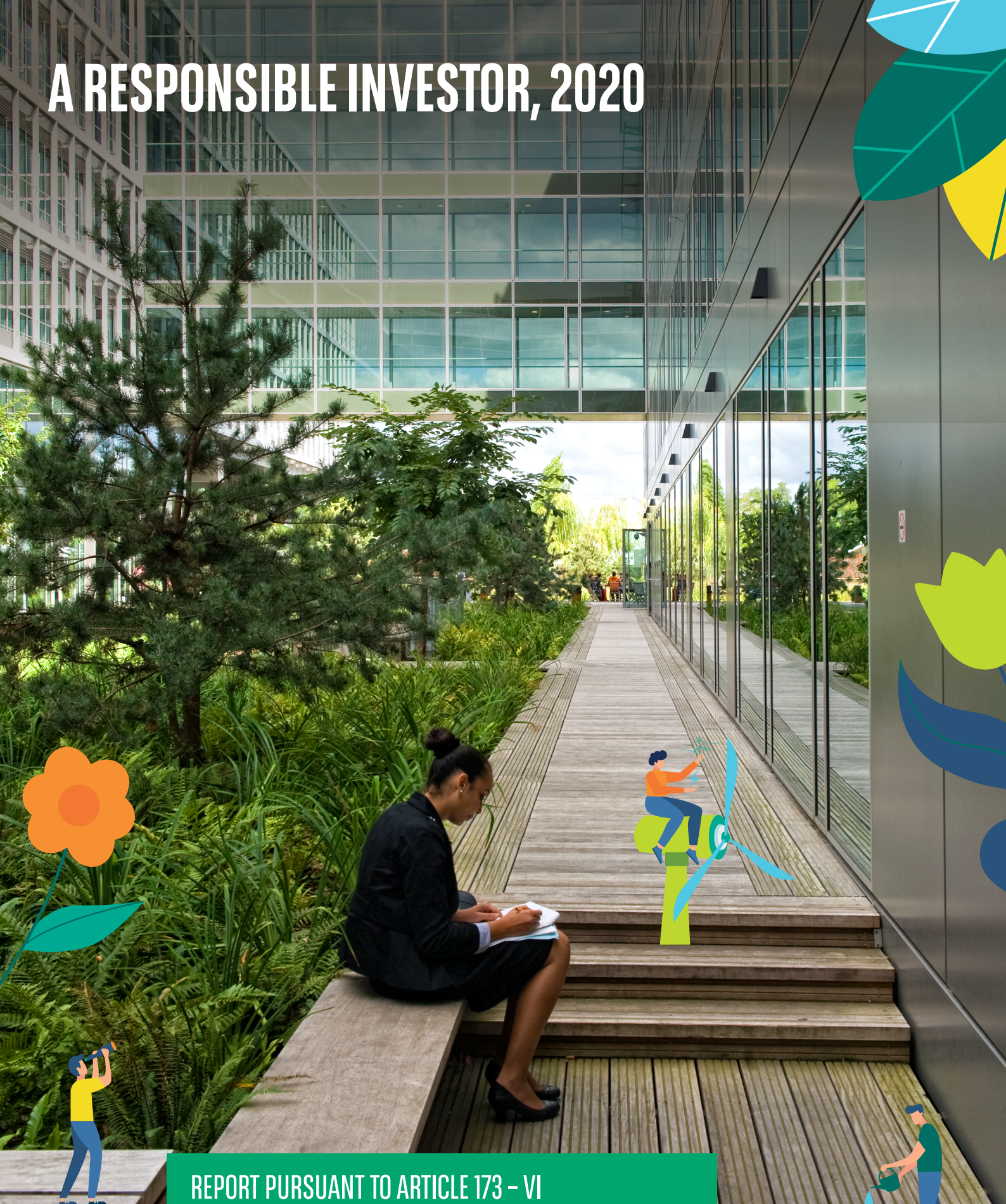


A RESPONSIBLE INVESTOR, 2020



REPORT PURSUANT TO ARTICLE 173 – VI
of the French Energy Transition and Green Growth law



**BNP PARIBAS
CARDIF**

The bank
for a changing
world

Overview of 2020

MEASURING

Assets' carbon footprint

Carbon intensity of corporate equities and bonds portfolio (scope 1 and 2) in € million in revenue
2020: **80** teqCO₂ million (revenue)
2019: **102** teqCO₂ million (revenue)

Carbon footprint of the equity and corporate bond portfolio (scope 1, 2 & 3) in tCO₂eq per € million invested
2020: **653** teqCO₂/million invested compared to 941 teqCO₂ for the benchmark index

Physical and transition risks

Risques physiques : **86%** of companies in the equities and bonds portfolio are in «mildly exposed»

Transition risks: Change in at-risk EBITDA of the corporate equities and bonds portfolio ;

High carbon price scenario 2030:

4% vs 9,4% for the benchmark index

Alignment with the targets of the Paris Agreement

Bonds portfolio temperature

SB2A methodology: 2,4°C

2019: 2,2°C

CIA methodology: 2,9°C

2019: 2,9°C

Equities portfolios

SB2A methodology: 2,6°C

2019: 2,3°C

CIA methodology: 3,5°C

2019: 4,3°C



INVESTING

ESG criteria integration

- ▶ **94% of assets** are covered by an ESG analysis
- ▶ **100% of assets** held directly have a high level of ESG integration

Exit from thermal coal

- ▶ Final exit from coal by **2030** in European Union and OECD countries, and by **2040** in the rest of the world

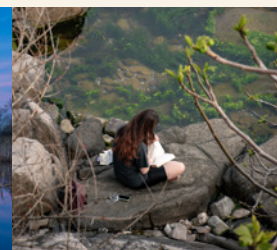
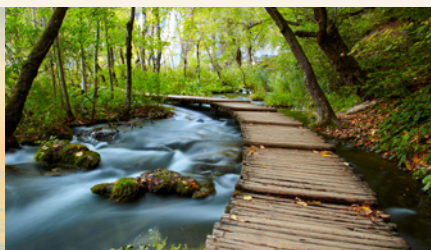
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Positive-impact investments

- ▶ **Objective: Investing €5 billion** in positive-impact investment projects between 2019 and 2024
- ▶ **€1,2 billion invested in 2020**

Sustainable real estate

- ▶ **Objective : 30% energy consumption reduction (per m2 occupied)** of the real estate portfolio between 2011 and 2020
- ▶ **Target achieved : -32% of energy consumption per m2 occupied**



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« WE HAVE KEPT THE COMMITMENTS ANNOUNCED FOR 2020 »



Editorial by **Pauline Leclerc-Glorieux**, *Chief Executive Officer*, and **Renaud Dumora**, *Chairman*

Social responsibility is key to BNP Paribas Cardif's insurer mission. Investing in a world that protects our policyholders and helps people live better together requires socially and environmentally responsible investments.

The health crisis we have been experiencing for more than a year is indicative of the changes to come. This crisis reminds us of the importance of biodiversity and ecosystems on our societies. Its impacts make us ponder over our fundamental values: maintaining social ties, investing in local care and support infrastructures, for example. Lastly, this crisis helps us to understand that we have a considerable role to play in the necessary transition towards a sustainable and environmentally friendly economy.

With regard to the climate, five years after the Paris Agreement, BNP Paribas Cardif's engagement continues. The commitments we announced were met: a reduction of more than 30% in the energy consumption of our real estate portfolio between 2011 and 2020, and €1.2 billion invested in positive impact investments in 2020, in line with our target of €5 billion for 2024. Over the past years, we have used numerous indicators to assess the performance and environmental impact of our assets. These analyses have provided a 360° view of our portfolios and been added to our investment decisions. We

have also reduced our exposure to so-called brown assets, by rewriting a more demanding coal policy in 2020. Our commitment to the Task Force on Climate-related Financial Disclosure (TCFD) led us to structure our climate risk analysis by opting for test measures of our portfolios. We will continue this work over the coming years.

Regulatory changes in climate finance are underway. In particular at the European level, with the implementation of the Sustainable Finance Disclosure Regulation (SFDR) in March 2021. This text contains new transparent reporting requirements relating to the integration of non-financial factors in investment decisions. It complements ongoing European work on the green activities taxonomy. These new requirements are welcome, even if they require significant adaptations from producers and intermediary financial distributors. BNP Paribas Cardif continues to be part of this momentum in 2021, working on its climate policy, and, developing its expertise and tools for analysing impacts on biodiversity.

This fifth "Responsible Investment Strategy" report provides a detailed account of our responsible investment commitments, tools and achievements. It shows how far we have come during this period. It illustrates the commitment of the Company and the BNP Paribas Group.

CLIMATE AND HEALTH EMERGENCY



Five years after the signing of the Paris Agreement⁽¹⁾ in 2015, the global warming of our planet is increasing. According to estimates by the World Meteorological Organisation (WMO), human activities are already responsible for a global warming of around 1.1°C above pre-industrial levels⁽²⁾. The scientific consensus underlines that to limit global warming to below 2°C by 2100, as defined by the objectives of the Paris Agreement at the COP 21, the efforts made to date will not be sufficient to reverse the trend.

«A two-degree increase in average global temperatures may still be insurable, but what is certain is that a four-degree increase is not.» The warning by Henri de Castries at the COP 21 made an impression. **Rapid and far-reaching changes are needed** to ensure the Earth's liveability in the face of climate change. The increase in the frequency and intensity of extreme weather events in recent years provides an overview of the risks to be prevented. In 2020, the estimated cost of hurricanes, forest fires and other natural disasters increased by 25% compared to 2019 to reach €171 billion⁽³⁾.

2020 was strongly marked by the Covid-19 epidemic. This health crisis already shows the fragility of healthcare systems in the face of a global virus. However, it is only a glimpse of the magnitude of the consequences of global warming. **This crisis can be seen as an accelerated experience of the upheavals that societies will experience in the decades to come.** Thus, Covid-19 has caused a sudden awareness of the vulnerability of each sector of the global economy to global value chains. Furthermore, the two crises create supply and demand shocks that make forecasts and responses, both national and international, difficult to predict. To ensure global health and stability, we need to rethink the resilience of socio-economic systems and question the modes of interaction between human systems and ecosystems to create coherent recovery plans. The financial sector is a key player in the transformation of the economy towards a sustainable model. In particular, insurers play a crucial role in financing the economy, in a recovery that protects companies and individuals in the future in an unstable environment. As such, they must direct their investments towards activities that contribute to the energy transition and the protection of ecosystems. Insurers can also help change behaviour. The worsening of natural disasters is largely due to collective behaviour, of which policy holders are the main victims.

(1) The Paris Agreement, signed at the COP 21 in 2015, is an international treaty, which aims to limit global warming to a level well below 2°C, compared to the industrial level.

(2) World Meteorological Organisation (WMO) Report on the State of the Global Climate for the period 2015-2019, 2019

(3) Source: Munich RE





BNP Paribas Cardif

a responsible,
committed
investor



PRESENTATION

Present in 33 countries, BNP Paribas Cardif designs, develops and markets savings and protection offers to insure people, their projects and their assets.

BNP Paribas Cardif offers:

- savings solutions to grow capital and prepare for the future through products tailored to customer needs and projects;
- protection services such as non-life insurance, health insurance, budget, income and means of payment insurance, protection against life contingencies (unemployment, accident, death) or digital data protection to meet changing consumer needs.

A global leader in credit protection insurance⁽⁴⁾, BNP Paribas Cardif co-creates its products and services with more than 500 internal and external distribution partners of BNP Paribas Group. This network of multi-sector partners comprises banks, credit institutions, financial institutions, car manufacturers, retailers, telecom operators, brokers and asset management consultants.

As at 31 December 2020, €264 billion in assets were under management worldwide. These assets are funded by general funds⁽⁴⁾ and unit-linked vehicles⁽⁵⁾ offered to policyholders.

The main general funds located in France, Italy and Luxembourg represent respectively €124 billion, €23 billion and €10 billion in market value⁽⁵⁾.

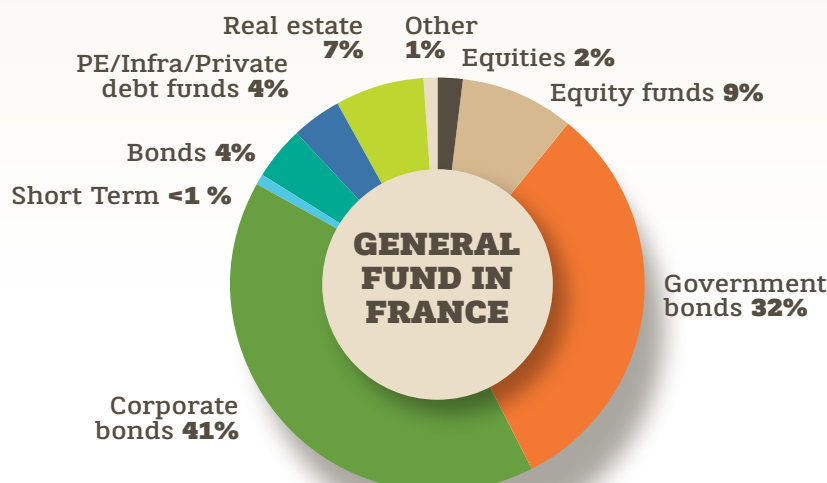
Unit-linked vehicles totalled €79 billion worldwide, including €43 billion in France.

(4) Source: Finaccord

(5) Accrued coupons included

9

Allocation of the assets in the General Fund in France at 31 December 2020 (in market value)



*READ GLOSSARY

SCOPE OF THE REPORT

This report presents the responsible investment^{*} strategy of BNP Paribas Cardif. This strategy is structured around three main commitments:

- including non-financial criteria in investment processes and shareholder engagement;
- taking action to combat climate change;
- developing positive-impact investments.

The report mainly deals with the implementation of BNP Paribas Cardif's responsible investment strategy in its France general fund. It also gives a quick overview of responsible unit-linked vehicles in France, and the roll-out of this strategy abroad. Unless otherwise indicated, the figures presented by the report and the BNP Paribas Cardif name are associated with the France general fund.

The drafting of this report complies with Article 173 of the French Energy Transition Act (LTE). It will change next year to take into account the additional requirements of Article 29 of the Energy-Climate Law. This report is also in line with the recommendations made by the Task Force on Climate-Related Financial Disclosure (TCFD).





SOCIAL RESPONSIBILITY

BNP Paribas Cardif has defined a social responsibility policy that is part of the Company's strategic plan and consistent with that of BNP Paribas Group. The CSR approach is based on four pillars, focusing its responsibility on its economic activity (responsible investments, responsible products and services), its employer practices (a company centred on people), and its responsibility as an organisation (a community-minded institution⁽⁶⁾).

Thirteen commitments are associated with these pillars, offering a framework for the integration of CSR in the Company's various business lines. This strategy applies to all international locations.

The pillars and commitments of BNP Paribas Cardif's CSR strategy

11

Responsible investment

- Selection of investments by non-financial criteria
- Combating global warming
- Positive impact investments

Responsible products & services

- Positive impact products and services
- Product value and a quality customer experience
- Products and services accessible to as many people as possible

A company centred on people

- Promotion of diversity, inclusion and fight against discrimination
- "Good place to work"
- Responsible employment management

A community minded institution

- A committed sponsorship policy
- Combating exclusion and promoting respect for Human Rights
- Reducing the environmental impact of our own operations
- The highest ethical standards and personal data protection

The internal mobilisation of employees is essential to the deployment of the strategy. The CSR teams are active and intervene across the Company's business lines. The CSR department relies locally on intermediaries and correspondents who work together on their own scope.

The CSR teams, as well as numerous CSR resources and training courses, are available to everyone. Training targets more specifically certain functions. Events are frequently organised on CSR topics, with experts invited to share their knowledge on environmental (global warming, biodiversity) or social issues (inclusion around disability, promotion of diversity, support for women, etc.).



(6) Consult the institutional website
www.bnpparibascardif.com



POINT OF VIEW

Laurence Hontarrède

CSR and Prospective Manager at BNP Paribas Cardif



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"2020, marked by the Covid-19 epidemic, will have been a practical test of our responsible commitments, primarily those we owe to our customers. We have put in place a support and solidarity programme to help people get out of the crisis:

- *€200 million mobilised to support customers around the world on a daily basis, of which €40 million as part of extra-contractual measures*
- *€100 million in the investment programme to help mid-cap companies, SMEs and the healthcare sector in France;*
- *€20 million dedicated to solidarity initiatives including €16 million in the solidarity fund set up by the French public authorities.*

At the same time, we have launched a policy of support and proximity for all of our employees around the world to help them cope with these new situations, involving a working from home in difficult personal conditions.

These challenges confirmed our position for strong and concrete action in our corporate social responsibility, both to fight against climate change and to reduce inequalities. We have adopted a mission to «make insurance more accessible» and we have further strengthened our commitments and achievements as a responsible investor, as detailed in this report.

***We have put in place
a support and
solidarity programme
to help people get out
of the crisis***

The defence of biodiversity must be integrated in our investment strategies, the stakes are immense and we invited Eva ZABEY, Executive Director of Business for Nature to speak to us here (see section II.3). The ecological transition is in a race against time and we are constantly looking to improve the tools and measures to report and go further.»

COMMITMENTS

For the past five years, BNP Paribas Cardif has consolidated its ESG analysis⁽⁷⁾, improved the monitoring of its non-financial indicators and extended the scope of exclusion policies.

Implementation of targets set before 2020

INVESTING AN ADDITIONAL

5

billion euros

in positive-impact investments
between 2019 and 2024.

REDUCING BY

30%

**the energy
consumption**

of the real estate portfolio
between 2011 and 2020.



IN 2020

1,2

billion euros

invested in positive-impact
projects was achieved



IN 2020

-32%

**de consommation
énergétique**

of final energy consumption per m²
occupied compared to 2011 were recorded.

(7) Environmental,
Social and Governance

13

Commitments made in 2020

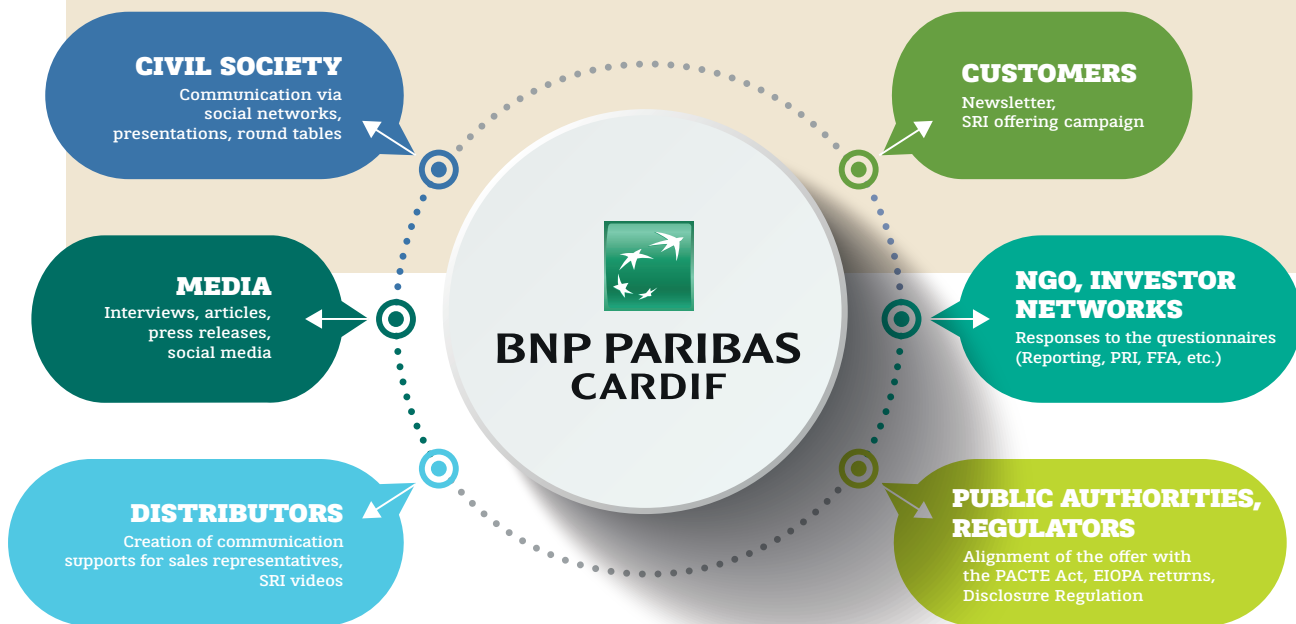
- Reinforcement of the thermal coal^{*} policy with the addition of criteria in relative and absolute terms, the exclusion of logistics companies (storage and transport), developers and new projects (see exclusion policy detailed in II. 1.A).
- Adoption of a more precise definition of positive-impact investments for its 2024 target (see definition in Part III).

^{*} READ GLOSSARY

ADDRESSING ALL STAKEHOLDERS

BNP Paribas Cardif communicates and interacts responsibly and transparently with its **external stakeholders**.

Dialogue with stakeholders



Company's public stances are made in a variety of formats and aimed at various audiences (customer newsletters, press releases, social media publications, etc.). As an insurer, BNP Paribas Cardif offers its customers retirement solutions to help them save throughout their working life. It helps its customers understand the issues related to retirement, in particular to help them plan ahead. The Company

communicates to spread a better understanding of pension systems and of customised assessments. For example, a dedicated website (la-retraite-en-clair.fr) as well as podcasts "Éclairons la retraite" (Enlightening retirement), are available on various channels (websites, social networks, podcast listening platforms such as Spotify or Deezer).



Loi PACTE et assurance vie

Bienvenue dans ce nouvel épisode d'Éclairons la retraite ! Aujourd'hui, mise en lumière des effets de la loi PACTE sur l'assurance vie en compagnie de Pierre-Christian Imbert, Responsable Juridique France chez BNP Paribas Cardif. Plus de transparence avec un devoir de conseil...

05min | Publié le 16 juillet 2020



Épargner responsable avec la finance verte

Nous sommes ravis de vous retrouver dans ce nouvel épisode d'Éclairons La Retraite ! Les enjeux sociétaux, environnementaux et démographiques que nous connaissons actuellement nous poussent à revoir nos modes de consommation. Et la finance n'échappe pas à cette prise...

