final testing of the tool was carried out during 2019) will be incorporated into the investment committee memo as of June 2020. It will include indicators such as:

- Environment and climate: avoided CO<sub>2</sub> emissions, artificial surface with compensation measures for biodiversity;
- Social: social and professional inclusion schemes, number of direct jobs sustained, local partnerships;
- Governance: responsible investment practices implemented as part of the project.

## Renewable energy infrastructures

Banque des Territoires does not plan to invest in assets producing non-renewable sources of energy, except on a residual case-by-case basis as part of district heating projects (if the network's energy mix includes more than 50% renewable or recovery resources) and co-investment in industrial energy efficiency projects, with the goal of gradually reducing the consumption of fossil fuels – coal, for example – in the industrial site's energy mix. In accordance with the Group's climate policy, these projects must not contribute to the installation of new fossil energy capacities, and no investment is made in companies developing new coal-fired power plants.

For energy transition assets, due diligence is carried out on investment partners (co-partners, constructor, operator, etc.) in order to ascertain their environmental and societal commitments and approaches and to ensure that they are not known for transgressions in these areas in France and/or abroad.

Banque des Territoires also invests in different investment funds, such as, since 2015, an EETC (Energy and Ecological Transition for the Climate)-labelled fund dedicated to funding infrastructures in the ecology and energy transition sector, and a fund supporting the development of citizens' agenda renewable energy projects.

## Transport infrastructures

For transport-related investments, investment policy prioritises projects that contribute to the transition towards cleaner and more inclusive transport (infrastructures, cleaner engines and new transport services). There is then a systematic analysis of the project's environmental impacts (pollution/GHG) and, for larger projects, a documented assessment of its ESG impacts (e.g. an impact study).

Thanks to partnerships, Banque des Territoires also invests in large-scale projects. For example, the Hymulsion project was launched in 2019, thanks to its partnership with three private companies and the Auvergne-Rhône-Alpes Region. The project's mission is to implement the largest renewable hydrogen mobility project in France for professional fleets with 1,000 fuel cell vehicles.

## Investment monitoring

Caisse des Dépôts is particularly attentive to the quality of the governance of its holdings (presence of a shareholders' pact, number of board members, etc.) and actively participates in general meetings and on the boards of directors and on strategic committees. Representatives of Caisse des Dépôts accordingly raise questions about incidents or areas for improvement, for example.

Indicators are monitored via quarterly scorecards.

In addition, a dedicated reporting tool measures the environmental and social impact

More than **€1bn** of holdings in infrastructure projects contributing to ETT, of which nearly **€600m** in new commitments in 2019

**8** projects are backed by a green or sustainability bond

of the eight infrastructure projects (renewable energy, digital) backed by a green or sustainable bond. The indicators include, among others, avoided CO<sub>2</sub> emissions, sustained jobs, green energy production, the number of clean vehicles deployed and the number of homes connected to fibre optics.

## Local public companies

Caisse des Dépôts supports local public companies throughout French regions. Along with French local authorities, it invests in equities in local public companies such as sociétés d'économie mixte (semi-public companies, SEMs), their subsidiaries, SPLs (local public companies), to whom it can also provide loans. These companies operate to support all public policies carried out by local authorities, such as on regional planning, economic development, social or business real estate and the management of public facilities.

The issues of ecology and energy transition are central to their business, as are those of social cohesion where they are involved in the area of public services, social housing, urban renewal and the revitalisation of towns and rural areas.

The medium-term, 2019–2024, plan is developed in a context of structuring legislative changes, such as the PACTE law. Caisse des Dépôts encourages local public companies to voluntarily subscribe to a CSR approach.

In 2019, these CSR initiatives were notably undertaken in the following areas:

- The revitalisation of city centres through the 'Action Coeur de Ville' programme;
- Support for social housing organisations;
- Renewable energies.

## Decision to invest

From 2020, investment proposals, whether capital increase in existing SEMs or the creation of a subsidiary, will include an ESG rating (piloted in 2019) of the projects, including the analysis of governance practices and environmental and social impact.

This ESG rating, designed as an aid to decision-making, will be systematically applied to all new investments. Criteria of this rating defined for public local authorities will include,

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for example: the percentage of the total amount invested that is devoted to the low carbon economy, the number of m<sup>2</sup> of surfaces treated/cleaned up/redeveloped (for land operations) and the number of real estate assets built/refurbished/renovated for real estate operations.

Caisse des Dépôts assesses the environmental impact of its investments in local companies being set up, and encourages co-investors to opt for the smallest possible environmental footprint.

The institution is increasingly asked by local authorities to invest in multi-energy territorial operators, and in this context, invests in innovative sustainable sectors such as sustainable development and transport, energy efficiency and renewable energies.

The policy for investing in local public companies incorporates environmental indicators defined per field of activity, for example the projected number of MW produced in the area of renewable energies.

