

PUBLIC REPORT



2020_



Market value of net assets at 31
December 2020: €**37.5** billion

Annualised internal rate of return
on investments **5.4%** since
the creation of RAFP (3.0% in 2020)

€**385** million in benefit
payment instructions issued

€**1.92** billion in
contributions collected

4.5 million active
contributors

43,000 contributing
employers

Economic coverage ratio after
revaluation of around **131.3%**





'The intensity
of our work
and everyone's
commitment in this
unpredictable year
were remarkable.'

The intensity of our work and everyone's commitment in this unpredictable year were remarkable: thanks to the adaptability of the Scheme's staff, all our meetings were organised under satisfactory conditions, either as audio or video conferences or in «hybrid» mode, and although everyone rightly aspires to return to our usual, more face to face way of operating, we can be proud of the fact that throughout the year we maintained our ability to engage in dialogue and thus take important decisions for our beneficiaries.

The health crisis, the supply crisis during the successive lockdowns, the subsequent demand shock, Brexit, market uncertainties linked to the US elections... sources of instability abounded, but ERAFP's membership demographics, its constitution as a fully funded scheme, the prudent management of its asset-liability structure and the growing diversification of its assets, as well as the Scheme's resolute, constantly reaffirmed commitment to a socially responsible investment policy, made it possible for ERAFP not only to weather this exceptional year of crisis with its feet firmly on the ground, but also to position itself as a key player in meeting the challenges of the post-crisis period. Indeed, with the Scheme's cumulative assets having reached €37.5 billion and its internal rate of return 5.4% – in a year that enabled us to increase our point purchase and service values by 0.4% on behalf of our beneficiaries – the board is urging ERAFP's management to contribute even more to financing the real economy by increasing the weight of its investments in three asset classes, private equity, infrastructure and loan securitisation funds, which are expected to double on average in 2020-2021 compared with 2018-2019.

DOMINIQUE LAMIOT, CHAIRMAN OF ERAFP

Lastly, while the health crisis slowed the process of drawing up a new objectives and management agreement (OMA) between ERAFP and its administrative manager, CDC, essential preparatory work was nevertheless carried out in 2020 with the signing of a package of five agreements – including the two mandate agreements already in the pipeline for many months (one with CDC and the other with the Directorate of Public Finance (DGFIP)). The amendment extending the 2016-2020 OMA by one year is in itself a sign of substantial progress: the new invoicing model that CDC has adopted is already delivering significant savings, and the streamlining of the OMA indicators and the setting of more ambitious targets, in particular regarding its signatories' satisfaction, will necessarily enable ERAFP to steer its administrative management with greater precision and confidence, under the board's supervision. With the implementation of the DSN public employment return procedure, the redesigning of databases and major IT projects upcoming, technical challenges are not in short supply, but what we have already put in place will undoubtedly enable us to keep on track with an ambitious 2022-2026 OMA and further improve the service we provide to the Scheme's beneficiaries.

CROSS PERSPECTIVES

While in 2019 we were able to make crucial improvements to the regulatory framework of ERAFP's investment universe, in 2020 we made further progress by adjusting the Scheme's technical management guidelines in accordance with a board decision: the rebalancing of the treatment of the various asset classes in the calculation of the liabilities discount rate and the review of certain methods for calculating the excess economic coverage requirement enabled us notably to carry out our strategic allocation work within a very coherent framework based more closely on economic reality – without sacrificing the prudent approach that is the hallmark of the Scheme's management and enables us to look to the future with confidence.

The gradual rebalancing of the Scheme's assets is a key element in risk management, and 2020 clearly demonstrated the relevance of an approach diversified by asset type and region. While it would be unwise to think of the Covid-19 crisis as being already behind us, it is nevertheless a fact that, after the shock that gripped markets and populations around the world, the year-end saw a formidable stock market rebound – for various reasons but with a significant impact for ERAFP: at end-December 2020, the portfolio's unrealised gains at amortised cost stood at 22.8%, very close to the remarkably high level reached at the end of 2019 (23.9%), for a portfolio with a current market value of €37.5 billion. At 3.0% in terms of market value, the internal rate of return on assets was satisfactory, after the excellent 12.5% in 2019.

LAURENT GALZY, CEO OF ERAFP

This took nothing away from the ERAFP teams' focus on SRI projects, however: in joining the Net-Zero Asset Owner Alliance on 5 March, ERAFP committed to making its portfolio carbon neutral by 2050, while setting intermediate targets for reducing greenhouse gases, shareholder engagement and financing the energy transition. The roadmap is shaping up! We also continued our work to develop our investments' three impact priorities, while establishing the link between our actions and several of the UN Sustainable Development Goals: ERAFP's commitment to combating climate change echoes SDG 13, «Climate action», for example, its support for economic activity and employment echoes SDGs 8 and 9 («Decent work and economic growth» and «Industry, innovation and infrastructure»), and its decision to make investments promoting access to housing ties in with SDG 11 «Sustainable cities and communities». More than ever, ERAFP is playing its responsible investor role to the full to bring about the changes that are vital for our economy.

CROSS PERSPECTIVES



'The year 2020 clearly demonstrated the relevance of an approach diversified by asset type and region.'

RAFP'S MAIN ROLES

Operational since 2005, the French Public Service Additional Pension Scheme (RAFP) is a unique scheme.

PROVIDING AN ADDITIONAL PENSION TO PUBLIC SECTOR EMPLOYEES

Thanks to the Scheme, close to 4.5 million contributors will receive additional pension benefits. Their contributions are based largely on bonuses and are topped up by some 43,000 public sector employers. Contributions collected totalled €1.92 billion in 2020..

PROMOTING PUBLIC SERVICE VALUES THROUGH SOCIALLY RESPONSIBLE INVESTMENT

Being a public institution that manages a retirement scheme for public sector employees, ERAFP is dedicated to the common good and imbued with a strong sense of social priorities.

Accordingly, since inception it has developed an ambitious programme to institute a socially responsible investment policy founded on public service values. This policy takes environmental, social and governance criteria into account in all of the Scheme's investment decisions.

RECONCILING FINANCIAL RETURNS AND THE PURSUIT OF IMPACT

As the only French public sector pension fund, ERAFP aims to show that an investor can play a role serving the public interest without forgoing the financial return on its investments.

It has thus targeted three specific action areas: combating climate change, supporting economic activity and employment and financing affordable housing for public sector workers.

THE SCHEME

RAFP OR ERAFP?

Article 76 of the 21 August 2003 Pension Reform Law created a mandatory public service additional pension scheme – known as 'retraite additionnelle de la fonction publique', or RAFP – implemented through Decree no. 2004-569 of 18 June 2004.

ERAFP, or 'Établissement de retraite additionnelle de la fonction publique', is the public sector administrative entity charged with the Scheme's management.

STEADY EXPANSION

BENEFITS PAID SINCE THE SCHEME'S CREATION (IN € MILLIONS)¹

Source — ERAFP



NET ASSETS AT MARKET VALUE SINCE THE SCHEME'S CREATION (IN € BILLIONS)

Source — ERAFP



LEGAL BASIS

- + Article 76 of the French Pension Reform Law 2003-775 of 21 August 2003.
- + Decree no. 2004-569 of 18 June 2004 on the French Public Service Additional Pension Scheme.
- + Order of 26 November 2004 implementing Decree no. 2004-569 of 18 June 2004 on the French Public Service Additional Pension Scheme.

¹ Accounting value.



FIRST MEETING OF ERAFP'S NEW BOARD OF DIRECTORS

Appointed by a joint decision of 22 October 2019 by the Minister for Action and Public Accounts and the Secretary of State to the Minister for Action and Public Accounts, ERAFP's new board of directors held the first meeting of its term of office.

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ERAFP JOINS THE NET-ZERO ASSET OWNER ALLIANCE

In line with its strong ongoing commitment to SRI, ERAFP joined the Net-Zero Asset Owner Alliance, an initiative under the aegis of the United Nations, through which it has committed to achieving net zero greenhouse gas emissions by 2050.

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CHANGES IN THE SPLIT LUMP-SUM PAYMENT MECHANISM

Pursuant to a resolution dated 30 April 2020, the board decided to change the split lump-sum payment mechanism on 1 June 2020 to exclude beneficiaries who had left a public sector role more than 15 months before the Scheme's effective date.

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2020



ERAFF SETS OUT ITS TCFD-INSPIRED CLIMATE APPROACH IN ITS PUBLIC REPORT

ERAFF set out its climate approach for the first time in its public report, in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

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CHANGES TO CERTAIN PARAMETERS OF THE SCHEME'S TECHNICAL MANAGEMENT GUIDELINES

Pursuant to a resolution dated 8 October 2020, the board decided to change certain parameters of the Scheme's technical management guidelines with a view to giving it full capacity to exploit the leeway offered by changes to its investment regulatory framework in 2019 – and to better align these parameters with current economic and financial realities.

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ERAFF WINS THE AWARD FOR BEST CLIMATE REPORT

At the third edition of the International Climate Reporting Awards organised by the French Ministry for the Ecological Transition, the French Ecological Transition Agency and the think tank 2° Investing Initiative, ERAFF was awarded the jury's prize for best climate report 2020.

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HIGHLIGHTS

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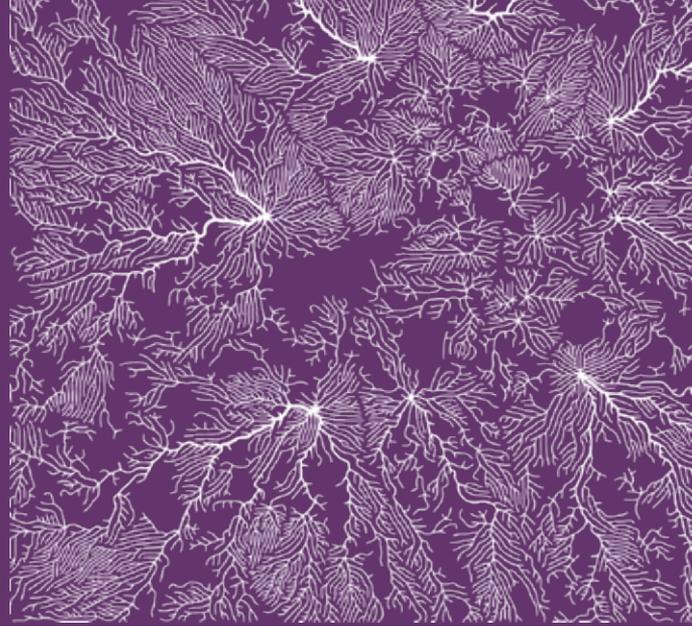
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PART 01



MANAGEMENT OF RAFP IN 2020

COMPOSITION OF ERAFP'S BOARD OF DIRECTORS

QUALIFIED PERSONS

Dominique Lamiot <i>Chairman</i>	Cécile Chaduteau-Monplaisir	Vincent Lidsky
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CENTRAL GOVERNMENT EMPLOYERS' REPRESENTATIVES

FINANCE Christophe Landour <i>Primary</i>	FINANCE Valérie Georgeault <i>Deputy</i>	DEFENCE Philippe Hello <i>Primary</i>	DEFENCE Guillaume Venard <i>Deputy</i>	EDUCATION Emmanuelle Walraet <i>Primary</i>	EDUCATION Pierra Mery <i>Deputy</i>
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LOCAL AND REGIONAL EMPLOYERS' REPRESENTATIVES

AMF Philippe Laurent <i>Primary</i>	AMF Jean-Claude Husson <i>Deputy</i>	ADF Martine Ouaknine <i>Primary</i>	ADF Arnaud Arfeuille <i>Deputy</i>	RÉGIONS DE FRANCE Jean-Luc Gibelin <i>Primary</i>	RÉGIONS DE FRANCE Laurent Burckel <i>Deputy</i>
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PUBLIC HOSPITAL EMPLOYERS' REPRESENTATIVES

FHF Chantal Borne <i>Primary</i>	FHF Richard Tourisseau <i>Deputy</i>	FHF Gérard Vincent <i>Primary</i>	FHF Christiane Coudrier <i>Deputy</i>
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ACTIVE CONTRIBUTORS' REPRESENTATIVES

CGT Hélène Guerra <i>Primary</i>	CGT Didier Louvet <i>Deputy</i>	CFDT Michel Argiewicz <i>Primary</i>	CFDT Chantal Gosselin <i>Deputy</i>	FO Jean-Christophe Lansac <i>Primary</i>	FO Gilles Calvet <i>Deputy</i>
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UNSA Frédéric Le Bruhec <i>Primary</i>	UNSA Christelle Gay <i>Deputy</i>	FSU Olivier Kosc <i>Primary</i>	FSU Serge Deneuvéglise <i>Deputy</i>	SOLIDAIRES Christine Berne <i>Primary</i>	SOLIDAIRES Laurent Gathier <i>Deputy</i>
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FA-FP Amar Ammour <i>Primary</i>	FA-FP Marie-Christine Ramon <i>Deputy</i>	CFE-CGC Philippe Sebag <i>Primary</i>	CFE-CGC Catherine Gilles <i>Deputy</i>
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ERAFP board of directors meetings in 2020

NEW APPOINTMENTS TO THE BOARD OF DIRECTORS

Jean-Christophe Lansac was appointed vice-chairman of ERAFP, by decree of the French President on 19 March 2020.

Frédéric Le Bruchec was appointed primary member of the board of directors, replacing Steve Mazens, pursuant to an order dated 11 February 2020.

Guillaume Venard was appointed deputy member of the board of directors, replacing Alexis Willer, pursuant to an order dated 14 December 2020.

Pierra Mery was appointed deputy member of the board of directors, replacing Lionel Leycuras, pursuant to an order dated 14 December 2020.

WORK OF THE BOARD OF DIRECTORS



Find out
more
Scheme
governance

WORK BY THE BOARD'S BODIES IN 2020

ERAFP's board of directors met six times during the year, including once entirely remotely and twice in «hybrid» mode (where directors could attend either in person or by videoconference).

The board's sub-committees met a total of 31 times during the year. Directors were also able to take part in four training days on various topics: the Scheme's technical management, diversified long-term management, the SRI implications of recent changes in economic structures and the fundamentals of internal control.

Despite the health situation arising from the Covid-19 pandemic, ERAFP's board of directors successfully carried out its work during the first year of its term of office.

ATTENDANCE AT BOARD MEETINGS IN 2020

Source – ERAFP

QUALIFIED PERSONS

Dominique Lamiot



Cécile Chaduteau-
Monplaisir



Vincent Lidsky



EMPLOYERS' REPRESENTATIVES

FPH - Fédération
Hospitalière de France 1



FPH - Fédération
Hospitalière de France 2



FPT - Régions de France



FPT - Assemblée des
Départements de France



FPT - Association
des maires de France



FPE - Éducation nationale



FPE - Ministères
économiques et financiers



FPE - Ministère
des Armées



ACTIVE CONTRIBUTORS' REPRESENTATIVES

CFE-CGC



FA-FP



SOLIDAIRES



FSU



UNSA



FO



CFDT



CGT



MAIN DECISIONS ADOPTED IN 2020

+ At its meeting of 30 April 2020, the board of directors decided to change the split lump-sum payment mechanism on 1 June 2020 to exclude beneficiaries who had left a public sector role more than 15 months before the Scheme's effective date.

+ Further to its deliberations of 8 October 2020, the board of directors decided to amend the Scheme's strategic allocation for

2020 by increasing the maximum proportion of real estate assets from 12% to 12.5%.

+ At this same meeting, the board of directors updated certain parameters of the reserve discount rate formula².

+ At its meeting of 17 December 2020, pursuant to the Scheme's technical management guidelines, the board of directors increased

both the purchase value and the service value of a point by 0.4%³.

+ At the same meeting, the board of directors adopted a one-year extension amendment to the 2016-2020 OMA, as well as two mandate agreements: one with the Caisse des Dépôts et Consignations and the other with the General Directorate of Public Finance.

² Details of the updated discount rate formula parameters are provided on page 43.

³ The details and procedures for applying this decision are provided on page 42.

COMMITTEE CHAIR REVIEWS

WORK OF THE CSAP

In this unusual year, the committee was guided by the pursuit of balance when reviewing topics ahead of the board's votes. First of all, as regards adjusting asset allocation towards a greater share of non-bond assets, based on ERAFP studies endorsed by its independent actuary, the CSAP was able to assess the balance between risk and reward as favourable despite the uncertain context. With bond yields still very low, the continued diversification made possible in 2019 and implemented in 2020 seems to be an effective way of limiting the risk of portfolio losses. The atypical financial situation did not invalidate this choice: whilst the fall in equity markets reduced unrealised gains on the equity portfolio for several months during the first wave of the epidemic, the markets recovered quickly and the year ended on a high note, with the level of unrealised gains in the global aggregate portfolio remaining close to that at the end of 2019.

'In 2021, I will ensure that the CSAP continues to seek balance between prudence and returns and between the short and long term in the choices it has to make.'

The same concern for balance was evident in our review of the work carried out on the method used to calculate the Scheme's discount rate. The issue in the short term revolved around our capacity for increasing pensions or even being faced with reducing them, while our longer-term challenge is to commit to ongoing prudent management in favour of all contributors. The committee's members were satisfied with the updating of certain parameters used to calculate the discount rate, such as the equity shock level and the yields for equities and real estate, and welcomed this more realistic approach, which can be confirmed or adjusted as necessary under the three-yearly review clause.



Thus, even in this year of crisis, the asset allocation strategy successfully delivered growth for the Scheme's assets. In this favourable context, the updating of the management guidelines created the necessary conditions to increase the two point values by 0.4%. This increase is higher than the forecast level of inflation at end-2020, showing that the Scheme is being managed both effectively and, as always, conservatively. Lastly, the CSAP remains committed to expanding the real estate investment policy, particularly in 'intermediate' housing. This strategy is designed to increase the availability of affordable housing for public sector employees. The committee will continue to monitor this strategy closely as it is progressively rolled out. 2021 remains marked by the health crisis and its economic and financial consequences. I will ensure that the CSAP continues to seek balance between prudence and returns and between the short and long term in the choices that it makes in the coming year.

**EMMANUELLE WALRAET,
CHAIR OF THE ASSET AND LIABILITY MANAGEMENT COMMITTEE (CSAP)**

WORK OF THE CSA

Drafting mandate agreements between ERAFP and Caisse des Dépôts on the one hand and ERAFP and the DGFIP on the other was a complex, time-consuming process – but one that we successfully completed this year. The committee thoroughly examined the methods used to realise these agreements’ three main priorities: firstly, to formalise the internal control system for each mandate, secondly to establish the rules of liability between ERAFP and its two managers, with situations and terms that vary given the differing legal natures of the two entities, and thirdly to set the frequency for providing income and expenditure accounts. The overall priority was necessarily to deal with the complex workings of the mechanism between the three entities – ERAFP, Caisse des Dépôts and the DGFIP – and the committee was ultimately able to propose to the board the adoption not only of the two bilateral agreements, but also of a series of annexes common to the three parties, describing all the relevant processes. We warmly congratulate all the teams of the three entities that made it possible to deliver this package, which strengthens the legal framework of our relations.

The next OMA between ERAFP and CDC must now be established within this framework: given current circumstances – particularly the health crisis, which does little to facilitate the multiple interactions required – its implementation has been postponed to 2022 and an amendment adopted to extend the 2016-2020 OMA by one year. This amendment followed an assessment of the previous OMA, which enabled us to identify a number of positive points, but also areas where improvement is needed. The core business of administrative management, the collection of contributions and payment of benefits, as well as the management of rights and, even though a few specific difficulties were identified, communication to beneficiaries and employers, all received a positive verdict overall. By contrast, the feedback on management costs, and specifically on the oversight thereof, was less glowing. Lastly, there is undoubtedly progress to be made with regard to information systems in terms of transparency and ERAFP’s involvement in the management of certain projects, although thanks to CDC it benefits from robust information systems support, particularly for IT security. As such, far from being a «quick fix», the amendment signed this year represents rather one step in the process of improving the partnership between ERAFP and CDC: by formally recognising

**MICHEL ARGIEWICZ,
CHAIR OF THE AUDIT
COMMITTEE (CSA)**

‘We successfully completed the drafting of mandate agreements this year.’

the depreciation basis for IT investments made by Caisse des Dépôts on the Scheme’s behalf and by adjusting the mechanism under which ERAFP pays advances to CDC for annual administrative management expenses, it already lays down a more realistic approach to management costs, which, together with a multi-year improvement in strategic oversight, gives us a clear agenda for the future. I am particularly conscious of the importance of introducing monitoring for the indicators to be set in the future OMA: over and above the three-yearly review clause, I believe that a clearly defined dashboard needs to be made available to the board’s members to make it easier to track movements in OMA indicators.