09min | Publié le 2 septembre 2020



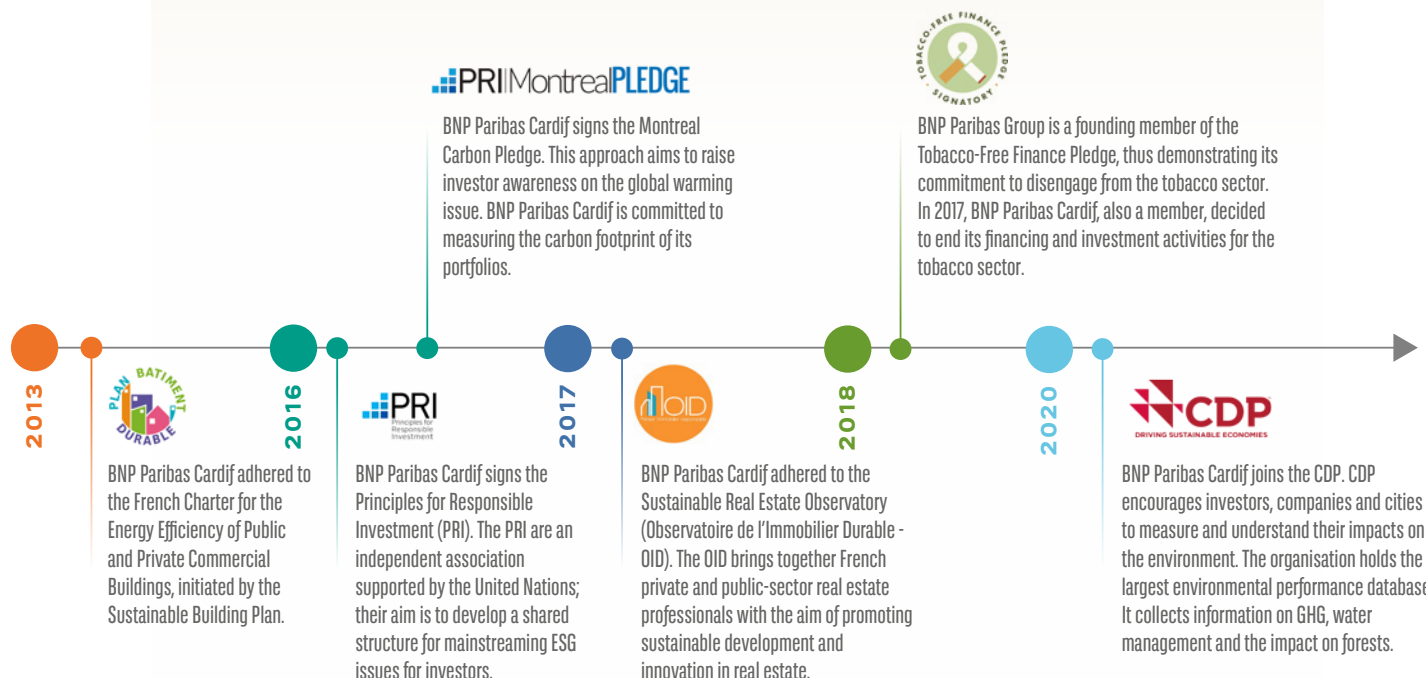
Additionally, BNP Paribas Cardif participates to roundtables, conferences or events promoting responsible investment. In December 2020, for example, the insurer took part in

discussions on the links between the post-Covid-19 crisis and the integration of ESG issues in investment strategies, during a round table organised by Agefi's National Investor Day.

MEMBERSHIP HISTORY

BNP Paribas Cardif is involved in **some key initiatives** around ESG considerations in investment decisions. It actively participates in the work of the French Insurance Federation.

PRI signatory since 2016 (Principles for Responsible Investment), BNP Paribas Cardif participates in the dissemination of best practices for responsible investment.



INSURERS RESPOND TO REGULATORY CHALLENGES

The challenge for regulators is two-fold: on the one hand, to ensure that non-financial risks and, in particular, those related to the climate, are properly assessed and managed by financial intermediaries; on the other to ensure that «responsible» investments effectively contribute to the development of sustainable projects.

France was a pioneering country in the involvement of institutional investors in the fight against climate change, with the adoption of Article 173 of the Energy Transition and Green Growth Act (LTECV), in 2015. The European Union has followed this movement with the **publication by the European Commission in 2018 of its action plan for sustainable finance**. The aim is to make the financial sector work for a greener, cleaner and more inclusive economy. This plan is gradually being implemented by all EU institutions.

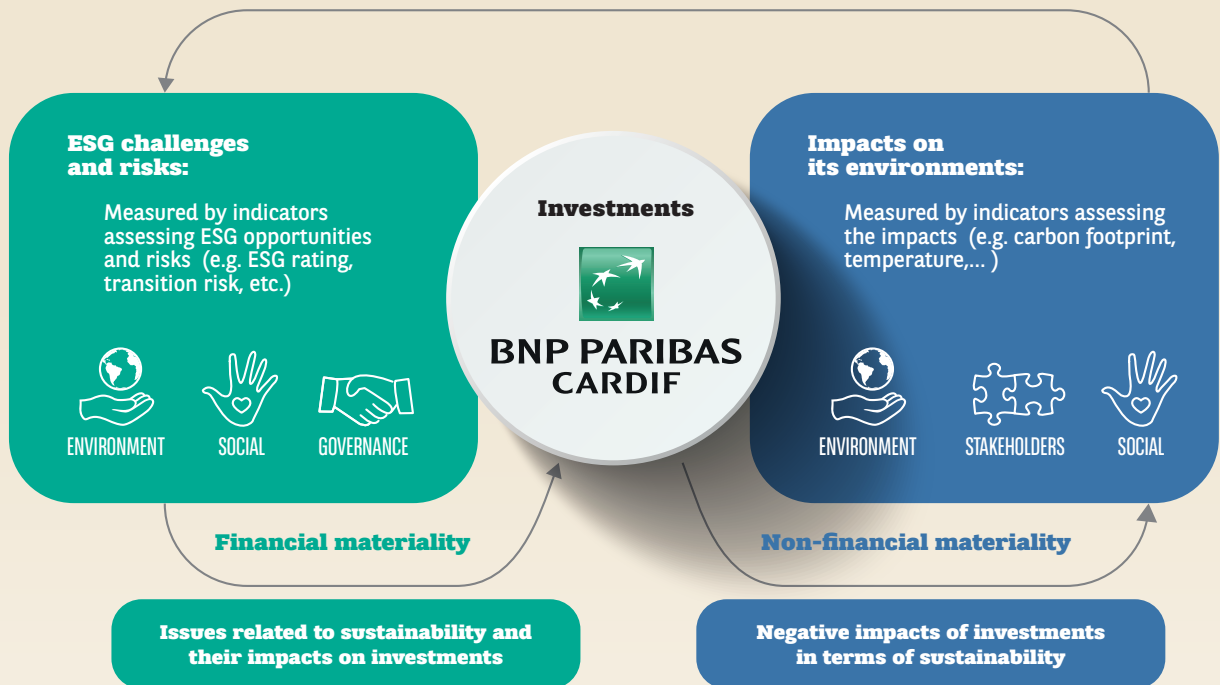
Increased transparency requirement on the integration of non-financial criteria

As part of this action plan, the Sustainable Finance Disclosure Regulation (SFDR) adopted in 2019 sets new obligations for asset managers and institutional investors. It aims to clarify how sustainability aspects are taken into account in investment processes. The regulation also reinforces the obligations regarding the publication of non-financial information at entity and product level. Work to prepare for its implementation began in 2020. BNP Paribas Cardif will report on this in its next report in 2022.

The regulation introduces the concept of dual materiality (see diagram). From 10 March 2021, insurers must consider ESG issues from two perspectives:

- 1° the impact of events relating to ESG factors on the value of investments.** For example, extreme weather events can affect the physical assets of insurers, such as real estate.
- 2° the impact of investments on sustainability factors (environmental and social aspects).** These are the negative impacts in terms of sustainability, called Principal Adverse Impacts by the Regulation. They include the impact of investments on climate change, and are measured, for example, by their greenhouse gas (GHG) emissions.

The principle of dual materiality



POINT OF VIEW

Olivier Hereil

Chief Operating Officer; Asset Management
at BNP Paribas Cardif



We are convinced that it is our responsibility to steer the transition towards a more sustainable world.

"Five years after the signing of the Paris Agreement and the implementation of the current Article 173⁽⁸⁾ one of the first mandatory reporting frameworks in Europe on ESG⁽⁹⁾- Climate issues for institutional investors - 2020 marks the beginning of a new cycle in the integration of non-financial issues. The common objective of these changes is to bring the necessary transparency to savings, to help clients understand the quality and intensity of sustainable commitment in the products they subscribe to.

Three changes in particular bear witness to this:

1. On the one hand, **accelerated implementation of new directives** around the principle of dual materiality: Until now, investors had to explain how they took into account the foreseeable impacts of environmental and social factors in their management choices in order to mitigate the risk of their investments. From now on, they will also have to assess the impact of their investments on social and environmental aspects.

In this respect, we see regulatory reinforcement as an accelerator of change. However, regulations do not replace our convictions in this matter. We are convinced that it is our responsibility to steer the transition towards a more sustainable world. As a committed investor and player in society, we must help reduce imbalances, encourage energy and ecological transitions, support vulnerable populations and thus support companies and states in their process of adapting to the world of tomorrow.

2. On the other hand, the work initiated by European and national supervisors concerning the very real impacts of **climate change risks** on the management of the balance sheets of insurers and bankers, both in assets and liabilities.

For several years, we have been working to identify and analyse climate-related risks and opportunities for our insurance activities and for our clients. We are already mobilising resources for this work, and our efforts will continue.

3. Lastly, the rise of another environmental issue: **biodiversity**. The preservation of ecosystems and natural species is just as tangible as the climate for many economic sectors, but we still lack standardised measurement tools. We believe that the European taxonomy on green activities and the requirements of the future Article 29 report will undoubtedly be welcome catalysts.

The gradual integration of the challenges linked to the transformation of our growth model towards greater sustainability is accelerating. BNP Paribas Cardif is making a strong contribution to this, as can be seen from this report."

(8) Introduced in the Energy Transition for Green Growth Act in August 2015

(9) ESG: Environmental, Social, Governance

(10) Introduced in the Energy Climate Law of November 2019



GOVERNANCE AND RESPONSIBLE INVESTMENT STRATEGY

Integrated governance

BNP Paribas Cardif's governance bodies define the strategy and participate in deploying the Group's policy. They ensure its application in the insurer's responsible investment strategy.

Governance is built around the Board of Directors and committees involving management and operational teams (asset management, CSR, risks, compliance, finance-actuarial). This involvement of the various decision-making bodies and functions of the Company allows for an in-depth analysis of non-financial issues, thus contributing to management of the resulting risks.

A cross-functional system for integrating non-financial issues

All Asset Management teams are involved in the consideration of non-financial issues in the investment process.

- The managers monitor the evolution of the ESG indicators on their management tools thanks to dedicated reports. Periodic meetings between the management teams of the three main general funds (France, Italy and Luxembourg) make it possible to develop the system and raise the managers' awareness of new non-financial and regulatory issues.
- Asset management control teams check the application and compliance with sector policies and exclusions on investments (inventories and flows).
- A responsible investment coordinator monitors changes in the non-financial environment and regulations and ensures relevant application with the Asset Management Department.

This operational monitoring involves other company functions:

- the BNP Paribas Cardif CSR teams for integration with the Company's CSR strategy, coordination with the BNP Paribas Group policy, and cross-functional coordination;
- the Risk, Compliance and Legal Departments, in particular with regard to controls and compliance with regulations.

The implication of various decision-making bodies and functions of the Company allows for reactive consideration of non-financial issues, thus contributing to risk management and to a dynamic process.



I. CONSOLIDATING AND ADAPTING THE ESG APPROACH

P.21 **ESG APPROACH BY ASSET CLASSES**

1. DIRECT INVESTMENTS	23
2. INVESTMENTS VIA FUNDS	29
3. UNIT-LINKED VEHICLES	30
4. IMPLEMENTATION OF THE STRATEGY INTERNATIONALLY	33

P.37 **ENGAGEMENT THROUGH VOTING AND DIALOGUE**

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2. HIGH PARTICIPATION IN VOTES DURING GENERAL MEETINGS	37
3. ASSET MANAGEMENT COMPANIES ENGAGEMENT	38

ESG APPROACH BY ASSET CLASSES

BNP Paribas Cardif's responsible investment policy applies to all assets in its main countries of operation. The methodologies are adapted and the specificities of each asset class are taken into account.

In 2020, the ESG approach was strengthened with a **more granular analysis** which classifies assets according to their ESG integration level.

The non-financial analysis process for BNP Paribas Cardif assets



> ESG integration

For each new investment, BNP Paribas Cardif examines the **Environmental (E), Social (S) and Governance (G)** issues. This analysis can be qualitative and/or quantitative. To do this, BNP Paribas Cardif collects ESG data specific to each asset class. Information is then analysed and integrated into the management processes thus making the investment universe compatible with its responsible investor approach.

In 2020, BNP Paribas Cardif increases its non-financial analysis coverage to 94% of assets (vs 89% in 2019)⁽¹¹⁾. This increase is mainly due to an analysis of the historical inventory of the Private Equity, Infrastructure and Private Debt funds.

(11) 6% of assets are not covered by an ESG analysis: 4% are in the process of being hedged (historical real estate stock), and 2% are assets for which an ESG analysis is not suitable (mainly monetary and alternative investments).

> Level of ESG inclusion

Each hedged asset can be categorised according to three levels:

78%
of assets

High ESG inclusion

The process of integrating ESG criteria is rigorous and demanding («best-in-class» approaches). In addition to regulatory and legal filters, exclusions related to several ESG criteria are applied, including restrictive sectoral exclusions (thermal coal, tobacco, shale oil, etc.). Assets may hold a label or external certification.

These are generally the most common financial assets (equities, bonds, real estate, funds, etc.) in European countries.

16%
of assets

Satisfactory ESG inclusion

These assets take social, societal and environmental issues into account in their management process. In addition to regulatory and legal filters, sectoral exclusions are applied.

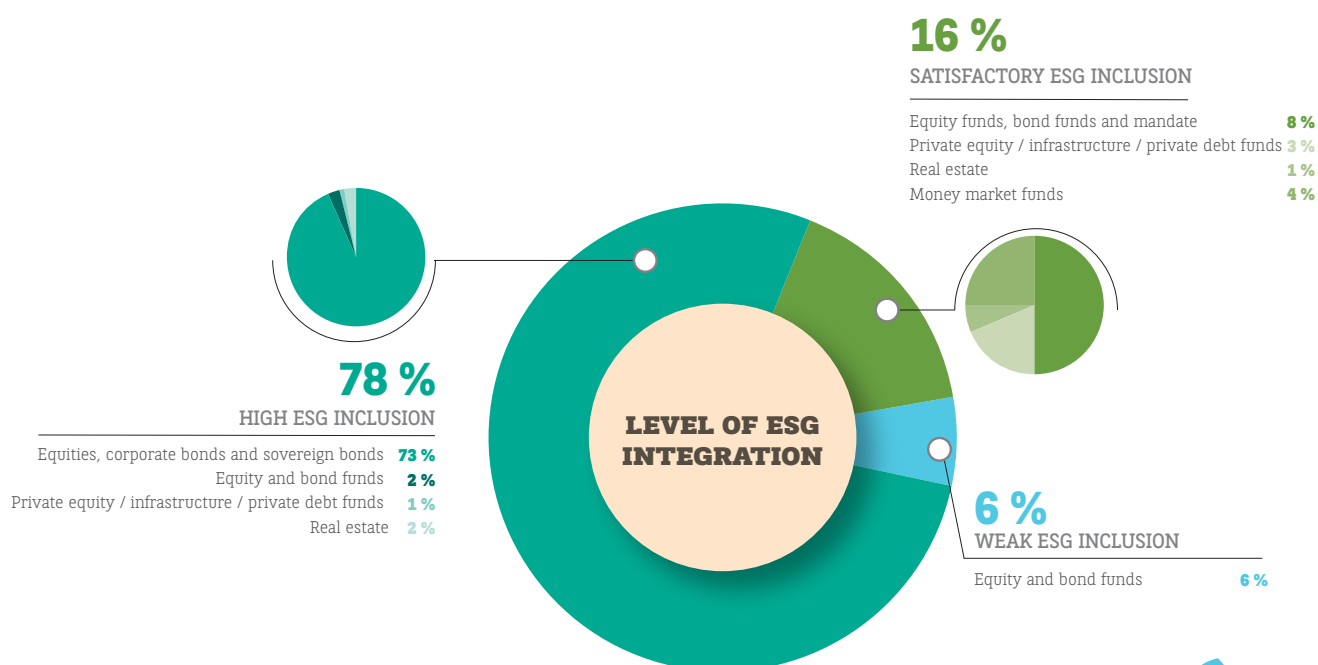
These are generally the most common financial assets (funds, equities, bonds, real estate) in European and North American countries.

6%
of assets

Weak ESG inclusion

These assets have no or limited ESG criteria integration: either due to the absence of a strategy or non-financial data (emerging countries, SMEs, etc.), or by their nature (alternative funds, structured products, derivatives, etc.). Normative and/or legal filters (respect for human rights, labour law, international treaties, etc.) may be applied.

ESG inclusion by asset class at 31 December 2020 (% in market value)



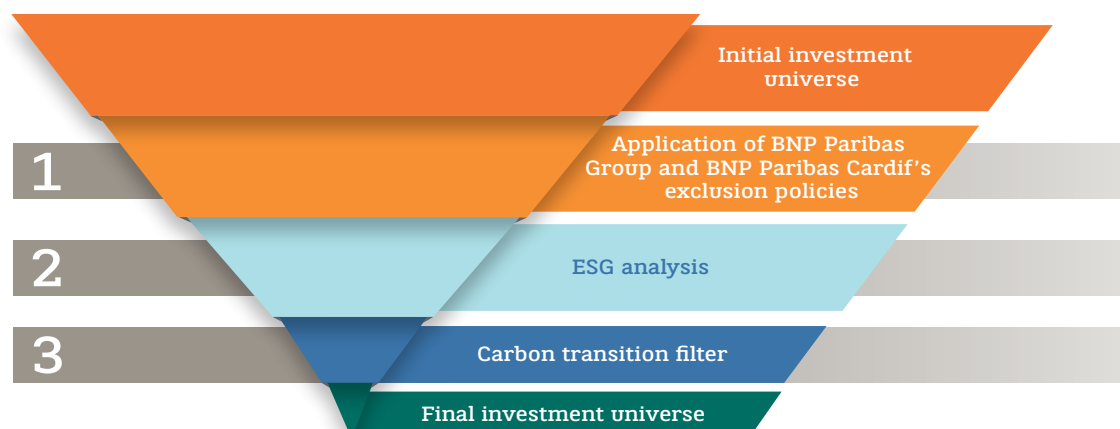
Thanks to this classification of the level of ESG integration of assets, the insurer can target areas for improvement and emphasise the consideration of non-financial issues in its investments.

As of 31 December 2020, 78% of the assets analysed have a high level of ESG integration, including 100% of the securities held directly*.

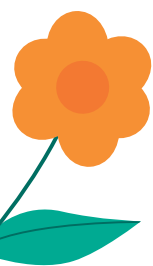
1. DIRECT INVESTMENTS

The responsible investment process for securities held directly by BNP Paribas Cardif is described in the diagram below. Stages 1 (application of exclusions) and 2 (ESG analysis) will be covered in this part I. Stage 3 (carbon transition filter) will be examined in part II.I of this report.

The non-financial analysis process for BNP Paribas Cardif corporate bonds and equities



* READ GLOSSARY



(12) <https://group.bnpparibas/en/financing-investment-policies>

(13) When revenue from the tobacco sector exceeds 10% of revenue

(14) See Part II

(15) See Part II

> Exclusions and treatment of sensitive sectors

For all investment projects, an initial analysis verifies compliance with international standards and treaties (regulatory and legal filters). The activity of the company or the country in which it operates must not be subject to an embargo or financial sanctions.

Sector exclusions are then applied. These follow the BNP Paribas Group sector policies, available online on the BNP Paribas website⁽¹²⁾.

These policies govern investments in sensitive sectors with environmental and social issues and are applicable in all of the Group's business lines. They are regularly extended or revised, and reflect a committed position with regard to these sectors. In addition, BNP Paribas Cardif has made specific commitments concerning the tobacco and coal sectors.

■ EXIT FROM THE TOBACCO SECTOR

In May 2017, BNP Paribas Cardif confirmed a "tobacco-free" investment policy within its portfolios⁽¹³⁾ (producing companies, wholesalers and distributors whose revenue comes mainly from tobacco). The insurer signed the Tobacco Free Finance Pledge in 2018.

■ ELECTRICITY PRODUCTION FROM COAL

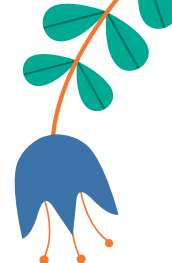
BNP Paribas Cardif published⁽¹⁴⁾ in 2020 a timetable for the phase-out of thermal coal^{*}. It applies to investments for electricity production and provides for a definitive exit from the sector by 2030 for the countries in the European Union and the OECD and by 2040 for the rest of the world.

■ MINING INDUSTRY

Any project in sensitive areas identified by competent external bodies (UNESCO, the Ramsar list, Alliance for Zero Extinction, IUCN) is excluded. BNP Paribas Cardif does not invest in mining companies that develop mining capacities. The insurer excludes companies that produce more than 10 million tonnes of thermal coal per year or generate more than 10% of their revenue from thermal coal⁽¹⁵⁾.

■ UNCONVENTIONAL OIL AND GAS

BNP Paribas ceases its relations with players whose main activity is exploration, production, pipeline transport, operation of LNG export terminals or trading of shale gas and oil and/or oil from tar sands. BNP Paribas also undertakes not to finance offshore exploration or oil and gas production projects in the Arctic, or in the Arctic National Wildlife Refuge.



■ NUCLEAR ENERGY

This policy defines a set of rules and procedures concerning financial products and services provided to civil nuclear players. It ensures that the projects financed comply with the principles of control and mitigation of the environmental and social impacts of nuclear energy. They should be part of an appropriate legal framework including international cooperation, a nuclear safety authority and political stability.

■ PALM OIL

Palm oil companies must be active members of the Roundtable on Sustainable Palm Oil (RSPO), a system that guarantees socially acceptable and environmentally friendly palm oil production. BNP Paribas imposes other criteria such as the adoption of tools and practices necessary to monitor compliance with “zero deforestation” commitments or respect for the rights of landowners, including local indigenous communities.