**€36m** new investment committees in 2019 in areas contributing to the low carbon economy, notably in renewable energies with the creation of SEM Départementales d'énergies and the equity investment into Bordeaux Métropoles Energies

## Investment monitoring

Caisse des Dépôts supports local public companies, including Semi-public companies, in developing their CSR procedures. In this context, in 2019, it developed:

- Dedicated educational material, explaining what a CSR approach is;
- A tool to help them develop a CSR strategy;
- A draft CSR charter to facilitate its implementation within the organisation, which will be offered as an appendix to be added to the shareholder agreement.

From 2019, ESG issues were also introduced in the shareholders' agreement term sheets signed by the Banque des Territoires.

Caisse des Dépôts pays particular attention to good shareholder practices. It trains its representatives in governance bodies and raises their awareness on ESG issues.

## Social economy

Investments made in the area of social cohesion focus on supporting economic projects and companies with positive social and environmental impact, throughout French territories, in the following areas:

- Regional economic development and employment, marshalling local expertise to promote innovation and supporting people alienated from the workplace in their pathways back to employment;
- Solidarity innovations, in particular targeting access to nursing care and homecare services, reducing medical deserts, innovative accommodations linked to services and/or a common life project, notably in partnership with networks working to improve social cohesion and networks dedicated to assist communities living in substandard accommodations;
- Adaptation and development of skills, by increasing the employability of vulnerable people alienated from the workplace;

### In 2019

- Backing of social economy, social real estate, education and professional integration assets with sustainability bonds.
- Participation in the consolidation of the social economy ecosystem (provision of open tools, partnering in micro-credit and school buildings, investing in structures for professional training health sector organisations, food transition measures, etc.).
- The NovESS fund made 16 investments representing nearly €13m. Its last three equity investments, representing €1.8bn, are supporting the development of projects led by Ethiquable, Co-recycling and Handéo<sup>19</sup>

- Partnerships and intermediated funding, including a social economy fund, to consolidate the professionalisation of social entrepreneurs and to fund innovative social projects.

## Decision to invest

Analysis is currently carried out on a case-by-case basis, depending on the type of project, to ensure that the project complies with the impact investment model (education, training, territorial development, access to housing, etc.).

The 2019 update of the ESG rating tool for social and regional cohesion investments will allow a more systematic analysis of indicators such as: targeted beneficiaries, (number of people supported/targeted/trained/reintegrated over the whole duration of the project), measurement of environmental impact (area converted to organic farming; number of short food supply chain consumers/customers targeted) and good governance practices.

## Investment monitoring

Caisse des Dépôts ensures that good shareholder practices are observed and that companies pay attention to CSR issues, notably by playing an active role in governance bodies.

For instance, the NovESS fund portfolio, backed by the Banque des Territoires, currently includes 26 companies that seek to achieve a positive impact on the 17 Sustainable Development Goal. This impact is assessed in practice thanks to MESIS methodology (a tool developed in co-partnership with BNP Paribas and INCO). This tool incorporates a battery of ESG metrics classified by sector of social action (access to employment, housing, education and health, microfinance, combating poverty, environmental protection) and a rating system that enables goals to be set and monitored throughout the duration of the investment.

# Bpifrance

# 3.3

An overview:

- A goal of **funding and developing French businesses**.
- Systematic integration of environmental, social and governance issues.
- Companies are encouraged to commit to making ESG progress and develop CSR initiatives.
- Compliance with the Group's normative and sector exclusions.
- Commitment to the Group's portfolio **decarbonisation** targets.

5 priority SDGs for Bpifrance:



## ESG risk management

*As a long-term investor, Bpifrance shares the Caisse des Dépôts Group's focus on ESG issues and seeks to promote higher standards in terms of responsible investment. To this end, it supports companies with a view to assisting their continuous improvement.*

Asset classes	Risk identification and tracking	Risk management
Listed and unlisted direct investments	<ul style="list-style-type: none"> <li>- Initial ESG diagnosis to develop a sound knowledge of companies, of their risk management processes and of their strategies to tailor their business models</li> </ul>	<ul style="list-style-type: none"> <li>- Monitoring of ESG improvement goals set at the start of the relationship</li> <li>- Involvement in the governance of companies and negotiation of shareholders' agreements</li> </ul>
Unlisted investment - indirect	<ul style="list-style-type: none"> <li>- Monitoring portfolio decarbonisation</li> <li>- Annual ESG questionnaires</li> </ul>	<ul style="list-style-type: none"> <li>- Discussions with several GPs on their ESG policy</li> <li>- Dedicated CSR training for entrepreneurs in portfolio companies.</li> </ul>

## Listed and unlisted direct investments

Bpifrance acquires a stake in listed and unlisted companies with a view to consolidating and growing the former (mid and large caps) and supporting the latter (French start-ups, SMEs and mid-caps).