WORK OF THE CSR

Called upon to take over from Steve Mazens at the head of the collections committee in February, I focused first on continuing the work that he had undertaken to improve the split lump-sum payment system and on checking the relevance of those changes: as such, it transpired that the system implemented by the Caisse des Dépôts on 1 May 2019 – which was very effective for checking that the number of points acquired in the last year of contribution did not result in a beneficiary's pension being paid in annuity form – nevertheless had too broad a scope. There is no need to maintain this 15-month period for public servants who have taken a pension on disability or long or active service grounds, as they will have ceased to accumulate points well before the RAFF's minimum retirement age. The change in the system that the committee therefore proposed to the board (and which the board unanimously approved) removed all these public servants from the split lump-sum payment system. Backdated to 2019, this change affected around 10,000 members in 2020.

The collections committee was naturally also particularly attentive as to how the health crisis has impacted management of Scheme members' rights: overall, CDC was able to reassure the committee's members as to both its staff's working conditions and the quality of the services provided, despite the difficulties encountered.

As for ongoing projects under the CSR's stewardship, implementation of the employment return procedure is undoubtedly one of the most burdensome jobs for employers and administrative management departments: while the public DSN is being phased in over time, it must nevertheless be effective by 1 January 2022 at the latest for all public employers – and will enable substantial progress to be made in synchronising returns with contribution collection flows. Consequently, in the long run points revisions will become a rarity – and those that do occur will concern the last month rather than the last year of contributions. The committee will accordingly continue to monitor this implementation very closely as it advances.

'The collections committee was particularly attentive as to how the health crisis has impacted management of Scheme members' rights.'



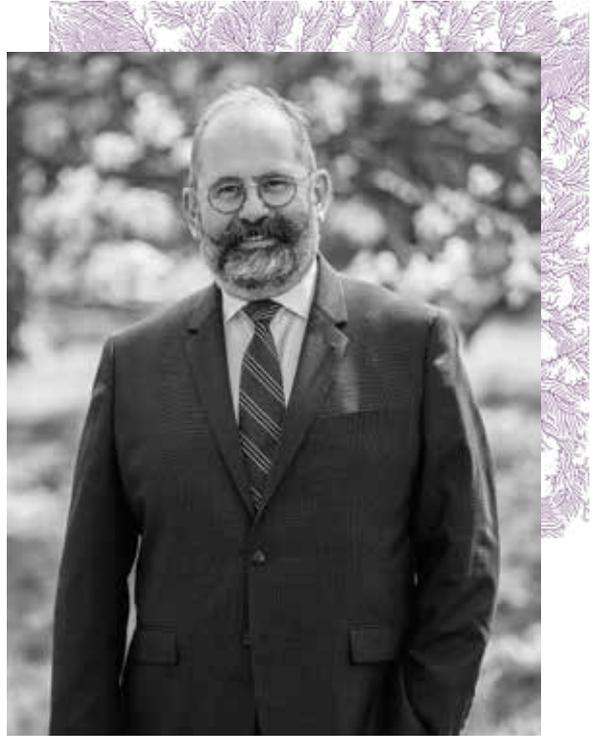
FRÉDÉRIC LE BRUCHEC,
CHAIRMAN OF THE COLLECTIONS COMMITTEE (CSR)

TRAVAUX DU CSPP

Faced with the multiple financial, economic and social consequences of the 2020 health crisis, ERAFP first of all clearly reaffirmed its policy of engagement alongside other investors, demonstrating its unflagging commitment in these areas through international initiatives promoting the transition to a more «sustainable» world such as those carried out within Climate Action 100+, Share Action or the PRI, by signing the French public investors' climate charter and the French investors' Sustainable Development Goals charter and through its inhouse work linking its SRI Charter to the SDGs.

Having joined the Net-Zero Asset Owner Alliance in March, ERAFP is now even more actively involved in combating climate change and, encouraged by the lively debate within the CSPP, has accordingly adjusted its shareholder engagement focus, essentially to promote strategies geared towards the Paris climate agreement objectives, the positive contribution of companies' activities to the SDGs, and the dissemination of best practices.

This was not the only refocusing required, however: as we frequently reiterated in the committee's discussions, ERAFP's voting policy at companies' general meetings must now factor in not just changes in the dividend rate but also the company's response to the economic crisis, whether in terms of the amount of dividends paid or, more particularly, maintaining employment. This will ensure that social questions remain at the fore, in particular companies' management of their employees, but also their relations with suppliers.



'Having joined the Net-Zero Asset Owner Alliance in March, ERAFP is now even more actively involved in combating climate change.'

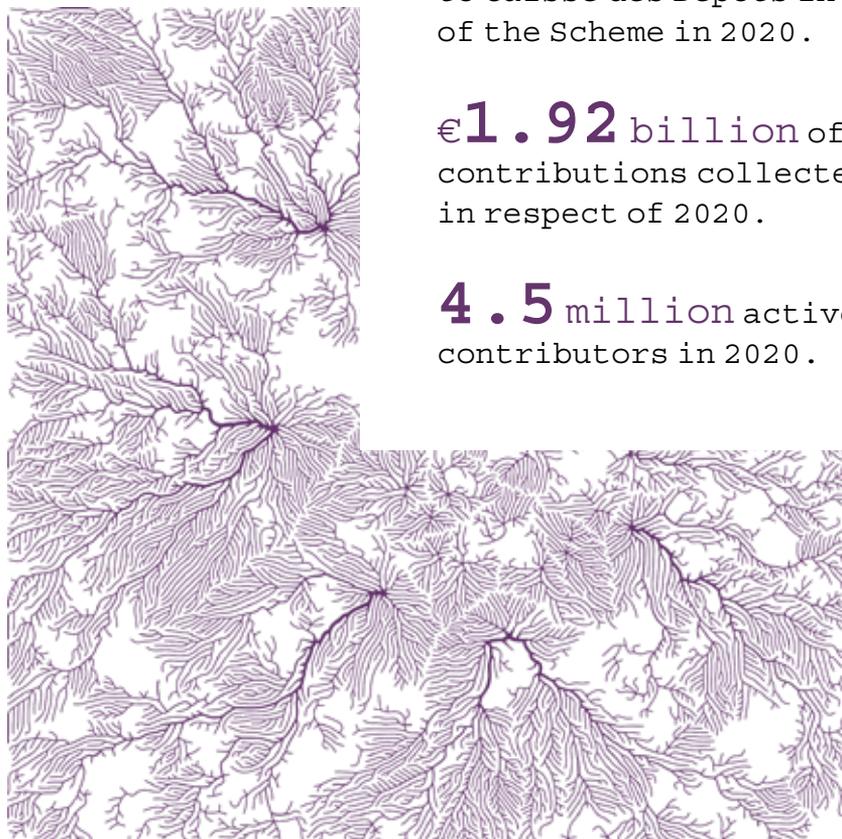
PHILIPPE LAURENT,
CHAIR OF THE INVESTMENT POLICY MONITORING COMMITTEE (CSPP)

CONTRIBUTIONS AND BENEFITS IN 2020

Around **43,000** employers paid contributions to Caisse des Dépôts in respect of the Scheme in 2020.

€1.92 billion of contributions collected in respect of 2020.

4.5 million active contributors in 2020.



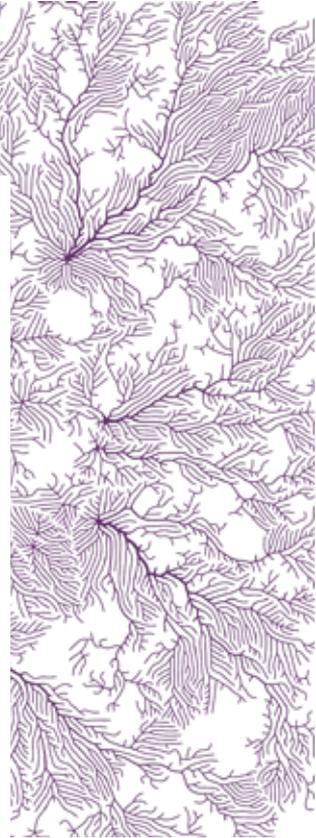


152,000 pension liquidations and

100,000 individual RAFP account revisions in 2020.

€**385** million in pension payment instructions issued, comprising €**88** million in annuities and €**297** million in lump sums.

More than **268,000** annuities in payment.



ADDITIONAL PENSIONS IN BRIEF

A mandatory, points-based scheme created for public servants working in French central government (civil and military), local and regional authorities and the public hospitals sector, and members of the judiciary.

An additional retirement benefit that takes into account bonuses and ancillary remuneration.

A contribution basis made up of all types of remuneration not included in the calculation of the basic pension – bonuses, over-time hours, allowances and benefits in kind, capped at 20% of gross basic salary.

An overall contribution rate set at 10% of the basis amount, split evenly between the employer (5%) and the public servant (5%).

Contributions that are credited to an individual retirement account, which can be viewed online at www.rafp.fr

The Scheme's administrative management has been entrusted to Caisse des Dépôts et Consignations pursuant to Article 32 of the Decree of 18 June 2004 on additional pensions for public servants. Caisse des Dépôts is responsible for the following tasks under the authority and supervision of the board of directors: collection of contributions, maintenance of individual pension rights accounts, liquidation of rights, payment of benefits⁴, and the Scheme's accounting and operational communications. It accordingly acts as the Scheme's point of contact for employers, retired beneficiaries and active contributors with regard to their right to information.

⁴ Except for the payment of benefits to retired central government public servants, which is the responsibility of the Directorate of Public Finance.

THE RAFF BENEFIT RIGHTS VESTING SYSTEM

PARAMETERS SET BY THE BOARD OF DIRECTORS

€1.2452
purchase value
of a point
in 2020

€0.4656
service value
of a point
in 2020



Find out
more

How are your
contributions
calculated?

LEGAL AND REGULATORY DEVELOPMENTS IN 2020

Orders of 11 May 2020 and 10 June 2020 and Decree no. 2020-723 of 12 June 2020 temporarily relaxing the rules applicable to time savings accounts for employees of central government and the judiciary, public hospitals service and local and regional authorities, to deal with the consequences of the Covid-19 epidemic.

These three texts increased the number of days payable into a time savings account in 2020 from 10 to 20, and raised the overall cap on days saved from the usual 60 days to 70, again for 2020.

Order of 29 July 2020, which amended the Order of 6 December 2012 to decrease from 20 to 15 the cap on exclusive use of days saved in the time savings account (CET) for leave, applicable to the public hospital sector.

This order also introduced a €10 increase for days saved for all public hospital staff.

These provisions came into force on 1 January 2021.

This order also introduced a €10 increase for days saved for all public hospital staff.

These provisions came into force on 1 January 2021.

Decree no. 2020-1298 of 23 October 2020, which amended Decree no. 2008-539 of 6 June 2008 to extend the individual purchasing power guarantee (GIPA) until 2021.

Article 103 (IV - 2°) of the 2021 social security funding Act no. 2020-1576 of 14 December 2020 provides that if someone is ordered unconditionally to pay one of the additional penalties mentioned in Articles 221-9-2 and 222-48-3 of the French Criminal Code, the reversionary pension payable to their surviving or divorced spouse under any basic or supplementary statutory or legally enforceable pension scheme will not be due.

Pursuant to a **decision of 30 April 2020**, ERAFP's board of directors changed the Scheme's system for split lump-sum payments below the 5,125 point threshold, which it had adopted at its meeting on 28 March 2019, by excluding beneficiaries who meet the following three conditions:

- + the number of points vested on the initial liquidation date is greater than or equal to 4,600 and less than 5,125;
- + the effective date of the RAFF benefit falls more than 15 months after the retirement date;
- + this effective date is after 31 May 2020.

AROUND 43,000 EMPLOYERS

Around 43,000 employers paid contributions into the Scheme in 2020, the vast majority of them local and regional authorities and public sector hospitals.

French central government employers registered with the Scheme mainly comprise regional public finance departments (DRFiP), national public institutions, ministries and commissioners to the armed forces. Note that 97.6% of employers had fully paid up their accounts for 2019 by the end of 2020⁵.

Having remained stable below 5% for a number of years, the rate of payment errors decreased again in 2020 due to an improving situation reflecting the recent restructuring of regional and local authorities and support from the administrative manager, particularly in the form of communications measures. The average rate for the year was 3.5%, compared with 3.6% in 2019.

These payment incidents are subject to corrective actions, with 99.3% of incidents arising in 2020 settled during the year.

Average lump sum
of **€2,805**
and average
annuity
of **€380**

... AROUND €1.92 BILLION COLLECTED

The Scheme collected around €1.92 billion of contributions in 2020. Employers with at least ten contributing employees pay contributions on a monthly aggregate basis. Those with fewer than ten contributors pay contributions annually⁶.

However, in accordance with Article 43 of Law no. 2018-727 of 10 August 2018 concerning government services provided to trusted companies, these two methods by which employers pay contributions into the Scheme are set to disappear. This law provides for the replacement of the existing declaration procedures by the employment return procedure (Déclaration sociale nominative -DSN), which enables declarants to file employee protection management information electronically in a single monthly return. In future, all public sector employers will have to use this tool to declare and pay their contributions to the Scheme – and some have already begun to do so. In accordance with Decree no. 2018-1048 of 28 November 2018, which sets the mandatory DSN transition dates for the three public service segments, employers were able to switch to this system on 1 January 2020.

Of the 43,000 public sector employers that contributed to the Scheme in 2020, 1,830 did so using the DSN procedure, for a total amount collected of €240 million (out of €1.92 billion).

The second wave of conversion to the public DSN took place on 1 January 2021, and the third and last will take place on 1 January 2022⁷.

... AND 4.5 MILLION CONTRIBUTING PUBLIC SERVANTS IN 2020

Each year, employers send Caisse des Dépôts a return summarising for each of their public servants the contributions paid in during the previous year.

The deadline for reporting contributions collected during 2019 was 31 March 2020. Provided the amounts reported matched the contributions received, the contributors' individual retirement accounts were then updated.

Working closely with the supervisory authority, ERAFP and Caisse des Dépôts have implemented actions to raise awareness among employers of their regulatory obligations and their employees' rights.

Caisse des Dépôts contacts employers, by telephone or in writing, whenever a discrepancy is observed between the amount declared and the amount received.

The very high update rates for contributors' accounts since 2009 (almost 99% on average) is indicative of an increased awareness and understanding of the Scheme, which is helped by Caisse des Dépôts' actions to raise awareness among employers.

While the number of updated individual retirement accounts edged down in 2020, at 31 December the update rate stood at 99.5%.



Find out
more

**How are your
contributions
calculated?**

⁵ As the employers' declarations are only required to be submitted in the year following payment of the contribution, the figures relate to 2019.

⁶ A surcharge is levied on contributions in the event of late payment. In 2020, 621 employers were subject to late payment penalties in respect of 2019.

⁷ The DSN procedure can only be adopted on 1 January of each year.



of employers' accounts fully paid up



rate of payment incidents, of which 99.3% were resolved



of individual retirement accounts updated at 31 December 2020

CLOSE TO 152,000 PENSION LIQUIDATIONS AND 100,000 BENEFITS REVISIONS IN 2020

Around 152,000 pensions were liquidated and 100,000 benefits were revised⁸ in 2020.

The significant increase in the number of revisions (+58%) is mainly due to the retroactive effect of the revaluation of benefits, which the board of directors approved at its meeting of 13 February 2020 but which became applicable as of 1 January 2020.

In all, €385 million of benefits were paid out to beneficiaries in 2020. This includes reversionary benefits paid out to partners and children under 21 of deceased beneficiaries.

THE EFFECTS OF THE SPLIT LUMP-SUM PAYMENT MECHANISM

The number of lump-sum payments increased by 6% in 2020 compared with 2019. This is attributable to:

+ on the one hand, the change made to the split lump-sum payment system on 1 June 2020 to exclude beneficiaries whose

effective RAFF benefit date is more than 15 months after their retirement date;

+ on the other hand, the payment this year of the second lump-sum instalment to the beneficiaries concerned by the splitting mechanism in 2019 who were not switched to an annuity as the number of points vested in their last contribution year was adjusted.

This led to a 3.1% increase in the total amount of lump-sum payments in 2020 compared with 2019 (€297 million compared with €288 million). However, this increase in the total amount of lump-sum benefits paid was less marked than the increase in the number of lump sums paid (+3.1% vs. +6%). At the same time, there was a decrease in the average lump-sum payment in 2020 compared with 2019 (€2,805 vs. €2,881)⁹.

This phenomenon is attributable to the inclusion of split lump-sum payments in the calculation: the two instalments of a split lump-sum payment are inevitably smaller than the payment of a single lump sum. This automatically leads to

a downward trend in the average lump-sum amount received in 2020.

ANNUITY PAYMENTS TAKE OFF

More than 268,000 annuities were paid in 2020. The continued increase in the number of annuities compared with lump-sum payments mirrors the Scheme's gradual growth since its creation. The average annuity in 2020 was €380¹⁰, 3.8% higher than in 2019 (€366). By definition, as contributions did not start until 2005, annuity recipients have only been able to contribute to the Scheme for a maximum of 15 years.

Annuity payment instructions issued in 2020 were equal to 29.5% of lump-sum payments (€88 million of annuities vs. €297 million) and are continuing to grow, having increased by around 35% compared with the €65 million paid out in 2019.

⁸ These revisions result from updates to employees' individual retirement accounts based on individual corrective or additional declarations, linked in particular to the beneficiaries' contributions for their last year of activity.

⁹ Based on the theoretical number of points of beneficiaries with an automatic right to a lump sum at the time of liquidation.

¹⁰ Total monthly payments annualised. Based on the theoretical number of points of beneficiaries with an automatic right to an annuity at the time of liquidation.

TYPICAL BENEFITS PAYMENT SIMULATIONS¹¹

Lump-sum payment		Split lump-sum payment	Annuity payment	
Jean, an administrative assistant, retires in 2020 aged 62.	Sylvia, an administrative assistant, retires in 2018 aged 60.	Claire, an administrative assistant, retires in 2020 aged 62.	Stéphane, an attaché, retires in 2020 aged 62.	Odile, an attaché, retires in 2020 aged 67.
He has 4,448 points in his individual RAFFP account (< 4,600 points).	On her RAFFP benefit's effective date ¹² , she has 4,753 points in her individual RAFFP account (between 4,600 and 5,124 points).	She has 5,118 points in her individual RAFFP account (between 4,600 and 5,124 points).	He has 7,250 points in his individual RAFFP account (> 5,125 points).	She has 7,250 points in her individual RAFFP account (> 5,125 points).
$\begin{aligned} & \times 4\,448 \\ & \times 0,04656^{13} \\ & \times 24,62^{14} \\ & \times 1,00^{15} \end{aligned}$	$\begin{aligned} & \times 4\,753 \\ & \times 0,04656^{13} \\ & \times 24,62^{14} \\ & \times 1,00^{15} \end{aligned}$	$\begin{aligned} & \times 5\,118 \\ & \times 0,04656^{13} \\ & \times 1,00^{15} \\ & \div 12 \\ & \times 15 \end{aligned}$	$\begin{aligned} & \times 7\,250 \\ & \times 0,04656^{13} \\ & \times 1,00^{15} \end{aligned}$	$\begin{aligned} & \times 7\,250 \\ & \times 0,04656^{13} \\ & \times 1,22^{15} \end{aligned}$
€5,098.77 gross.	€5,448.40 gross.	€297.87 gross.	€337.56 gross.	€411.82 gross.
JEAN WILL RECEIVE A GROSS LUMP SUM OF €5,098.77 .	Sylvia retired 15 months before her RAFFP benefit's effective date so is not concerned by the split lump-sum payment mechanism.	CLAIRE WILL RECEIVE A FIRST INSTALLMENT OF HER LUMP SUM EQUAL TO 15 MONTHS' WORTH OF ANNUITY PAYMENTS, I.E. €297.87 GROSS.	STÉPHANE WILL RECEIVE A GROSS ANNUITY OF €337.56 PER YEAR, I.E. €28.13 GROSS PER MONTH.	ODILE WILL RECEIVE A GROSS ANNUITY OF €411.82 PER YEAR, OR €34.32 GROSS PER MONTH.
	Sylvia will therefore receive a gross lump sum of €5,448.40 .	The balance of her lump-sum benefit will be paid to her at the end of the 15-month period. This will include the points she earned during her final year of contributions ¹⁶ .	This amount will be revalued each year in line with the service value of a point.	This amount will be revalued each year in line with the service value of a point.