■ AGRICULTURE

Agricultural projects or businesses must not use hazardous agrochemicals (as defined by the Stockholm Convention on Persistent Organic Pollutants), or have a negative impact on the surrounding ecosystems. Good animal welfare practices in livestock farming are required.

■ PAPER PULP

The paper pulp industry can be very polluting. Membership of certifications such as the Forest Stewardship Council (FSC) or the Programme for the Endorsement of Forest Certification (PEFC) are taken into account. Companies must present a clear and strict environmental management procedure for existing plantations. Companies must also refuse to develop plantations on peat bogs.

■ DEFENCE

Companies identified as being «involved in controversial weapons» are excluded. The Group does not supply goods and products to companies identified by the UN or the EU as having participated in the violation of embargoes on arms and law enforcement equipment.





> ESG analysis and integration for direct investments

For directly-held securities, two ESG filters are applied, at country level and at company level.

At country level

The ESG filter is used to exclude countries with relatively low E, S and G grades. This filter applies to **securities issued by countries** (government bonds) and **securities of companies in these countries** (corporate equities and bonds).

The ESG performance of the States is analysed⁽¹⁶⁾. A summary note includes the various scores obtained on E, S and G aspects. Only countries with a satisfactory overall score are retained in the investment universe.

- The **Environment** pillar takes into account the country's energy mix, the national carbon footprint[★] as well as the ratification of treaties, in particular the Paris Agreement. The analysis also reflects indicators on greenhouse gas emissions, such as CO₂ emissions compared to gross domestic product.
- The **Social** pillar measures the policies implemented by the States with regard to poverty, access to employment, access to electricity and the ratification of treaties on labour rights or children's rights.
- The **Governance** pillar includes respect for Human Rights and respect for labour rights.

At company level

The ESG filter excludes the least performing companies on E, S and G aspects. This filter applies to corporate equities and bonds. The ESG analysis for corporate equities and bonds uses Vigeo Eiris (V.E.) ratings. This method uses 38 criteria to assess non-financial opportunities and risks. The criteria are grouped into six categories: environment, human resources, respect for human rights at work, market behaviour, civic engagement and corporate governance.

BNP Paribas Cardif applies an industry « Best-in-class[★] » approach.

Thus, each company is awarded a score according to its level of performance for each of the six categories. The average of these scores then provides an assessment of the overall ESG performance (ESG score). Companies with the best performance in relation to their sector of activity are favoured in the final investment decision.



(16) ESG rating provided by V.E. (Vigeo Eiris)
<https://vigeo-eiris.com/solutions-investors/esg-assements/>

★ READ GLOSSARY



Companies are classified by decile according to an overall score. Within each sector, this score excludes companies whose ESG rating is in the last three deciles. **A carbon transition filter** completes the approach (developed in part II.1.B).

ESG scores for directly-held corporate assets

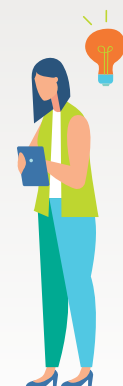
For its directly-held portfolio of securities and bonds, BNP Paribas Cardif calculates an ESG score. This score, expressed on base 100, is an average of the ESG scores of the assets weighted by their weight in the portfolio. It measures the exposure of portfolios to ESG risks.

- **The ESG profile of the corporate equity and bond portfolio is improving every year.** The portfolio's average ESG score reached 56 in 2020 (compared to 55 in 2019). This improvement reflects the desire to invest in companies with the best performing ESG scores in their sector.
- The weight of assets by ESG score offers another way of reading this good ESG performance of the portfolio: **63% of the corporate equity and bond portfolio is concentrated on the most advanced companies in terms of ESG score (between 50 and 100), compared to only 50% for the benchmark index⁽¹⁷⁾.**



Breakdown of ESG scores for corporate assets at 31/12/20 (% of portfolio at market value)

ESG SCORING	Corporate equity and bond portfolio weight	Benchmark composite index weight
0-30	0%	9%
30-50	37%	41%
50-70	51%	45%
70-100	12%	5%



(17) Details of the index available in Appendix 4.A

Directly-held real estate

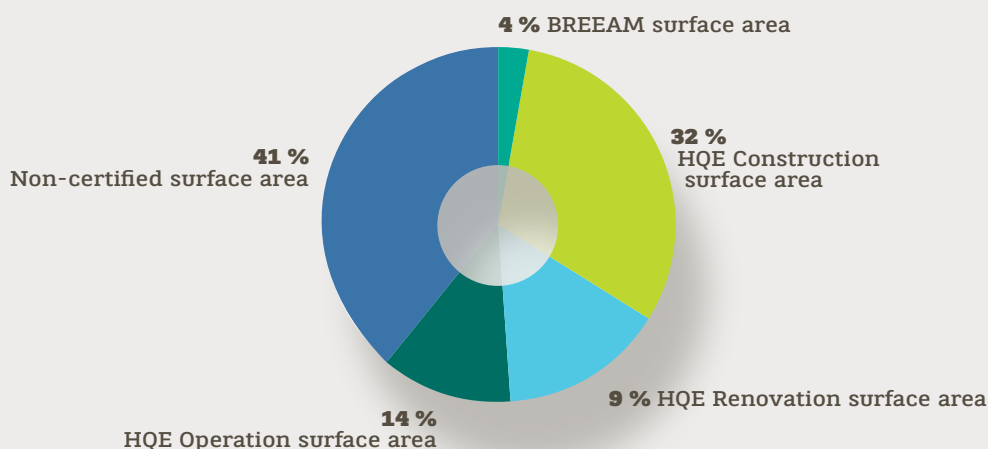
BNP Paribas Cardif manages its real estate portfolio to improve its social and environmental performance.

On environmental issues:

- buildings under construction are systematically certified. For example, in 2020, BNP Paribas Cardif supported the renovation, with high environmental standards, of a building measuring 9,100 m²: excellent level for HQE and BREEAM[✱] certifications;
- buildings undergoing renovation are certified if the technical and financial feasibility is sustainable;
- for the operational phase, some buildings are certified. For management and works, an improvement in environmental performance is always sought.



Monitoring of certification processes (HQE and BREEAM) as at 31 December 2020, on the surface area, on the portfolio under direct management



In addition to monitoring certifications and labels, the environmental pillar of the ESG strategy for directly owned properties examines buildings energy consumption, carbon footprint and the use of green electricity. BNP Paribas Cardif also encourages less carbon-intensive construction methods (buildings in wood construction) and less energy-intensive designs (buildings without air conditioning).

BNP Paribas Cardif also pays particular attention **to the social purpose of buildings** such as the introduction of intermediate rents or the rental at very affordable rates to solidarity associations.




2. INVESTMENTS VIA FUNDS

Equity and bond funds

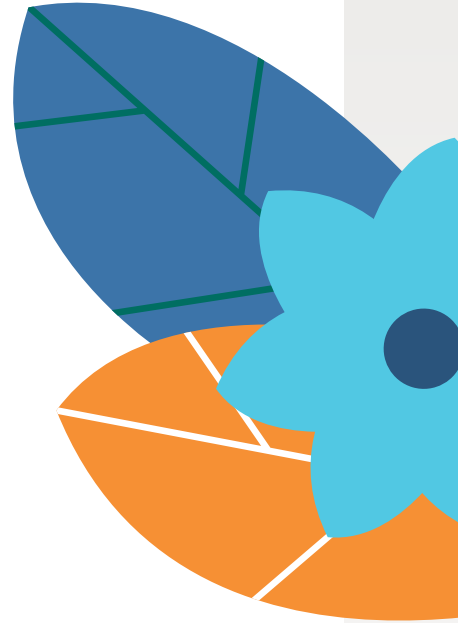
Using a proprietary methodology, BNP Paribas Cardif analyses equity and bond funds through:

- **The level of integration of ESG criteria** in the fund management process;
- **The application of sectoral policies** in the fund management process;
- **The commitment policy of the asset management company**, based on its responses to the PRI questionnaire⁽¹⁸⁾.

A questionnaire validates whether the fund has a positive impact. These due diligence  questionnaires **were strengthened in 2020** to measure the integration of ESG criteria by asset management companies. This approach actively encourages asset management companies to further integrate ESG aspects into their management process.

Private Equity, Infrastructure and Private Debt funds

An approach similar to that of equity and bond funds is applied. The management company and its governance are analysed along with the ESG approach of the funds. Non-financial indicators are monitored annually over the investment lifecycle.



Real estate funds

For new investments, the ESG criteria integration process is systematically examined (certification/label, energy performance diagnosis, etc.).

For existing funds, the implementation of the ESG criteria integration process is carried out in two stages: management companies should describe their overall processes through an ESG materiality questionnaire; the ESG process of each selected fund is also reviewed.

Real estate fund management companies working with BNP Paribas Cardif integrate an ESG strategy. The insurer encourages the formalisation and dissemination of their ESG analysis grid to stakeholders.

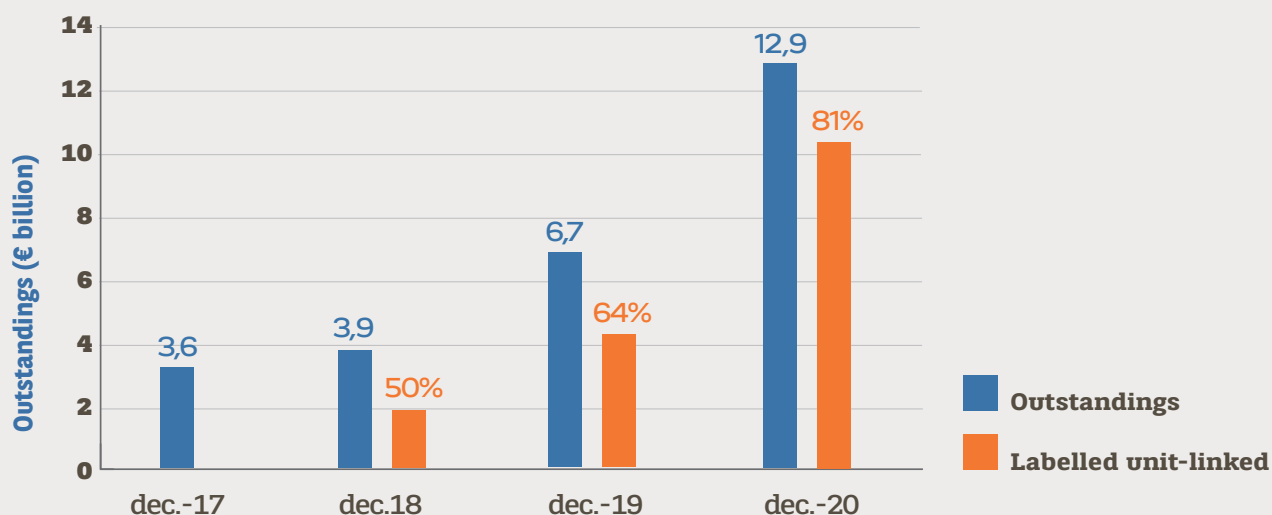
(18) PRI (Principles for Responsible Investment) - a collaborative platform, launched at the initiative of the UN, based on a voluntary commitment by signatories around six principles, including the integration of ESG into investment decisions and policies, incentives for transparency and reporting on PRI implementation



3. UNIT-LINKED VEHICLES

Unit-linked investment vehicles represented €42.6 billion in France in 2020, of which nearly **a quarter of labelled vehicles**⁽¹⁹⁾ (€10.5 billion). Responsible unit-linked vehicles **almost doubled** between 2019 and 2020.

BNP Paribas Cardif's responsible unit-linked vehicles outstandings (2017-2020)



The methodology for integrating ESG into unit-linked vehicles has become more stringent in 2020.

Before the listing of a new asset management company to integrate the unit-linked vehicles (UC) eligible for life insurance contracts, **BNP Paribas Cardif questions the asset management company on its ESG practices via a «due diligence»** questionnaire.

A UC fund qualified as «sustainable» after analysis must meet at least one of the following criteria:

- 1. The fund is labelled** by an independent body⁽²⁰⁾,
- 2. The UC fund has a satisfactory or high level of ESG integration** in accordance with the methodology used for the general fund.

(19) Independent organisations, managed in several European countries, award responsible investment labels and regularly review their award.

(20) List of labels taken into account: ISR label, Greenfin, Finansol, LuxFLAG, FNG Siegel, Towards Sustainability.

Focus

Certifications and labels on real estate unit-linked vehicles

The two main real estate UC marketed by BNP Paribas Cardif include an ESG approach in their management:

- **SCI Cardimmo**, managed by BNP Paribas Cardif;
- **OPCI Diversipierre**, managed by BNP Paribas Real Estate Investment Management (REIM).



The Diversipierre OPCI is the largest vehicle in real estate UC marketed by BNP Paribas Cardif. It provides for a rating grid for each new asset. This grid gives assets a score out of 100 on the three ESG themes and defines their potential for improvement.

Diversipierre obtained the real estate label SRI at the end of 2020. Previously reserved for movable assets (listed shares, bonds, etc.), the SRI label⁽²¹⁾ has extended its scope to meet the challenges and particularities of real estate asset management. It distinguishes players who implement virtuous processes to improve buildings ESG performance.

The different stages of the Real Estate SRI certification process

1 DEFINING THE DESIRED OBJECTIVES



The fund communicates the **objectives** it seeks through the inclusion of ESG criteria.

2 IMPLEMENTING AN ANALYSIS METHODOLOGY



It implements the **resources and tools** necessary to **analyse the ESG performance** of assets during the acquisition phase and throughout their holding period.

3 BUILDING AND MANAGING THE PORTFOLIO



It specifies how it takes into account the **results of the ESG analysis** in its investment decisions and management processes.

4 ENGAGING STAKEHOLDERS



The fund implements the necessary resources and tools to **engage tenants, building managers and construction service providers** in its approach.

5 INFORMING INVESTORS



It communicates its strategy and the **results of its implementation** to investors in a clear and transparent manner and sets up an appropriate system to **monitor compliance with its commitments**.

6 EVALUATING THE POSITIVE IMPACTS OF THE APPROACH



It sets up a **measurement and monitoring system** to assess the **positive impacts** of the strategy implemented.

Source : SRI Real Estate label
<https://www.llelabelisr.fr/les-fonds-immobiliers-des-now-eligibles-au-label-isr/>

(21) SRI: Socially Responsible Investment
<https://www.llelabelisr.fr>

Responsible real estate

POINT OF VIEW

Nathalie Robin

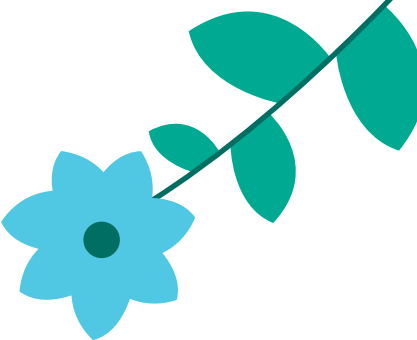
Real Estate Director at BNP Paribas Cardif



"In 2020, an SRI label dedicated to real estate funds was created. We were very attached to its creation on the Paris Marketplace. It makes it possible to identify real estate funds that implement an SRI approach. It also gives visibility to the actions carried out by these funds to integrate ESG criteria."

The OPCI Diversipierre was the first real estate vehicle to obtain the SRI label at the end of 2020. It is our most important support in Real Estate unit-linked vehicles. For the real estate portfolio that we manage directly, we have extended the use of green electricity subscriptions for offices, housing and shopping centres, as well as green gas subscriptions for shopping centres. For energy suppliers, the aim is to ensure that the energy consumption of these buildings is offset by an equivalent production from renewable energies."

**We have extended
the use of green
electricity
subscriptions for
offices, housing and
shopping centres**

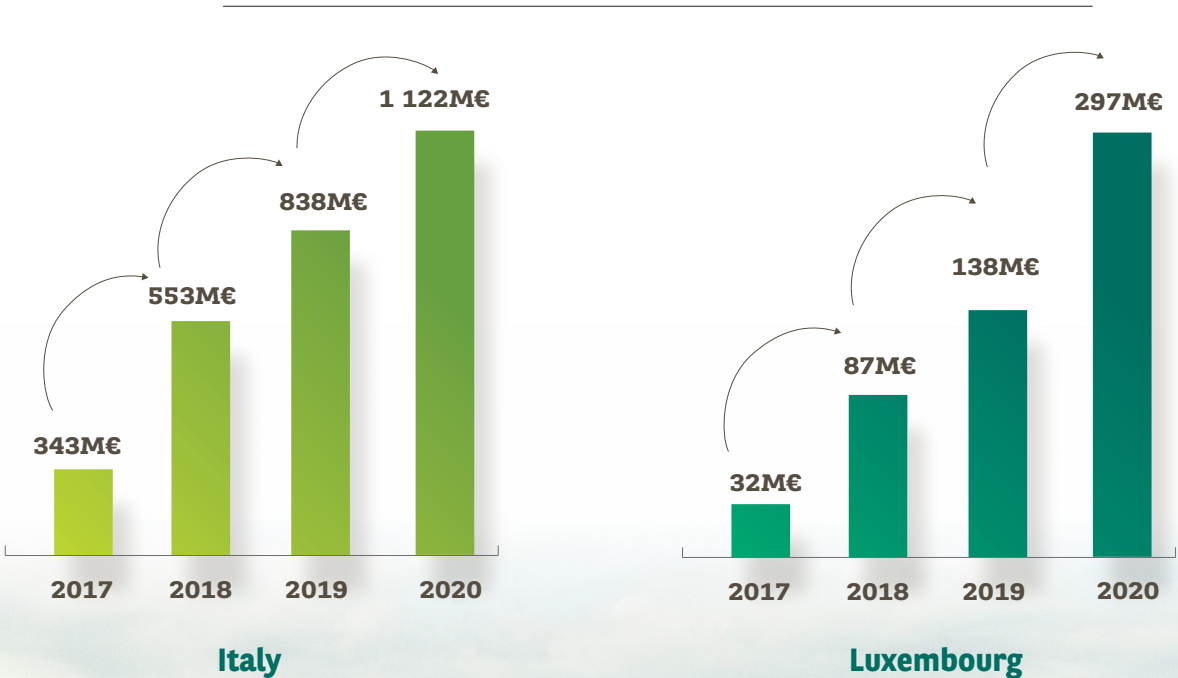


4. IMPLEMENTATION OF THE STRATEGY INTERNATIONALLY

BNP Paribas Cardif’s main general funds are managed in France, Luxembourg and Italy. The same ESG analysis process is applied in these three countries.

Between 2018 and 2020, BNP Paribas Cardif’s outstanding sustainable bonds in Luxembourg and Italy doubled, amounting to **€1.4 billion at end 2020**.

Change in outstandings of sustainable bonds in Italy and Luxembourg in market value, in €M



Initiatives in Luxembourg

In Luxembourg, BNP Paribas Cardif invests in **green projects** via various supports, including specialised renewable energy funds. For example, the Copenhagen Infrastructure IV fund finances “offshore” and “onshore” wind turbines, solar and biomass. In terms of social investment, the insurer has made a commitment to a real estate fund specialising in **social infrastructure** whose purpose is to invest in health, education and social housing.

POINT OF VIEW

François Lucchini

Director of Asset Management at Cardif Lux Vie

34



“In 2020, in parallel with our reinforcement in the BNP Paribas Aqua fund, we initiated an investment in a selected global equity fund based on ESG criteria (Mirova Global Sustainable Equity).

In 2021, we will continue to study investments with a positive impact in the field of forest management or energy transition while increasing our exposure to so-called “sustainable” bonds (green bonds and social bonds*). In addition, we will continue to diversify our portfolio in terms of style and geography, favouring positions in external funds that include sustainability criteria in their stock selection.”*

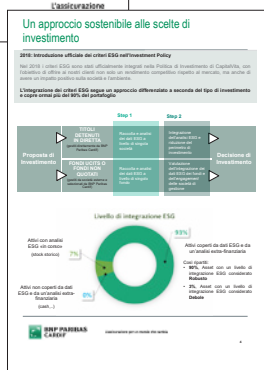
**We will
continue to study
investments with
a positive impact**

* READ GLOSSARY



Initiatives in Italy

In Italy, BNP Paribas Cardif has developed **social investments**. In March 2020, the insurer invested in the **“Covid-19 Social Response Bond”** issued by the Cassa Depositi e Prestiti. This issue made it possible to finance solutions to combat the health and economic impacts of Covid-19. In particular, it finances small and mid-cap Italian companies that are facing critical liquidity situations, along with those that promote access to medical equipment and medicines.



In June 2020, BNP Paribas Cardif communicated to its distributor partners about **the SRI strategy⁽²²⁾ that the management team applies for the CapitalVita general fund⁽²³⁾**. The objectives were to explain how ESG factors are taken into account in the investment strategy, and give examples of actions carried out. This initiative has been very well received by the network of local distributors, and will be repeated.

POINT OF VIEW

François Ruel

Chief Investment Officer of Cardif Vita



“In Italy, three issues have guided our commitment and investment actions in 2020: energy transition, environmental protection and social investments in response to the pandemic. To date, all our investments include a non-financial analysis. Like our Luxembourg and French colleagues, we invest in sustainable themed vehicles, through green bonds or funds. In 2021, we want to continue investing in companies that have high ESG standards and that facilitate the transition to a low-carbon economy. We are convinced that these investment choices strengthen the resilience of our portfolios in the short, medium and long term.”

We are convinced that these investment choices strengthen the resilience of our portfolios in the short, medium and long term

(22) Socially Responsible Investment

(23) Link to the annual report <https://bnpparibascardif.it/gestioni-separate-e-fondi-interni>





Extension of the ESG approach

Like the entities in France, Italy and Luxembourg, other subsidiaries have integrated ESG criteria into their investment processes in their general funds. This is the case for BNP Paribas Cardif in Sweden, the Netherlands and Japan. ESG analysis and integration have been strengthened in portfolios, notably with the introduction of non-financial scores for directly-held investments. The Swedish and Dutch subsidiaries communicate on the SRI approach in their annual reports, as an important part of the implementation of their CSR policy.

The proportion of green or social/societal investments is increasing in the portfolios of subsidiaries as the offerings develop in the local financial markets.