Accordingly, it makes ad-hoc investments in the capital of large companies that are considered strategic for the national economy, in particular to stabilise their share-ownership, and actively participates in the governance of these companies.

With smaller companies, Bpifrance invests in minority interests, with some exceptions, via specialised funds managed by its investment teams.

## Decision to invest

Pre-investment ESG assessment is carried out with the support of an analysis tool that determines the most relevant issues to be examined. This includes 14 questions, which are arranged into four themes and are weighted according to the company's size and sector of activity:

- Governance: transparency and stability; anticipation;
- Human capital: employment and social policy; management of jobs and skills; diversity and equal opportunities; workplace wellness; climate and social dialogue;
- Stakeholders: long-term and ethical relationships with suppliers; quality and customer satisfaction; relationships with other external stakeholders;
- Environmental policy and management system: energy and GHG; inputs and waste; control of other environmental impacts;

This assessment makes it possible to identify certain ESG issues and initiate a strategy with the management to progress on these issues. The analysis is incorporated into the memo to the investment committee, and can lead to a refusal if the ESG risks are sufficiently high, or,

<sup>20</sup>Calculated from the data published by 23 companies in which Bpifrance is invested, representing 94% of the listed portfolio.

on the basis of a joint assessment with the business owner, to the definition of a progress strategy identifying measures to be taken.

## Investment monitoring

Operational monitoring of the company's progress is carried out by the investment teams, notably through their involvement in corporate governance and by monitoring the assets activities. Answers given by the company to the annual ESG questionnaire also make it possible to identify issues that have not yet been addressed in prior discussions with the company.

Bpifrance monitors its impact on sustainable growth through annual indicators. In addition to monitoring the portfolios' decarbonisation it monitors measures implemented to support the ecology and energy transition and to support the social economy.

**0.16** teqCO<sub>2</sub>/k€: carbon footprint of the share portfolio, as against 0.119 teqCO<sub>2</sub>/k€ in 2018<sup>20</sup>

**€676m** assets under management invested in low carbon assets, including €124m in 2019

**243** portfolio companies, i.e. 29%, responded to the ESG performance monitoring campaign

## Unlisted investment – indirect

### Decision to invest

For its fund of funds investment activities, Bpifrance includes ESG criteria in the selection of partner asset managers.

In addition, Bpifrance Investissement ensures that these partner teams undertake to make ESG arrangements for the companies in which they invest and that they progressively develop their integration of environmental, social and corporate governance issues.

Bpifrance's policy with regard to funds is motivational. Therefore it does not a priori exclude managers who have not yet initiated a responsible investment policy, but ensures that GPs develop such an approach by requesting them to sign an agreement as part of the legal documentation (side letters) whereby they will require companies in which they invest to actively pursue a CSR strategy.

### Investment tracking

As well as real-time monitoring by management teams, Bpifrance conducts an annual ESG campaign, taking the form of an ESG questionnaire, that GPs are requested to fill out and to ask portfolio companies to fill out. The results of this survey are returned to the relevant investment teams at Bpifrance.

In addition, the sustainable development team meets, or is in contact with, a number of GPs, and offers them access to Bpifrance CSR training for entrepreneurs.

**92** GPs and 955 companies in which they invest responded to the 2019 ESG survey

**€322m** of green holdings, including €15m of new investments in 2019



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# Strategic shareholdings management

## 3.4

### Presentation

The Strategic shareholdings division oversees the acquisition, transfer and management of Caisse des Dépôts' subsidiaries and strategic holdings, supporting their development in line with Caisse des Dépôts' shareholder policy. This policy is based on three criteria: the long-term interest of the companies and their various stakeholders, the financial interest of Caisse des Dépôts and the public interest.

### Strategy

The management of subsidiaries falls within Caisse des Dépôts responsible investment charter, which states that the creation of value by an entity is not limited to its financial component alone, but is also intangible and societal.

Accordingly, Caisse des Dépôts supports its subsidiaries and holdings in promoting best environmental, social and governance practices in their operation and in all their activities, and provides support for their initiatives in this regard. In particular, Caisse des Dépôts encourages its subsidiaries and holdings with an investment activity to pursue and consolidate a clearly stated responsible investment strategy, and supports them in this endeavour.

The Group's strategic priorities and the prospects for value creation are regularly monitored by the Group's Executive Committee. As a shareholder, Caisse des Dépôts stipulates its sustainable policy expectations annually. In 2020, it has notably set them the goal to participate in the development and deployment of new commitments with respect to:

- Climate, with a view to aligning activities with the goal of carbon neutrality by 2050;
- Biodiversity.