Find out more
Payment simulator

¹¹ Illustrative examples: not contractually binding and given for indicative purposes only.

¹² i.e. when she reaches the age of 62.

¹³ Service value of a point in 2020.

¹⁴ Lump-sum conversion factor corresponding to life expectancy at the age when the lump sum is paid.

¹⁵ Premium factor: after age 62, the higher the retirement age, the greater the factor.

¹⁶ This balance will be paid to her either as a second lump sum if her final number of points is lower than 5,125, or as a monthly pension if her number of points is above 5,125.

INITIATIVES FOR EMPLOYERS AND BENEFICIARIES AND INFORMATION ABOUT THE SCHEME

ERAFP's communications strategy is aimed at enhancing the Scheme's effectiveness by providing all stakeholders (beneficiaries, employers and institutional players) with the information required to participate fully at the appropriate level in its activities. It also aims to promote and show the relevance of ERAFP's SRI approach, since social responsibility only becomes effective once it is shared.

ERAFP's communications strategy has two focuses:

- + Institutional communication, mainly with public sector bodies, this being ERAFP's responsibility;
- + Operational communication to inform employers and beneficiaries of their rights and obligations, which is the responsibility of the administrative manager, CDC.

MORE DETAILED INFORMATION FOR PUBLIC SECTOR EMPLOYERS

In its early years, the Scheme essentially assisted public sector employers with the practical aspects of fulfilling their responsibilities. Now, it aims to form a closer understanding of their needs and enhance their awareness of the Scheme's specific capitalisation and long-term socially responsible investment features.

Building on what was done in 2019, ERAFP's aim was to continue organising its 'public employer meetings' in 2020, with an initial meeting scheduled for March, in Caen. Unfortunately, however, neither this nor any other meeting took place because of the health crisis.

These events are an excellent opportunity to share ideas and experience face to face with the Scheme's main representatives and thus take on board their needs in terms of information and systems, particularly regarding:

- + day-to-day administration procedures for individual employee records;
- + informing contributors about their rights, especially the new 'split lump-sum' method for paying out Scheme benefits.

They will of course start up again as soon as the health situation allows. On the operational front, Caisse des

Dépôts' call centre in Bordeaux handled around 6,900 telephone calls from employers in 2020 (92% of calls received). This represents a decrease from 2019 (8,400 - 21% fewer) due to the centre's closure during the first lockdown.

Caisse des Dépôts also held a number of training and information sessions for employers,

of two types:

- + training sessions on pension procedures and systems for employees dealing with pensions in local and regional authorities and hospitals;
- + information sessions for decision-makers in local and regional authorities and hospitals.

ERAFP regularly takes advantage of these sessions to show its very popular video tutorials.

In 2020, Caisse des Dépôts hosted seven face-to-face training sessions, held individual meetings, ran two virtual classes and handled around 1,730 emails – far more than in 2019 (1,230, a rise of 41%). This increase was due to the closure of the Caisse des Dépôts call centre during the first lockdown.

Note that around 113,000 account viewings were recorded on the 'e-services' website set up for employers, fewer than in 2019.

RESPONDING BETTER TO THE NEEDS OF ACTIVE CONTRIBUTORS IS A SCHEME PRIORITY

The RAFF website is a vital tool for communicating with beneficiaries and an important complement to information provided by the employer¹⁷.

The site currently gives active contributors detailed information about the Scheme and allows them to view their individual retirement accounts using applications developed by Caisse des Dépôts.

The Scheme is now able to interact with its target audiences entirely electronically, via contact forms and newsletter sign-up services.

The newsletter subscription forms are available in the 'Newsletter' section of the Scheme's website, at <https://www.rafp.fr/newsletter/>.

The payment simulator – a long-time favourite with the Scheme's beneficiaries – can be accessed via the site's homepage, and practical information sheets are available in the 'Publications' section.

Lastly, rounding out the tools made available to its beneficiaries and public employers, the site contains two series of six videos, one for each category, describing the Scheme's workings and answering the most commonly posed questions about it.

INFORMING RETIRED BENEFICIARIES

Nearly 99,000 telephone calls from retired public servants were handled in 2020 (96% of calls received), which represents a decrease of 21% from the 126,000 calls handled in 2019. Some 21,530 items of correspondence (letters and e-mails) were also processed over the year, a rise of 5% compared with the 20,490 items processed the year before. The increased use of correspondence to contact the administrative manager is due to the closure of the Caisse des Dépôts call centre during the first lockdown.

There were 1,507,307 SARA online service users in 2020, a 16% increase from 2019 (1,301,500). This portal is complemented by a telephone appointment system operated via the Scheme's website, which allows beneficiaries to ask for an appointment and be called back on the day and at the time of their choice.

The administrative manager also continuously measures user satisfaction with its information services in order to improve the quality of its responses and case monitoring.

INFORMING ACTIVE CONTRIBUTORS

In compliance with the rights of active contributors to information, mandatory schemes as a whole sent out 525,429 documents relating to RAFF (individual statements and general indicative estimates). Note that since 2011 RAFF has been responsible for providing beneficiaries with information if the primary scheme is unable to produce the required documents¹⁸. Accordingly, 15,793 of the 525,429 documents were sent out directly by RAFF. It also sent its beneficiaries 467,862 e-mails.

In addition to the information sent out, active contributors can go to the ERAFP website for permanent access to details of their RAFF pension through their individual retirement account (CIR). As at 31 December 2020, the Scheme was managing 4,502,181 CIRs.

Furthermore, in 2020 Caisse des Dépôts handled nearly 23,100 telephone calls from active contributors under their right to information (94.8% of calls received), a 30% decrease from the 33,300 calls handled in 2019¹⁹, as well as around 1,540 letters and e-mails (a slight 14% decline).



Find out more
Access your personal space

¹⁷_ Results of BVA's 2014 survey on Scheme awareness and image.

¹⁸_ Such as in the case of invalid affiliation agreements, known career contributions below the requisite minimum amount, ongoing re-employment procedures or employees exiting manager status, as defined by the Union Retraite GIP (retirement information public interest group).

¹⁹_ This decrease was due to the closure of the Caisse des Dépôts call centre during the first lockdown.

COMMUNICATION TO THE PUBLIC

VIA THE PRESS

ERAFP's investments and strategy account for most of its citations in the press. Its communiqués on the award of mandates and its socially responsible engagement also continue to be widely reported. ERAFP's public profile is rising, particularly in the socially responsible investment sphere, where the institution is seen as a major player in France.

In 2020, a wealth of press and online articles referred to RAFP and ERAFP, mainly in connection with its engagement with the energy transition (participation in the Net-Zero Asset Owner Alliance) or its investment commitments.

VIA SOCIAL MEDIA

ERAFP is present on three social media platforms: Twitter (for seven years now), LinkedIn and YouTube.

These three accounts, managed by ERAFP's communications department, are real channels of communication that help strengthen the Scheme's identity, raise its visibility and highlight its initiatives, particularly in areas such as the energy transition.

ERAFP informs audiences already familiar with ERAFP/the Scheme of its actions, commitments and news via these platforms. But more importantly, they enable it to reach out more easily and on a much wider scale to those who know little or nothing about the Scheme.

VIA THE WEBSITE:

A CENTRAL COMMUNICATION TOOL FOR THE SCHEME

Site traffic remained steady in 2020, with approximately 60,000 visits per month (compared with 65,000 in 2019). The payment simulator was the most visited page, while the calculator guide, the premium and conversion factors, the point value changes and the guidance notes were the most downloaded items.

A payment simulator – a long-time favourite with beneficiaries – can be accessed via the RAFP website's homepage.



ERAFP'S 2020 FINANCIAL STATEMENTS

The Scheme's financial statements illustrate both its steady expansion and its financial strength.

ERAFP has a specific chart of accounts that reflects the comprehensive provisioning of its commitments and the characteristics of its financial investments. It requires, inter alia:

- + the recognition of assets at their historical value, less any amortisation and impairment; and
- + a very conservatively set discounting rate for the Scheme's commitments. The resulting rate for 2020 was 0.9% (net of expenses).

The board of directors voted on the 2020 financial statements at its meeting of 29 April 2020. On said date, the statutory auditors certified without reservation that the annual financial statements gave a true and fair view of ERAFP's assets, liabilities, financial position and the results of its operations at the end of the year under review.

A SOLID BALANCE SHEET

In 2020, total assets came to €30.6 billion, up 8.3% from the previous year. On the liabilities side, the technical reserve, which reflects the present value of future commitments corresponding to rights being accumulated or paid – discounted at the very conservative rate of 0.9% – came to €26.7 billion (up 1.3% from 2019). On the assets side, investments totalled €30.6 billion (up 8% year-on-year).

A long-term impairment provision of €5.1 million was set aside for financial assets deemed subject to a permanent unrealised loss, while, pursuant to the principle of prudence, the overall unrealised gain of €7 billion at 31 December 2020 was not recognised. The market value of the Scheme's assets, which totalled €35.7 billion at year-end, was equivalent to 123% of the value of its commitments. On the accounting front, the commitments coverage ratio came to 114.53%, resulting in the recognition of non-technical reserves of €3.9 billion.

As for the other asset items, cash and cash equivalents amounted to €157 million, while receivables from contributors and beneficiaries totalled €97.3 million, reflecting accrued income in respect of

contributions for 2020 and previous years not paid at the end of the financial year but due for subsequent collection (€15 million), as well as overpayments to beneficiaries (€82 million), mainly in respect of beneficiaries switched from lump-sum to annuity payments.

On the liabilities side, reflecting the fact that the Scheme was only recently established, the largest item (€24.4 billion) is the reserve for rights in the course of accumulation.

The shortening of the preparation period for the financial statements has led to a change in the method used to calculate the Scheme's commitments. In previous years, the Scheme's commitments were estimated on the basis of the individual data available at the end of March following the annual employer declaration collection period. Since 2019, individual employers' declarations for the current financial year are no longer taken into account. The reserve for the Scheme is calculated on the basis of the contributions received.

The reserve for rights being paid increases in line with the number of annuity payments; it represented €2.3 billion at the end of the year, up 21.5% from 2019.

BALANCE SHEET OVERVIEW

Source – ERAFP

ASSETS (NET) IN € MILLIONS

	2019	2020	CHANGE
Financial investments	28,089	30,374	8.1%
Receivables	120	97	-19.3%
Cash and cash equivalents	80	157	96.3%
TOTAL	28,288	30,629	8.3%

LIABILITIES (NET) IN € MILLION

	2019	2020	CHANGE
Technical reserves	26,399	26,737	1.3%
Non-technical reserves	1,877	3,886	107%
Payables	11	5	-54.1%
TOTAL	28,288	30,629	8.3%

A financial coverage ratio
of **114.53%** at 31 December

€2.29

billion in funds invested in 2020

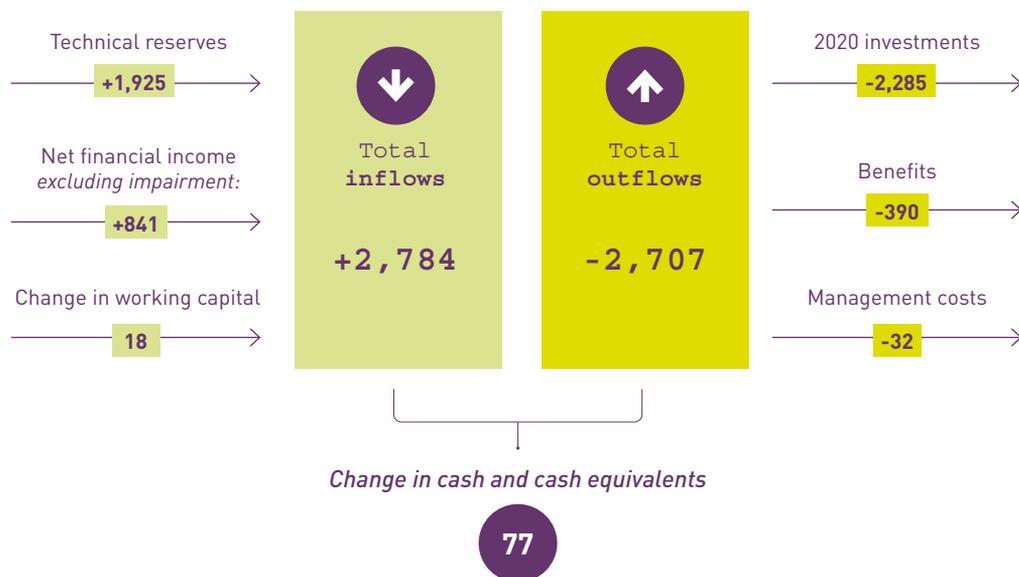
€2.29 BILLION IN FUNDS INVESTED IN 2020

As regards financial flows, contributions and financial income for the year came to €2.78 billion. Of these inflows, €2.29 billion was invested

and €390 million was used to pay benefits²⁰. There was consequently a net increase of €77 million in cash and cash equivalents.

CASH FLOW OVERVIEW (IN € MILLIONS)

Source – ERAFP



²⁰ In 2020, benefits recognised in the income statement, representing payments actually made, came to €390 million, while benefits calculated, or 'payment instructions issued', came to €385 million. The difference is the amount of annuities in pre-allocation suspense accounts, which are credited to RAFF.

2020 INCOME STATEMENT

In 2020, technical income, mainly comprising contributions to the Scheme, totalled €1.92 billion, unchanged from 2019. There was a €338 million increase in technical reserves (excluding the non-technical reserve). Net financial income came to €839 million, up 15.9% compared with 2019. After subtracting benefits (up 13%) and operating expenses of €32 million²¹, this resulted in a technical profit of €2 billion. Pursuant to Decree no. 2010-1742 of 30 December 2010, the accounting result was brought to zero through an addition to the non-technical reserves, the amount of which consequently came to €3.9 billion, up from €1.9 billion at the end of 2019.

INCOME STATEMENT OVERVIEW (IN € MILLIONS)

Source — ERAFP

Technical income	1,925
Net financial income	839
Change in Scheme reserves	-338
Benefits	-390
Operating expenses	-32
Non-recurring income	6
Income before allocation to non-technical reserves	2,009
Change in non-technical reserves	-2,009
TOTAL	0

The cover letter of the statutory auditors' report appears in the appendix to this report.

In 2020, technical income, mainly comprising contributions to the Scheme, totalled €1.92 billion.

²¹ See page 37

MANAGEMENT COSTS IN 2020

A Scheme managed by a public administrative institution under the supervision of the State.

Administrative management provided by Caisse des Dépôts et Consignations (CDC), under the authority and control of the board of directors.

Management of financial assets partially delegated to investment management firms.

Direct management by ERAFP of government bonds, government-backed securities and investment funds.

Management costs represented

0.11%

of the Scheme's net assets in 2020



CONTROLLED MANAGEMENT COSTS

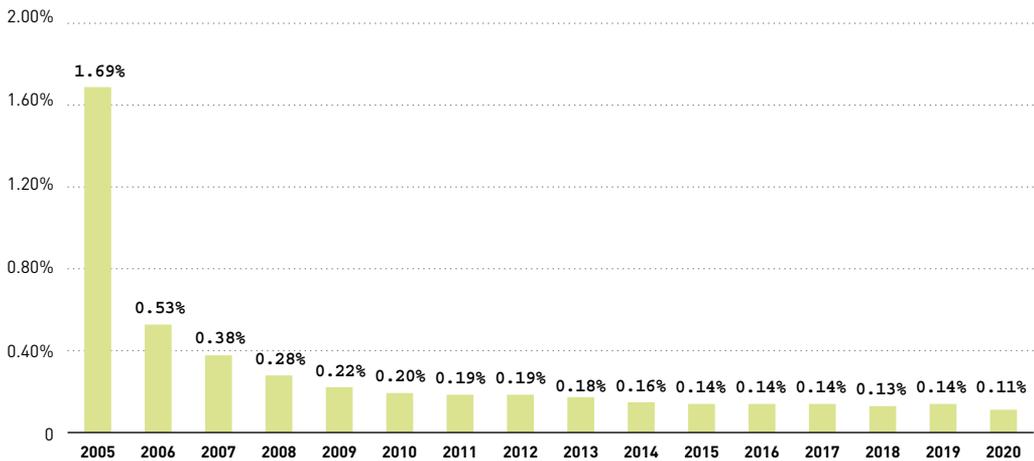
The operating budget for the Scheme and ERAFP is financed directly from amounts deducted from contributions, and is approved annually by the board of directors.

In 2020, the Scheme's management costs totalled €32.4 million, the equivalent of 0.11% of the Scheme's net assets or 1.68% of contributions collected in 2020.

€32.4
million
in management
costs in 2020

SCHEME MANAGEMENT COSTS SINCE 2005 AS A PERCENTAGE OF NET ASSETS (AT AMORTISED COST)

Source — ERAFP



PART 02



SCHEME STRATEGY AND PERFORMANCE

TECHNICAL STEERING MECHANISMS

RAFP is subject to strict prudential regulations stipulating that:

.....

- + The Scheme's commitments to its beneficiaries must always be fully covered by its assets.
- + The estimated present value of these commitments must be calculated using a conservative discount rate (i.e. one consistent with a conservatively estimated return on the Scheme's assets).

.....

The board of directors is responsible for ensuring this financial equilibrium.

GUIDELINES FOR MANAGING TECHNICAL PARAMETERS

Conscious of its regulatory and prudential responsibilities, the board of directors has adopted formal guidelines for managing the Scheme's technical parameters with a view to maintaining the purchasing power of beneficiaries' vested pension rights over the long term.

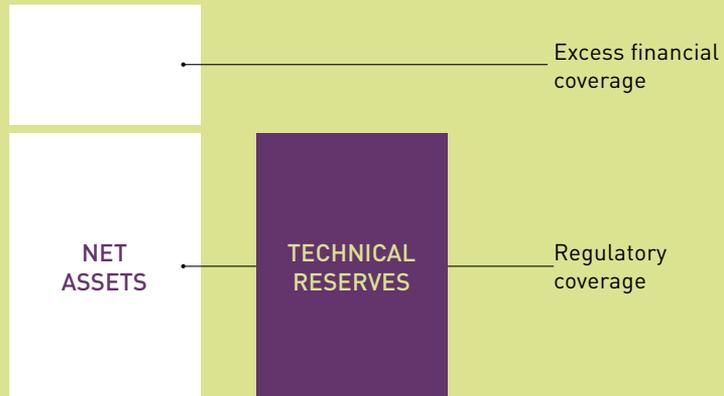
Ever since the Scheme was formed, the board of directors has carefully monitored changes in the following parameters:

- + the purchase and service values of points;
- + the coverage ratio of the Scheme's commitments;
- + the discount rate applied to reserves;
- + the technical interest rate, or 'premium rate'.