In Chile, in a less mature market in terms of sustainable finance, BNPParibas Cardif has invested in several green bonds targeting the development of renewable energies and the financing of companies specialising in water management (infrastructure and treatment). Investments were also made in social bonds whose objective is to support the growth of rural economies and to finance projects facilitating access to financial services for people with moderate income.



The implementation of the SRI strategy internationally

POINT OF VIEW

Geneviève Vu

Head of International Asset Management oversight

"With the gradual deployment of BNP Paribas Cardif's Responsible Investment Strategy internationally, ESG issues have become major topics during management meetings, with a depth dependent on the maturity of the country in this area: thematic funds, selection of investments based on ESG criteria, monitoring of the sustainable bond market, etc.

Sector exclusion policies are communicated to our international subsidiaries. In some countries in Asia and Latin America, the implementation of this long-term responsible investor strategy sets our subsidiaries apart from other local insurance players.

Our aim is clear for 2021: we will continue to encourage all our subsidiaries to take social and environmental issues into account in their processes and offers."

We will continue to encourage all our subsidiaries in 2021

ENGAGEMENT THROUGH VOTING AND DIALOGUE

BNP Paribas Cardif invests in the long term. This responsibility is reflected in **the participation in votes, dialogue with companies and engagement with asset management companies.** Dialogue, in particular, encourages stakeholders to communicate their ESG practices and to integrate climate issues into their management.

1. DIALOGUE WITH COMPANIES

The insurer engages in constructive dialogue with companies in which it is a shareholder by encouraging them to integrate ESG issues into their strategy.

In 2020, **BNP Paribas Cardif becomes a signatory of the CDP⁽²⁴⁾ thus supporting the approach.** The CDP promotes the transparency of companies' environmental data. Each year, the association uses **questionnaires** to collect data on GHG emissions from companies, supply chains, water management or forest management.

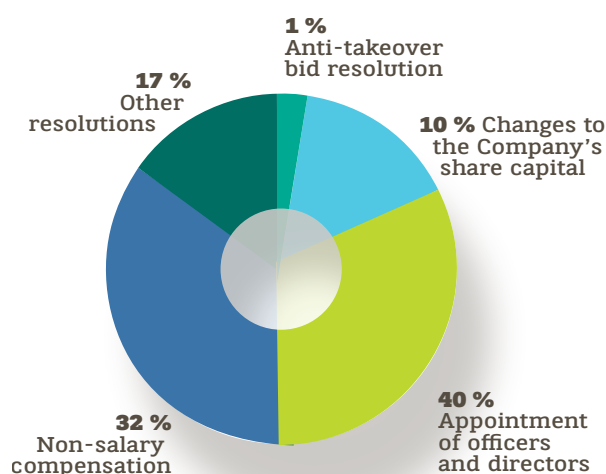
2. HIGH PARTICIPATION IN VOTES AT GENERAL MEETINGS

During company general meetings, the exercise of voting rights is essential as it contributes to the good direction of corporate governance.

In 2020, BNP Paribas Cardif reinforced its participation in voting, **by voting during 98% of the general meetings of the companies present in its General Fund.**

14% of resolutions examined by shareholders were a vote "against" from BNP Paribas Cardif. The topics of the resolutions concerned were mainly related to governance issues, the protection of the rights of minority shareholders (such as compensation and appointments of members of the Board of Directors) and, finally, capital increases. In 2020, there were few resolutions dealing with environmental and climate issues.

Details of the resolutions that received an "against" vote in 2020
(number of votes)



(24) CDP: Formerly Carbon Disclosure Project



3. ASSET MANAGEMENT COMPANIES ENGAGEMENT

Engagement with asset management companies takes place in two stages:

- **A specific questionnaire** is addressed to asset management companies on their ESG practices. It makes it possible to precisely map the sectoral exclusion practices of asset management companies and their level of integration of ESG criteria.
- BNP Paribas Cardif analyses **the shareholder engagement policy of asset management companies through PRI questionnaires**⁽²⁵⁾. Each year, the signatories of the PRI must report on compliance with the commitments made. To do this, they answer a questionnaire on the integration of ESG processes in their general investor strategy. The responses are available to PRI members via a dedicated platform.

In 2020, thanks to dialogue between the insurer and certain asset management companies, several funds have strengthened their ESG integration process and sector exclusions.

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Example of engagement through the transformation of a traditional European fund into a climate-themed fund: Aviva Reserve Euro Climate fund

In a collaborative approach with the asset management company, and in partnership with another investor, BNP Paribas Cardif contributed to the transformation of the management process of a dedicated managed fund by Aviva Investors France. This equity fund - renamed **"Euro Climate Reserve"** - is now focused on SDGD* 13 (climate action) with two investment pockets that select companies:*

- that provide solutions to adapt to and mitigate climate change;
- that are revising their business model to cope with a world of warmer temperatures and a low-carbon environment.

* READ GLOSSARY



(25) Principles for Responsible Investment
(provide explanation as above + www.unpri.org)



COMBATTING GLOBAL WARMING

INTEGRATING CLIMATE ISSUES INTO THE INVESTMENT POLICY

P.40	1. CLIMATE-RELATED EXCLUSIONS	41
	2. ANALYSIS OF COMPANIES IN THEIR CARBON TRANSITION	43
	3. ANALYSIS OF THE PORTFOLIO'S CLIMATE IMPACT	45

P.53	ANALYSING THE EXPOSURE TO CLIMATE CHANGE-RELATED RISKS	
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P.59	BIODIVERSITY ISSUES FOR AN INSTITUTIONAL INVESTOR	
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With regard to climate issues, BNP Paribas Cardif follows the recommendations made by the **Task Force on Climate-Related Financial Disclosure (TCFD)**. These provide a benchmark methodological framework on how climate issues are factored in by financial players.

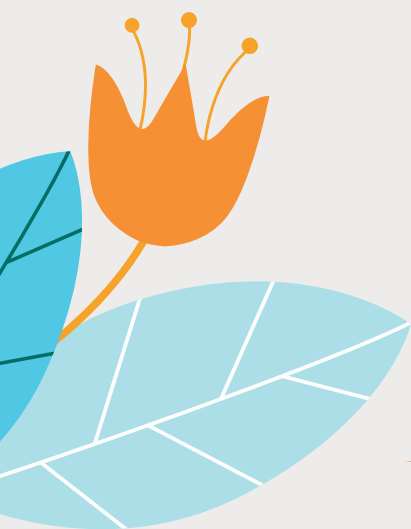
Simplified cross-reference table with the TCFD recommendations

TCFD PILLARS	Corresponding pages ⁽²⁶⁾
Governance	Governance and responsible investment strategy (p19)
Strategy	II.1. Integration of climate issues in the policy (p41) ; II.2. Risk exposure analysis (p53)
Risk management	II.1. Integration of climate issues in the policy (p41) ; II.2. Risk exposure analysis (p53)
Indicators and targets	II.1.C Analysis of the climate impact of portfolios (p45) III.1.A. Identification of the green share (p67) ; III. 1.B Multi-issue environmental assessment (p68) ; III.2. Illustration of positive impact investments (p71)

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BNP Paribas Cardif's simplified timetable for the exit of thermal coal.

The detailed schedule is available in the appendix.



Scope:

- Addition of logistics companies and developers
- Addition of exclusion criteria and thresholds

0% thermal coal EU & OECD

2021

2025

2030

Gradual reduction of thresholds

(26) A more detailed table can be found in the appendix.

1. INTEGRATING CLIMATE ISSUES INTO THE INVESTMENT POLICY

This integration is based on three tools:

- sectoral exclusion policies (thermal coal, unconventional oil and gas);
- analysis of the positioning of companies with regard to their carbon transition;
- assessment of the climate impact of financial asset portfolios based on six indicators⁽²⁷⁾.



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1. CLIMATE-RELATED EXCLUSIONS

Coal focus

Definitive exit strategy for thermal coal 

According to the International Energy Agency (IEA), in 2019 **coal accounted for 38.5% of the global energy mix** and was **the most widely used source for producing electricity worldwide**. It is essential to redirect the sources of electricity production towards energies that emit less greenhouse gases.

2040

0% thermal coal World

(27) (Carbon intensity, in tCO₂eq/€ million revenue; Carbon footprint, in tCO₂eq/€ million invested; Temperature, in °C; Green share, in %; Brown share, in %; Physical risks; Transition risks; Share of each energy source in electricity production; Emissions avoided, in tCO₂eq per € million invested)

 [READ GLOSSARY](#)



In 2020, BNP Paribas Cardif strengthened its policy of excluding thermal coal in four areas⁽²⁸⁾ :

- **Exclusion of developers:** new projects (coal mines, coal-related infrastructure, thermal coal-based power plants, transport capacities);
- **Addition of new criteria and thresholds:** gradual reduction of the thresholds until 2030 and 2040:
 - **absolute thresholds**, in millions of tonnes, in the case of mining companies, in Gigawatts for the actual generation of energy companies;
 - **relative thresholds**, as a percentage of revenue);
- **Change in the geographical area:** phasing out thermal coal for good by 2030 in the European Union and the OECD, and by 2040 in the rest of the world.
- **Exclusion of logistics companies (transport and thermal coal storage):** based on relative revenue thresholds.

To establish this exclusion list, the insurer uses data from the «Global Coal Exit List - GCEL» - from the NGO Urgewald, as well as data from the non-financial agency V.E. (Vigeo Eiris).

(28) See the detailed schedule in the appendix

In 2021, these exclusions apply to assets held directly (for the general funds in France, Italy and Luxembourg) and to majority owned subsidiaries located abroad

Focus*Unconventional Oil & Gas focus*

BNP Paribas Cardif abides by the BNP Paribas Group's unconventional oil and gas sector policy.

This policy covers shale oil and shale gas, tar sands and offshore oil and gas resources in the Arctic region.

Thus, the exclusions of investments are applicable for:

- Exploration and production companies for which unconventional oil and gas represent a significant portion of their total reserves;
- Diversified companies⁽²⁹⁾ for which the exploration and production of unconventional oil and gas represent a significant portion of their total revenue;
- Trading companies for which unconventional oil and gas resources represent a significant portion of their business portfolio;
- Companies that own or operate LNG export pipelines or terminals supplied by a significant volume of unconventional oil and gas.

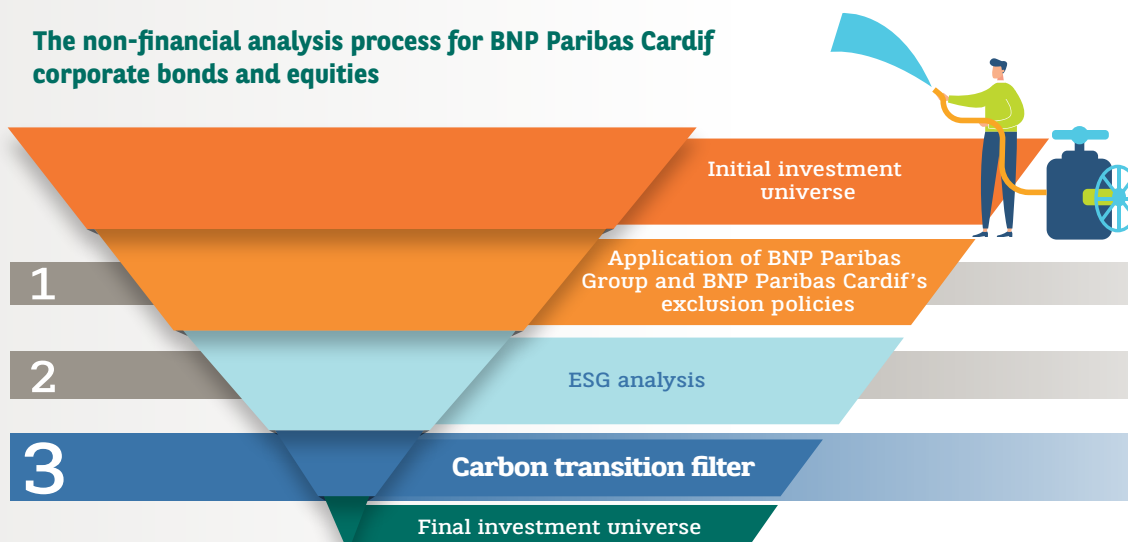
43

2. ANALYSIS OF COMPANIES IN THEIR CARBON TRANSITION

The carbon transition filter is the last step in the non-financial analysis process for directly-held corporate bonds and shares (See part I.2.A. Direct investments). It complements the sector exclusion policies and the ESG analysis. This filter identifies companies engaged in the transition to a low-carbon economy.

(29) Namely companies with exploration and production activities as well as mid-stream and/or downstream activities.

The non-financial analysis process for BNP Paribas Cardif corporate bonds and equities

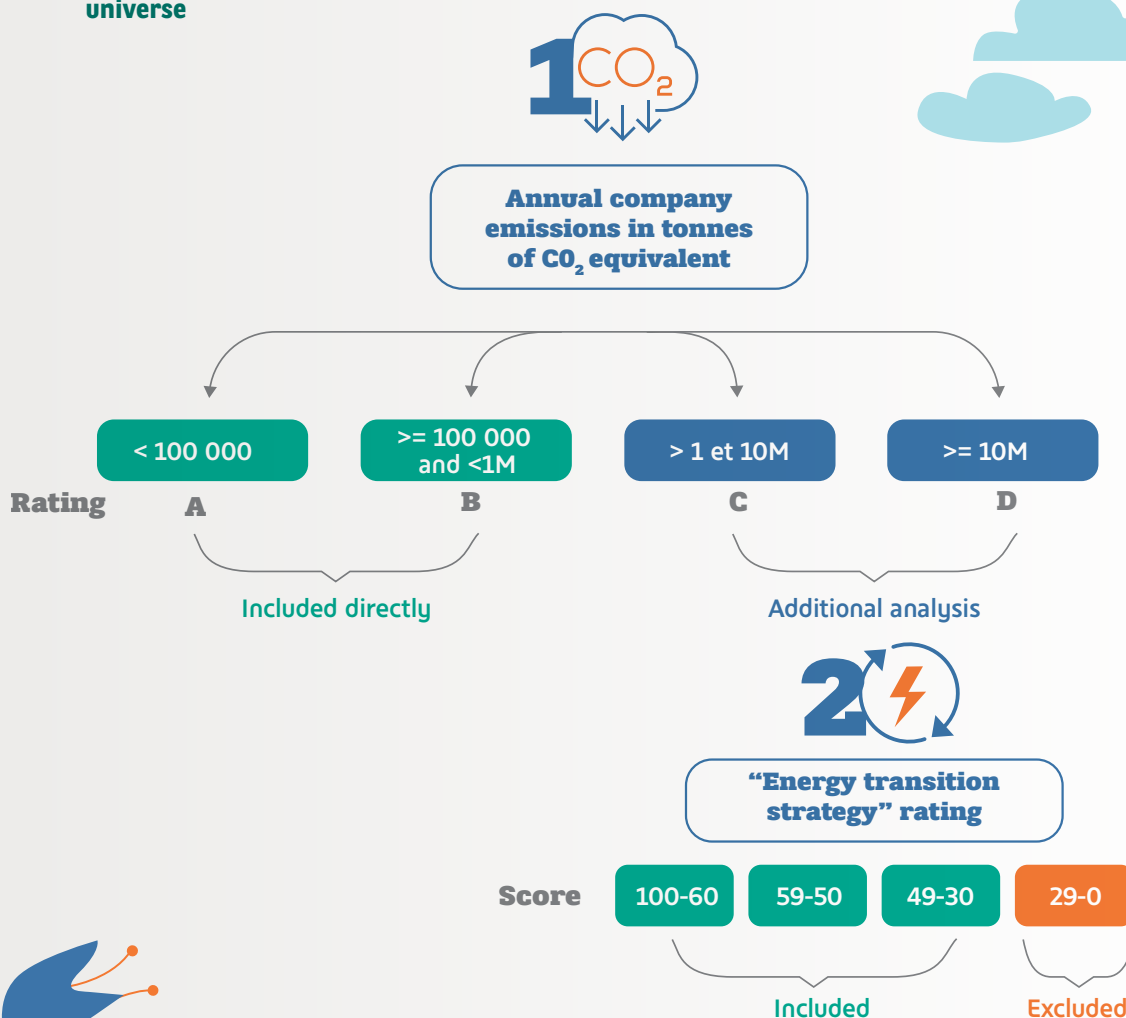


This carbon transition filter is structured as follows:

- A **carbon rating** which classifies companies according to their carbon emissions in absolute value in tonnes of CO₂ equivalent (Scope 1 and 2). Companies are rated A to D according to their carbon footprint, in ascending order of emissions. **Companies that emit less than 1 million tonnes of CO₂ equivalent (rated A to B) are included in the investment universe.**
- **Companies rated C and D** are subject to an additional analysis using the energy transition strategy score, assessing:
 - the relevance of energy transition policies;
 - the consistency of the implementation of these policies.

Companies that emit more than one million tonnes of CO₂ equivalent and which have a low “energy transition” score (less than 30), are excluded from the investment universe.

Carbon transition filter decision-making process : integration of companies into the investment universe



Source: V.E. data

3. ANALYSIS OF THE PORTFOLIO'S CLIMATE IMPACT

Presentation of the climate reporting indicators applied to BNP Paribas Cardif's investments



BUSINESS ASSETS ⁽³⁰⁾	INDICATOR	OBJECTIVE
Corporate equities and bonds	<ul style="list-style-type: none"> Carbon intensity, in tCO₂eq/M€ of revenue Carbon footprint, in tCO₂eq/M€ invested 	Determining the contribution of investments to global warming
Corporate equities and bonds	<ul style="list-style-type: none"> Temperature, in °C 	Determining the warming potential of the portfolios
Corporate equities and bonds	<ul style="list-style-type: none"> Green share, in % Brown share, in % 	Determining the weight of so-called "green / fossil" activities in investments
Corporate equities and bonds	<ul style="list-style-type: none"> Physical risks Transition risks 	Measuring the exposure of portfolios to climate risks
Corporate equities and bonds in electricity-producing companies	<ul style="list-style-type: none"> Share of each energy source in electricity production 	Identifying the alignment of the energy mix of investments in "utility companies producing and distributing gas and electricity" to the energy mix leading to the 2°C trajectory (IEA, 2030)
Green bonds	<ul style="list-style-type: none"> Emissions avoided, in tCO₂eq per € million invested 	Quantifying the impact of investments in terms of avoided greenhouse gas emissions

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The SRI strategy implemented by BNP Paribas Cardif has produced measurable results. The insurer uses different indicators to assess the climate impact of its portfolios. Results are compared, where possible, to those of a benchmark index⁽³¹⁾. Climate indicator methodologies and detailed results are available in Appendix 5.

In order to obtain an overview of the environmental performance of its portfolios, BNP Paribas Cardif uses additional indicators that capture both the climate impact (high GHG emissions) and the contribution to the low-carbon transition (i.e. green activities). Indicators show a positive trajectory for the portfolios, resulting from a decarbonisation effort led by the asset management teams.

(30) BNP Paribas Cardif also assesses the results of government bonds using the following indicators: carbon intensity in tCO₂eq/€M of GDP as well as the share of each energy source in the countries' energy mix. The results are available in the appendix

(31) The different benchmark indices used are presented in detail in an appendix to this report.

		YEAR	EQUITY PORTFOLIO	BOND PORTFOLIO	EQUITY & BOND PORTFOLIO
Carbon indicators	Carbon intensity Scope 1+2 (TeqCO ₂ /M€ revenue)	2020 2019	- -	- -	80 102
	Carbon intensity Scope 1+2 (TeqCO ₂ /M€ invested)	2020 2019	- -	- -	64 66
	ECarbon footprint Scope 1+2+3 (TeqCO ₂ /M€ invested)	2020 -	- -	- -	653 -
Temperature	SB2A temperature (°C)	2020 2019	26 23	24 22	- -
	CIA temperature (°C)	2020 2019	35 43	29 29	- -
Energy mix	Energy mix Fossil share	2020 2019	- -	- -	32% 36%
	Energy mix Renewable share	2020 2019	- -	- -	32% 26%
Contribution to the environmental transition	NEC	2020 2019	0% -2%	12% 17%	11% 14%
	Green share*	2020 2019	32,5% 31,6%	18,3% 17,5%	19,3% 18,4%
	Brown share (stranded assets)	2020 2019	- -	- -	10,4%

How to reduce portfolios carbon footprint?

The carbon intensity of BNP Paribas Cardif's equity and bond portfolios is decreasing: The carbon transition filter excludes the most emissive companies and those that have not implemented a transition strategy.

How compatible are the portfolios with the Paris Agreement's objective of keeping global warming below 2°C?

The 2°C alignment methodologies applied to directly-owned corporate equities and bonds provide converging results. Sector coverage of these indicators has improved.

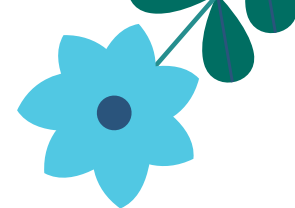
How do the portfolios contribute to the energy transition?

The share of renewables energies among electricity producers and distributors in the portfolio increased in 2020, at the expense of fossil fuels and in particular coal, which went down from 12% to 8%.

How do the portfolios contribute to the environmental transition through "green" investments?

The contribution of investments to the environmental transition decreased slightly this year, partly due to the IT and agri-food sectors. However, the green share (contribution to climate change mitigation) increased in 2020.

*Portion of investments whose activities are eligible for the green European taxonomy



POINT OF VIEW

Eric Bequet

Head of Insurance Asset Management at BNP Paribas Cardif



"The indicators relevance for measuring the environmental or climate impacts of financial asset portfolios is at the heart of institutional investors's concerns. BNP Paribas Cardif has retained and used a number of them in its investment process for several years. There are three main takeaways from this experience: First, whilst these indicators are not yet stabilised in methodology and coverage, the manager can use meaningful information from them, although with caution. Second, several indicators are essential to take into account the different dimensions of the analysis or the environmental risk. We need static (carbon footprint) and dynamic (2°C alignment) measurements, prioritising risk analysis (physical, transition), or measuring a positive contribution (green share, etc.). Finally, investors must move from "measuring the impact" to "managing the impact" of their portfolio. We therefore have a dual need: to consolidate the quality of the measurements and rapidly improve our management tools."

Investors must move from "measuring the impact" to "managing the impact" of their portfolio

> Carbon Intensity and footprint of corporate bonds and equities

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BNP Paribas Cardif measures and publishes the carbon intensity and the carbon footprint of its portfolio every year. These indicators assess the carbon impact of directly-held assets on global warming. The carbon impact measured in tonnes of CO₂ equivalent uses several scopes⁽³²⁾ of analysis). All methodologies relating to these indicators are provided in the appendix 4.