When examining corporate development projects, the teams may make normative exclusions, they ensure the respect of Group sector exclusions (coal, tobacco, anti-personnel mines, etc.), and strict compliance with the policy against money laundering and the financing of terrorism (AML-CFT) established by the Permanent Control and Compliance Department. Caisse des Dépôts has set out in a procedural framework the general AML-CFT principles to be applied by all its subsidiaries, subject to additions and tailored as necessary for their activities.

**87%** Participation rate of Caisse des Dépôts directors in the board meetings of listed and non-listed strategic investments



## STOA

Created in 2017, STOA is an investment subsidiary of Caisse des Dépôts and the Agence française de développement (AFD, French Agency for Development) that funds new and existing infrastructures in developing countries.

The fund has set itself a target of a 30% investment projects with a climate co-benefit. In addition, since signing the IFC Operating Principles for Impact Management in 2019, the fund has focussed on high-impact projects, in line with the United Nations Sustainable Development Goals.

In 2019

- Signature of the IFC Operating Principles for Impact Management, which consolidated STOA's policy, prioritising the impact of projects.
- Project analysis now systematically refers to the qualitative and quantitative elements of the transition scenarios defined by the country under the Paris Agreement.
- The emissions avoided by renewable energy projects exceed the GHG emissions generated by other projects.<sup>21</sup>

## ESG and climate-related risk management

In addition to complying with the normative exclusions of the Caisse des Dépôts Group and the sector-specific exclusions of the French Development Agency, STOA has adopted a robust procedure for assessing and monitoring environmental and social risks. This is in accordance with the sustainability performance standards of the IFC (International Finance Corporation) and is based on AFD reference documents.

In this context, the procedure provides for the assessment of resilience to physical risks induced by climate change. Projects are

accordingly analysed from the identification phase by assessing on the one hand the vulnerability to climate change, and on the other, the measures put in place to make the installation resilient in the face of these vulnerabilities. The resilience of projects is assessed qualitatively during the appraisal phase, on the basis of regional temperature increase projections of the World Bank and the IPCC sea level raise projections. The time scale of the assessment is generally based on the life of the infrastructure (around twenty-five years).

## Decision to invest

STOA requires E&S studies presenting comprehensive data on the project's compliance with IFC's performance standards in order to invest in projects.

E&S analysis (which includes a climate component and, since 2019, an impact component) is ongoing throughout the project cycle, starting at the screening of an investment opportunity.

In the first instance, an E&S analysis enables to rank identified projects according to their sensitivity to climate-related risks and the measures implemented. The results of this analysis are determining factors in the investment decision.

Increasingly, particularly for energy projects, the assessment is supplemented by an analysis of their alignment with a quantitative climate scenario compatible with a world at 1.5°C–2°C, like the SDS scenario of the IEA. For example, in 2019, an airport infrastructure project in Latin America was excluded because its emissions were too high.

In general, preliminary analyses make it possible to avoid the appraisal of projects that do not comply with ESG policy before they reach the investment committees (e.g. liquefied petroleum gas projects with high exposure to heavy fuel oil).

<sup>21</sup> Under the assumptions of AFD's carbon footprint method

At each stage of the appraisal, the results of the analyses have the potential to constitute an argument for rejecting a project.

The ESG criteria that influence the investment process and that may justify rejecting a project are as follows:

### At the project identification phase

- Its potential GHG emissions (above 1 MtCO<sub>2</sub>/year, a project will be discarded),
- The incompatibility of the project with the country's low carbon/resilience trajectory (carbon locking, excessive vulnerability for emissive projects).

### At the evaluation and decision phase

Major and irreconcilable incompatibility with IFC performance standards (major and forced population displacement, irreversible impact on protected species, etc.), in the event that no mitigation measure is possible, will result in the termination of the relationship.

A second opinion formalising an opinion on compliance risks is mandatory before entering into a business relationship. The STOA system provides for negotiation, governance rules for project companies, and a standard reporting clause relating to monitoring in its contracts.

## Investment monitoring

An E&S action plan allows STOA to engage in dialogue with project managers and to define the subjects and areas of work where compliance is required. This action plan is monitored on a regular basis with the counterparty, at intervals that vary depending on the progress of the project (weekly, bimonthly, monthly, quarterly).

In addition, for all projects in the portfolio, STOA regularly collects and monitors qualitative and quantitative data relating to ESG risk management, as well as a set of impact metrics. Since the signing of the IFC Operating Principles for Impact Management, the impact approach methodology has been consolidated, with communicable and aggregable indicators that are now more closely monitored and aligned with SDG targets (such as installed renewable capacity, the amount of CO<sub>2</sub> avoided, the number of direct jobs created and the sums generated in the countries of intervention through wages and benefits).

Funded projects are monitored via regular reporting, as well as field visits by the E&S manager.