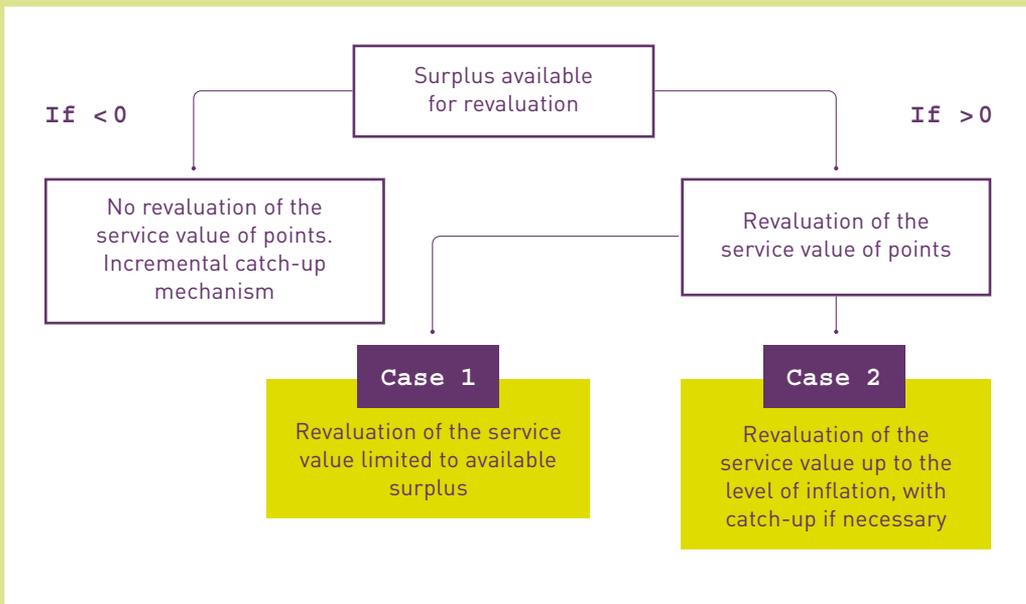
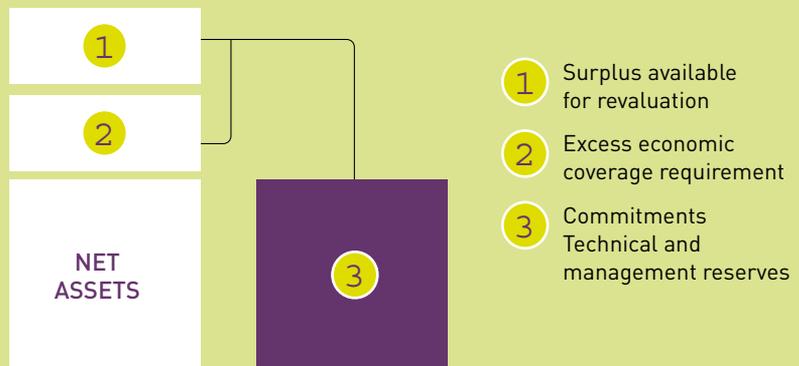
The guidelines recognise the existence of the link between the Scheme's ability to increase the value of vested rights and its assets, and also set out the conditions in which the premium rate may be revised.

An economic coverage ratio after revaluation of **131.3%** at 31 December 2020

**ACCOUNTING
APPROACH**



**ECONOMIC
APPROACH**



COMFORTABLE COVERAGE OF THE SCHEME'S COMMITMENTS BY ITS ASSETS

The obligation to cover the Scheme's commitments at all times entails careful monitoring of the financial coverage ratio. At the end of 2020, this ratio stood at approximately 114.53%. Mindful of its regulatory obligations, the Scheme has the necessary reserves and provides satisfactory coverage of its commitments. Nonetheless, the continuing very low level of bond yields in 2020 calls for a highly prudent approach to setting these parameters.

To round out this first approach, ERAFP has sought to better define its capacity to revalue members' rights over the long-term horizon in which it operates. Accordingly, it has defined an 'economic' coverage ratio, which takes into account the latent value of the Scheme's assets²² as well as the risks for which a margin of prudence should be recognised. This margin is defined as the 'excess economic coverage requirement'. If this requirement is

not met, the service value of a point may not be increased, regardless of the financial coverage ratio. At the end of 2020, the excess economic coverage requirement stood at 18.9%.

At 31 December 2020, the Scheme's economic coverage ratio after revaluation was 131.3%.

FINANCIAL COVERAGE RATIO SINCE IMPLEMENTATION OF THE GUIDELINES (AS A %)

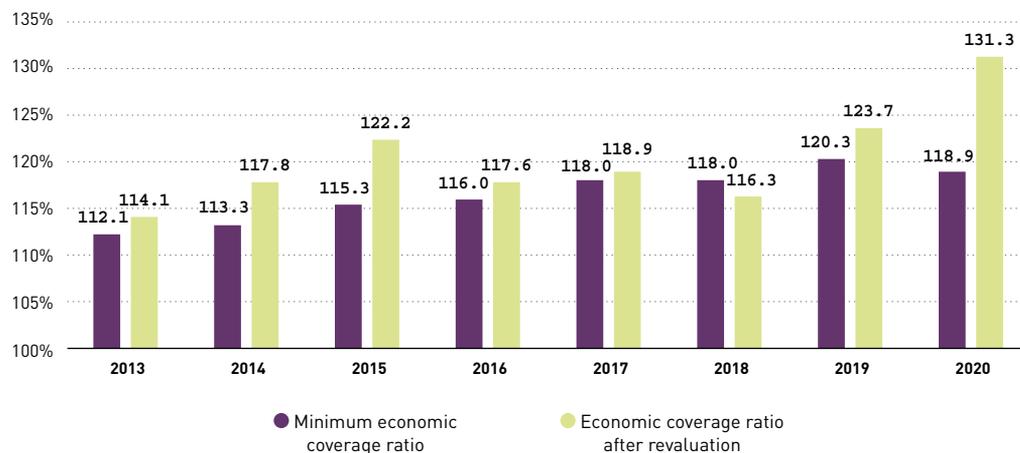
Source — ERAFP



²² The economic coverage ratio represents the relationship between, on the one hand, bonds valued at amortised cost and all other assets at market value and, on the other hand, the technical and investment management reserves.

MINIMUM ECONOMIC COVERAGE RATIO²³ AND ECONOMIC COVERAGE RATIO AFTER REVALUATION SINCE IMPLEMENTATION OF THE GUIDELINES (AS A %)

Source — ERAFP



PURCHASE AND SERVICE VALUES OF POINTS

The board of directors sets these parameters each year. Since adopting the management guidelines, it has taken into account the excess economic coverage requirement.

The mechanism set out in the guidelines links any revaluation of points

to the economic coverage ratio. If the points revaluation is lower than the inflation rate, particularly if the coverage ratio is inadequate, a mechanism is implemented in subsequent years to allow increases in the purchase and service values

of points to catch up with inflation. At the end of 2020, the board of directors increased both the service value and the purchase value of a point for 2021 by 0.4%.

POINT PURCHASE AND SERVICE VALUES SINCE 2015

Source — ERAFP

	2015	2016	2017	2018	2019	2020	2021
Purchase value (in €)	1.1452	1.1967	1.2003	1.2123	1.2317	1.2452	1.2502
Change	+4.5%	+4.5%	+0.3%	+1%	+1.6%	+1.1%	+0.4%
Service value (in €)	0.04465	0.04474	0.04487	0.04532	0.04605	0.04656	0.04675
Change	0%	+0.2%	+0.3%	+1%	+1.6%	+1.1%	+0.4%

²³ Forecast ratio at year-end, estimated using snapshot market data at end-November of the year in question, in accordance with the Scheme's technical management guidelines.

RESERVE DISCOUNT RATE

The discount rate applied to the Scheme's reserves is set at a very conservative level, particularly compared with the practices of other European pension funds. It takes account of the decline in bond yields seen in recent years.

Certain parameters of the discount rate formula were updated in 2020, in particular the equity and real estate yields, to give the Scheme full capacity to exploit the leeway offered by changes to its investment regulatory framework in 2019, which enable it to further diversify its allocation, and to better align the parameters with current economic and financial realities. These adjustments were based on observed levels of return on these two asset classes in recent years.

The discount rate net of costs used to value the technical reserve at 31 December 2020 was set at 0.9%, 20 basis points higher than the year before.

The regulatory minimum level of management costs is 0.20%, in accordance with the order published on 26 November 2018. This minimum level, which is higher than the Scheme's actual costs²⁴, is used by way of prudence in the discount rate formula. The resulting discount rate before costs comes to 1.1%.

TECHNICAL INTEREST RATE OR 'PREMIUM RATE'

On the Scheme's inception, the initial annuity was calculated on the basis of a technical interest rate (premium rate) net of inflation set at 1.34%, reflecting a return on benchmark assets of 3.34%. The real return of 1.34% was determined based on a long-term inflation rate of 2%, corresponding to the ECB's maximum target rate.

As these parameters fell out of sync with prevailing economic and financial conditions, the Scheme's premium rate was revised to make it consistent with market rates, by increasing the purchase value in 2015 and 2016 and raising the pivotal age for applying the premium²⁵. These changes reduced the premium rate to 0.65% (excluding costs).

A discount rate
net of costs of
0.9%
at 31 December
2020

²⁴ The Scheme's management costs are presented on pages 36-37.

²⁵ The guidelines provide for an immediate revision of the Scheme's premium rate if, at the end of a financial year, the discount rate is lower than the premium rate.

ASSET ALLOCATION: GENERAL ORIENTATIONS AND INVESTMENT DECISIONS

ERAFP, A LONG-TERM INVESTOR IN THE ECONOMY

- + ERAFP's financial commitments have a duration of around 20 years. As a result, the Scheme naturally has very long-term resources. Because it is still only at the beginning of its expansion phase, the additional pension scheme will also generate a positive net cash flow of some €2 billion a year over the next few years.
- + This high level of long-term liquidity is a strategic plus when it comes to financing long-term investment projects, such as real estate, private equity and infrastructure.

REGULATION OF THE SCHEME'S INVESTMENTS

ERAFP's investment framework is defined by the Decree of 26 November 2004 implementing Decree no. 2004-569 of 18 June 2004 on the French Public Service Additional Pension Scheme. Initially focused on bonds (at least 75% of its investments at inception), this framework has been reformed several times – most recently in 2019 – to make more room for asset diversification. In line with the Scheme's long-term objectives, these changes have enhanced its ability to ensure that its portfolio is balanced over time and to respond to a changing economic environment.

Since 9 August 2019, RAFP has been subject to the following regulatory requirements:

- **45%** (maximum) invested in equities and unlisted equity funds, of which no more than 5% in funds;
- **40%** (minimum) invested in fixed-income assets, of which no more than 3% in loan securitisation funds;
- **15%** (maximum) invested in real estate assets.

Because it is still only at the beginning of its expansion phase, the additional pension scheme generates a positive net cash flow of some €2 billion a year.

GRADUAL SHIFT IN ASSET ALLOCATION TOWARDS EQUITIES, REAL ESTATE, PRIVATE EQUITY AND INFRASTRUCTURE

STRATEGIC ALLOCATION FOR 2020

In 2020, the board of directors sought to continue to gradually rebalance ERAFP’s asset allocation, in line with the guidelines approved in 2019 and the changes made to the regulatory framework since 2015. Based on these considerations and in light of the ALM work carried out, it decided to adopt general

guidelines for the investment policy, which include:

- + continuing and maintaining investments in variable-income assets, with a target range of between 35.1% and 36.3% of total assets at the end of 2020 (+2.2 points);
- + among variable-income assets, increasing investment in equities (+1.5 points) and in private equity and infrastructure (+0.4 points);

+ continuing to reduce the weighting in bonds given the enduring low interest rate environment (-2.2 points);

+ continuing to invest in real estate for up to 11.5% to 12% of total assets²⁶, with 50% of new real estate commitments earmarked for the residential sector.

STRATEGIC ALLOCATION ADOPTED BY THE BOARD OF DIRECTORS’ MEETING OF 13 FEBRUARY 2020 (AMENDED ON 8 OCTOBER 2020)

Source — ERAFP

	TARGET	MAXIMUM	
TARGET			
Bonds	Public sector bonds	49.8%	
	Corporate bonds		
	Convertible bonds	2.8%	2.9%
	Total bonds	52.6%	
EQUITIES	30.0%	30.8%	
DIVERSIFICATION	3.0%	3.2%	36.3%
PRIVATE EQUITY AND INFRASTRUCTURE	2.1%	2.3%	
REAL ESTATE	11.5%	12.5%	
FOREIGN EXCHANGE HEDGING	0.8%		

²⁶ In 2020, the board of directors increased the maximum proportion of real estate assets from 12% to 12.5%, pursuant to a decision dated 8 October 2020.

IMPLEMENTATION OF STRATEGIC ALLOCATION

As of 31 December 2020, the strategic allocation implemented matched what the board of directors had adopted a few months earlier in February, despite the intervening market disruptions, in spring in particular.

Variable-income assets accounted for 35.1% of the portfolio at year-end, in line with the range set by the board (between 35.1% and 36.3%). They broke down as follows:

+ equities accounted for 30.1% of total assets, up by 1.1 points compared with the previous year,

in line with the target set at the beginning of 2020 (30.0%-30.8%);

+ private equity and infrastructure assets rose from 1.6% of the portfolio in 2019 to 2.1% in 2020, thus falling within the range set by the board (2.1%-2.3%);

+ the share of diversification assets in the portfolio at the end of 2020 was stable compared with the previous year (2.9% in 2020 vs. 3.0% in 2019), and slightly below the target set for this asset class by the board (3.0%-3.2%).

Bonds accounted for 51.5% of the portfolio at the end of 2020, down

3 points compared with the previous year (54.5%), in a context of particularly low market interest rates.

Lastly, real estate assets represented 11.9% of ERAFP's total assets at end-2020, in line with the range set by the board (11.5%-12.5%). Having seen this asset class end 2019 0.8 points lower than the expected minimum (11.5%), in 2020 ERAFP made significant catch-up investments in the segment, leading to a +1.3 point increase in its share of the portfolio. Real estate was therefore the asset class whose share increased the most in 2020.

GLOBAL AGGREGATE PORTFOLIO BY ASSET CLASS AT 31 DECEMBER 2015, 31 DECEMBER 2019 AND 31 DECEMBER 2020 (AT AMORTISED COST)

Source — ERAFP

	2020	2019	2015
Public sector bonds	24.8%	29.1%	45.4%
Corporate bonds	24.1%	22.6%	18.1%
Convertible bonds	2.7%	2.8%	2.3%
Equities	30.1%	29%	25.2%
Diversification	2.9%	3%	2.6%
Private equity and infrastructure	2.1%	1.6%	0.1%
Real estate	11.9%	10.6%	5%
Foreign exchange hedging	0.6%	0.7%	0%
Cash	0.8%	0.6%	1.2%
TOTAL	100%	100%	100%

INVESTMENT FLOWS BY ASSET CLASS

New investments of more than €2.1 billion were made across all asset classes in 2020.

Bonds (including convertible bonds) accounted for 12% of investments, i.e. €249.3 million, most of which related to the reinvestment in corporate bonds of proceeds from

disposals of sovereign bonds sold on account of the low interest rate environment. The largest share of new investments (47%, or €1 billion) was in equities. An additional €50 million was added to the diversification mandate, while 8% (€174.4 million) of the funds invested went to unlisted private equity and infrastructure funds. Lastly, substantial

investment continued to be made in real estate, which accounted for 30% of new investments, i.e. €648 million.

In 2020, ERAFP provided €13.3 billion of financing to the French economy, in the broad sense, representing almost 44% of its total assets at amortised cost.

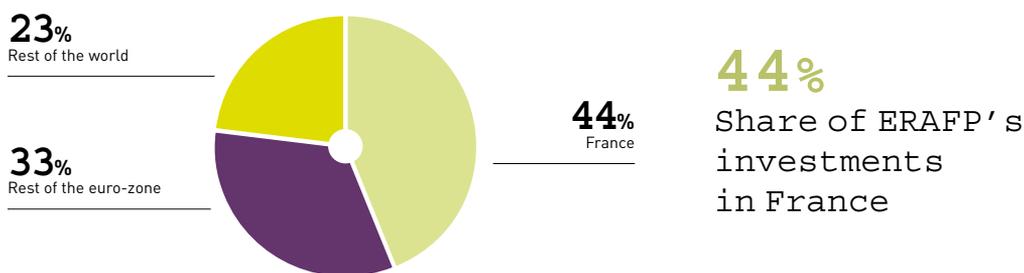
INVESTMENT FLOWS BY ASSET CLASS IN 2020 (IN € MILLIONS)

Source — ERAFP

ASSETS	IN € MILLIONS	AS A PERCENTAGE
Cash	18.2	1%
Bonds	249.3	12%
Equities	1,010.1	47%
Diversification	50.0	2%
Private equity and infrastructure	174.4	8%
Real estate	647.9	30%
Foreign exchange hedging	-20.2	-1%
TOTAL	2,130.5	100%

INVESTMENTS IN FRANCE, THE EU AND GLOBALLY AT 31 DECEMBER 2020 (AT AMORTISED COST)

Source — ERAFP



OVERALL FINANCIAL PERFORMANCE OF INVESTMENTS

RETURNS OF 5.4% SINCE THE SCHEME'S CREATION

As a long-term investor, ERAFP seeks to invest its annual cash inflows to maximise returns on its portfolio while keeping risk at an acceptable level for the

Scheme. The internal rate of return (IRR) is a measure of the relevance of investment allocation within a portfolio over time²⁷.

ANNUALISED INTERNAL RATES OF RETURN IN BOOK VALUE AND MARKET VALUE TERMS SINCE 2006

Source — ERAFP

	BOOK VALUE	MARKET VALUE	PORTFOLIO CREATION DATE
Cash	0.1%	0.1%	2005
Sovereign bonds and similar	3.7%	5.0%	2005
Euro-denominated corporate bonds	2.8%	4.0%	2009
International corporate bonds	1.9%	3.9%	2014
Convertible bonds	0.0%	4.5%	2012
Euro-zone and European equities	1.3%	5.9%	2007
International equities	6.2%	12.8%	2009
Diversification	0.1%	5.2%	2013
Unlisted and other	3.5%	6.6%	2015
Real estate	2.0%	3.1%	2012
Foreign exchange hedging	-5.6%	5.6%	2018
Global aggregate portfolio	2.9%	5.4%	

²⁷ It differs from performance in that it takes into account the timing of investment and divestment flows or, in the case of delegated asset management, subscriptions and redemptions.

While annual performance is a useful monitoring indicator, for ERAFP, a long-term investor in its expansion phase, it seems more appropriate to measure performance over a longer period.

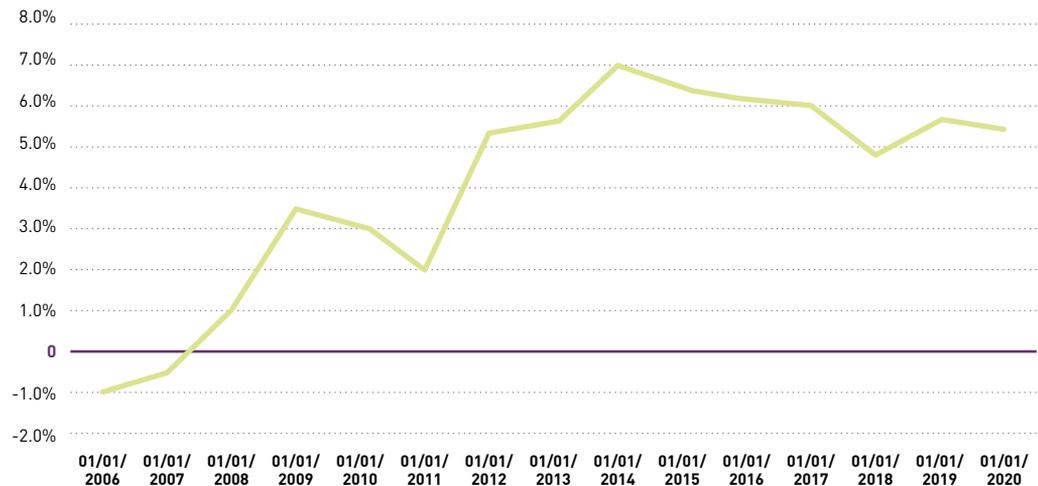
The internal rate of return since ERAFP's creation stood at 5.4% at 31 December 2020 in market value terms. Historically, the IRR has been driven mainly by the performance of bonds, while returns have latterly

been boosted by diversification into variable-income assets. The IRR on euro-denominated corporate bonds and sovereign and similar bonds was 4.1% since the first investment and 5% since 2006. These returns were initially driven by interest rates, which were still high when ERAFP made its first investments, and later by the appreciation of its holdings, which offset falling interest rates. For equities, depending

on the region, the rates of return have ranged between 5.9% and 12.8% over the period since the first investment. The level of IRR since 2006 is attributable to a lesser extent to the returns on unlisted assets (6.6%), diversification assets (5.2%) and real estate assets (3.1%), given these segments' lower weighting in ERAFP's portfolio and their recent creation.