Scope 3 offers a more comprehensive analysis but is more difficult to estimate, relying on available data. The link with the portfolio is then made by normalising the "absolute" carbon footprint of each company in relation to € million of revenue or to € million invested.

Different methodologies are available for normalising the "absolute" carbon emissions of corporate assets constituting a financial asset portfolio. The carbon intensity or footprint can be based on different scopes (1, 2 or 1, 2 and 3).

✳ READ GLOSSARY



(32)GHG Protocol (<https://ghgprotocol.org/>): Scope 1 = direct emissions (energy produced); scope 2 = associated indirect emissions (consumption of electricity, cooling and heat); scope 3 = all other indirect emissions.

This section presents two measures:

■ **Carbon intensity** expressed in tonnes of CO₂ equivalent **per € million in revenue**, weighted by weight in the portfolio;

■ **Carbon footprint** expressed in tonnes of CO₂ equivalent **per € million invested**, weighted by the percentage of investment in the enterprise value ✳.



Carbon intensity of the scope 1 and 2 portfolio in € million of revenue

Carbon intensity of the corporate equity and bond portfolio in relation to revenue in millions of euros, scope 1 and 2 (in $\text{teqCO}_2/\text{M€ revenue}$)

	2017	2018	2019	2020
Corporate equities and bonds	363	127	102	80
Benchmark composite index	305	235	220	201

Source: V.E. for greenhouse gas emissions

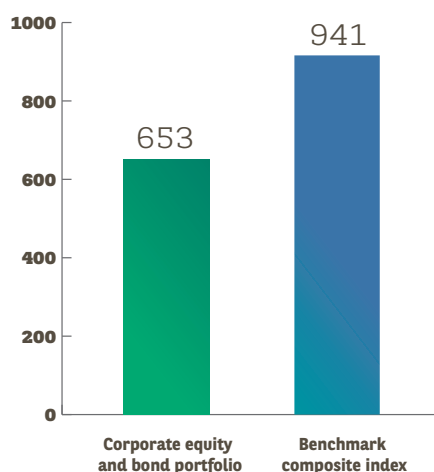
The coverage rate is 98%.

The carbon intensity (31 December 2020) was estimated at 80 $\text{teqCO}_2/\text{M€ revenue}$, compared to 102 $\text{teqCO}_2/\text{M€(CA)M revenue}$ at 31 December 2019 i.e. a new 21.5% decrease. **Since 2017, carbon intensity has fallen by 78%** compared to 34% for its benchmark index. The portfolio drop results from the carbon transition filter and the thermal coal sector exclusions.

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Carbon footprint of corporate equities and bonds, scopes 1, 2 and 3 at 31 December 2020 en $\text{teqCO}_2/\text{M€ invested}$



Sources : Trucost / BNP Paribas Cardif

Considering scope 1, 2 and 3 carbon footprints (upstream and downstream), the portfolio is 30% more carbon-efficient than the benchmark composite index. This illustrates the relevance of the responsible investment process.

The carbon footprints (scopes 1 and 2) of the corporate equity and bond portfolios are available in the appendix.

> Temperature of corporate equities and bonds

"Temperature" indicators analyse the carbon performance of the company in a dynamic way. They take into account the company's past carbon trajectory as well as a projection of its future performance. **This performance trajectory** is compared with a baseline scenario, using the Paris Agreement objectives, with the aim of limiting global warming to less than 2°C.

BNP Paribas Cardif uses two methodologies, both of which are market standards. The results differ depending on whether the company's past or announced reduction dynamics are taken into account.

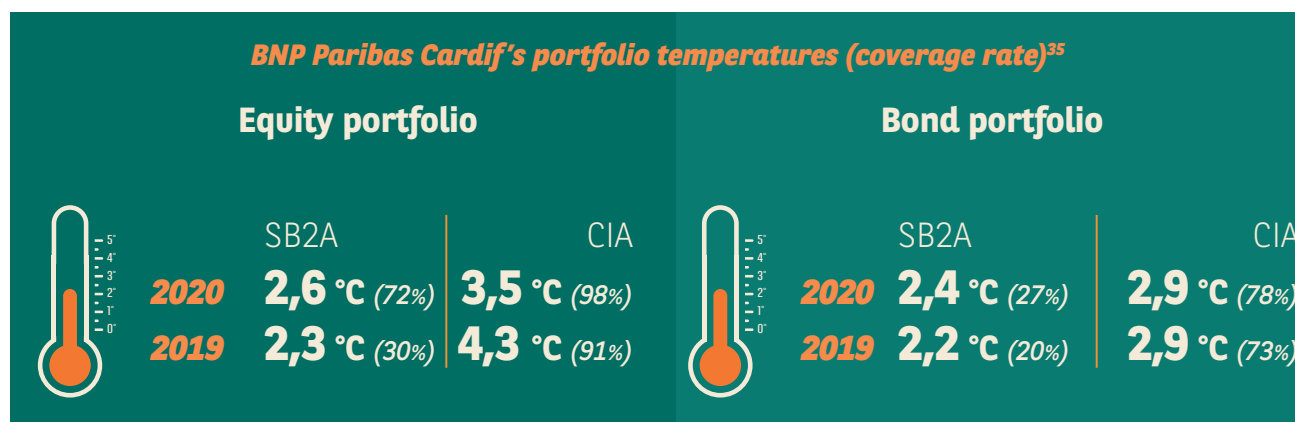


METHODOLOGIES USED TO CALCULATE THE TEMPERATURE:

- **The Science Based 2°C Alignment method (SB2A), developed by Iceberg Data Lab (IDL);**
- **The Carbon Impact Analytics (CIA) method, developed by Carbone 4 in collaboration with Mirova,**

The methodologies analyse companies' climate performance, and compare with a low carbon scenario. The gap is converted into a "temperature equivalent". The different methodological approaches have relative advantages and bias. At the end of 2020, the Institut Louis Bachelier (ILB) published a document⁽³³⁾ comparing the most common methodologies. The SB2A and CIA approaches cover scope 1, 2 and 3 (if relevant) and use the IEA⁽³⁴⁾ scenario. However, the methodologies do not calculate the alignment of BNP Paribas Cardif's climate performance in the same way: while CIA uses a gap analysis at a given point in time, SB2A measures the cumulative under/over performance over time compared to the baseline scenario.

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Source: SB2A: Iceberg Datalab / CIA: Data from Carbone 4 in collaboration with Mirova

(33) The Alignment Cookbook: A Technical Review of Methodologies Assessing a Portfolio's Alignment with Low-Carbon Trajectories or Temperature Goal, GSF

(34) IEA: International Energy Agency

(35) The securities covered by the analysis (27%) contribute to 85% of the carbon footprint of the corporate bond portfolio. The companies that emit the most greenhouse gases are therefore taken into account.



There is a slight convergence of results:

- With the CIA methodology, temperatures have decreased in 2020. This reduction is due to methodological adjustments (better integration of underlying climate scenarios).
- The temperatures of the SB2A methodology are up compared to 2019. This is mainly due to a greater portfolio coverage. Indeed, the IT, textile, food, and household & personal products sectors are now covered by the methodology, impacting on the rise in average temperatures. The financial sector is not covered (data not available). This explains the lower coverage of the bond portfolio, where the weight of financial institutions is significant.

Main sectors contributing to the temperature of the equity and bond portfolio in 2020 (SB2A)

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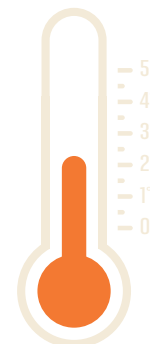
	MAIN SECTORS INVESTED CONTRIBUTING POSITIVELY TO A LOW-CARBON ALIGNMENT	MAIN SECTORS INVESTED CONTRIBUTING NEGATIVELY TO A LOW-CARBON ALIGNMENT
EQUITIES	<p>Electricity producers and distributors: these companies are aligned on a 2°C trajectory thanks to the decarbonisation of their electricity mix and the objectives they have set for the majority of them.</p>	<p>Information Technology: The companies in the portfolio exceed the carbon budget allocated to them due to high emissions related to the manufacturing phase of IT equipment and to the electricity consumption resulting from the use of their products and services (software, etc.).</p> <p>Clothing and textiles: the high temperatures of these companies result, among other things, from the presence of animal products (leather), which have a very significant carbon footprint linked to livestock farming.</p>
BONDS	<p>Electricity producers and distributors: are mainly low-carbon utilities or have set climate targets.</p> <p>Transport: railway companies make a positive contribution to the overall alignment.</p>	<p>Food: the product mixes of these companies are oriented towards products including animal protein, the production of which is carbon intensive.</p> <p>Leisure and Services: these companies are involved in the design and distribution of meals with a strong presence of beef.</p>





Participation in a market initiative: the “Objectif Climat” (Climate Target)

As part of its climate action, BNP Paribas Cardif took part in the launch of innovative and ambitious “climate funds”. Twelve institutional investors, coordinated by Caisse des Dépôts, defined a methodology aligning the funds with the objectives of the Paris Agreement. Three funds with different management methodologies were selected. Two European equity strategies of around €230 million each, developed by Sycomore and Amundi, were selected. The bond fund is managed by HSBC GAM with approximately €125 million under management.



BNP PARIBAS CARDIF

BNP Paribas Cardif invested €40 million in the equity funds and €20 million in the bond fund.

THE 2015 PARIS AGREEMENT

Limit global warming to a level well below 2°C compared to the pre-industrial level

THE QUESTION

How to align the financial portfolios of institutional investors with the objectives of the Paris Agreement?

TODAY

- 3 funds have been selected:
- 2 European equity strategies (Sycomore and Amundi) of €230 million each
- 1 HSBC GAM bond strategy of €125 million

THE OBJECTIVE

Asset management companies had to propose innovative management methods that take into account the fight against climate change. 35 management companies responded to the call for tenders

THE IDEA

Meet with institutional investors and, in 2019, organise a call for tenders for 3 “Climate Objective” funds with 3 different management methods, monitored over 3 years.

> Environmental impact of real estate

The property sector accounts for 44% of total energy consumption⁽³⁶⁾ and is responsible for almost a quarter of greenhouse gas emissions in France. Limiting energy expenditure and carbon footprint in the real estate portfolio is, therefore, a major challenge in the fight against global warming.

BNP Paribas Cardif's real estate strategy to reduce the **energy consumption of office buildings achieved a 32% decrease between 2011 and 2020**, reaching the 2020 30% reduction target. This approach is in line with the objectives defined by the 2019 tertiary decree, which aims to reduce energy consumption by 40% in 2030, 50% in 2040 and 60% in 2050 compared to a baseline year after 2010 or reach a consumption threshold defined by a ministerial order.

However, 2020 can hardly be a benchmark year given the very limited use of offices due to Covid-19 and the use of teleworking.

A second lever to limit the carbon impact of assets managed directly is the subscription to green electricity since 2020. Green electricity guarantees responsible electricity produced solely from renewable energy sources.

The use **of virtuous, less carbon-intensive materials for its buildings** also is encouraged.

In order to improve the environmental impact of its real estate portfolio, the insurer has the following action planned for 2021-2022:

- **Implementing a mapping tool to analyse physical climate risks across all assets managed directly.** Depending on this mapping and the characteristics of the assets, the vulnerability of each building to various hazards (heat waves, drought, flooding, etc.) can be assessed.
- **Strengthening indicators** on water management and waste management in the portfolio.
- **Increasing the number of electric terminals** in office building car parks.



(36) Source <https://www.ecologie.gouv.fr/energie-dans-batiments>

ANALYSING THE EXPOSURE TO CLIMATE CHANGE-RELATED RISKS



Measuring the impact of climate risks on the balance sheets of insurers

The supervisory authorities are helping to speed up how climate risks are factored in by insurers. In 2020, **BNP Paribas Cardif took part in the first climate pilot analysis organised by the ACPR⁽³⁷⁾**. This pilot project aimed to raise awareness in the French banking and insurance sector about climate risk and to produce an assessment projected by 2050 according to three proposed scenarios.

The first reference scenario corresponds to an orderly transition (gradual and continuous increase in the carbon price) of the French economy towards carbon neutrality by 2050. The other two scenarios are alternatives that include a significantly higher carbon price increase in 2025 or from 2030. Dialogue continues with the regulator on the methods and results of what is only a first step in the analysis of the impact of risks on the balance sheet of insurers.



Exposure to physical and transition risks

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BNP Paribas Cardif analyses the climate risks present in corporate asset portfolios. This analysis covered the physical risks due to global warming and the risks related to the transition towards a low-carbon economy. **The results show that the impacts of physical risks are low and relatively limited for transition risks. This is certainly linked to the - mainly European - geographical distribution of the assets. These estimates will be refined over time.**

(37) ACPR: French Prudential Supervisory and Resolution Authority (Autorité de Contrôle Prudentiel et de Résolution)

Climate risks encompass:

Physical risks	Assessment of potential losses due to climatic events (extreme events - flooding, storms, etc. ; or trends - sea level rise, for example)
Transition risks	Valuation of losses linked to a depreciation of the valuation of companies with «carbon-intensive» activities

> Physical risks

METHODOLOGICAL NOTE

For these risks, the analysis covered seven climate hazards that may affect the activity of the companies present within the portfolios: Fires; cold snaps; heatwaves; water stress; coastal flooding; flooding; hurricanes.

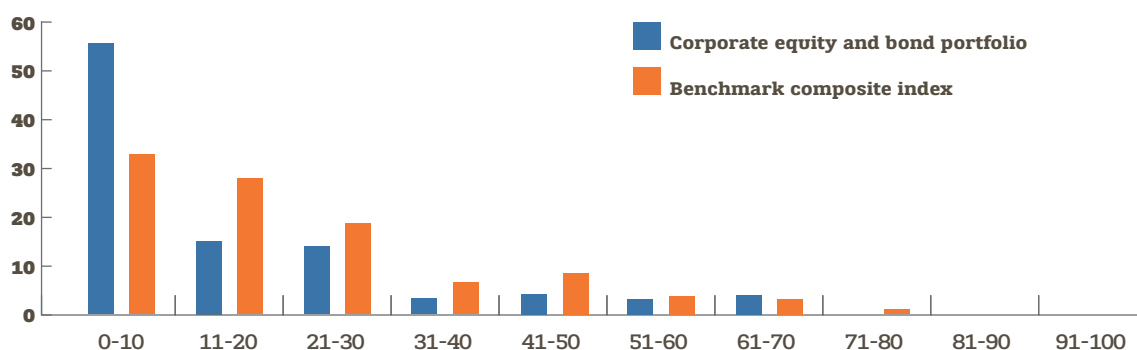
Trucost, a non-financial rating agency, carried out a long-term analysis of these climate hazards based on a high climate change scenario⁽³⁸⁾. This scenario corresponds to the current trajectory of greenhouse gas emissions if no measures are taken. It would lead to warming of over four degrees by 2100.

Methodological bias: The results of this analysis provide new insight but data comprehensiveness and precision still need to be improved.

This analysis provides a geographical mapping of the different hazards to which the physical assets are confronted. It enables the measurement of a physical risk score for companies. This score is included between 1, the minimum risk, and 100, the maximum.

Physical risk scores of corporate assets held by BNP Paribas Cardif

Distribution by decile of the physical risk scores of the corporate assets held by BNP Paribas Cardif, as a percentage of market value, at 31 December 2020



Sources : BNP Paribas Cardif / Trucost

86% of companies in the equity and bond portfolio are in the “weak” zone (the top three deciles). The analysis of physical risks shows that the portfolio is less exposed to physical risks than the benchmark composite index.

(38) BNP Paribas Cardif follows the most pessimistic RCP 8.5 scenario prepared by the Intergovernmental Panel for Climate Change for 2050.

The analysis identifies companies to be monitored: Their climate strategies will be specifically observed over the coming non-financial performance assessment campaigns. This analysis indicates climate hazards that present the highest risk for BNP Paribas Cardif's portfolio.

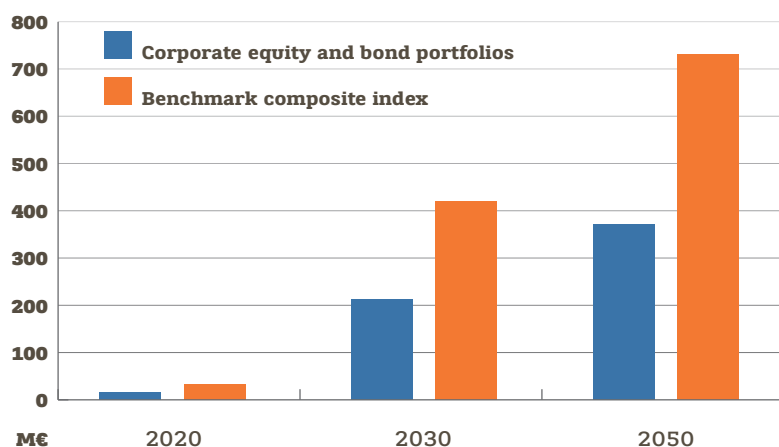
As in 2019, the BNP Paribas portfolio is more exposed to fires (information technologies, consumer goods and energy), water stress (information technologies, and electricity producers) and heat waves (communication services).

> Transition risks

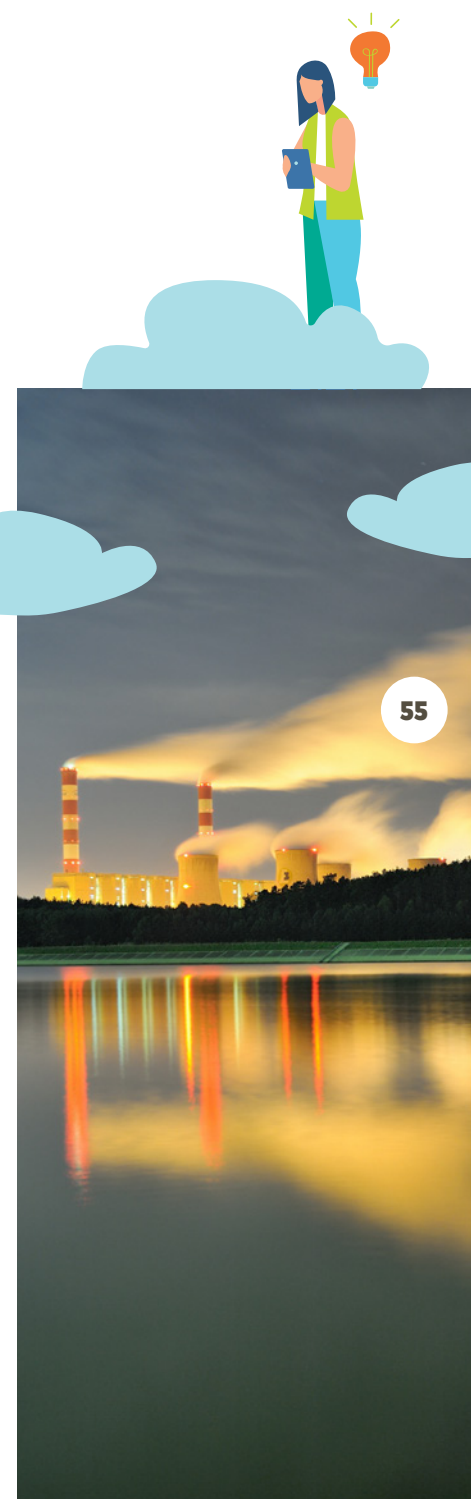
BNP Paribas Cardif focuses its analysis of transition risk around two areas, namely the portfolio's exposure to the future carbon price, on the one hand, and to "stranded" assets, on the other.

Exposure of the portfolio to future carbon pricing

"Allocated" future costs of carbon as at 31 December 2020 ("high carbon price" scenario)



The graph above shows that BNP Paribas Cardif appears to have a low exposure to transition risks, including in the "high carbon price" scenario⁽³⁹⁾. The portfolio is less exposed than its benchmark index for the three time horizons analysed. This result reflects the strict application of successive sector exclusions and the carbon transition filter. This analysis allows to select support companies that have undergone an energy transition.



(39) High carbon price set at \$120 by 2030.

At-risk EBITDA of the corporate equity and bond portfolio (high carbon price scenario 2030)

	AT-RISK EBITDA (IN % AVERAGE)	PERCENTAGE OF COMPANIES WHOSE AT-RISK EBITDA IS > 10%
Corporate equity and bond portfolio	4 %	11,5%
Benchmark composite index	9,4 %	18,4%

Sources : Trucost / BNP Paribas Cardif

At-risk EBITDA⁽⁴⁰⁾ of the corporate equity and bond portfolio is much lower than that of its benchmark composite index.

In 2020, exposure to the sectors most vulnerable to transition risks represented an average of 4% of the outstandings of the corporate equity and bond portfolio, compared with 9.4% for the benchmark composite index (high carbon price, by 2030).

The most exposed sectors are construction and materials, energy and utilities (water and electricity in particular).

The weighting of companies at risk for which the ratio of future carbon costs⁽⁴¹⁾ to EBITDA exceeds 10%) of the BNP Paribas Cardif portfolio, according to the high carbon price scenario, is lower⁽⁴²⁾ than in the benchmark composite index (11.5% versus 18.4%).

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Exposure to stranded assets[✳]: calculation of the “brown share”[✳]

As part of the transition risk analysis, BNP Paribas Cardif analyses the exposure of the equity and corporate bond portfolio to fossil fuels and to assets that would be devalued during the transition to a low-carbon economy. These are “stranded assets”⁽⁴³⁾.

(40) EBITDA: Earnings Before Interest, Taxes, Depreciation, and Amortisation.