**€39.2M** in green investments,

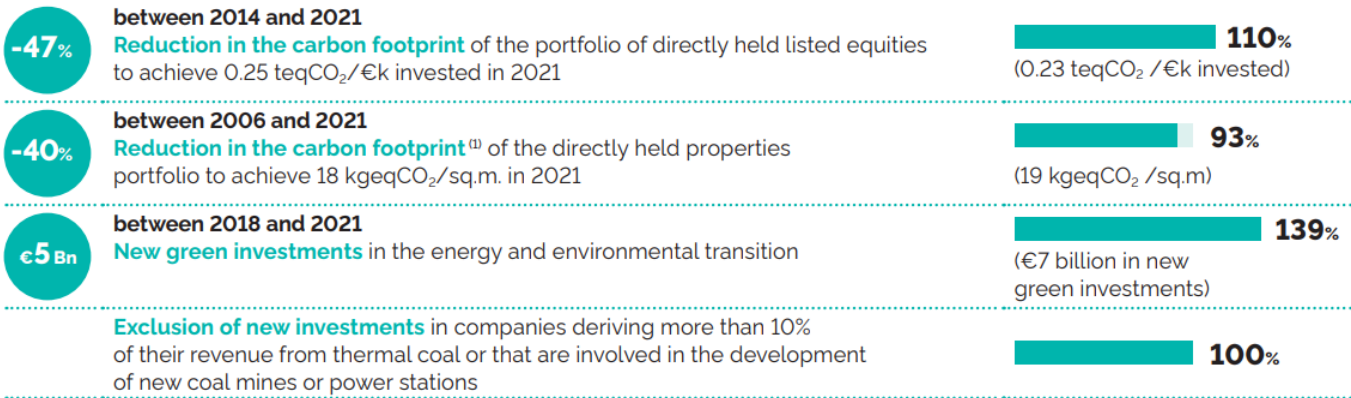
including **€18m** in 2019

Entry into capital of **4** new projects

# CNP Assurances

CNP Assurances has been implementing a responsible investor strategy for the majority of its assets for many years. In 2019, the insurance company further consolidated its climate initiative via:

- The signing of the Net-Zero Alliance, joining Caisse des Dépôts in its initiative for carbon neutrality by 2050;
- Participation in the climate stress tests developed by the French Prudential Supervision and Resolution Authority;
- The issuance of a green bond for €750m;
- The establishment of a climate-related risk committee to monitor quarterly the measures put in place to incorporate climate-related risks into all areas of the business;
- New commitments:
  - A lowering of the coal exclusion threshold for existing investments (20% of turnover linked to the sector as opposed to 25% previously) and the consolidation of its shareholder engagement in this area;
  - The doubling of holdings in green investments, to reach €20bn by the end of 2023.



(1) Greenhouse gas emissions related to energy consumption.

## Summary of ESG incorporation in asset classes managed by CNP Assurances

Asset classes	ESG risk management	Decision to invest	Investment tracking
Directly held listed shares		<p>Best-in-class mandates delivered to its two asset managers:</p> <ul style="list-style-type: none"> <li>- Ostrum AM and Mirova (ESG analysis and qualitative holistic analysis)</li> <li>- La Banque Postale AM (SRI rating for each sector of the economy based on a grid analysing four key elements (governance, resource management, energy transition and territorial development), weighted according to the issues of each sector.</li> </ul> <p>CNP Assurances ensures the consistency of approach of its two agents via its responsible investor commitments, and in a complementary manner by deciding to strengthen dialogue, or even to exclude companies whose practices contravene the fundamental principles of the Global Compact.</p>	<p>Every quarter, each asset manager presents the portfolios' ESG rating, developments and sector-specific challenges and securities with high ESG risk to the CNP Assurances SRI committee.</p> <p>CNP Assurances has been implementing an active voting policy since 2005 in the general meetings of listed companies of which it is a shareholder. It publishes details of its shareholder engagement policy on its website, <a href="http://cnp.fr">cnp.fr</a>, which includes both voting policy and dialogue with companies.</p> <p>Carbon footprint calculation</p>