ANNUALISED INTERNAL RATE OF RETURN IN MARKET VALUE TERMS SINCE 2006

Source — ERAFP



The graph above shows the annualised IRR trend in market value since 2006.

Since inception, the Scheme has delivered an average annual return of 5.4% in market value terms. Note that this return has been stable since 2012.

ANNUALISED FIVE-YEAR INTERNAL RATE OF RETURN IN BOOK VALUE AND MARKET VALUE TERMS AT 31 DECEMBER 2020

Source — ERAFP

	BOOK VALUE	MARKET VALUE
Cash	0.0%	0.0%
Sovereign bonds and similar	3.8%	2.9%
Euro-denominated corporate bonds	2.6%	3.7%
International corporate bonds	2.1%	4.3%
Convertible bonds	0.0%	4.4%
Euro-zone and European equities	2.1%	5.2%
International equities	2.4%	12.6%
Diversification	0.1%	5.4%
Unlisted and other	3.5%	6.7%
Real estate	2.2%	2.8%
Foreign exchange hedging	-5.6%	5.6%
Global aggregate portfolio	2.7%	4.4%

At 31 December 2020, the five-year IRR (2015-2020) for ERAFP's portfolio stood at 4.4% in market value terms. The performance of equities over the period contributed significantly to this IRR level.

Sovereign and similar bonds posted a performance of 2.93% over the period. This is lower than the return since the Scheme's creation (5.04%), due to the very low interest rate environment in recent years. As for

the euro-denominated corporate and convertible bond portfolios, their five-year IRR stood at 3.7% and 4.4%, respectively, i.e. a level that has varied little since their creation.

ANNUALISED INTERNAL RATE OF RETURN IN BOOK VALUE AND MARKET VALUE SINCE 2015

Source — ERAFP



In 2020, the internal rate of return for the portfolio as a whole was 3.0%. Although far below its 2019 level (12.5%), financial performance remained positive in 2020, despite the market disruptions caused by the health crisis, especially in spring. The return in book value terms came to 2.88%.

Internal rate
of return
in 2020 of
3.0%

ERAFF: KEY FIGURES*

FINANCIAL DATA

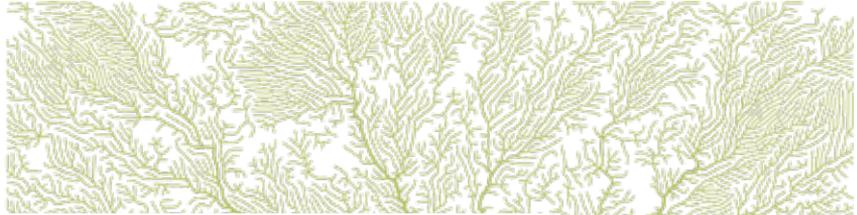
Balance sheet assets
of around **€30.6 billion**

Estimated financial coverage
ratio of around **114.5%**

Technical reserves of around
€26.7 billion

Non-technical reserves
of **€3.9 billion**

Discount rate set
at **0.9%****



ECONOMIC DATA

Net assets at market value
of **€37.5 billion**

Economic coverage
ratio after revaluation
of around **131.3%**

Annualised internal
rate of return on
investments of **5.4%**
since 1 January 2006



* Valuation at end-2020.

** Discount rate net of management costs, set using a method that takes re-investment risk into account.

A STRONG COMMITMENT TO SRI

Since 2006, ERAFP has implemented a socially responsible investment (SRI) policy that is central to the Scheme's strategy. This policy is described hereunder, in accordance with the recommendations of the decree implementing Article 173-VI of the energy transition and green growth law.

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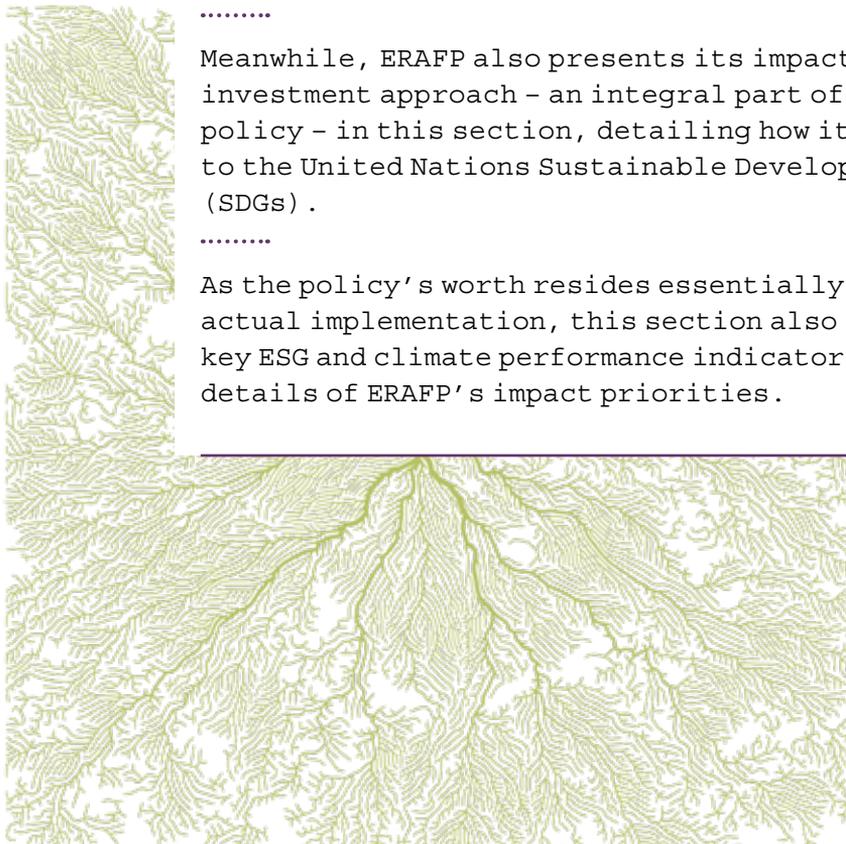
The G20's Task Force on Climate-related Financial Disclosures (TCFD) also produces recommendations to help investors take into account climate challenges, which ERAFP likewise strives to implement.

.....

Meanwhile, ERAFP also presents its impact investment approach - an integral part of its SRI policy - in this section, detailing how it relates to the United Nations Sustainable Development Goals (SDGs).

.....

As the policy's worth resides essentially in its actual implementation, this section also includes key ESG and climate performance indicators and details of ERAFP's impact priorities.



VISION AND VALUES

As a public institution established for the benefit of public servants employed by the State, regional and local authorities, hospitals and the judiciary, ERAFP's role is to serve the public interest. As a pension scheme with a capitalisation-based business model, it acts over the long term to ensure equity and intergenerational solidarity.

And, as the Brundtland report pointed out, focus on the long term and future generations is the cornerstone of the sustainable development concept: 'Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.'²⁸

ERAFP's inclusion of sustainable development in its financial management has led it to adopt a socially responsible investment approach since its creation.

In 2006, SRI assets amounted to €17 billion in France²⁹; a recent study by AFG (the French Asset Management Association)³⁰ estimated that they had exceeded €1,861 billion by the end of 2019 (up 32% over one year). While the definitions and scope of analysis have evolved over the last ten-plus years, these figures give an idea of the market's strong growth.

ERAFP did not wait for the trend to take hold, however. As early as 2006, its board of directors stressed that 'investments based solely on the criterion of maximum financial return fail to account for their social, economic and environmental consequences' (excerpt from the SRI Charter).

ERAFP has therefore played a pioneering role in the field of SRI. As well as being an early adopter, it has an authentic approach based on values set out in its Charter, which its board of directors has consistently promoted.

The values laid down in ERAFP's Charter provide answers to the challenges that we face as a society.

Environmental and climate change challenges

According to the provisional report of the World Meteorological Organization (WMO) on the current state of the climate³¹, the average global temperature in 2020 is expected to be around 1.2°C higher than in the pre-industrial era (between 1850 and 1900). 2020 is therefore slated to be one of the three hottest years on record. At the same time, five years after the Paris climate agreement, the United Nations Environment Programme (UNEP) revealed in a report³² that to limit the increase in global temperature to 1.5°C greenhouse gas emissions would have to be cut by 7.6% every year for the next decade. Faced with this particularly critical situation, action is more urgent than ever. Through its investments and on the basis of 18 separate selection criteria, ERAFP seeks to encourage companies to take account of the environmental impact of their products and services, control the risks associated with climate change and contribute to the energy transition.

Governance challenges - For ERAFP, analysing governance is essential in that it makes it possible to assess a company's responsibility towards its stakeholders. ERAFP seeks to promote companies with governance that ensures a balance

of power, effective control mechanisms, a responsible remuneration policy and gender equality. Good quality governance makes it possible to rise to challenges such as the fight against corruption and money laundering, the respect and protection of customers' rights, and tax transparency and responsibility.

Social challenges - The very identity and composition of ERAFP's board of directors make the social dimension a fundamental one: it has eight seats allocated to representatives of active contributors, filled by the representative trade unions, eight to representatives of employers and three to qualified persons. As a French public institution, ERAFP seeks to protect social benefits by promoting labour-management dialogue and the respect of union rights. It is committed to upholding the rule of law and human rights through both its sovereign and its private investments, and in the context of a global health crisis, expects companies to pay particular attention to respect for human rights and decent working conditions in their supply chain and at their subcontractors.

²⁸ Definition given in the so-called Brundtland report by the United Nations World Commission on Environment and Development (Our Common Future, 1987).

²⁹ According to Novethic, which however does not provide a recent figure, and whose figures cannot therefore be meaningfully compared with AFG's.

³⁰ L'évolution des encours de l'investissement responsable : plus de 1 860 milliards d'euros en 2019, en forte progression

³¹ https://library.wmo.int/doc_num.php?explnum_id=10444

³² <https://www.unep.org/resources/emissions-gap-report-2019>

PROGRESS MADE IN 2020

Long committed to combating climate change, notably through collaborative initiatives such as Climate Action 100+, in 2020 ERAFP took another step forward in its responsible investment approach: by joining the Net-Zero Asset Owner Alliance (AOA), it made the clear decision to align its SRI strategy with the Paris climate agreement. Launched in September 2019 at the United Nations Climate Action Summit, and bringing together some 30 investors representing nearly €5,600 billion in assets under management, the AOA aims to provide its members with a support framework over the long term for making their

portfolios carbon neutral by 2050, and in the shorter term for meeting a series of intermediate targets in 2025, 2030 and 2040.

As part of its participation in the AOA, ERAFP contributed to the drafting of the 2025 Target Setting Protocol – published last October – which establishes the following principle: Alliance members must reduce their portfolio's greenhouse gas emissions by between 16% and 29% by 2025 relative to 2019. In accordance with the Protocol, ERAFP will disclose the target set within this range and the measures planned to achieve it by the end of the first half of 2021.

In addition to its participation in the AOA, the past year was an opportunity for ERAFP to start implementing the commitments it made in signing the French public investors' Sustainable Development Goals charter at the end of 2019. 2020 was the first year in which ERAFP's engagement initiatives were carried out under the new theme of positive corporate contribution to the SDGs, following its integration into the shareholder engagement guidelines adopted by the board of directors in February. ERAFP also carried out a study during the year on how the SDGs are reflected in its investment policy, the results of which are presented on pages 71 to 73.

Long committed to combating climate change, in 2020 ERAFP took another step forward in its responsible investment approach by joining the Net-Zero Asset Owner Alliance.

ERAFF'S ESG APPROACH

THE SCHEME'S SRI APPROACH

An original SRI approach

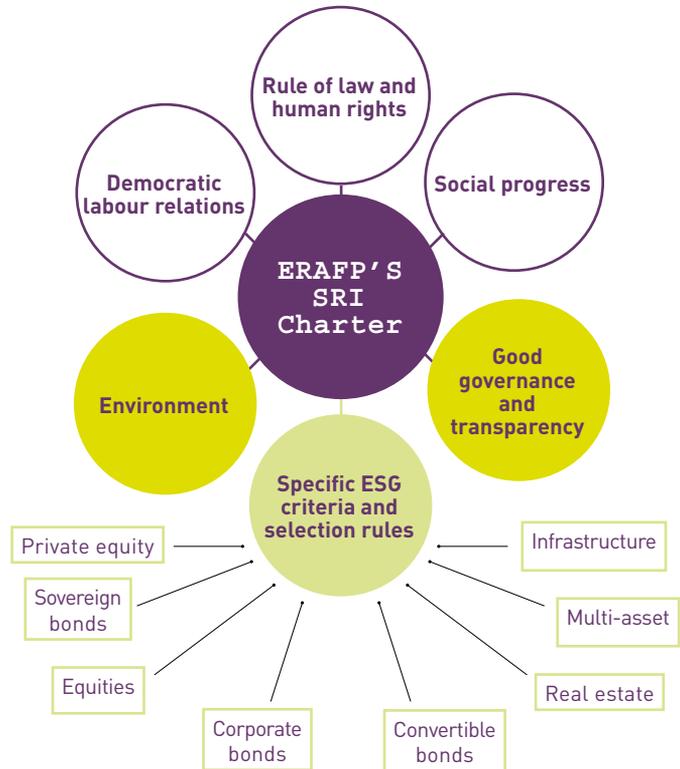
The Scheme's SRI approach is original in a number of respects:

- + The board of directors oversees the SRI approach internally; while the board and management naturally rely on outside service providers such as consultants and rating agencies, on management's proposal the board itself laid down an approach that satisfies the demands and values of its members, and permanently monitors its application on the basis of the comprehensive and continuous information provided by regular meetings of its investment policy monitoring committee (CSPP).
- + The policy's content is '100% SRI', in other words the SRI Charter applies to all of the Scheme's investments and takes into account the specific features of each asset class.



Find out more
ERAFF'S SRI CHARTER

AN SRI CHARTER BROKEN DOWN INTO EVALUATION CRITERIA FOR THE VARIOUS ASSET CLASSES



An overarching SRI approach

- + Not only does it concern all of the Scheme's investments but it also applies to all the investment phases, from the first stage of asset allocation to the post-investment stage of monitoring the companies whose shares or bonds are included in the portfolio;

+ It uses broad-based, cross-cutting stock selection rather than a large number of single-themed sub-portfolios.

For an investor of ERAFF's size that wishes to adopt a uniform approach for all of the asset classes in which it invests, the best in class approach seems the most appropriate, as it focuses on the links between the various considerations and

issuers rather than tackling each in isolation.

The application of the best in class principle results in the inclusion in the guidelines of quantitative rules that make it possible to determine the eligible investment universe. These rules are defined for each asset class with the aim of encouraging each one to improve.

Generally speaking this means:

- + Excluding no business sector, but promoting the issuers with the best ESG practices within each sector and, more generally, within groups of comparable issuers. However, given their particularly negative impact on health and the environment, respectively, in 2019 ERAFP exited the tobacco industry and sold its shares in companies whose thermal coal-related activities exceed 10% of revenue.
- + Showcasing progress made;
- + Monitoring and supporting issuers that have adopted a continuous improvement approach.

ADHERENCE TO CODES OR INITIATIVES

The financial sector can only adopt a longer-term vision in its practices and systematically take into consideration environmental, social and governance factors if responsible investors work together to influence the sector as a whole.

With this in mind, in 2006 ERAFP signed the United Nations' Principles for Responsible Investment (PRI), and has duly undertaken to apply each of these principles, namely:

1. Incorporating environmental, social and governance (ESG) issues into its investment analysis and decision-making processes.
2. Being an active investor and incorporating ESG issues into its ownership policies and practices.
3. Seeking appropriate disclosure on ESG issues by the entities in which it invests.
4. Promoting acceptance and implementation of the Principles within the investment industry.

5. Working together to apply the Principles more effectively.
6. Reporting on its activities and progress towards implementing the Principles.

Pages 66 to 69 of this report contain a comprehensive presentation of the initiatives in which ERAFP participates.

SRI GOVERNANCE AT ERAFP

The board of directors

The board of directors:

- + sets the general orientation of the SRI policy;
- + and ensures that it is effectively applied.

To enable it to be truly responsive, the board is kept permanently and fully informed, notably through regular meetings of its investment policy monitoring committee (CSPP).

ERAFP's management

ERAFP's management plays a number of roles:

- + it drafts proposed changes to the SRI policy for submission to the board of directors;
- + it directly implements the SRI guidelines in relation to in-house bond management, which under the Scheme's current regulations covers sovereign and similar bonds;
- + it ensures that the external asset management companies apply the SRI policy, whether in terms of using the best in class principle for securities selection or following ERAFP's voting policy at general meetings of shareholders;

+ it ensures that contracts entered into with SRI rating agencies are correctly performed;

+ it reports to the board of directors and the CSPP on implementation of the SRI policy, and assists directors with the preparation of their work.

The non-financial rating agency

The non-financial rating agency – currently Vigeo – is responsible for analysing the asset portfolio and providing half-yearly reports on the bond and equity portfolios for submission to ERAFP.

It also assesses the SRI compliance of sovereign and similar bonds managed directly by ERAFP.

The asset management companies

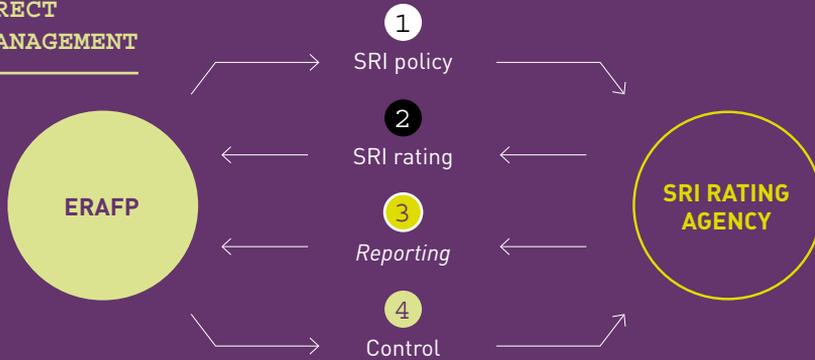
The asset management companies monitor the SRI ratings of issuers over the full duration of their portfolio holding period. ERAFP holds a management committee meeting every six months with each of its delegated asset managers.

One of the topics that these meetings cover is the mandate's SRI aspects, in particular changes in issuers' SRI ratings. The rating that the asset manager assigns to each issuer in the portfolio is also compared to the corresponding Vigeo rating. If a discrepancy is observed, discussions are held with the manager to identify its causes.