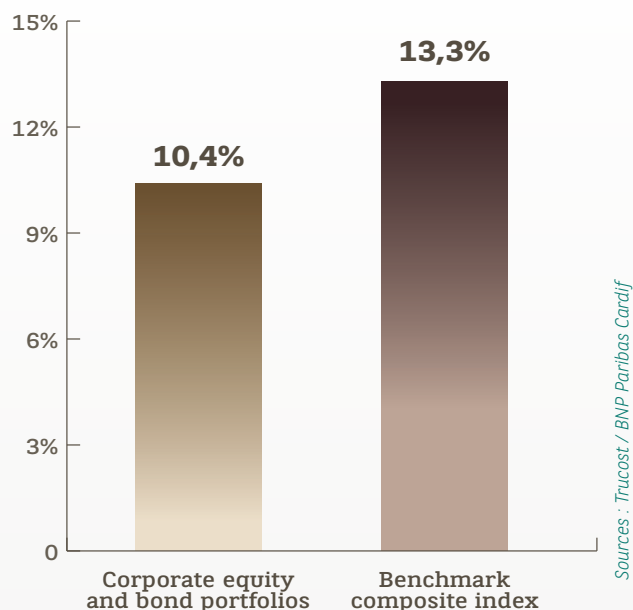
(41) Ratio of future carbon costs to EBITDA: potential carbon cost that the company will have to pay in 2030 based on projections of high carbon prices (scenario 2 degrees).

(42) The difference with the benchmark composite index is also due to the significant weight of the financial sector, much less exposed than the others to transition risks. In the absence of transparency of financial sector data, these figures must be used with caution.

(43) Stranded assets are assets that are particularly dependent on fossil fuels and at high risk of depreciation.

✳ READ GLOSSARY

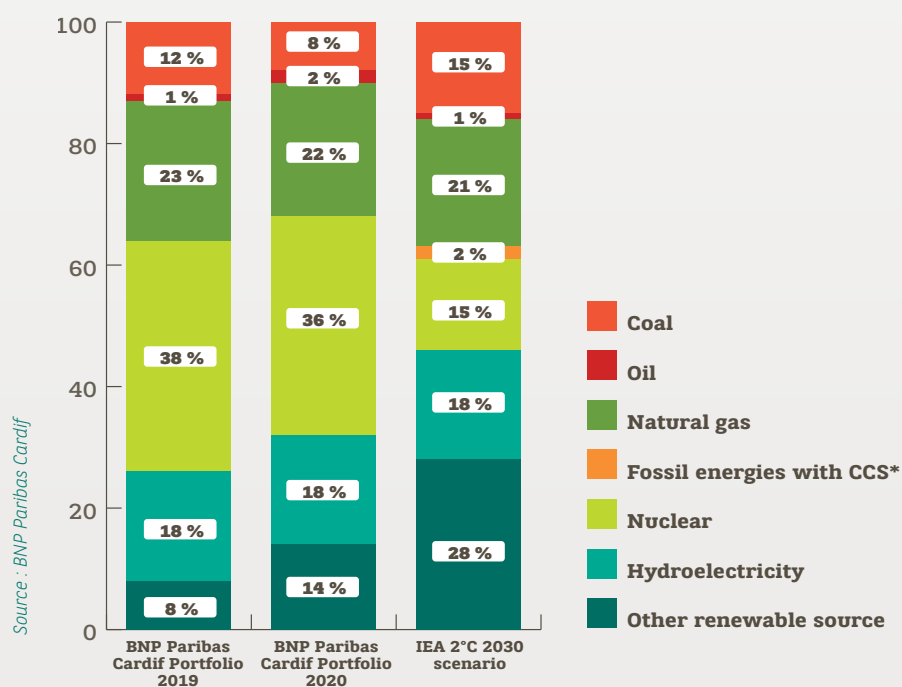


Brown share as at 31/12/20 (in % of outstandings)

The portfolio is more than 76% covered by the analysis of this brown share. **The share of companies involved in fossil fuels represents 10.4% of the value of the corporate equity and bond portfolio.**

> Electricity mix of the corporate equity and bond portfolios

Within its corporate equity and bond portfolios, BNP Paribas Cardif analyses the electricity mix of electricity producers and distributors. The electricity mix represents the proportion of different energy sources in the production/distribution of electricity.

Electricity mix of electricity producers and distributors

BNP Paribas Cardif compares the electricity mix of electricity producers and distributors with the electricity mix presented by the IEA⁽⁴⁴⁾ in its scenario of 2°C by 2030 (Energy Technology Perspectives 2017). This scenario calculates the energy mix required to limit the warming of the Earth's surface to 2°C. This energy mix also includes the allocation of a carbon budget by sector of activity.

The energy mix of the electricity producers and distributors in the portfolio is less carbon-intensive than that of the IEA benchmark scenario. This difference is explained by:

- the application of filters on the investment universe that favour the selection of companies with a less carbon-intensive electricity mix (exclusions linked to thermal coal and carbon filters).
- the strong influence of the energy policies of the countries in which the selected companies operate. The electricity producers in BNP Paribas Cardif's portfolios mainly operate in Western Europe and notably in France. In these regions, nuclear and hydropower are over-represented compared to the world average.

The share of oil and coal energies continued to decrease from 13% in 2019 to 10% in 2020 in favour of renewable energies. The share of the latter increased significantly from 8% in 2019 to 14% in 2020 (+6 points).

(44) International Energy Agency



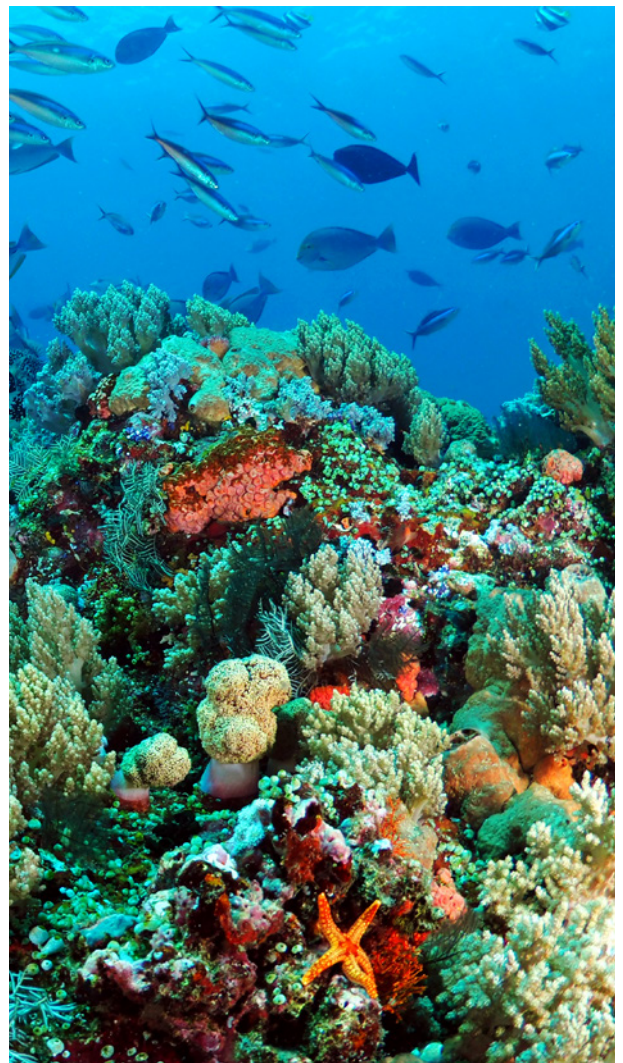
BIODIVERSITY ISSUES FOR AN INSTITUTIONAL INVESTOR

> 2020, a crucial year for biodiversity⁽⁴⁵⁾

Like global warming, the loss of biodiversity is a major issue that financial intermediaries are beginning to understand. Biodiversity must be integrated into responsible investment strategies with the aim, like the carbon footprint, of measuring the impact of companies' activities on biodiversity in a consistent manner. This footprint would define a common target trajectory for all investors.

Definition of biodiversity

Biodiversity is the network of all living, terrestrial, marine and aquatic organisms, and the ecological complexes to which they belong. This network produces oxygen, regulates the planet's water, temperature and air quality, as well as natural hazards. These are the ecosystem services that biodiversity provides⁽⁴⁶⁾.



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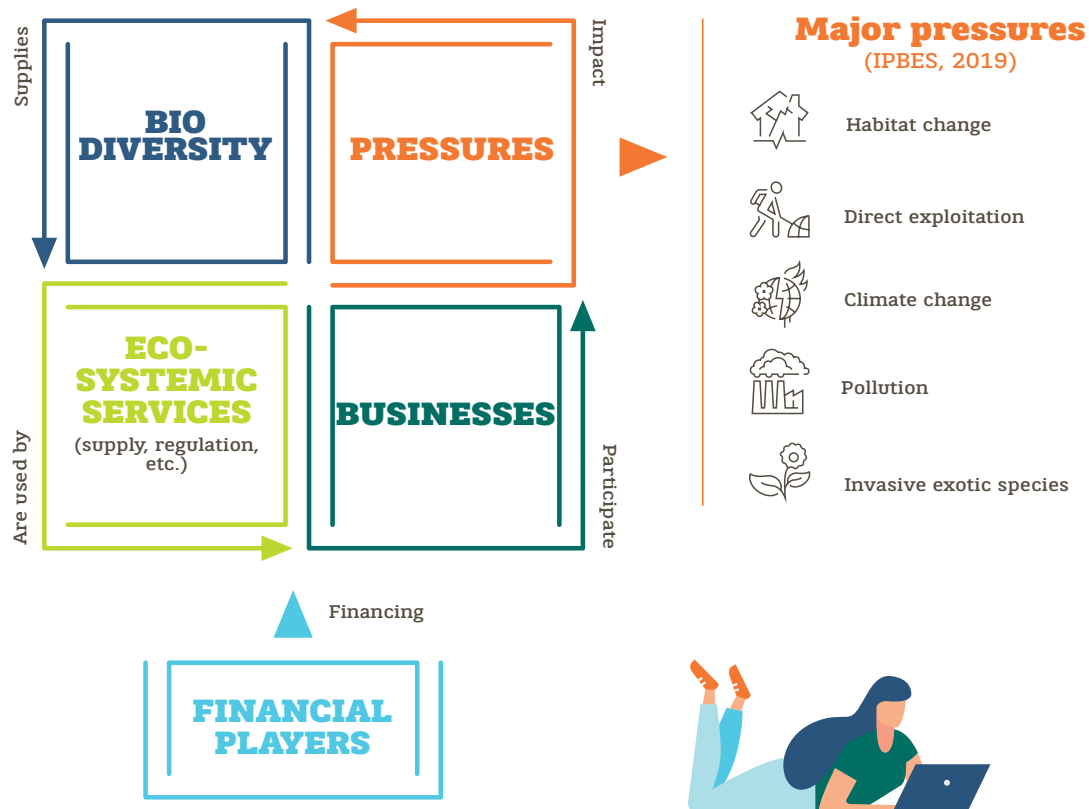
(45) Biodiversity is discussed in this chapter on climate issues, given the links between the two themes. The growing importance of this issue, including from a regulatory standpoint, will lead to it becoming an independent chapter of BNP Paribas Cardif's reporting, as provided for in Article 29 with a strategy of alignment with long-term objectives linked to biodiversity, an analysis of the contribution to the reduction of pressures and impacts as well as the support of a biodiversity footprint indicator.

(46) Source: French Biodiversity Office.



According to the IPBES⁽⁴⁷⁾, report, the IPCC⁽⁴⁸⁾ equivalent institution for biodiversity, we face the **6th mass extinction of biodiversity on Earth⁽⁴⁹⁾**. Through their activities, people and companies have an impact on biodiversity. The overexploitation of land and natural resources, the destruction of certain environments, or land use threaten the proper functioning of biodiversity. These threats are included as “pressures”.

Diagram of pressures induced by human activity (I Care & Consult, 2020)



(47) IPBES: Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services.

(48) IPCC: Intergovernmental Panel on Climate Change.

(49) The sixth mass extinction describes the recent loss of biodiversity due to human activities. The Earth has already experienced five mass extinctions.

(50) Ecosystem services are defined as the goods and services that people can obtain from ecosystems, directly or indirectly, to ensure their well-being (food, water quality, etc.).

The report of the World Economic Forum 2020 places the loss of biodiversity among the **most serious overall risks and most likely to occur**.

Biodiversity is a **little visible but a major pillar of economic activity**: each year, ecosystem services produce up to \$145 trillion in gross national product. The degradation of nature is therefore synonymous with economic losses. **The health crisis due to Covid-19** also highlighted the links between biodiversity, human activities and the emergence of pandemics.



INTERVIEW

Entrevue with Eva ZABEY

Executive Director of Business for Nature



Could you explain some of the key challenges biodiversity faces today?

Eva ZABEY : Nature and biodiversity are at a tipping point. More than 1 million species are threatened by extinction, 75% the world's land and 66%

of the marine environment is significantly altered by humans⁽⁵¹⁾, and global temperatures are expected to rise between 2.6°C to 3.9°C⁽⁵²⁾. More than anything, businesses depend on a healthy planet to provide a stable operating environment and the natural resources necessary for production. Nature also provides ecosystem services worth at least US\$125 trillion/year⁽⁵³⁾ globally which businesses benefit from at no cost, for example through waste decomposition and pollination of crops.

About the covid-19 pandemic, what connection is there with biodiversity?

EZ : As the IPBES Pandemics Report⁽⁵⁴⁾, notes, the underlying causes of pandemics are the same global environmental changes that drive biodiversity loss and climate change.

Covid-19 has given us a stark warning of the risks and inequalities of our interconnected systems. Therefore, we need to rethink what we want our economies and communities to be like in the future, and this means strengthening the resilience of our systems – nature, people, climate, health, food, finance and the economy – by developing policies to protect and restore nature.

Thinking about the climate and biodiversity issues as a whole, how do you see the financial sector being involved?

EZ : The biodiversity financing gap is significant because nature's worth to society is not reflected

in market prices: it is open to all at no monetary charge. For instance, annual spending on agricultural subsidies that degrade nature is still 4-6 times higher than spending that benefits nature. Therefore, the financial sector has a critical role to play by changing how markets value nature, for example by developing new financial instruments that leverage private sector investment, and implementing financing that can rapidly mobilize substantial amounts of capital for nature protection and conservation. Governments, companies and financial organizations would also make better decisions if they used information beyond short-term profit and GDP, and included considerations of impacts on nature.

What should financial players do?

EZ : The transition to an equitable, nature-positive and net-zero economy offers considerable investment opportunities; hence leading companies are making ambitious commitments and taking decisive

action on nature. Business for Nature encourages financial institutions to look at how they can scale up their efforts, for example by ending investments in activities which harm biodiversity and have a high carbon

impact, and calling for companies in their portfolios to issue reports aligned with the Task Force on Climate-related Financial Disclosures and the more recently established Task Force on Nature-related Disclosures. We also need financial players to integrate nature risk into mainstream investment decisions, which in turn has the potential to reduce companies' financial and reputational risks, as well as being a win-win for nature and climate. We would like to see more financial institutions contribute to the global advocacy agenda, for example by signing up to Business for Nature's Call to Action, Nature is Everyone's Business, and by engaging at CBD COP15 and UNFCCC COP26.

(51) IPBES (2019): Summary for policymakers of the global assessment report on biodiversity and ecosystem services of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services.

(52) <https://www.sciencemag.org/news/2020/07/after-40-years-researchers-finally-see-earths-climate-destiny-more-clearly>.

(53) Changes in the global value of ecosystem services. Global environmental change, 26, 152-158

(54) IPBES (2020) Workshop Report on Biodiversity and Pandemics of the Intergovernmental Platform on Biodiversity and Ecosystem Services.

strengthening the resilience of our systems

> Biodiversity in the investment policy

Several sector policies are more directly related to biodiversity, in particular those on palm oil, paper pulp and agriculture. The policies are summarised in the appendix and available online⁽⁵⁵⁾.

These policies are regularly reviewed. In February 2021, the BNP Paribas Group, for example, **strengthened its agricultural policy and set ambitious criteria to combat deforestation in the Amazon and Cerrado**. Thus, it encourages its customers who produce or buy beef or soya from these areas to become «zero deforestation». As a result, BNP Paribas only supplies products to companies in this sector seeking **to have full traceability of their beef and soybean value chain⁽⁵⁶⁾ and achieve zero deforestation in their supply chain by 2025**. These restrictions cover all of the Group's business lines, including investment.

Vigilance on palm oil

BNP Paribas Cardif applies the BNP Paribas Group's palm oil policy. It aims to retain only players who produce palm oil in a sustainable manner. In particular, it supports the principles and criteria of good practices of the Roundtable on Sustainable Palm Oil (RSPO). Companies that are certified guarantee a responsible operation that preserves ecosystems. BNP Paribas Cardif also supports new initiatives, such as the "zero deforestation, zero exploitation" commitment.



Financial players are trying to develop **methodologies to integrate biodiversity issues into financial management**. At the end of 2020, BNP Paribas Asset Management, Mirova and Sycomore Asset Management selected a consortium for the creation of transparent biodiversity-related impact measures. In 2020, the selected service providers launched the **Global Biodiversity Score (GBS)**, a tool for assessing the impact of companies and financial players on biodiversity.

BNP Paribas Cardif also **targets the protection of biodiversity in its investment choices**. Examples will be detailed in Part III. 2 of the report.



(55) <https://group.bnpparibas/en/financing-investment-policies>

(56) This concerns producers, traders and meat packaging companies.

PROMOTING POSITIVE IMPACT INVESTMENTS



ANALYSIS OF THE POSITIVE IMPACTS OF INVESTMENTS

P.67

1. IDENTIFICATION OF THE GREEN SHARE THANKS TO THE NEW TAXONOMY
2. ASSESSING MULTIPLE ENVIRONMENTAL ISSUES

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ILLUSTRATION OF POSITIVE IMPACT INVESTMENTS

1. RENEWABLE ENERGIES
2. PROTECTION OF ECOSYSTEMS
3. JOB CREATION AND REDUCTION OF SOCIAL INEQUALITIES

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In 2019, **BNP Paribas Cardif has committed to investing €5 billion in additional positive impact investments by the end of 2024**. In 2020, positive impact investments increased from €6.5 billion in 2019 to €9.1 billion (market value). This increase is fuelled by new investments (for €1.2 billion) and by the reclassification of certain funds (with, for example, the certification of real estate funds). Its objective of €1 billion of additional positive impact investments in 2020 has been achieved.⁽⁵⁷⁾

Positive impact investments



5
billion euros
additional

between 2019 - 2024



1,2
billion euros
achieved

in 2020

> What is a positive-impact investment?

Beyond the integration of ESG criteria, more and more investors want to measure the positive impact of their investments, also known as positive externalities. This development of impact investing is reflected in very heterogeneous practices, requiring short-term definition and harmonisation work. In 2020, BNP Paribas Cardif redefined its criteria and the scope of **positive-impact investments**.

These are defined as investments made with the intention of generating a positive and measurable social, societal and/or environmental impact, while generating a return on investment. Three criteria are usually used:

- **Intentionality**: corresponds to the investor's explicit desire to contribute to generating a measurable social or environmental benefit;
- **Additionality**: is the specific and direct action or contribution of the investor enabling the investee or the financed project to increase the net positive impact generated by its activities;
- **Measurability**: impact indicators are used and reported in impact assessments and reports.

It should be noted that the additionality criterion is often difficult to grasp, in particular, for listed assets, due to a lack of data, and cannot be systematically verified.

(57) The higher increase in market value is explained by the transformation of investment funds now incorporating sustainability criteria, by labelling, certifications on investments already in the portfolio and by a higher valuation of these assets.

POINT OF VIEW

Marielle DESNIER

Head of SRI and Equity Investments at BNP Paribas Cardif



"In an effort to improve, we are revising our criteria, improving our methodologies and using additional data in order to increase their comprehensiveness and relevance. In 2020, our discussions focused on positive impact investments. These funds must have a clearly identified impact intention in their investment processes and demonstrate - with key indicators - the performance in achieving the objectives set. For example, we invested in the BNP Paribas Climate Impact fund, managed by BNP Paribas Asset Management. This fund invests in companies that mitigate the impact of climate change on society and offer solutions to adapt to this change. For this fund, BNP Paribas Asset Management targets, for example, companies active in energy efficiency, renewable energies or the resilience of the agricultural sector.

On a similar theme, we also invested in the «Mirova Europe Environmental Equity Fund». This fund adopts a thematic approach based on long-term trends to identify investment opportunities across the value chain and across all business sectors. This investment policy allows the fund to be aligned with a trajectory of 1.5°C."

The search for assets with a positive impact complements and reinforces our responsible investor strategy

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BNP Paribas Cardif categorises positive-impact investments into three areas:



The environmental area:

includes investments in sectors related to environmental protection. For example: energy transition, energy efficiency, waste recovery or biodiversity preservation.



Social or societal areas:

include investments with a social or societal impact. These investments make it possible, for example, to facilitate access to school, housing, medical care or job creation.



Multi-thematic investments:

include investments that have both environmental and social or societal impacts.

The three areas make it possible to finance projects that contribute to various United Nations Sustainable Development Goals (SDGs).

**Change in outstandings of investments with a positive impact,
at 31 December 2020, in €M (market value)**

MARKET VALUE IN €M	2017	2018	2019	2020
Environmental areas	3 649	4 814	6 189	8 149
Green bonds	1 041	1 751	2 756	3 926
Equity funds*	396	399	604	587*
Bonds	-	-	-	121
Private equity / infrastructure / private debt funds	255	302	436	569
Real estate	1 957	2 362	2 393	2 946
Social and societal areas	172	171	243	581
Social bonds	-	-	-	370
Equity funds*	142	122	157	104*
Private equity / infrastructure / private debt funds	-	1	21	24
Real estate	30	48	65	83
Multi-thematic	0	0	97	403
Sustainable bonds	-	-	-	257
SDG bonds	-	-	97	98
Equity funds*	-	-	-	40*
Real estate	-	-	-	8
Total	3 821	4 985	6 529	9 133

**In 2020, the methodology used to characterise "positive impact" equity funds has become more demanding. For information, with the old methodology, equity funds with a sustainable theme (including positive impact funds) represented €1,235 million in 2020 (using the 2019 methodology) compared with €761 million in 2019.*



ANALYSIS OF THE POSITIVE IMPACTS OF INVESTMENTS

1. IDENTIFICATION OF THE GREEN SHARE* THANKS TO THE NEW TAXONOMY

Analysing the green share looks into corporate equity and bond portfolios related to activities contributing to the energy and environmental transition. BNP Paribas Cardif has chosen to rely on the expertise of Trucost to calculate the green share that matches the recommendations of the European taxonomy.

In March 2020, the expert group commissioned by the European Commission published its final report on the draft European taxonomy. This system of classifying sustainable economic activities makes three categories of activities eligible for the green share:

- **Low-carbon activities**, which are already compatible with a carbon-neutral economy in 2050;
- **Transition activities**, which contribute to a carbon neutral economy by 2050;
- **Facilitating activities**, which enable carbon neutrality through significant reductions in GHG emissions.