Asset classes	ESG risk management	Decision to invest	Investment tracking
Corporate bonds		The ESG rating is assessed quarterly by the SRI experts of the asset managers in charge of managing these portfolios (LBPAM and the NIM group). These ESG analysts develop a quarterly monitoring for listed shares that feeds into to the bond analysis.	Carbon footprint calculation
Delegated management	- Exclusion of companies involved in controversial weapons or companies that do not respect the basic principles of the Global Compact	<u>Open funds:</u> Due Diligence questionnaire regarding responsible investment commitments, ESG approach, speculation on agricultural raw materials, as well as on the principles of exclusion of controversial arms producers and the internal rules of management of tax havens and political embargoes, PRI membership, incorporation of transition issues and energy transition issues in the voting policy. <u>Dedicated funds:</u> Implementation of the exclusion principles	<u>Open funds:</u> a biennial survey to verify the implementation of these principles <u>Dedicated funds and open funds:</u> commitment and voting policies are delegated to management companies.
Property	- Exclusion of non-democratic countries, those with a low level of freedom or that are deemed corrupt, and tax havens  - Exclusion of new investments in companies where more than 10% of turnover is linked to thermal coal or that are involved in the development of new mines or coal-fired power stations. A 20% threshold for portfolio companies.	CNP Assurances entrusts the management of its real estate to specialised companies, on the basis of strict specifications, including the issues of respect for the environment and safety. Before any acquisition, asset managers submit a proposal to CNP Assurances that includes the technical, environmental and health analysis of the building. This proposal highlights the building's environmental risks, energy performance (mandatory diagnostic) and GHG emissions and its position regarding new environmental regulations (green lease, certifications, labels).  This ESG information can be supplemented if necessary with audits, benchmarks, international references (labels) or other information from external experts.  CNP Assurances also asks its asset managers to sign its charter for the energy efficiency of commercial buildings.	Day-to-day management is delegated to the asset managers in charge of contracting with property managers or property owners. This delegation goes through a framework agreement that defines the asset managers' commitments and that applies de facto to their subcontractors. These commitments include ESG and ethical criteria. Implementation of the contract is subject to compliance with CNP Assurance's socially responsible approach, as well as with principles of building and personal safety and the quality of services.
Private equity and Infrastructures	- Exclusion of new investments in companies in the tobacco industry	Commitments in private equity funds and sustainable infrastructure, notably via the Meridiam Transition fund.  Due diligences carried out before any investment allow an ESG rating to be established for private equity funds.	Annual reporting on environmental, social and governance criteria for infrastructure investments.
Government and public bonds		Mandates to it Ostrum AM and La Banque Postale AM. CNP Assurance applies governance criteria in the selection of sovereign and public bonds, notably country exclusion rules.	

For more information on CNP Assurances' responsible investor approach, see its 2019 special report

# Pensions and solidarity

# 3.5

## Presentation

With more than 70 mandates managed, mainly in the field of social security and vocational training, the Pensions and Solidarity division offers its clients a comprehensive and flexible delegated financial and ESG management service. In particular, it offers clients wishing to incorporate ESG criteria into their investment decisions support in the implementation of policies related to socially responsible investment and ecology and energy transition (EET).

Ircantec, a supplementary pension scheme for non-tenured state and public-sector employees, is an excellent illustration of the implementation of an IR approach. Caisse des Dépôts manages Ircantec assets by delegation, i.e. nearly €12.6bn at the end of 2019. It develops investment policy proposals, assists Ircantec's directors in strategy development and ensures the application of the investment policy in accordance with guidelines decided by the Board of Directors. For several years, the Pensions and Solidarity department has been supporting Ircantec in defining and implementing a responsible investor approach, providing advice and orienting the plan towards investments that reflect its identity and respect its values.

## ESG risk management

In line with the Caisse des Dépôts Group's responsible investor strategy, these RI commitments are intended to promote sustainable and responsible management of pension plan reserves, which come from workers' contributions.

The Pensions and Solidarity department also supports Ircantec in its commitment to combat climate change: following the exclusion, since 2016, of coal securities above a certain threshold of turnover (20% reduced to 10% in 2019), it proposed a targeted and progressive divestment strategy from the fossil-fuel sector to the Board of Directors in 2018.



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In 2018, the amounts resulting from the disinvestment of bonds in this sector were reinvested in 'green bonds' funds. In 2019, in line with this strategy, the amounts from the disinvestment of equities were reinvested in seven funds specialising in companies for the low carbon and energy transition.

Today, Ircantec is invested in eight funds benefitting from the Greenfin label, comprised mainly of assets invested in green activities (renewable energies, energy efficiency, clean transport, etc.). In total, Ircantec has committed 12.2% of its reserves to fund the ecology and energy transition.

The Pension and Solidarity department supports the institution in its green strategy, via both its investments and a comprehensive control of climate aspects as part of the exercise of its voting rights in the general meetings of companies of which Ircantec is a shareholder. The goal is to make companies aware of the need to increase their commitment to the low carbon transition. Since 2019, a letter signed by the Chairman of Ircantec has been sent systematically to the directors of companies whose transition policy, Ircantec considers, needs improving, whether that be the presented strategy or its expected results.

## Decision to invest

Before investing, the Pensions and Solidarity department develops an RI engagement and integration strategy with Ircantec directors (incorporation of ESG criteria in the selection of portfolio assets, implementation of shareholder engagement initiative, etc.). It benefits from inputs from its specialised network in this area: Caisse des Dépôts' investor network, Novethic, external asset managers and service providers, etc.

## Investment monitoring

Later, the division monitors the implementation of decisions taken by administrators in order to support them.