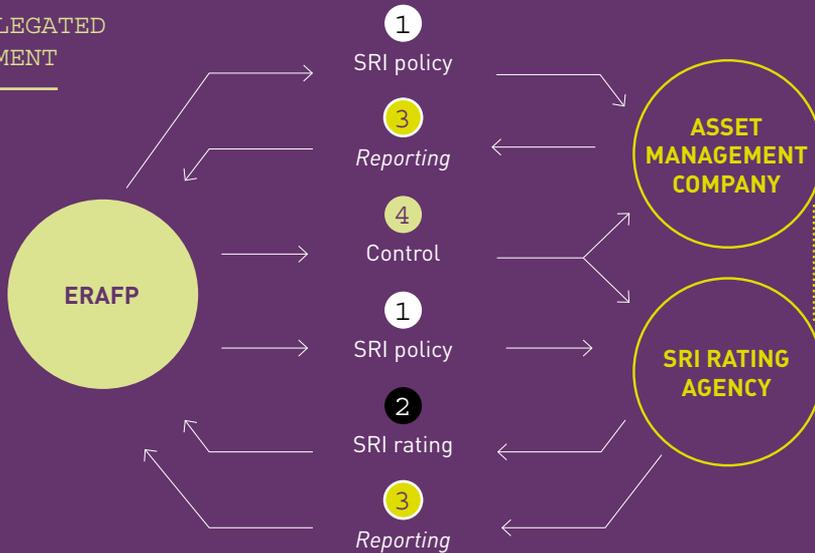
If an issuer's SRI rating is downgraded, ERAFP may request that the management company take corrective action with regard to its investments.

ROLES OF THE VARIOUS ENTITIES AND CONTROL PROCEDURES

FOR DIRECT BOND MANAGEMENT



FOR DELEGATED MANAGEMENT



1 SRI POLICY

- + Definition of the investment policy
- + Settlement of any differences in interpretation
- + Decisions on changes to the Charter and guidelines

2 SRI RATING

- + Pre-investment SRI data for the manager
- + Alerts

3 REPORTING

- + Half-yearly reporting
- + Regular reporting

4 CONTROL

- + Monitoring application of SRI procedures, controls and any requests to adjust investments
- + Review of annual reports (managers, agencies, committees, etc.)

SELECTION OF THE MAIN CRITERIA

ERAFP's SRI Charter, which was drawn up at the instigation of its board of directors, is based on French public service values. It is applied to all of the Scheme's investments and broken down into more than 18 evaluation criteria, adapted to the specific features of each category of issuer. While each issuer's individual context systematically dictates the analysis of these criteria, the Scheme considers some to be key and therefore attributes more weight to them, regardless of the issuer's geographic location or

activity. The most important criteria (in bold in the table below) must therefore always be assigned the same value.

An SRI Charter based on French public service values.

THE CHARTER'S 5 VALUES AND 18 CRITERIA



Rule of law and human rights

+ **Non-discrimination and promotion of equal opportunities**

+ Freedom of opinion and expression and other fundamental rights

+ **Responsible supply chain management**



Social progress

+ **Responsible career management and forward-looking job strategy**

+ Fair sharing of added value

+ Improvement of working conditions

+ Impact and social added value of the product or service



Democratic labour relations

+ **Respect for union rights and promotion of labour-management dialogue**

+ Improvement of health and safety conditions

BEST IN CLASS APPROACH AND ENGAGEMENT

As mentioned above, ERAFP has selected a best in class approach to take into consideration the ESG criteria underlying its SRI Charter for all its investments. Operationally, this principle takes the form of detailed rules that make it possible to determine, based on the scores that issuers obtain for ERAFP's SRI criteria, the issuers that can be considered as the best in their category.

For large listed companies, for example, the best in class principle is applied by performing two successive screenings.

If this SRI approach were limited to the application of quantitative rules established to define an eligible investment universe, it would preclude part of ERAFP's responsibility as well as an important lever available to it as a shareholder or creditor.

This is because ERAFP intends to be an active investor and, to that end, maintain dialogue or engage with the issuers that it invests in and with the authorities that define its investment framework. Accordingly, in 2012 ERAFP adopted shareholder engagement guidelines, which it

updates yearly. They establish priority engagement themes for the year as well as the voting policy that ERAFP's delegated asset managers must apply at general meetings.

ERAFP's SRI strategy is summarised in the chart on page 62.



Environment

- + **Environmental strategy**
- + Environmental impact of the product or service
- + Control of environmental impacts
- + **Control of risks associated with climate change and contribution to the energy transition**



Good governance and transparency

- + **Management/corporate governance**
- + Protection of and respect for customer/consumer rights
- + **Fight against corruption and money-laundering**
- + Responsible lobbying practices
- + Tax transparency and accountability



ERAFP adopted shareholder engagement guidelines in 2012.

CONSIDERATION OF ESG RISKS

While ERAFP has no systems in place to assess its asset portfolio's exposure to ESG risks, it seeks to limit this exposure in the following three ways³³:

- + monitoring controversial practices;
- + shareholder engagement;
- + ESG analysis.

Monitoring controversial practices

By updating its SRI Charter in 2016, ERAFP's board of directors sought to better mitigate the risks arising from situations that could lead to controversial practices and from an issuer's exposure to such practices. It therefore asked its delegated asset managers to monitor controversial practices to which issuers may be exposed – specifically those relating to proven violations of certain international social and environmental responsibility standards or principles, namely:

- + the Universal Declaration of Human Rights;
- + the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work;
- + the Rio Declaration on Environment and Development;
- + the United Nations conventions (notably the anti-corruption convention).

If a controversial practice is identified, dialogue is initiated with the issuer in question. If this dialogue does not succeed, three courses of action are considered:

- + intensification of dialogue by the delegated asset manager ahead of the general meeting vote;
- + any other legal solution enabling ERAFP to protect its interests;
- + disposal of the securities by the delegated asset manager.

Shareholder engagement

An investor can use shareholder engagement to encourage companies to pay more heed to ESG considerations and thereby limit its exposure to the risks associated with neglecting such factors.

ERAFP uses shareholder engagement with issuers to influence their ESG practices through its delegated asset managers, through joint action with other investors and by exercising its voting rights at general meetings of shareholders.

This shareholder engagement is laid down in the guidelines that ERAFP's board of directors adopted in 2012 and which are updated annually. They establish priority engagement themes for the year as well as the voting policy that ERAFP's delegated asset managers must apply at general meetings. ERAFP closely monitors the implementation of its voting policy at the 40 French companies and the 20 foreign companies representing the largest holdings in its equity portfolios.

ESG analysis

Non-financial analysis of an issuer makes it possible to assess its positioning with regard to ESG factors. The consolidated rating obtained by the issuer enables the management company to assess its level of control over the issues underlying the criteria taken into account in the assessment.

In accordance with its best in class approach, ERAFP invests in issuers that obtain the highest ratings within a single business sector. By doing so, it limits its exposure to the risks associated with issuers not taking ESG factors into account.

ERAFP also ensures that its best in class SRI strategy is effective by comparing the ESG ratings of its portfolios with those of benchmark indices. In 2020, all its portfolios outperformed their benchmark from an SRI perspective. Part 3 of this public report contains a detailed analysis of the portfolios' ESG ratings.

In 2019, in connection with its implementation of the recommendations of the G20 Task Force on Climate-related Financial Disclosures (TCFD), ERAFP sought to assess the potential financial impact of climate-related risks on its investment portfolio, focusing on transition and physical risks. This assessment – presented on pages 86 to 89 of this report – was made possible by the increasing availability of climate data as well as the development of robust analysis methodologies.

³³ In accordance with Article 6(1)(a) of European Regulation 2019/2088 on the publication of sustainability information in the financial services sector, in this sub-section ERAFP describes how sustainability risks are incorporated into its investment decisions. Note that Article 173-VI of the energy transition and green growth law also requires entities to which it applies to report on their consideration of ESG risks.

KEY ASPECTS OF ESG AND CLIMATE PERFORMANCE

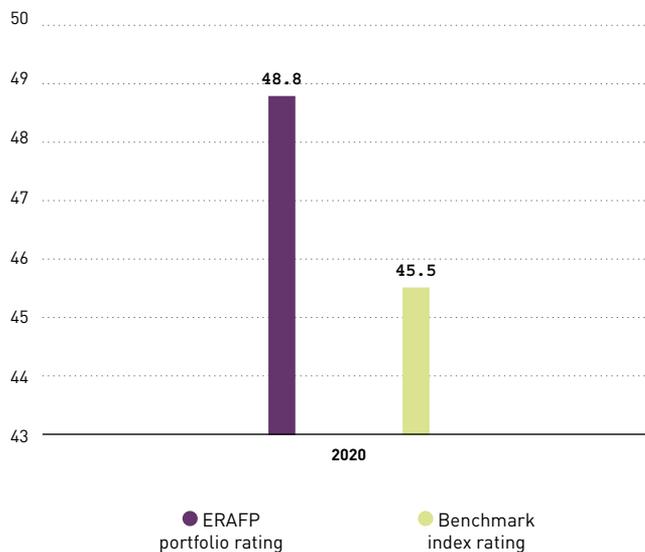
The selectivity rate compared with the potential investment universe – i.e. the percentage of companies excluded under ERAFP's ESG methodology – is around 30%. In other words, nearly a third of the companies in which ERAFP could potentially invest are ruled out as a result of SRI screening. This very high rate reflects both the stringency and the effectiveness of the screening methodology.

As a result, the SRI rating of ERAFP's listed company portfolio was 3.3 points higher than that of its benchmark index (see chart opposite, and see also part 3 for a detailed analysis of the SRI profile of ERAFP's various asset classes). Looking at the broader equity portfolio (see chart on page 65), it can be seen that ERAFP's SRI rating is by no means a cyclical phenomenon. Since the SRI Charter was adopted, the SRI rating has risen consistently and remained systematically higher than that of the benchmark index. The 2016 dip was due to a change in methodology.

The key climate performance data for ERAFP's portfolio is presented on pages 73 to 78.

SRI RATING OF THE ERAFP LISTED COMPANY PORTFOLIO COMPARED WITH BENCHMARK

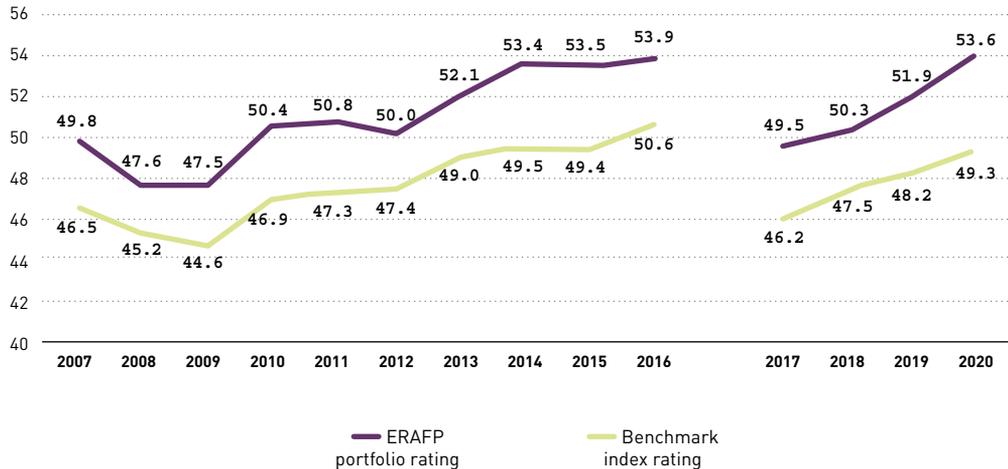
Source – Vigeo



The selectivity rate compared with the potential investment universe – i.e. the percentage of companies excluded under ERAFP's ESG methodology – is around 30%.

CHANGE IN THE AVERAGE SRI RATING FOR THE EURO-ZONE EQUITY PORTFOLIO COMPARED WITH BENCHMARK

Source - Vigeo



INFORMATION PROVIDED TO CONTRIBUTORS ON THE ESG AND CLIMATE APPROACH

Since ERAFP's creation, its socially responsible investment policy has been developed at the initiative of its board of directors, on which the Scheme's active contributors are represented through representative trade union organisations and contributing public sector employers. In accordance with the SRI policy's central tenet, contributors are therefore informed of the implementation of environmental, social and governance criteria in issuer selection.

The public's expectations as to investors' role in the transition to a low-carbon economy have risen in recent years. ERAFP accordingly intends to disseminate information

about its action on a wider scale, particularly to its 4.5 million active contributors and the 43,500 employers that contribute to the Scheme, who are also citizens concerned about climate and other issues; for ERAFP, this is a way of raising their awareness of the need to take into account the social and environmental consequences of the investments made on their behalf.

ERAFP uses a range of documents and media, all available on its website, to inform its active contributors about its socially responsible investment approach:

- + Its public report, in which it presents its socially responsible investment approach in detail.
- + Its shareholder engagement guidelines, which the board of directors updates annually.

+ A summary of voting at general meetings showing a consolidated view of its votes by year.

+ The 'SRI brochure', outlining ERAFP's socially responsible investment policy.

ERAFP also holds meetings with public sector employers at trade fairs and other events to provide detailed information on and promote its SRI policy.



Find out more
SRI section of the
ERAFP website

ENGAGEMENT STRATEGY

Engagement refers to all forms of dialogue between one or more investors and one or more issuers. It may be collaborative, in other words led by a group of investors, or limited to exchange between a single investor and a single issuer. ERAFP tends to prioritise collaborative engagement insofar as:

- + a group of investors can exert greater influence through a company's capital than a single investor on its own;
- + the resources needed for engagement (research, time, etc.) can be pooled between the participants;
- + it facilitates the sharing of best practices between investors.

The general meeting is an important date in the company calendar, providing an opportunity for dialogue with shareholders as it requires them to give their opinion directly on a certain number of agenda items. Since 2012, ERAFP has formalised its engagement approach by adopting guidelines that define both priority engagement themes and its general meeting voting policy.

Moreover, in updating its SRI Charter in 2016, ERAFP sought to formally strengthen its position as a committed investor. According to the updated SRI Charter, *'ERAFP is determined to provide long-term support to those organisations in which it has decided to invest, by exercising its responsibilities as shareholder or stakeholder in such a way as to sustainably promote practices within these entities that respect the values it supports'*.

COLLABORATIVE INITIATIVES

In 2020, ERAFP pursued its engagement approach on a number of environmental, social and governance fronts, via both collaborative initiatives and various investor networks and platforms. These issues are consistent with ERAFP's priority engagement themes, which its board of directors defines every year on the basis of the shareholder engagement guidelines.

In 2020, ERAFP replaced one of its four priority engagement themes – 'the prevention of social risks in

the supply chain' – with the theme 'positive contribution to the SDGs by promoting the SDG impact assessment of business activities and the dissemination of best practices'. This change followed on from:

- + ERAFP's signing in 2019 of the French public investors' Sustainable Development Goals charter, which advocates the dissemination of best practices in this area to stakeholders;
- + the completion of most of the initiatives associated with the 'prevention of social risks in the supply chain' theme.

This last theme nevertheless remains indirectly covered by the 'positive contribution to the SDGs' theme, in particular via Goal 8, 'Decent work and economic growth'.

Positive contribution to the SDGs, ERAFP's new engagement theme.



Find out more
**ERAFP's shareholder
 engagement guidelines**

COLLABORATIVE INITIATIVES SUPPORTED BY ERAFP AS RELATED TO ITS PRIORITY ENGAGEMENT THEMES



Fighting climate change

- + IIGCC/Climate Action 100+
- + IDI/ShareAction
- + Principles for Responsible Investment (PRI)
- + Net-Zero Asset Owner Alliance



Contributing to the Sustainable Development Goals

- + Finance for Tomorrow, Just Transition



Promoting best governance practices and taking account of climate change challenges

- + Global Asset Owners Forum



Combating aggressive tax optimisation practices

- + PRI

ERAFP participates in at least one collaborative engagement initiative for each priority engagement theme:

+ Fighting climate change:

- The Investor Decarbonisation Initiative (IDI), led by ShareAction and supported by the Climate Group and the Carbon Disclosure Project. The IDI encourages listed companies to set decarbonisation targets based on the Science-Based Targets initiative. The measures proposed to companies to reduce their emissions include moving towards 100% renewable electricity procurement, increasing energy efficiency and expanding electric vehicle fleets.

- The Institutional Investors Group on Climate Change (IIGCC)/Climate Action 100+ initiative, which aims to encourage European companies in the utilities and automotive sectors in particular to implement strategies to significantly reduce greenhouse gas emissions, develop a strong governance framework that takes into account climate change-related risks and opportunities, and improve reporting in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

- The initiative led by the United Nations' Principles for Responsible Investment (PRI) on the theme of climate change-related risks, particularly financial ones, in the oil and gas sector.
- The Net-Zero Asset Owner Alliance: this initiative, which ERAFP joined in early 2020, identifies shareholder dialogue with companies as a driver for achieving carbon neutrality in investment portfolios by 2050, thereby contributing to meeting the objective of limiting the global temperature increase to 1.5°C by 2100, in accordance with the Paris climate agreement.

+ Positive contribution to the Sustainable Development Goals (SDGs):

- The Just Transition initiative, led by Finance for Tomorrow, a branch of Paris Europlace dedicated to green and sustainable finance issues. Following the 2019 Climate Finance Day, a 'Just and Inclusive Transition' working group was set up within Finance for Tomorrow with the aim of positioning Paris as a pioneer in financing a just transition to a decarbonised economy. This initiative contributes to the achievement of the SDGs, in

particular Goals 13 (Climate action) and 8 (Decent work and economic growth).

- + Promoting best governance practices and incorporating climate change challenges:

- The Global Asset Owner Forum (GAOF), an initiative led by the Japanese pension fund GPIF to develop investor collaboration on ESG.

- + Combating aggressive tax optimisation practices:

- The PRI initiative on corporate tax responsibility, supported by ERAFP since 2016. This has been

a two-phase initiative: before 2017 member investors developed a guide on corporate tax responsibility, and since then the guide has been used as a basis for engagement with a selection of companies in the health and new information and communication technologies sectors aimed at improving corporate practices and transparency in this area. The PRI published a report on the results of the engagement in 2020.

FOCUS ON THE CLIMATE ACTION 100+ INITIATIVE

Launched at the end of 2017, this initiative is led jointly by the PRI and the Global Investor Coalition on Climate Change, which brings together the four regional investor groups, one of which is IIGCC, the European Institutional Investors Group on Climate Change.

The initiative aims to work not only with more than 100 issuers identified as the world's largest greenhouse gas emitters, but also with those with the greatest capacity to contribute to the energy transition through their emissions reduction strategy.

As a continuation of its pre-2017 engagement within the IIGCC, ERAFP actively participates in Climate Action 100+ shareholder engagement in the utilities and automotive sectors. It steers engagement in these sectors with two companies, in one case in conjunction with two other investors, and acts as a 'support' investor for two other companies. Of key importance in the energy transition, the utilities and automotive sectors – and more particularly the companies with which ERAFP engages – have started to take significant measures such as reducing their emissions and replacing fossil fuels and petrol vehicles with renewable energies and electric vehicles, but they still need to deploy considerable resources to achieve carbon neutrality by 2050.

In 2020, together with two other investors, ERAFP co-authored a written question submitted at the general meeting of a utility company asking why it had not set a 2050 carbon neutrality target despite affirming its intention to align with the Paris climate agreement's objectives.

In general, the aim of collaborative initiatives is to challenge companies on their practices, asking them to explain and improve them as necessary.

In addition to written correspondence, the engagement coordinators organise meetings with willing companies to explain the expected level of transparency and best practices in their sector and discuss the issuers' intended action plans for the coming years.

INVESTOR STATEMENTS

In 2020, ERAFP also endorsed several investor statements containing messages aimed mainly at companies:

- + ERAFP supported the statement on respect for human rights by companies coordinated by the Investor Alliance for Human Rights. The statement was sent to the 96 companies that had obtained a score of 0 for the 'human rights due diligence process' criterion in the 'Corporate Human Rights Benchmark' exercise, which assesses the 200 largest companies in four industries (agricultural products, textiles, extraction and information and communication technology) highly exposed in terms their human rights practices.
- + ERAFP supported a statement by a leading energy company – drawn up jointly with investor members of the Climate Action 100+ coalition – announcing its new climate action targets.

In September 2020, Climate Action 100+ sent a letter to companies announcing its intention to include them in a comparison of their carbon neutrality commitments. ERAFP signed and delivered the letters addressed to the two utility companies for which it acts as the lead Climate Action lobbyist.