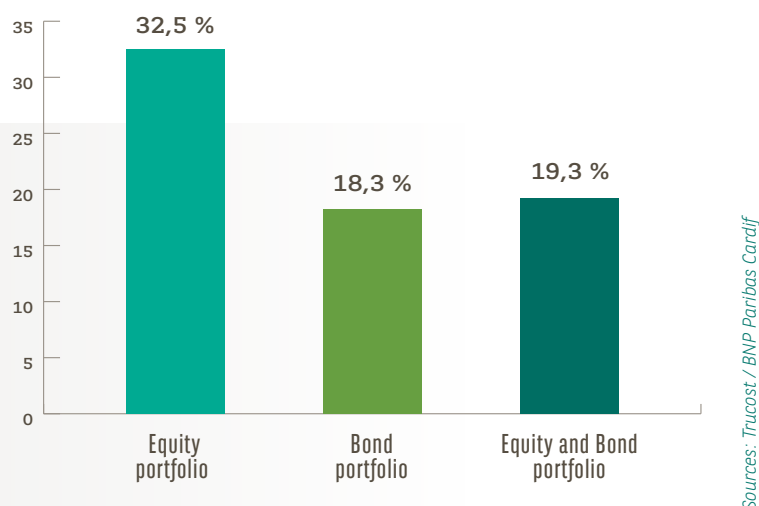
This classification defines six major environmental issues, including climate change mitigation and adaptation.

The taxonomy allows BNP Paribas Cardif to identify companies providing innovative solutions for the climate transition. It thus creates a common framework to govern the market for so-called "green" or "sustainable" financial products.

* READ GLOSSARY



Green share aligned with BNP Paribas Cardif's European taxonomy as of 31 December 2020



The Trucost investment study shows that the BNP Paribas Cardif directly-held corporate equity and bond portfolios have a significant **exposure to activities eligible for the European taxonomy**. The green portion was 32.5% for equities and 18.3% for bonds. **These percentages express an eligibility measure** based on economic activities in the "NACE" European community according to the Trucost methodology. This is not yet a full alignment measure as the methodology of European taxonomy has not yet stabilized.

2. ASSESSING MULTIPLE ENVIRONMENTAL ISSUES

> Net Environmental Contribution

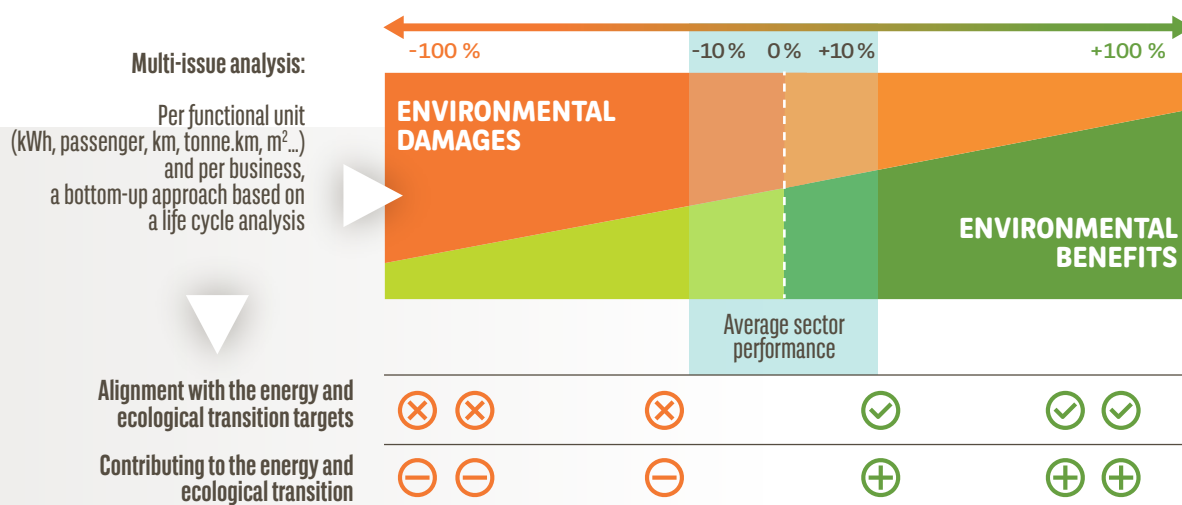
BNP Paribas Cardif uses another indicator to value its corporate assets: **the net environmental contribution (NEC)**⁽⁵⁸⁾. This indicator measures **the contribution of a company to the environmental transition compared to its reference sector**. The rating uses a scale of -100% to +100%:

- 100% if the activity has an environmental performance equal to that of the green activities as defined by the TEEC label (renewable energies, electric vehicles, etc.);
- 0% if the activity has an environmental performance corresponding to the average of its sector for the same service rendered;
- 100% if the activity causes some of the most significant environmental damage in its sector.

(58) A detailed methodology is available in an appendix to this document. As this methodology is now open source, additional information about it can be found at the NEC Initiative website: <https://nec-initiative.org/>.



Summary of the NEC approach

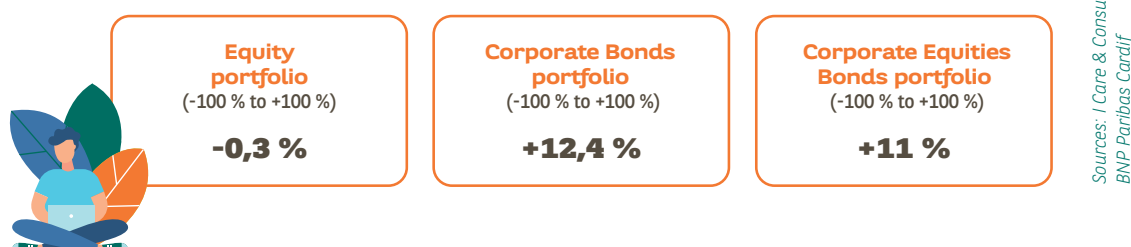


The NEC analysis widens the scope from the only CO2 issue. Other material issues for a given sector are taken into account: for example, biodiversity, waste management, air quality, etc.

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The results of the NEC in 2020 for the BNP Paribas Cardif corporate equity and bond portfolios are available below:

NEC scoring of BNP Paribas Cardif's portfolios at 31 December 2020



METHODOLOGICAL NOTE

As a reminder, a score of 0% corresponds to the NEC sectoral average.

BNP Paribas Cardif receives a combined NEC score of 11%. This environmental performance, which is above the sector average (0%), as in the two previous years, reflects the quality of the integration of environmental analyses into the investment processes.

Results of the equity portfolio

The coverage rate now extends to 79% of the portfolio (compared to 72.4% last year), covering two additional sectors: machinery and retail (food and basic products). **The equity portfolio recorded a slight improvement**, from -2% in 2019 at -0.3% in 2020. This increase is explained by a better performance of the industrial sector and a greater weight in the portfolio of companies in the IT sector with a very positive NEC (13.6%).

Results of the corporate bond portfolio

For the bond portfolio, 31.3% of companies were subject to a detailed NEC analysis in 2019, compared to 27% in 2019. This lower coverage rate than the equity portfolio is explained by the significant weight of financial institutions that are not covered by the NEC, due to the limited data available.

The average performance of the bond portfolio decreased compared to last year, from 17% to 12.4%. This is partly due to the greater coverage of companies in the IT sector, which have varied environmental performance, and the significant weight of companies in the food and beverage sector (poorer performance due to the carbon and water impacts of animal production). Nevertheless, we note a strong and continuous positive contribution from the transport sectors (particularly rail) and electricity producers and distributors who continue to decarbonise their energy mix.

> Assessment of avoided emissions

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The green bonds held by BNP Paribas Cardif primarily finance projects connected with green infrastructure, green buildings, and renewable energy. BNP Paribas Cardif wanted to quantify the greenhouse gas emissions avoided for its green bonds. To do this, Trucost assessed the carbon impact of eligible projects. The methodology is available in the appendix.

AVOIDED EMISSIONS
PER € MILLION
INVESTED:
985 t_{eq}CO₂

About 70%⁽⁵⁹⁾ of the green bonds in the portfolio were analysed for emissions avoided by Trucost. **The total avoided emissions are 985 tCO₂ equivalent per € million invested** (annualised over the life of the projects).

These green bonds mainly finance transport and renewable energy projects. The proportion of green bonds analysed should increase in the coming years.



(59) These are green bonds in the portfolio for which sufficient data has been collected and which have undergone a materiality analysis.

2. EXAMPLES OF POSITIVE-IMPACT INVESTMENTS



BNP Paribas Cardif's positive-impact investments address environmental or social/societal issues, such as: **energy, ecosystem protection, job creation and reduction of social inequalities.**

The SDGs as a reference framework

The development programme developed in September 2015 by the UN Member States focuses on 17 Sustainable Development Goals or SDGs. These aim to build a sustainable future by meeting the main global challenges by 2030: ending poverty and hunger, promoting equality, and building sustainable cities, whilst protecting the planet.

Through their investments, investors can help achieve the SDGs by supporting projects that work for a fair transition..

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1. RENEWABLE ENERGIES






The European Union and France have set ambitious targets for the development of renewable energies: The share of renewable energies in the gross final energy consumption should be at least 32% for the EU and 33% for France by 2030. In 2020, renewable energies continue to rise. They represent 11.7% of primary energy consumption, compared with 7.5% ten years ago⁽⁶⁰⁾.



(60) Key figures on renewable energies, Edition 2020, French Ministry of Energy Transition






To participate in the promotion of these cleaner energies, BNP Paribas Cardif selects **investments in green projects linked to the energy and ecological transition.**





SELECTED INVESTMENT	DESCRIPTION OF THE INVESTMENT	SDG
Green bonds: Ørsted 	<ul style="list-style-type: none"> ■ Ørsted, a Danish energy company, is today the world's largest developer of offshore wind turbines - representing 29% of installed capacity and projects under construction worldwide. ■ The funding is used to support: offshore wind farms and other renewable energies, bioenergy, energy storage and smart grid⁽⁶²⁾. 	 
Infrastructure fund: Infragreen IV, RGreen 	<ul style="list-style-type: none"> ■ This fund invests in companies whose primary purpose is to acquire, finance, build and operate renewable energy or energy efficiency infrastructure projects. ■ Funding is mainly allocated to solar or wind projects in Europe. 	

2. PROTECTION OF ECOSYSTEMS

Air, land, water and all living organisms interact together to form an ecosystem. BNP Paribas Cardif invests in projects working to protect biodiversity and ecosystems.

SELECTED INVESTMENT	DESCRIPTION OF THE INVESTMENT	ODD
Private Equity Fund: Althélia Sustainable Ocean Fund (Mirova) 	<ul style="list-style-type: none"> ■ This fund is dedicated to financing innovative projects in the marine and coastal world. Among the impacts targeted by the fund are, for example, the increase in fish stocks, the prevention of marine litter and plastic pollution and the protection of marine biodiversity. ■ For example, the fund works to preserve the oceans by investing in Blue Finance, a public-private operator in charge of co-managing an 8,000 km² marine area in the Dominican Republic. 	 

(61) <https://www.eenews.net/stories/1063713187>. (62) Smart grids.

SELECTED INVESTMENT	DESCRIPTION OF THE INVESTMENT	SDG
<p>Equity funds: Pictet Global Environmental Opportunities Fund</p> 	<ul style="list-style-type: none"> ■ The management process of this fund is distinguished by the integration of a scientific framework named <i>Planetary limits</i>.⁽⁶³⁾ ■ This framework has identified nine critical environmental thresholds that humanity must not exceed in order to preserve ecosystems (ocean acidification, global consumption of fresh water, chemical pollution, climate change, etc.). ■ Pictet's investment process uses this scientific research to analyse the environmental footprint of industries across their value chains. 	  

3. JOB CREATION AND REDUCTION OF SOCIAL INEQUALITIES

Investors can **play an important role in the development of a more socially equitable world**. In particular, through their investments, they can promote actors who are actively working to **maintain skills and jobs**.

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POINT OF VIEW

Pascal WOLLJUNG

Head of Fixed Income and Diversification Portfolios



*"In this context of the health crisis, we want to strengthen our social commitment in the bond market. This is why, in 2020, we wanted to participate in the first issue of European Union social bonds as part of the **SURE**⁽⁶⁴⁾. **SURE** aims to protect jobs and workers in the context of the COVID-19 pandemic crisis. The funds raised are transferred to the beneficiary Member States in the form of loans. These loans help them cover the costs of financing national partial unemployment programmes adopted in response to the pandemic. The social bond market, which is booming in 2020, will continue to grow in 2021."*

The social bond market, which is booming in 2020, will continue to grow in 2021

(63) This is a model developed in 2009 by a team of leading scientists from the Stockholm Resilience Center and other leading organisations. <https://www.am.pictet/fr/france/articles/2020/thematics/limites-planetaires>. (64) SURE: Support to mitigate Unemployment Risks in an Emergency

SELECTED INVESTMENT

DESCRIPTION OF THE INVESTMENT

SDG

Infrastructure Funds - asset management company Vauban Infrastructure Partners and in partnership with Banque de Territoires and the regions concerned



- In 2020, BNP Paribas Cardif committed to reducing the digital divide in France, particularly in medium-density and rural areas, and to promoting digital innovation.
- The objective of this investment is to finance the installation of fibre optic networks in France in areas with less coverage. The investments will allow the installation of more than 11 million FTTH (Fiber To The Home) outlets in France.
- This digitalisation is particularly relevant during the Covid-19 health crisis, with the increase in remote working



Real estate funds



BNP Paribas Cardif continues to invest in:

- affordable housing, notably through new subscriptions in the Intermediate Housing Fund managed by CDC Habitat (FLI 1 and FLI 2).
- the re-financing of retired people through participation in a fund dedicated to life leases, Certivia 2, managed by La Française AM. The goal is to empower retirees who own their primary residence to improve their current income.



Mirova Women Leaders Equity Fund



- This thematic social impact fund promotes and encourages **gender diversity and the promotion of women** in society.
- The fund has developed an **innovative partnership with UN Women**, by providing financial support for projects that contribute to improving the condition of women



POINT OF VIEW

Xavier BELLIGON

Xavier BELLIGON, Head of diversification assets



"As an institutional investor, our role is to finance the real economy while ensuring the positive impact on society. Private Equity is an asset class that meets this objective particularly well. In 2020, we participated in the creation of a "Nov Impact Actions non cotées" (unlisted equities) fund, as part of the large-scale "Insurers - Caisse des Dépôts Relance Durable France" investment programme. This fund allocates financing to French companies (VSEs, SMEs and mid-cap companies)⁽⁶⁵⁾ in the regions. Each investment uses objectives related to sustainable development in the companies, such as the implementation of ESG indicators and CSR objectives as well as the promotion of employee shareholding. These funds made it possible to share the experiences of each investor and to create more demanding standards in terms of CSR. The application of these new standards becomes a prerequisite for BNP Paribas Cardif."

These funds made it possible to share the experiences of each investor and to create more demanding standards in terms of CSR

(65) Definitions - VSE: All (Very?) Small Businesses / SMEs: Small and Medium-sized Businesses / Mid-cap Companies

CONCLUSION

In 2020, BNP Paribas Cardif strengthened its ESG analysis process to qualify the non-financial integration level across almost all asset classes.

With regard to the fight against climate change, the monitoring of exclusions is stricter. The inclusion of climate indicators in the investment policy enables measurements and an in-depth understanding of the issues (risks and opportunities).

Positive-impact investments are actively sought. Scopes and definitions are maturing and becoming more precise.

Regulatory changes accompany the fundamental movement towards sustainable finance.

This report marks the end of an “Article 173” reporting cycle and paves the way for a new reporting framework. The requirements of Article 29 of the Energy-Climate Law is ambitious and will enable BNP Paribas Cardif to report on its commitment to climate issues and those related to the preservation of biodiversity.

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CROSS-REFERENCE TABLE WITH ARTICLE 173-VI OF THE LTECV

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BNP PARIBAS GROUP'S SECTOR POLICIES

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MAIN RESPONSIBLE INVESTMENT LABELS

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APPENDIX 1

Cross-reference table with the TCFD recommendations

TCFD		Corresponding sections
GOVERNANCE	Description of the executive bodies' supervision of climate-related risks and opportunities	<i>p.19</i>
	Description of management's role in assessing and managing climate-related risks	<i>p.19</i>
STRATEGY	Description of climate-related risks and opportunities identified by the company in the short, medium, and long term	<i>p.53 to 58</i>
	Description of the impact of climate-related risks and opportunities on the organisation's operations, strategy, and financial planning	<i>p.53 to 58</i>
	Description of the resilience of the company's strategy, recognising the different climate scenarios including a scenario of 2°C or less	<i>p.49 to 51</i>
RISK MANAGEMENT	Description of the processes for identifying and assessing climate-related risks	<i>p.53 to 58</i>
	Description of the company's climate-related risk-management processes	<i>p.53 to 58</i>
	Description of the integration of processes for identifying and assessing climate-related risks into the company's overall management	<i>p.47</i>
INDICATORS & TARGETS	Publication of metrics used by the company to assess climate-related risks and opportunities, in keeping with its risk-management strategy and process	<i>p.47 to 51, p.53 to 58, p.67 to 70</i>

APPENDIX 2

Cross-reference table with Article 173-VI of the LTECV

Provisions of Article 173-VI of the LTECV

Corresponding sections

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INFORMATION ON THE ENTITY

General approach of the investor when accounting for ESG criteria

p.6 to 10

Where appropriate, descriptions of the policies for managing risks related to those criteria

p.20 to 38

Procedures for informing subscribers, contributors, etc. about these processes

p.14

Any adherence to initiatives, external charters, or labels

p.14**DESCRIPTION OF THE ESG CRITERIA**

Type of criteria recognised and the reasons for these choices

p.21 to 36

Information used for the analysis and type of analysis (internal / external, financial / non-financial)

p.21 to 36

Methods and results of the analysis and explanation of the relevance of the method and scope. The investor may present the information by activity, asset class, sector, issuer, type of portfolios (euro contracts/unit-linked vehicles), clearly stating the reasons

p.21 to 36

Presentation of the integration of the results of the analyses. These may be impacts on investments (risk management, divestment decision) or on relations with issuers (commitment or vote, via management companies as applicable). The explanation will also include values not covered in the analysis

p.37 to 38**DESCRIPTION OF CRITERIA RELATED TO CLIMATE ISSUES**

Type of criteria recognised, differentiating those that are physical risks (exposure to physical consequences directly induced by climate change), transition risks (exposure to changes induced by the transition to a low-carbon economy), and their contribution to meeting the goal of limiting climate change and to the goals of the transition

***p.47 to 51
p.53 to 58
p.67 to 70***

Information used for the analysis and type of analysis (internal / external, financial / non-financial)

p.43 to 58

Methods and results of the analysis and assumptions applied and their compatibility with the international target of limiting climate change. In each case, the investor will add any specification as to: the consequence of climate change and major weather events; changes in the availability and price of natural resources; the consistency in expenditures of issuers with a low-carbon strategy; the measurements of greenhouse gas emissions (methods to be specified); the amounts invested in themes and infrastructures contributing to the transition; and anything implemented by the public authorities in this context

p.45 to 58

Presentation of the contribution to compliance with the international goal of limiting climate change and the achievement of the energy and environmental transition goals. The investor may lay out the indicative targets set and how consistent they think it is with this goal

***p.41 to 43,
p.45 to 52,
p.67 et 68***

APPENDIX 3

Detailed timetable and criteria for phasing out thermal coal

Schedule for BNP Paribas Cardif's strategy to exit the thermal coal industry

Scope: World except where * EU/ OECD

Scope: World except where * EU/ OECD

		2020	2040		
Developers		2021	2025	2030	2040
New projects (coal mining, coal-related infrastructure, thermal coal-based power plants, transport capacities)		0 thermal coal			
Electricity generation from coal		2021	2025	2030	2040
Share in revenue	As %	20%	15%	10% 0%*	0%
Electricity generation from coal (actual generation)	As % of the mix	20% (stock: 30%)	20%	10% 0%*	0%
	In Giga W	10	8	5 0*	0
Logistics: Transport and storage of thermal coal		2021	2025	2030	2040
Share in revenue	As %	20%	15%	10% 0%*	0%
Mining companies: exploration and extraction of coal		2021	2025	2030	2040
Percentage of thermal coal in revenue	As % of the mix	10%	0% (stock: 10%)	0%	0%
Thermal coal mining (millions of tonnes extracted)	In M Tonnes	10	0 (stock: 5 M)	0	0

* UE / OCDE

2020

2040

* UE / OCDE

2020 ← → 2040



In 2021, BNP Paribas Cardif applies the following criteria and thresholds to the thermal coal sector for its directly owned assets (for general funds in France, Italy and Luxembourg):

■ **For “Developers”:**

- Exclusion of companies developing new thermal coal mining capacity, thermal coal-based infrastructure, or new thermal coal-based power plants.
- Exclusion also of companies developing new transport capacities and infrastructures related to thermal coal.

■ **For electricity producers:**

- Exclusion of all companies (new investments) where more than 20% of the energy mix (actual generation of electricity) comes from thermal coal. This threshold is 30% for historical investments (stock) in the portfolio. A dialogue is conducted with the companies concerned.
- Exclusion of all companies where more than 20% of revenue comes from thermal coal.
- Exclusion of all companies generating more than 10 Gigawatts⁽⁶⁶⁾ in electricity from thermal coal.

■ **For logistics activities - transport and storage:**

- Exclusion of companies where more than 20% of revenue comes from thermal coal.

■ **For exploration activities - thermal coal extraction:**

- Exclusion of companies where more than 10% of revenue comes from thermal coal.
- Exclusion of companies producing more than 10 million tonnes of thermal coal.

(66) This threshold corresponds to that of the Urgewald list for 2019.