At the same time, training programmes and communication are put in place to inform and increase the knowledge of administrators and beneficiaries. As part of the training plan established to train and support directors in the exercise of their mandate, Caisse des Dépôts trains new directors in the technical and financial management of Ircantec, in financial

management styles and in RI (three training modules over three days).

To control and monitor the implementation of the investment strategy, the department follows a procedure that involves monthly monitoring of the portfolios' performance and risks, based on a comprehensive and detailed analysis of each of the portfolios using data independent of that of the asset managers. Since 2013, monitoring of how asset managers implement the mandates defined by Ircantec has been carried out and structured by jointly considering the financial and ESG aspects.

Monitoring of overall ESG performance is backed up by an external evaluation by a specialist service provider (Vigeo Eiris). In addition, as part of its responsible investor approach, in order to gain a detailed understanding of the impact of its portfolio on the climate and the climate-related risks to which it is exposed, Ircantec considers a large number of metrics, including the carbon footprint of its portfolio across all asset classes as well as its contribution to the energy transition. These analyses are carried out by two service providers (I-Care and Beyond Rating).

**35** management committees held with asset managers

**54/100**: Ircantec consolidated portfolio ESG rating according to Vigeo Eiris

**2.1°C**: projected average temperature of Ircantec listed-companies portfolio by 2100

# Appendices

## Appendix 1: Principles of Responsible Investing

- Principle 1: To incorporate ESG issues into investment decision-making processes.
- Principle 2: To incorporate ESG issues into our shareholder policies and practices.
- Principle 3: To ask the companies in which we invest to publish reports on their ESG practices.
- Principle 4: To promote acceptance and implementation of the PRI with asset managers.
- Principle 5: To work in partnership with other financial-sector stakeholders who are committed to comply with the PRI to enhance their effectiveness.
- Principle 6: To report on our activities and progress towards implementing the PRI.

## Appendix 2: French Public Investors' Climate Charter

- Principle 1: To take climate issues into account in investment decisions. French public investors implement internal procedures for assessing and managing risks linked to climate change, specific to each stakeholder, that are fully integrated into their investment policy and credit-granting decisions.
- Principle 2: To participate in funding the transition to a low-carbon economy. French public investors actively participate in funding the transition to a low-carbon economy that is resilient in the face of climate change, taking into account their mandate and obligations and respecting the subsidiarity of other funders.
- Principle 3: Structured dialogue with stakeholders. French public investors hold in-depth and structured discussions with the companies in which they are shareholders, the financial institutions to which they give mandates or provide refinancing and stakeholders to whom they allocate funding, in order to encourage these companies, financial institutions and stakeholders to consolidate their initiatives to combat global warming and its effects.
- Principle 4: Dissemination of best practices. French public investors participate in the dissemination of best practices on issues concerning reducing climate risk and adapting to climate change among their peers, the companies and stakeholders they fund and other stakeholders as they deem appropriate.
- Principle 5: Issue of dedicated financial instruments: French public investors do their utmost to actively manage their assets and activities related to low-carbon transition as part of their funding or refinancing policy, in particular, when this refinancing method is relevant for them, by issuing green bonds respecting exacting market standards.
- Principle 6: Transparency and accountability: French public investors seek to report, via appropriate public documentation, on actions undertaken to benefit the climate and on the implementation of these principles, as well as on the results obtained.

## Appendix 3: TCFD recommendations

### Governance

- 1.1 The role of the Board of Directors in overseeing climate-related risks and opportunities.
- 1.2 Description of the role of management in the understanding and management of climate-related risks and opportunities

### Additional ESG

- 2.1 Description of climate-related risks and opportunities in the short, medium and long term.
- 2.2 Description of the potential impact of climate scenarios on the economic model, strategy and financial planning.
- 2.3 Description of the resilience of the organisation's strategy, taking into consideration different scenarios, including a 2°C or lower scenario.

### Risk management

- 3.1 Description of the processes for identifying and evaluating these climate-related risks.
- 3.2 Description of the processes for managing these climate-related risks.
- 3.3 Description of how processes for identifying, assessing and managing climate-related risks are integrated into an overall risk management strategy.

### Metrics and targets

- 4.1 Publication of metrics to assess climate-related risks and opportunities in line with the company's strategy and risk management process.
- 4.2 Publication of Scopes 1 and 2 and, if appropriate, of Scope 3 and the related risks.
- 4.3 Description of the targets set by the company to manage climate-related risks, opportunities and performance.



## Appendix 4: Correlation table

### Article 173 - VI of the Energy Transition for Green Growth Act

This correlation table provides a link between the content of the 2019 Responsible Investment Report and the 2019 Business Review and Sustainable Development Report and the criteria of article 173 - VI of the Energy Transition for Green Growth Act (ETGG act). The Principles for Responsible Investment (Appendix 1), the principles of the French Public Investors' Climate Charter (Appendix 2) and the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) (Appendix 3), are also incorporated into this correlation table.