ERAFP also signed a letter from investors to the stakeholders in a project to build a coal-fired power station in Vietnam (Vung Ang 2), encouraging them to withdraw from the project.

LOBBYING BY ERAFP'S DELEGATED ASSET MANAGERS

At the same time, ERAFP encourages its managers to engage with the companies included in the portfolios that they manage for it.

With the implementation of ERAFP's SRI Charter, which was updated in 2016, ERAFP's delegated asset managers closely monitor controversial practices that companies may be exposed to. As part of a shareholder engagement approach, these managers initiate dialogue with companies that are involved in proven breaches of international standards or have questionable environmental, social or governance practices.

In addition to the commitment made as part of the monitoring of controversial practices, the managers may engage individually or collectively with companies on

one or more specific ESG themes, coordinating their efforts to press for increased transparency and a better ESG performance. In 2020, the number of companies targeted by ERAFP delegated asset manager lobbying fell from 493 in 2019³⁴ to 466. This decrease is exclusively due to the reduction in the number of companies targeted by a collaborative engagement initiative (130 in 2020 vs. 161 in 2019) and reflects the fact that in 2019, one of ERAFP's delegated asset managers conducted engagement initiatives with numerous companies, notably in connection with a campaign on gender equality, which ended this year. This also accounts for the substantial fall in the number of companies involved in an engagement action carried out under a collaborative initiative led by ERAFP (10% in 2020 vs. 79% in 2019). Another engagement initiative aimed at increasing the proportion of women in management bodies was carried out by a coalition of investors without the designation of a 'lead' investor.

Note also that, although the number of companies targeted by an ERAFP delegated asset manager engagement initiative was lower than the previous year, initiatives are ongoing that cover nearly 80% of ERAFP's equity portfolio holdings (all types of engagement combined).

³⁴ The results presented in the table on page 70 concern lobbying carried out in respect of the equity, corporate bond and convertible bond portfolios.

TYPE OF ENGAGEMENT	NUMBER OF COMPANIES	
Direct engagement	336	
Engagement via a collaborative initiative	130	
Engagement via a collaborative initiative with a leadership role	10%	
		DIRECT ENGAGEMENT
		COLLABORATIVE ENGAGEMENT
Environment	17%	38%
Social	15%	44%
Governance	20%	2%
ESG	49%	16%
Number of companies that have made a formal commitment to change following the shareholder engagement procedure	134	

In most cases, direct engagement with companies involves action on environmental, social and governance fronts at the same time. Where this is not the case, governance issues alone are the most common theme. Collaborative engagement initiatives, by contrast, mainly focus on one theme: primarily social and secondly environmental.

Meanwhile, the number of companies that have made a formal commitment to change or have already made changes as a result of engagement increased from the previous year (134 companies in 2020 vs. 97 in 2019). Engagement therefore seems to be a driver of change that companies are taking increasingly seriously. Overall engagement outcomes are measured over the medium term, as time is required to assess the impact of the initiatives in question.

A VOTING POLICY THAT IS CONSISTENT WITH PUBLIC SERVICE VALUES AND DEMANDING OF LISTED ISSUERS

ERAFF's policy for voting at general meetings (GMs) is updated annually, in order to draw lessons from each general meeting season and so gradually improve the policy's consistency and comprehensiveness.

While the equity asset management companies implement the policy

on its behalf, ERAFF ensures that it is correctly implemented and that the positions expressed are consistent by coordinating voting by its delegated asset managers for a number of companies.

In 2020, this sample comprised 40 major French companies and

20 major international companies, representing approximately 50% of ERAFF's equity portfolio in market capitalisation terms.

A summary of ERAFF's voting at 2020 GMs is provided in part 3 of this report (pages 123 to 126).

IMPACT INVESTING

ERAFP'S IMPACT INVESTING APPROACH

Over the past decade, the question of how an investment can impact the environment or society has become increasingly important. Impact investing aims to extend the socially responsible investment approach by looking beyond the inclusion of ESG criteria in an investment decision to question the concrete impact it can have and thereby make it a tool for change, without forgoing financial returns.

As an investor committed to developing its SRI approach in a manner consistent with its fiduciary responsibility to its active contributors, ERAFP has chosen to include part of its investments in this approach. Since identifying targets is at the very heart of the concept of impact investing, in implementing this approach ERAFP has chosen to prioritise three action areas that correspond to its profile as a long-term investor managing a pension scheme for public servants: fighting climate change, supporting economic activity and employment and facilitating access to housing for public sector employees.

Fighting climate change

Ever since it was established, ERAFP has had a particular focus on combating climate change. In 2006, its board of directors introduced an SRI Charter that applies to all of the Scheme's investments and prioritises reducing greenhouse gas emissions. ERAFP was also one of the first organisations to use carbon footprinting to measure how its investment portfolios contribute to global warming, and has also embarked on financing the energy transition, in particular through green infrastructure investments. More recently, it has joined the Net-Zero Asset Owner Alliance, thereby committing to achieve a carbon neutral investment portfolio by 2050.

Supporting business and employment

Aware of its ability as a long-term investor to support business and employment, ERAFP decided very early on to provide finance to listed SMEs and mid-caps by buying shares in small companies. Changes in its investment framework subsequently enabled it to broaden its range of instruments and finance SMEs and mid-tier companies by participating in loan securitisation funds and using private equity. SMEs

and mid-tier companies have been particularly exposed to the two major crises that have shaken the global economy over the last ten years – that of 2008 and the current one – which has reinforced ERAFP's conviction as to the role it should play with these firms.

Facilitating access to housing for public sector employees

Published in 2016, the Dorison / Chambellan Le Levier report was born of the observation that public sector employees moving to areas of high housing demand had major difficulties finding and renting suitable housing at an affordable cost. The authors of the report highlighted the role that institutional investors could play in financing so-called 'intermediary' housing (i.e., with rents positioned between social housing and free market levels) for the benefit of public sector employees. ERAFP has been aware of this issue since very early on, and committed €60 million during the first and second fundraisings of the FLI intermediate housing fund. Since then, it has broadened its scope to finance other intermediate and affordable housing projects, which are also intended to be rented out primarily to public sector employees.

MEASURING THE CLIMATE IMPACT OF THE INVESTMENT POLICY

In recent years, ERAFP has used a range of indicators to measure the impact of its investments on climate change, including carbon intensity, alignment with temperature scenarios, exposure to fossil fuels and the energy mix of the electricity generation sector. ERAFP has consistently endeavoured to monitor its performance on these indicators over time, and presents them at the global aggregate portfolio level (equities and sovereign, corporate and convertible bonds) in part 2 of this report (pages 73-78) and at the asset class level, except for the diversification portfolio, in part 3.

THE SDGS, AN IMPACT INVESTING FRAMEWORK

Launched in 2015 by the UN to follow on from the Millennium Development Goals, the 17 Sustainable Development Goals (SDGs) are designed to *'address global challenges [...], including those related to poverty, inequality, climate, environmental degradation, prosperity, peace and justice'*³⁵. With a view to extending its consideration of ESG criteria *'to the most important issues for society and the environment at the systemic level'*³⁶, at the end of 2019 ERAFP signed a charter to promote the SDGs with other French public investors. In doing so, ERAFP committed to:

- + incorporating the SDGs into its investment strategy;
- + ensuring that internal operations comply with the SDGs;
- + assessing the impact of its business on the SDGs and reporting on their implementation;
- + spreading best practices regarding the SDGs among stakeholders.

THE SDGS AT ERAFP

In November 2020, ERAFP signed a contract with ENI to supply its offices with green electricity. This contributes to SDGs 7 ('Affordable and clean energy') and 13 ('Climate action').

SDGs and investment policy

ERAFP has for a long time based its socially responsible investment policy on an ESG analysis of the issuers in which it invests. This analysis consists in assessing how issuers are positioned with respect to a set of ESG criteria defined in its SRI guidelines. According to the French financial markets authority, ESG criteria make it possible to *'assess the consideration of sustainable development and long-term issues in the strategies of economic operator'*³⁷. Assuming the link that therefore exists between these criteria and sustainable development, and given that ESG analysis is at the heart of ERAFP's investment policy, it can legitimately be asserted that this policy takes into account the SDGs. To verify this assumption, ERAFP has sought to establish to what extent the ESG criteria contained in its sovereign and corporate benchmarks correspond to the 17 SDGs. Its analysis revealed that correspondence exists between these guidelines and 16 SDGs³⁸.

A detailed analysis of this correspondence shows that it varies:

- + Between SDGs, on the one hand, because some relate more closely to SRI reference frameworks than others. This is particularly the case for the broadest SDGs (3 'Good health and well-being', 8 'Decent work and economic growth', 10 'Reduced inequalities' and 16 'Peace, justice and strong institutions'),

which automatically concern more aspects of the sovereign and corporate SRI reference frameworks than other SDGs, which are narrower in scope (4 'Quality education', 5 'Gender equality', 6 'Clean water and sanitation', 7 'Affordable and clean energy', 14 'Life below water' and 15 'Life on land').

- + Between issuers (sovereign or corporate) in relation to specific SDGs. Some SDGs have more common ground with the SRI criteria applicable to sovereign issuers than with those applicable to companies (4 'Quality education' and 9 'Industry, innovation and infrastructure'). The SDGs were designed for multiple stakeholders, which necessarily means that they are more material to some issuer types than others.

However, to fully appreciate the inclusion of the SDGs in ERAFP's SRI policy, it is not enough just to analyse the links that can be drawn between them and the best in class criteria. For example, it should be added that ERAFP's investment policy takes account of:

- + SDG 3 'Good health and well-being', via its policy of active divestment from tobacco;
- + SDG 8 'Decent work and economic growth', via its financing of SMEs and mid-caps (see page 79);
- + SDG 11 'Sustainable cities and communities', via its investments in intermediate housing (see pages 80-81);

³⁵ <https://www.un.org/sustainabledevelopment/fr/objectifs-de-developpement-durable/>

³⁶ <https://www.unpri.org/download?ac=11695>

³⁷ <https://www.amf-france.org/fr/espace-epargnants/comprendre-les-produits-financiers/finance-durable/glossaire-de-la-finance-durable>

³⁸ ERAFP did not identify any correspondence between its sovereign and corporate benchmarks and SDG 2 ('Zero hunger').

- + SDG 13 'Climate action', via its withdrawal from companies whose thermal coal-related activity exceeds 10% of their revenue or via its initiatives to promote financing of the environmental and energy transition (see page 78);
- + SDG 16 'Peace, justice and strong institutions', via firm exclusion rules, since ERAFP does not invest in the debt of states that have not abolished the death penalty, practise torture or use child soldiers;
- + SDG 17 'Partnerships for the goals', by signing the French public investors' Sustainable Development Goals charter.

ERAFP therefore takes almost all the SDGs into account – to varying degrees – in its investment policy, primarily through its sovereign and corporate benchmarks but also through firm exclusions, targeted divestment policies for certain sectors, and by channelling investment flows into activities with a concrete social or environmental impact.

SDGs and ERAFP's impact priorities

Under the French public investors' charter in support of the Sustainable Development Goals (SDGs), signatories undertake to 'ensure that they focus their action on the SDGs that are priorities in the sense of being material to their activities'. As ERAFP has been working to identify the concrete impacts it wishes to have on the environment and society for several years now, it considered it appropriate to target the SDGs that correspond to its three priority action areas, namely:

- + fighting climate change, which corresponds to 'Climate action' (SDG 13);
- + supporting business and employment, which corresponds to 'Decent work and economic growth' (SDG 8) and 'Industry, innovation and infrastructure' (SDG 9);
- + financing intermediate housing, which corresponds to 'Sustainable cities and communities' (SDG 11).

MONITORING IMPACT PRIORITIES

Fighting climate change

Ever since it was established, ERAFP has been actively involved in fighting

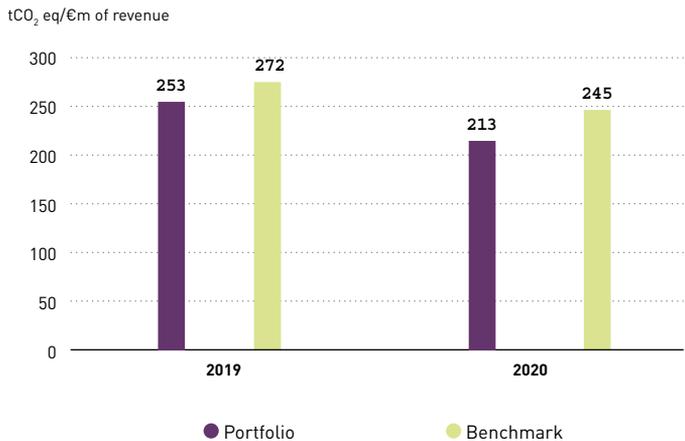
climate change. It was one of the first organisations to use carbon footprinting to measure how its investment portfolios contribute to global warming, for example,

In 2020, the carbon intensity of ERAFP's global aggregate portfolio³⁹ (see chart below) was significantly lower than that of the benchmark.

In 2019, ERAFP's global aggregate portfolio emitted only 213 tonnes of CO₂ equivalent⁴⁰ per million euros of revenue (tCO₂ eq/€m revenue), as compared with a carbon intensity⁴¹ of 245 tonnes for the benchmark index.

CARBON INTENSITY OF THE GLOBAL LISTED COMPANIES PORTFOLIO RELATIVE TO THE BENCHMARK (PER MILLION EUROS OF REVENUE, ON A WEIGHTED AVERAGE BASIS)

Source — Trucost, 30 November 2020



³⁹ The global aggregate portfolio is the sum of the equity portfolio, the corporate bond portfolio and the convertible bond portfolio.

⁴⁰ 'CO₂ equivalent' is a unit created by the IPCC to compare the impacts of different greenhouse gases on global warming and enable total emissions to be aggregated.

⁴¹ The methodology for calculating carbon intensity that ERAFP uses is detailed on pages 89 and 90.

ERAFP's global aggregate portfolio also outperformed its benchmark if the metric used is carbon intensity per million euros invested rather than per million euros of revenue: the carbon intensity of ERAFP's global aggregate portfolio comes to 158 tonnes of 'CO₂ equivalent' per million euros invested (tCO₂ eq/€m invested), compared with 177 for the benchmark index.

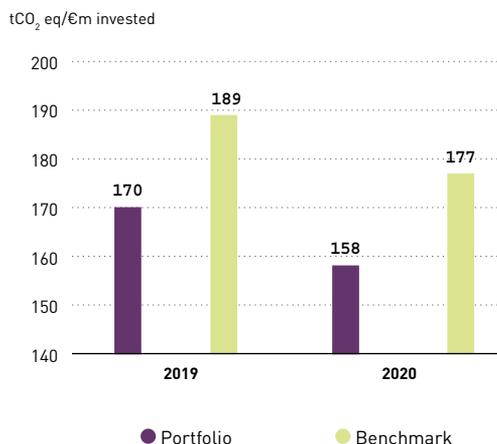
A historical analysis of carbon intensity by asset class within ERAFP's global aggregate portfolio backs up this conclusion, highlighting the marked downward trend in its greenhouse gas emissions between 2015 and 2020, regardless of the indicator used (carbon intensity per million euros of revenue or per million euros invested).

For bonds, the decrease is 35% for intensity per €m of revenue and 42% for intensity per €m invested.

For equities, the decrease is 14% for intensity per €m of revenue and 71% for intensity per €m invested.

CARBON INTENSITY OF THE GLOBAL LISTED COMPANIES PORTFOLIO RELATIVE TO THE BENCHMARK (PER MILLION EUROS INVESTED, ON A WEIGHTED AVERAGE BASIS)

Source — Trucost, 30 November 2020



CHANGE IN THE CARBON INTENSITY OF THE CORPORATE BOND, CONVERTIBLE BOND AND EQUITY PORTFOLIOS (PER MILLION EUROS OF REVENUE AND PER MILLION EUROS INVESTED, ON A WEIGHTED AVERAGE BASIS)

Source — ERAFP

	CORPORATE BOND PORTFOLIO		CONVERTIBLE BOND PORTFOLIO		EQUITY PORTFOLIO			
	tCO ₂ eq/€m of revenue	tCO ₂ eq/€m invested	tCO ₂ eq/€m of revenue	tCO ₂ eq/€m invested	tCO ₂ eq/€m of revenue	tCO ₂ eq/€m invested		
2015	379	403	2016	268	255	2015	229	403
2020	248	233	2020	232	255	2020	196	119
Change	-35%	-42%	Change	-13%	0%	Change	-14%	-71%

TEMPERATURE OF ERAFP'S GLOBAL AGGREGATE PORTFOLIO COMPARED WITH ITS BENCHMARK INDEX

Source — Trucost



Another starting point for estimating ERAFP's contribution to the energy transition is the temperature of its portfolio. The temperature of ERAFP's global aggregate portfolio, although comparable to that of its benchmark index, is significantly out of line with the Paris climate agreement target of keeping the rise in temperatures by 2050 below 2°C compared with pre-industrial levels.

However, taking a closer look by industry puts this observation into perspective. The global aggregate portfolio's result for the electricity sector is especially positive, with a temperature below 1.75°C. The temperature for this sector is thus not only in line with the target of limiting the rise in temperatures by 2050 to 2°C compared with the

pre-industrial era, but also well on track towards meeting the aim of limiting the increase by 2100 to 1.5°C.

This is all the more encouraging given that the electricity generation sector is key to the energy transition.

More detailed insight into ERAFP's results for the electricity generation sector can be obtained by looking at how the electricity generation mix in ERAFP's global aggregate portfolio compares with the mix required to achieve a 2°C scenario by 2030, as projected by the International Energy Agency (see chart on page 76).

Overall, it is in line with this scenario in almost all respects, whereas the benchmark's mix is not.

This is particularly noticeable for coal, which accounts for 5% (vs.

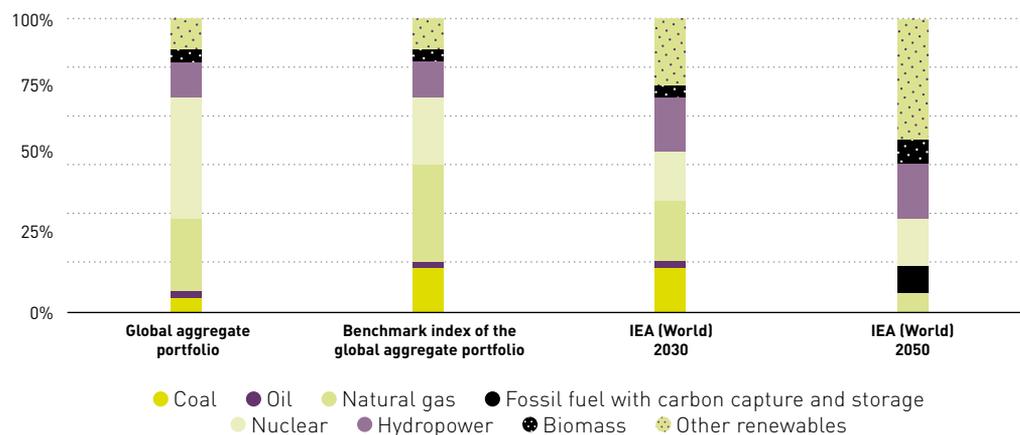
15% for the benchmark), well below the target set by the IEA's 2030 scenario (maximum share of coal in the electricity generation energy mix of 15%), and firmly on track to match the 2050 scenario – which calls for the total eradication of this energy source. A similar trend can be seen in natural gas: although gas still accounts for 26%, which is above the IEA's target of 21% for 2030, this figure is nevertheless lower than the 34% figure for the benchmark index. The share of oil (1%) is in line with the IEA's 2030 target.

At less than 1.75°C, the temperature of the electricity production sector in ERAFP's global aggregate portfolio is in line with the objective of limiting temperature rises to 2°C by 2050 compared with the pre-industrial era.