APPENDIX 4

Methodologies and detailed results

1. BENCHMARK INDICES

The benchmark indices against which the performance of BNP Paribas Cardif portfolios are compared are specified in the table below:

<i>Benchmark indices by asset class</i>	
TYPE OF PORTFOLIO	BENCHMARK INDEX
Equities	Stoxx 600
Corporate bonds	IBOXX Euro Corporate Overall QW5A
Corporate equities and bonds	Stoxx 600+ IBOXX Euro Corporate Overall QW5A
Government bonds	IBOXX Euro Eurozone Sovereign Overall QW1A

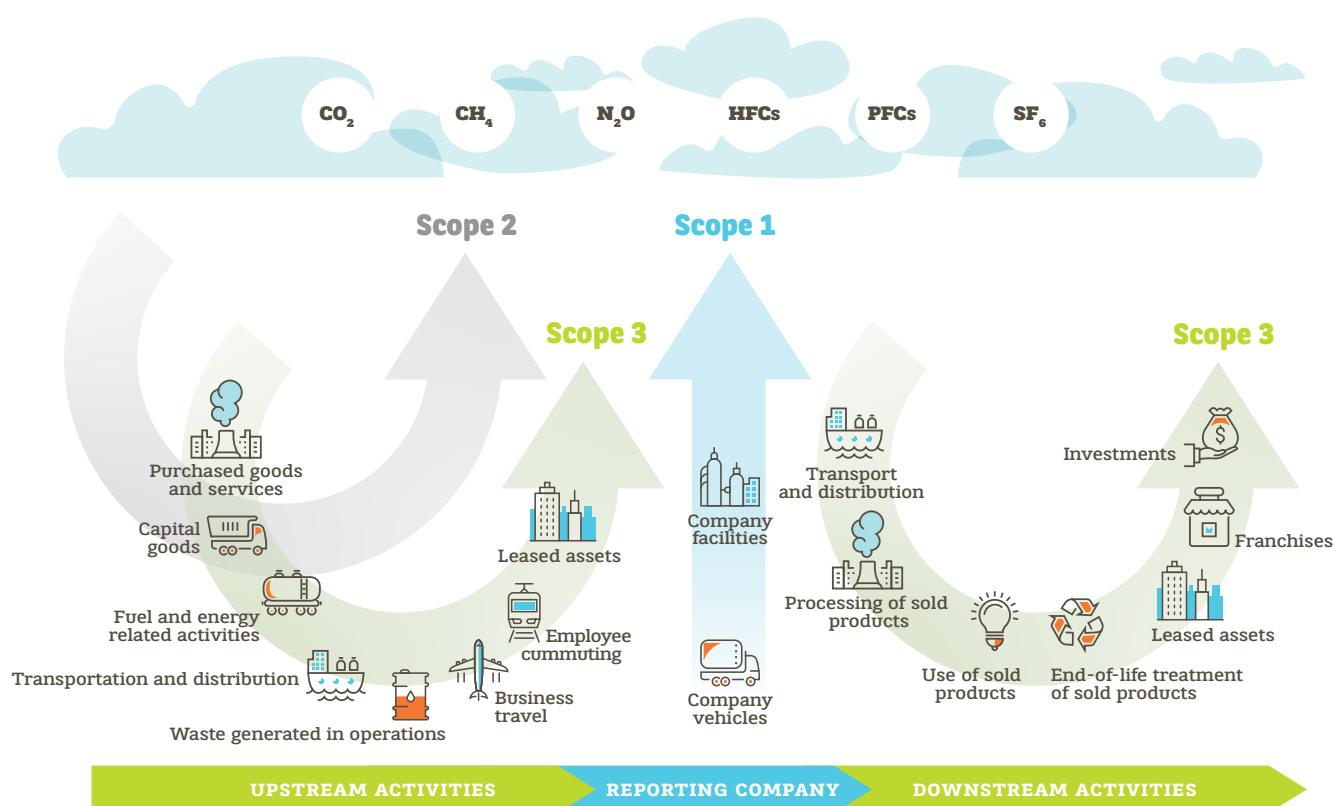
The benchmark composite index: 18.6% for the Stoxx600 and 81.4% for the Iboxx Euro Corporate Overall.

2. CARBON EMISSIONS

The three levels of Scope 1, 2, 3 GHG Protocol, <https://ghgprotocol.org/>

- Scope 1: Direct greenhouse gas emissions (from fixed or mobile company installations);
- Scope 2: Associated indirect emissions (consumption of electricity, cooling and heat);
- Scope 3 all other indirect emissions. Scope 3 offers a more comprehensive analysis but is more difficult to estimate according to available data.

Carbon intensity scopes



Source: GHG Protocol

The calculated carbon footprint represents the portfolio's carbon footprint per € million invested; carbon intensity (CO₂eq / € million revenue) shows the portfolio's carbon efficiency in terms of emissions per € of sales.

Carbon intensity

The carbon intensity of BNP Paribas Cardif's portfolio is calculated as the sum of greenhouse gas emissions compared to the revenue of the companies and weighted by the weight of each of them (in market value).

$$\sum_i \left(\frac{\text{current value of investment}_i}{\text{current value of all investments (€M)}} \times \frac{\text{investee company's Scope 1, 2 and 3 carbon emissions}_i}{\text{investee company's €M revenue}_i} \right)$$

The carbon footprint

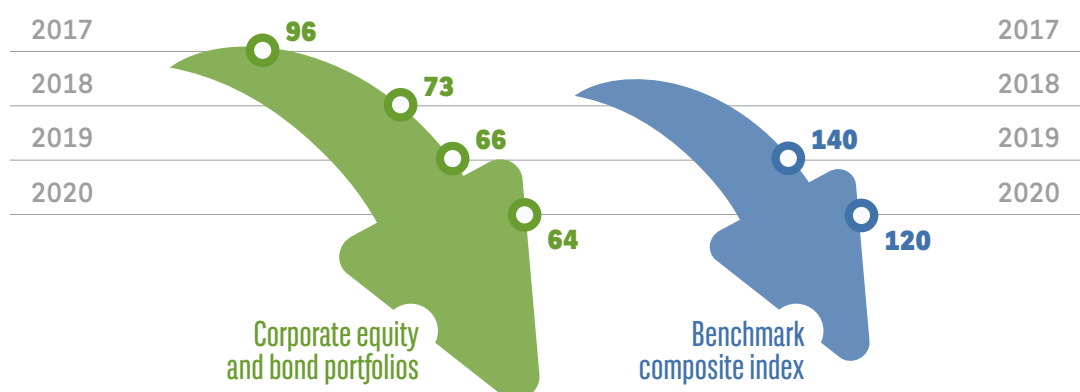
This carbon footprint represents the amount of emissions financed by the portfolio. It is measured in tonnes of CO₂ equivalent per € million invested. The carbon footprint is the sum of the emissions allocated to each company in the portfolio according to the relative share of the investment (in euros) in enterprise value*. The result is then compared to the total valuation of the portfolio.

$$\frac{\sum_i \left(\frac{\text{current value of investment}_i}{\text{investee company's €M revenue}_i} \times \text{investee company's Scope 1, 2 and 3 carbon emissions}_i \right)}{\text{current value of all investments (€M)}}$$

In this method, the share of the enterprise value held by the investor is taken into account. Thus, if the investor owns 1% of the value of a company then the investor will be allocated 1% of the greenhouse gas emissions of that company.

The carbon footprint per € million invested is one of the indicators used to implement the European SFDR regulation⁽⁶⁷⁾.

Change in the carbon footprint of equities and corporate bonds, scopes 1 and 2 (in tCO₂eq/€ million invested)



- Carbon footprint coverage of the corporate equity and bond portfolio in 2020: 76%
- Coverage rate of the composite index : 87%

(67) SFDR = Sustainable Finance Disclosure Regulation

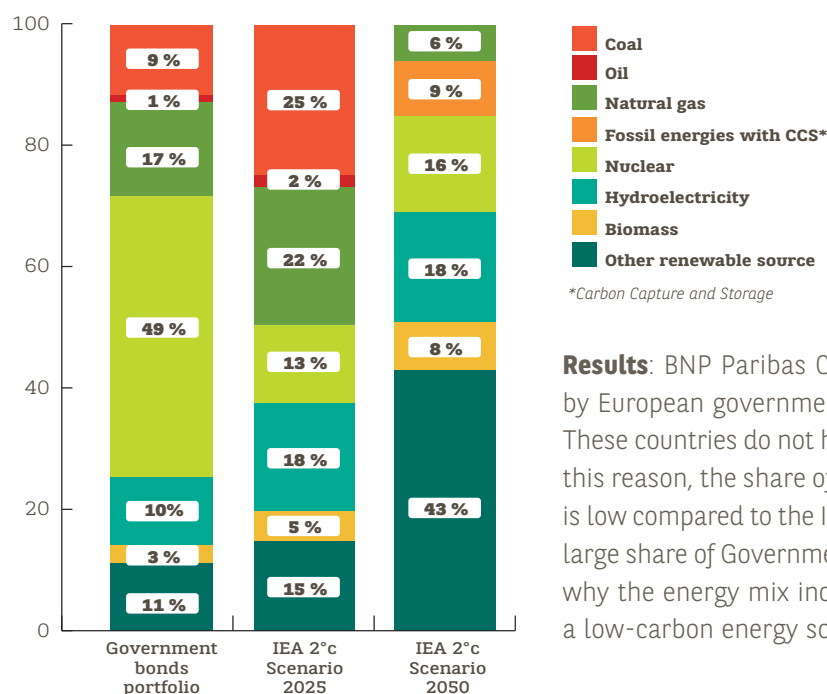
The carbon footprint of the corporate equity and bond portfolio has decreased by 33% in four years. In 2020, the carbon footprint of the corporate equity and bond portfolio is 64 tCO₂eq per € million invested, i.e. a carbon footprint 50% lower than that of its benchmark composite index. This portfolio's performance is due to the selection of companies with lower carbon emissions than its benchmark composite index, particularly in two carbon-intensive sectors: energy and construction.

METHODOLOGICAL NOTES

- The decline in the carbon footprint compared to Enterprise Value (EV) may in part be influenced by market developments:
 - an increase in capitalisation increases the enterprise value, all other things being equal, and reduces the carbon footprint; conversely,
 - a decline in the markets, and therefore a decline in the capitalisation of a company, can partly cause an increase in its carbon footprint.
- The inclusion of scope 3 in the carbon footprint analysis broadens the scope of the company's carbon responsibility within its value chain.
 - (+) Scope 3 takes into account the reality of indirect emissions upstream (those of direct and indirect suppliers) and downstream (the use of products and services provided by the company) in a more representative way.
 - (+) It identifies sectors with high indirect emissions. These companies do not necessarily appear to be significant emitters with the analysis of scopes 1 and 2: the sectors concerned include the automotive industry, distribution or construction.
 - (-) The analysis of Scope 3 may give rise to double or triple counting of emissions for a multi-sector financial portfolio. The carbon footprint of the portfolios is then overestimated.

3. EXPOSURE TO PORTFOLIO RISKS

Analysis of the energy mix of electricity producers and distributors (government bonds)



Results: BNP Paribas Cardif invests primarily in bonds issued by European governments, and mainly France, Spain and Italy. These countries do not have much coal in their energy mixes. For this reason, the share of coal in the Government bonds portfolio is low compared to the IEA scenario. The General Fund includes a large share of Government bonds issued by France. This explains why the energy mix includes a large share of nuclear, which is a low-carbon energy source.

4. NET ENVIRONMENTAL CONTRIBUTION (NEC)

Main sectors invested by BNP Paribas Cardif contributing positively to the NEC

Main sectors invested by BNP Paribas Cardif contributing negatively to NEC

EQUITIES

Information Technology: portfolio companies benefit from positive NECs as their data centres have higher than average energy efficiency.

Electricity producers and distributors: companies have a mix of "green" technologies, particularly renewable ones.

Clothing and textiles: companies in this sector have negative NECs, mainly related either to their business model, which is based on "fast fashion", or to their product mix, which is largely geared towards leather products.

Transport: Some companies in the portfolio have activities related to aviation (airport services and air freight), which is the least environmentally efficient means of transport (GHG and pollutant emissions).

BONDS

Transport: the companies contribute positively to the average NEC of the portfolio thanks to the weight of the rail network operators.

Electricity producers and distributors: the share of renewable energies continues to increase in the energy mix of certain electricity producers in the portfolio whose NECs have improved.

Oil & Gas: the NEC related to the fossil fuel sector is negative. Only gas-related activities came close to 0%.

Food: Certain portfolio companies have a product mix focused on animal protein (dairy products) and alcoholic beverages. In addition, they are not turned significantly towards products from organic farming.

5. AVOIDED EMISSIONS

The calculation of avoided emissions takes into account the entire life cycle of the project:

- Construction: suppliers, materials, etc.
- Operation: energy consumption
- End of project life: waste management, recycling.

The calculation then annualises avoided emissions according to the maturity of the obligation. Finally, the emissions are compared with a benchmark index, e.g. the country's energy mix, to obtain a differential corresponding to the emissions avoided.





APPENDIX 5

BNP Paribas Group's sector policies

PRODUCTION OF ENERGY FROM COAL	<p>The policy covers coal-fired power plant projects as well as companies involved in energy generation. Since 2017 BNP Paribas has stopped all financing of new coal-fired power plant projects. In 2019, BNP Paribas announced that all its customers are expected to have stopped using coal in the EU by 2030 and elsewhere in the world by 2040. BNP Paribas strengthens its requirements in 2020. BNP Paribas is extending its end-of-year target to all OECD countries by 2030 and continuing its commitment to terminate relationships with customers who are developing new capacities, it no longer accepts customers for which revenue from coal is more than 25%. This policy will quickly lead to a halving of the number of BNP Paribas customers using coal for part of their electricity production.</p>
MINING INDUSTRY	<p>The policy defines specific requirements for the mining industry and covers all mining projects as well as mining companies. Companies must comply with applicable laws. In addition, BNP Paribas does not participate in mining projects in countries subject to economic sanctions, in areas of armed conflict, which use forced labour or do not have a health and safety plan in force. BNP Paribas conducts pre-investment due diligence on local populations, water use and pollution, GHG emissions and biodiversity, among others. Moreover, BNP Paribas does not contribute to mining companies that: develop mining capacities, produce more than 10 million tonnes of thermal coal per year or generate more than 20% of their revenue from thermal coal.</p>
UNCONVENTIONAL OIL AND GAS	<p>In 2019, BNP Paribas is committed to ceasing its relations with players whose main activity is the exploration, production, distribution, marketing or trading of shale gas and oil and/or oil from tar sands. It also undertakes not to finance any gas or oil exploration or production project in the Arctic. It also stops financing projects mainly dedicated to the transport and export of shale gas and oil and oil from tar sands. These measures have led BNP Paribas to gradually cease its financing with a significant number of players who are not actively involved in the transition to a low-carbon economy.</p>
NUCLEAR ENERGY	<p>The policy defines the specific requirements for the selection of nuclear energy projects. In addition to national and international regulatory constraints, BNP Paribas defines additional criteria. BNP Paribas does not wish to be involved in offering financial products and services for nuclear power plant projects in countries that do not have adequate governance in the nuclear sector. They must present an appropriate legal framework, international cooperation, a nuclear safety authority, as well as political stability and country security. Nuclear power plants must also present operating licenses, an independent chain of custody to monitor the safety of operations and technical due diligence. The power plants must also comply with certain reactor standards.</p>

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AGRICULTURE	BNP Paribas draws up a policy governing financing activities in the agricultural sector. The policy covers seed production, agriculture, supply chain logistics and primary processing. For agricultural projects, BNP Paribas provides activities only to projects that: have a water management plan, respect their ecosystems and biodiversity, respect working conditions and Human Rights (forced labour, child labour, grievance mechanisms, HR policy, etc.), have a health and safety management system, respect the land rights of local communities and ultimately have a food safety policy and supply traceability measures. BNP Paribas complies with certain additional criteria concerning the use of agrochemicals and welfare in livestock farming.
PAPER PULP	The policy aims to encourage paper pulp companies to develop sustainable paper pulp production. It targets all companies present upstream and downstream of the value chain. Upstream companies must: not use child labour, operate new plantations on land occupied by local communities, convert wetlands and high conservation value forests into plantations. FSC and PEFC are initiatives that are the best set of sustainability criteria in the industry. Downstream companies must follow certain techniques in the plants and present a robust management plan.
PALM OIL	The policy applies to companies involved in the stages of the palm oil value chain. BNP Paribas asks palm oil companies operating upstream (plantations and mills): to be an active member of the RSPO, to publish an updated progress report and to have a defined plan in place in time for RSPO certification. Upstream companies must put in place a policy prohibiting forced or child labour, an HR policy, a policy for the protection of the health and safety of the workforce, not to establish new plantations in listed areas, to have policies to reduce GHG emissions, to have a specific policy on the use of pesticides.
TOBACCO INDUSTRY	In 2017, BNP Paribas ended its financing and investment activities in tobacco companies. This decision extends to all professional players in the sector whose activity is mainly dedicated to tobacco.
DEFENCE	The policy covers defence and security companies: any company, group or institution active in the production, sale, storage or maintenance of defence equipment (controversial or non-controversial weapons, military equipment, etc.). The companies involved in the defence and security sector must comply with the legislation in force, the obligations to obtain licenses and the ratified international conventions. In addition, BNP Paribas does not provide products or services to companies involved in controversial weapons (mini anti-personnel, cluster munitions, nuclear weapons). BNP Paribas also excludes any transaction related to the export of equipment to a country subject to an embargo, which results in serious violations against children, or has flawed legislation on the financing of terrorism.



APPENDIX 6

Main responsible investment labels



LABEL ISR - Supported by the Ministry of the Economy and Finance, the ISR label is granted after a strict labelling process conducted by independent organisations.



TOWARDS SUSTAINABILITY - This label was created by Febelfin, the Belgian financial sector federation, in February 2019. It aims to guarantee transparency and clarity for sustainable investments. This standard combines three requirements: transparency, ESG (environmental, social and governance) analysis on all portfolios and exclusions with low thresholds, not only for coal but also for non-conventional fossil fuels (such as for example, shale oil and gas).



LUXFLAG - European ESG label, launched by the Luxembourg Luxflag agency that guarantees compliance with ESG criteria throughout the investment chain.



GREENFIN LABEL - Launched by the French Ministry for the Environment in June 2019, to replace the TEEC label, it guarantees the green quality of investment funds, and targets financial players that act for the common good thanks to transparent and sustainable practices. This label excludes funds that invest in companies in the nuclear and fossil energy sectors.



FINANSOL - Awarded for the first time in 1997, the Finansol label distinguishes solidarity savings products.



FNG SIEGEL - This sustainable label is mainly present in Germany, Austria, Switzerland and Liechtenstein.



LABEL RELANCE - label launched by the French Ministry of the Economy, Finance and Recovery in 2020, to meet the economic needs following the health crisis. It enables professional savers and investors to identify undertakings for collective investment (UCI) that provide a response to the financing needs of French companies, both listed and unlisted, and thus mobilise savings for the recovery.





GLOSSARY

STRANDED ASSETS OR BROWN ASSETS

In this report, stranded assets mean investments in fossil energies that carry one or more risk(s) of devaluation. These risks may be linked to the transition to a low-carbon economy.

BEST IN CLASS

The Best-in-class approach aims to favour the best practices of companies, within the same sector of activity. Thus, the best in class principle does not exclude any sector or industry.

BREEAM (BUILDING RESEARCH ESTABLISHMENT ENVIRONMENTAL ASSESSMENT METHOD) **AND HQE** (HAUTE QUALITÉ ENVIRONNEMENTALE)

These are environmental evaluation methods for the design and construction of buildings. The first is British and the second French.

THERMAL COAL

This is the coal used to generate electricity.

DUE DILIGENCE

This is the procedure whereby an investor reviews the documents of a target company before investing.

CARBON FOOTPRINT

This is the measurement at a given moment of “the quantity of GHGs (expressed in terms of CO2 equivalent), released into the atmosphere by an individual, process, organisation, event, or product from within a specified boundary” (Authors: Pandey, Agrawal and Pandey, 2011; Source: ScienceDirect)

SOCIAL AND SOLIDARITY-BASED ECONOMY (SSE)

This term includes historical players in the social economy such as associations, mutual insurance companies, cooperatives, and foundations, as well as new forms of social entrepreneurship. These include business corporations with a public-interest purpose that decide to follow the principles of the social and solidarity-based economy themselves.

GENERAL FUNDS

Also known as “euro funds”, these funds are life insurance vehicles, traditionally comprising bonds, equities, and real estate assets. For general funds, the amount of the insurer’s commitment is expressed in euros.

DEDICATED FUND

Funds reserved for a maximum of 20 holders enabling customised management to be set up.

OPEN FUND

Investment fund to which several investors can subscribe (units are available on request, both for sale and for purchase).

RESPONSIBLE INVESTMENT

This is a generic term which refers to the various approaches considering Environmental, Social and Governance aspects in financial management. Responsible investment can take a structured and systematic approach in terms of stock-picking for a given fund and, moreover, support the players in an inclusive, low-carbon economy. This is known as Socially Responsible Investment (SRI) fund. (Source: Novethic)

GREEN BOND

A green bond is a bond issued with the aim of financing a specific project with high environmental added value. These may consist of securities issued by companies, entities or countries, in which BNP Paribas Cardif may invest directly, or via funds, otherwise known as collective investment vehicles.

SOCIAL BOND

A bond issued with the aim of financing a specific project with high added social value. Green bonds may consist of securities issued by companies, entities or countries (in which BNP Paribas Cardif may invest directly) or funds.

SUSTAINABLE DEVELOPMENT GOALS or SDGs

These 17 goals⁽⁶⁹⁾ are at the heart of the 2030 Agenda defined by the UN. These integrate the three dimensions of sustainable development across the board: economic, social, and environmental. The SDGs cover all issues deriving from these three dimensions: climate, biodiversity, energy, water, poverty, gender equality, economic prosperity, peace, agriculture, education, etc.

BROWN SHARE

The brown share measures the portion of investments in a portfolio that finances activities that are contrary to the transition to a low-carbon economy.

GREEN SHARE

The green share measures the portion of investments in a portfolio that finances activities in favour of the transition to a low-carbon economy.

DIRECTLY-HELD SECURITIES

These securities are held without an intermediary by BNP Paribas Cardif. They may be equities or bonds.

UNIT-LINKED VEHICLES

Like the general funds, the unit-linked vehicles are life insurance investment vehicles. For unit-linked contracts, the insurer’s commitment is expressed in units, the value of which varies according to market fluctuations.

CORPORATE VALUE

This metric represents all of the capital committed. It includes stock market capitalisation, net financial debt, and minority interests, plus other assets and minus other liabilities.

(69) <https://www.un.org/sustainabledevelopment/fr/objectifs-de-developpement-durable/>



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382 983 922 RCS Paris French public limited company (société anonyme), registered capital: 149 959 051,20 euros.

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