Category	Metric (Art. 173.6)	Section(s) of the Responsible Investment Report 2019	Section(s) of the Business Review and Sustainable Development Report 2019 (Our commitments to make France greater)	Principles of Responsible Investing	French Public Investors' Climate Charter
Presentation of the general approach	General approach to taking account of ESG criteria in the investment and/or risk management policy	1.1 Responsible Investment Policy 1.2 Governance (TCFD – 1.1; 1.2) 2 Climate strategy (TCFD – 2.1; 2.2; 2.3; 3.1; 3.2; 3.3; 4.1; 4.2; 4.3)	- Actively contributing to the UN's Sustainable Development Goals - Fostering responsible financing	Principles 1, 2, 3, 4, 5, 6	Principles 1, 2, 3, 4, 5, 6
	Contents, frequency and resources devoted to informing subscribers, affiliates, contributors, beneficiaries and clients of the existence of these criteria	1.3 Commitments to stakeholders 2.1 Results of climate action by financial sectors – shareholder dialogue in favour of transition (TCFD – 3.1; 3.2) 3 Implementation of the policy by sector (TCFD – 2.1; 2.2; 2.3; 3.1; 3.2; 3.3; 4.1; 4.2; 4.3)	- Fostering responsible financing	Principles 1, 2, 3, 4	Principles 1, 2, 3, 4, 6
	Signing a charter, code or initiative or obtaining an ESG label	1.3 Commitments to stakeholders	- A sustainable policy embedded in the heart of the strategy	Principles 1, 3, 4, 5, 6	Principles 1, 3, 2, 4, 6
	Internal procedures for identifying ESG risks and activities' exposure to them	1.1 Responsible Investment Policy 2 Climate strategy (TCFD – 2.1; 2.2; 2.3; 3.1; 3.2; 3.3; 4.1; 4.2; 4.3) 3 Implementation of the policy by sector (TCFD – 2.1; 2.2; 2.3; 3.1; 3.2; 3.3; 4.1; 4.2; 4.3)	- Non-financial risk management - Fostering responsible financing	Principles 1, 2, 3, 4, 5, 6	Principles 1, 2, 3, 4, 5, 6
Analysis of implementation	ESG criteria: nature, reasons for choosing these investment criteria, risks linked to climate change,	1.1 Responsible Investment Policy 2 Climate strategy (TCFD – 2.1; 2.2; 2.3; 3.1; 3.2; 3.3; 4.1; 4.2; 4.3) 3 Implementation of the	- Our commitments to make France greater	Principles 1, 2, 3, 4, 5, 6	Principles 1, 2, 3, 4, 5, 6

	contribution of these criteria to achieving EET goals	policy by sector (TCFD – 2.1; 2.2; 2.3; 3.1; 3.2; 3.3; 4.1; 4.2; 4.3)			
Reactions/changes made following the analysis	Information used for the analysis: financial and non-financial data, internal and external analyses, ratings, other information	3 Implementation of the policy by sector (TCFD – 2.1; 2.2; 2.3; 3.1; 3.2; 3.3; 4.1; 4.2; 4.3)	- Actively contributing to the UN's Sustainable Development Goals - Fostering responsible financing	Principles 1, 2	Principles 1, 2, 3, 4, 5, 6
	Methodology and results of the analysis	3 Implementation of the policy by sector (TCFD – 2.1; 2.2; 2.3; 3.1; 3.2; 3.3; 4.1; 4.2; 4.3)	- Fostering responsible financing - Supporting the green transition	Principles 1, 2	Principles 1, 2, 3, 4, 5, 6
	Integration in investment policy, consistency with the national goal of limiting global warming, indicative targets, consequences on investment or commitment decisions	1.2 Governance (TCFD– 1.1; 1.2) 2 Climate strategy (TCFD – 2.1; 2.2; 2.3; 3.1; 3.2; 3.3; 4.1; 4.2; 4.3) 3 Implementation of the policy by sector (TCFD – 2.1; 2.2; 2.3; 3.1; 3.2; 3.3; 4.1; 4.2; 4.3)	- Actively contributing to the UN's Sustainable Development Goals - Fostering responsible financing - Supporting the green transition	Principles 1, 2, 3, 4	Principles 1, 2, 3, 4, 5, 6
	Commitment strategy: commitment strategies to issuers and management companies where applicable, and report of these policies	1.3 Commitments to stakeholders 2.1 Results of climate action by financial sectors – shareholder dialogue in favour of transition (TCFD – 3.1; 3.2) 3 Implementation of the policy by sector (TCFD – 2.1; 2.2; 2.3; 3.1; 3.2; 3.3; 4.1; 4.2; 4.3)	- Fostering responsible financing - Supporting the green transition	Principles 1, 2, 3, 4	Principles 1, 2, 3, 4, 5, 6

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