ELECTRICITY GENERATION ENERGY MIX ANALYSIS (WEIGHTED AVERAGE OF CARBON INTENSITIES)

Source — Trucost, 30 November 2020

tCO₂ eq/€m invested



Echoing the good results of the electricity generation sector, the temperature for ERAFP's global aggregate portfolio is likely to reduce in the coming years, bringing it closer to the objectives of the Paris climate agreement. As at 31 December 2020, nearly half (49%) of ERAFP's investments in this portfolio were made in companies that have either had their greenhouse gas emissions targets for alignment with a Paris climate agreement or 2°C scenario approved under the Science-Based Targets (SBT) initiative, or have pledged to do so.

Of the investments made by ERAFP in listed companies that had already had their temperature scenario alignment objective approved under the SBT (32%), 52% were in companies that had adopted a 1.5°C scenario, 21% in companies that had set an alignment objective compatible with a scenario clearly below 2°C and 26% in companies that had chosen to align their emissions with a 2°C scenario.

PROPORTION OF ERAFP'S ASSETS IN THE GLOBAL AGGREGATE PORTFOLIO COVERED BY SCIENCE-BASED TARGETS, BY TARGET TYPE (AS A %)

Source — ERAFP & SBT, 31 December 2020



SCIENCE-BASED TARGETS INITIATIVE

Launched in June 2015, the Science-Based Targets (SBT) initiative aims to encourage companies to set a science-based target for reducing their greenhouse gas (GHG) emissions (trajectory of 1.5°C or below 2°C). For a company seeking to operate within the SBT framework, in practice this means:

- + signing a letter in which it undertakes to set a science-based target for reducing its greenhouse gas emissions;
- + setting this target within 24 months of signing the letter;
- + having its target validated by the SBT body;
- + communicating publicly about its target.

There are three possible 'statuses' for companies, according to their positioning with respect to the SBT initiative:

- + companies whose target has SBT approval;
- + companies that have undertaken to set a target but have not yet done so, or whose target is awaiting approval;
- + companies that have neither had a target approved by the SBT nor undertaken to set one.

ERAFP's results in terms of its contribution to fighting climate change are therefore explained partly by the application of its SRI approach, which screens out the least environmentally sound issuers, but also by its choosing to invest directly in the energy transition or make investments that contribute to the decarbonisation of the economy across the various asset classes (see table below).

Such investments totalled nearly €3.1 billion at the end of 2020 and represented approximately 8.2% of ERAFP's total assets (up 0.7 points from 2019). A significant portion of the total relates to the low-carbon equities mandate managed by Amundi, in which ERAFP has invested nearly €2.3 billion. Meanwhile, through investments totalling €170 million in green infrastructure funds, ERAFP contributed

in 2020 to the installation of renewable energy capacity producing nearly 5,603 GWh of electricity. Of the total, 697 GWh is due to investments in listed companies and 4,906 GWh to investments in unlisted companies.

INVESTMENTS IN ENERGY TRANSITION OR CONTRIBUTING TO THE DECARBONISATION OF THE ECONOMY AT 31 DECEMBER 2020

Source — ERAFP

ASSET CLASS		AMOUNT INVESTED (market value - in €m)
EQUITIES	Climate-themed equity funds	355.4
	Low-carbon management mandate	2,275.1
BONDS	Green bonds	182.8
	Themed bond funds	50.9
REAL ESTATE	Forestry	28.8
INFRASTRUCTURE	Renewable energies and other	170.0
PRIVATE EQUITY	Waste management - Renewable energies	14.0
Total		3,077.0

ERAFP has been working since 2015 with French asset manager Amundi on a methodology geared towards significantly reducing the carbon footprint of the €2.3 billion euro-zone equity portfolio that Amundi manages under an index-tracking management mandate.

As well as best in class screening, data collected on companies' carbon intensity (CO₂ emissions per unit of revenue) is also screened: 5% of the most polluting companies worldwide and 20% of the most polluting companies in each sector are excluded from the portfolio.

The decarbonised portfolio, whose tracking error is capped at 0.5%, has a performance similar to the underlying index, but its carbon intensity is around 40% lower than that of a standard euro-zone equity index.

Supporting business and employment

In a year that was especially difficult for European SMEs and mid-caps due to the impact of the health crisis on business, ERAFP rolled out an ambitious investment policy to support the real economy. In 2020, it:

- + provided support to SMEs and mid-caps through investments totalling €1,055 million, a 23.8% increase from 2019, through the small-cap management mandates entrusted to Amiral Gestion, BFT IM – Montanaro AM and Sycomore AM;

- contributed €525.7 million⁴² (up 28.1% compared with 2019) to the financing of 239 unlisted SMEs and mid-tier companies through loan securitisation funds, in which it invests either directly or through the management mandates held by Amundi and Ostrum AM;

- + contributed €675 million (20.3% more than in 2019) to private equity investments in 365 unlisted SMEs⁴³, through direct participation in open-ended funds and via a management mandate entrusted to Access Capital Partners.

In 2020, ERAFP also decided to channel some of its investments into initiatives specifically designed to support the economic recovery. For example:

- + €97 million of its small-cap management mandate investments were eligible for certification under the 'France relance' programme, which aims to provide French companies with the funding needed to bounce back from the crisis.

- + It invested €10 million⁴⁴ in a special healthcare fund aimed at supporting France's economic recovery.

By the end of 2020, ERAFP had invested nearly €2.3 billion⁴⁵ in financing European SMEs and mid-caps, representing an increase of 27.8% compared with 2019. The other part of ERAFP's support for economic activity consists of its involvement in the funding of up-and-coming French technology companies. As highlighted by the Tibi report⁴⁶ published in 2019, start-ups in France often face growth issues in the later stages of their development because they cannot obtain the necessary funding. ERAFP is conscious of its ability as a long-term investor to support long-term projects. In response to this finding, ERAFP and other French institutional investors consequently undertook at the end of 2019 to help finance this type of business. In 2020, ERAFP duly committed €100 million of the €250 million it has earmarked for the initiative over three years, including €50 million through investments in listed equity funds and €50 million through investments in unlisted tech funds⁴⁷.

**FOCUS ON
IMPACT INVESTING**

Santé Cie is one of France's leading home medical assistance companies, specialising notably in technical medical equipment, consumables and home health services and supporting more than 150,000 patients every year. In January 2020, investment manager Ardian invested €400 million in this company through the Ardian Buyout VII fund, in which ERAFP has committed to invest €30 million.

- + Group revenue of €240 million in 2019.

- + More than 1,700 employees.

In the coming years, Santé Cie plans to invest in innovative solutions to adapt to the new challenges of connected health and telemedicine⁴⁸.

€2.3 billion
dedicated to financing European SMEs and mid-caps

⁴² At market value.

⁴³ Amount committed.

⁴⁴ Amount committed.

⁴⁵ Total amounts committed or disbursed.

⁴⁶ https://minefi.hosting.augure.com/Augure_Minefi/r/ContenuEnLigne/Download?id=40C3DA75-8DAB-4300-86D1-C7ED87BD9045&filename=1351%20-%20Rapport%20Tibi%20-%20FR.pdf

⁴⁷ These funds are intended to hold investments of more than €1 billion in unlisted companies in a late-stage growth phase.

⁴⁸ <https://www.ardian.com/fr/communiqués-de-presse/ardian-va-acquerir-une-participation-au-sein-du-groupe-sante-cie-aux-cotes>

In direct application of its SRI investment policy, ERAFP has taken a role in financing intermediate housing projects, in particular for public sector employees.

Facilitating access to housing for public sector employees

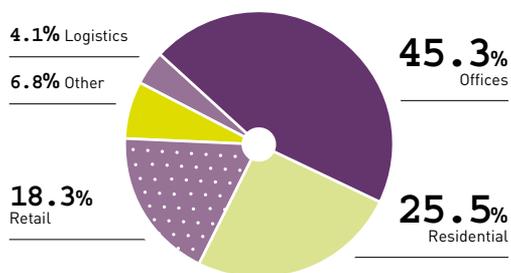
In line with the real estate strategy set by the board of directors, the aim of which is to take greater account of economic and social issues, ERAFP's investments in the French residential sector (intermediate housing, open-market housing and managed residences) accounted for 23% of its real estate portfolio in 2020.

Proportion of ERAFP's real estate portfolio invested in the residential sector:

25.5%

BREAKDOWN BY SECTOR OF THE REAL ESTATE PORTFOLIO AT 31 DECEMBER 2020 (AT AMORTISED COST)

Source - ERAFP



At the end of 2020, ERAFP had invested more than €820 million in the French residential real estate sector. ERAFP's commitments in this sector amounted to €1.3 billion, representing around 4,860 identified homes (i.e. acquired or in the process of being acquired), of which around 1,725 were intermediate housing units, 1,962 were on the open market and 1,172 were units in managed residences.

In direct application of its SRI investment policy, ERAFP has taken a role in financing intermediate housing projects, in particular for public sector employees. Intermediate housing is designed to facilitate access to housing in high-pressure areas⁴⁹, where rents are high in relation to disposable incomes, by offering homes for rent at levels between the rates for social housing and the open market (10-15% below market prices). It thus represents a mid-way solution between private and social housing for people with incomes higher than the social housing threshold.

At the end of 2020, ERAFP had committed more than €400 million to intermediate housing, of which at least 86% had already been allocated, and had 2,115 intermediate sector homes potentially available for reservation. It had also funded around 600 'affordable' homes⁵⁰ that are potentially eligible for the public sector employee housing subsidy scheme. A total of 736 homes are or have been available for reservation.

This total committed amount represents a number of separate investments made by ERAFP since 2014, as follows:

- + In 2014, ERAFP invested €60 million in an initial trial conducted through the FLI intermediate housing fund.
- + In February 2018, ERAFP activated a residential real estate mandate awarded to Ampère Gestion, the objective of which is to invest in residential assets in France, particularly in intermediate housing (market value of €535.7 million at the end of 2020).
- + In early 2019, ERAFP invested €40 million in the FLI II fund managed by Ampère Gestion and CDC Habitat.

+ At the end of 2020, ERAFP invested €77 million in the Hestia project set up to acquire a portfolio of intermediate housing category residential properties from a French insurer, in partnership with other institutional investors.

When making these investments in intermediate housing, ERAFP has insisted on obtaining a priority information right with a one-month exclusivity period in favour of public sector employees priced out of the housing market in and around Paris, on the Côte d'Azur or in the Gex region. In addition to channelling some of its investments into intermediate housing financing, ERAFP has also chosen to invest in so-called affordable housing, which is also earmarked for reservation by public sector employees. At the end of 2018, alongside other institutional investors, ERAFP invested a total of €262 million in the acquisition of a housing portfolio held by Foncière Vesta and previously owned by ICF Habitat Novedis, a subsidiary of the SNCF group.

In 2018, CDC Habitat dedicated a specific area on its housing ads website to ERAFP's investments: <https://www.cdc-habitat.fr/fonctionpublique>. Public sector employees can use the site to create their own account, view 'partner' offers and apply for accommodation.

Account holders who have asked for updates on housing available in a given area receive related information seven months before the reserved housing units are delivered. Then, no later than three and a half months ahead of delivery, they can access the ads for the platform's reserved housing units. This exclusive access runs for a one-month period.

They also have exclusive seven-day access to advertisements for newly vacated reserved housing units.

⁴⁹ The areas eligible for the intermediate housing scheme are those where prices are highest, namely Paris, its neighbouring municipalities and outer suburbs, the Côte d'Azur and the Swiss border, Lyon, Marseille, Lille and Montpellier as well as other regional cities.

⁵⁰ Regulated affordable housing (Logement Abordable Contractualisé – LAC): open-market, non-intermediate rented housing with rent set below market levels to meet public housing policy requirements (source: CDC Habitat).

CLIMATE APPROACH BASED ON TCFD THEMES

As well as presenting its ESG approach, in 2019 ERAFP decided to implement the recommendations of the G20 Task Force on Climate-related Financial Disclosures (TCFD) on the presentation by investors of their climate approach.

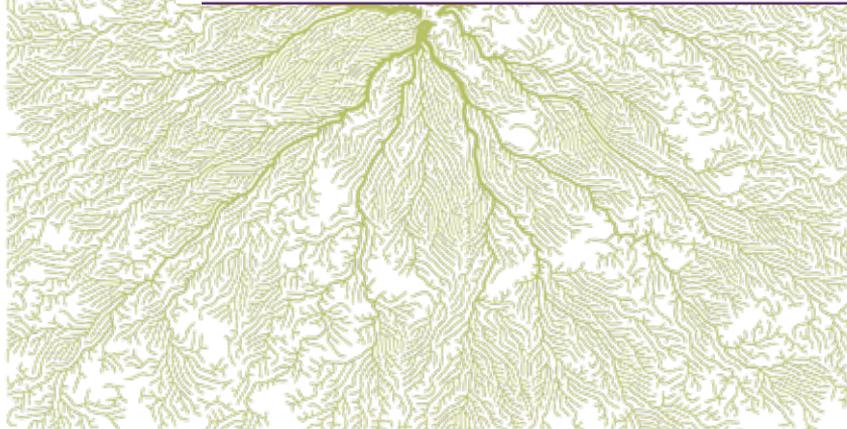
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This sub-section is accordingly arranged as follows based on the four main themes of the TCFD's recommendations:

- ⊕ a description of the governance around climate-related risks and opportunities;
- ⊕ a description of climate-related risks and opportunities;
- ⊕ a description of the processes used to identify, assess and manage climate-related risks;
- ⊕ a description of the metrics and targets used to assess and manage these risks.

.....

In 2020, ERAFP joined the Net-Zero Asset Owner Alliance (AOA) to commit to achieving net-zero greenhouse gas emissions by 2050. This sub-section accordingly focuses specifically on ERAFP's participation in the Alliance's work and the related implications for its climate approach (see page 86).



ERAFP'S IMPLEMENTATION OF THE TCFD'S RECOMMENDATIONS

The TCFD's recommendations cover four main areas:

- + Governance
- + Strategy
- + Risk management
- + Metrics and targets

GOVERNANCE

The TCFD's recommendations highlight the need for good governance structures to ensure effective oversight of climate-related risks and opportunities.

Board of directors (based on the CSPP's work)

The board of directors:

- + sets the general orientation of the SRI policy, including the Climate strategy (e.g. thermal coal exclusion policy);
- + and ensures that it is effectively applied.

To enable it to be truly responsive, the board is kept permanently and fully informed on climate issues via its investment policy monitoring committee (CSPP). Each year, the

SRI team reports to the board on the results of the analysis of climate change risks and opportunities in ERAFP's portfolio at a meeting of the committee. The agenda for each committee meeting also includes an update on the monitoring of collaborative initiatives, so that the board is kept informed of key developments in ERAFP's shareholder engagement actions in respect of the climate.

Lastly, each year Management organises a training day or conference for directors on energy transition issues in order to enhance their knowledge in this area and promote dialogue and discussion.

ERAFP'S management

ERAFP's management plays a number of roles:

- + it drafts proposed changes to the climate policy for submission to the board of directors;
- + it ensures that its investment managers fully understand and apply ERAFP's climate approach and voting policy on climate-related shareholder motions;
- + it ensures that the contracts signed with external climate service providers are properly performed;

- + it dialogues with companies on climate issues and participates in a number of joint climate initiatives;
- + it reports to the board of directors and the CSPP on implementation of the climate approach, and assists directors with the preparation of their work.

Climate service providers

In keeping with its commitment to the energy and ecological transition and its aim of complying both with regulatory requirements and with the TCFD recommendations, ERAFP awarded contracts in November 2019 to two consulting firms, S&P Trucost Limited and Carbone 4. Under these three-year contracts, the two service providers will help ERAFP to assess the exposure of its asset portfolio to climate change issues and support it in implementing its climate strategy.

DATA PROVIDER	ASSET CLASS	INDICATORS
TRUCOST	Sovereign	Carbon intensity, alignment of the energy mix with a 2°C scenario
	Equities	Carbon intensity, Alignment with temperature scenarios, Green share, Brown share, Transition risk and Physical risk
	Bonds	
	Convertible bonds	
CARBONE 4	Real estate	Absolute emissions, Carbon footprint, Carbon intensity, Surface intensity, Alignment with temperature scenarios, Green share, Emissions avoided, Physical risk
	Infrastructure	Absolute emissions, Carbon footprint, Carbon intensity, Alignment with temperature scenarios, Green share, Emissions avoided, Brown share, Physical risk
	Private equity	Absolute emissions, Carbon footprint, Carbon intensity, Green share, Physical risk

Management companies

Asset management companies with a mandate from ERAFP must:

- + apply ERAFP's best in class SRI approach, in which climate issues play an important role;
- + describe the process and results of the dialogue conducted with companies and other entities in the portfolio on climate-related risks and opportunities;
- + provide details of votes on climate change resolutions;
- + supply as a minimum the carbon intensity, carbon footprint or absolute emissions of the portfolio on an annual basis;
- + set out the methodology used to calculate the above indicators as well as the reasoning behind it, in particular the underlying assumptions and their limits.

STRATEGY

The TCFD and Article 173-VI are aligned in this area, calling on companies to describe the risks to which they are exposed, how these risks impact their strategy and how they change their strategy accordingly (and notably how consistent the investment policy is with climate change mitigation objectives).

ERAFP's strategy is based on a twofold analysis of climate-related risks and opportunities and serves a concrete target for the decarbonisation of its investment portfolios:

- + preliminary analysis, involving best in class screening prior to making an investment;
- + post-investment analysis, which involves using climate analysis tools to identify the issuers presenting the greatest climate-related risks or opportunities and thus to prioritise shareholder

engagement actions to be taken by ERAFP or its asset managers.

- + concrete portfolio decarbonisation target: in joining the Net-Zero Asset Owner Alliance in March 2021, ERAFP committed to meeting the target of net-zero greenhouse gas emissions by 2050. It will set out the measures planned for achieving this target by the end of the first half of 2021.

Preliminary analysis

The consequences of climate change are probably one of the risk factors most likely to have a long-term impact on the value of ERAFP's assets. That is why, in breaking down the SRI Charter into more detailed issuer evaluation rules, ERAFP has integrated criteria designed to better determine the level of these issuers' exposure to the various facets of climate risk and enhanced them over the years.

In particular, under the 'environment' value of ERAFP's SRI Charter, the 'Control of the risks associated with climate change and contribution to the energy transition' criterion makes it possible to assess the commitments that issuers have made, the measures that they have adopted and the tangible results that they have achieved as regards containing and reducing the greenhouse gas emissions associated with their activity. The listed and unlisted companies, countries and other issuers that score most highly on this criterion will probably be the best placed to cope with the adjustments needed as a result of climate change measures, such as more stringent regulations, the introduction of a carbon price, client and investor expectations and increased vigilance by civil society. This criterion also makes it possible to assess the efforts made by issuers to anticipate and adapt to the effects and consequences of climate change. Lastly, this criterion also makes it possible to assess the value of companies in sectors with significant energy transition issues that have laid down a strategy in

line with the objectives of the Paris climate agreement, and to exclude companies deriving more than 10% of their revenue from thermal coal.

In order to estimate the degree of control that issuers have over the physical risks associated with climate change (increasing scarcity of natural resources, especially water, increased occurrence of extreme weather events, impacts on biodiversity, etc.) ERAFP also uses a 'Control of environmental impacts' criterion, making it possible to assess the commitments made by issuers regarding the protection of water, the preservation of biodiversity and the prevention of pollution risks.

Conversely, ERAFP's SRI environment value criterion relating to the 'Product or service's environmental impact' makes it possible to promote companies that offer innovative solutions to sustainable development challenges, particularly in the area of the energy and environmental transition.

Monitoring an asset portfolio's consolidated average scores for these criteria can be a way of estimating

that portfolio's exposure to climate change-associated risks. Such an indicator is difficult to interpret, however, and does not provide a detailed picture of the real impact of ERAFP's assets on the environment.

Post-investment analysis

Complementing the *ex ante* view of the investment policy provided by the best in class approach and especially the SRI ratings, climate analysis tools provide an *ex post* view of the allocation choices made.

The search for a better understanding of a portfolio's degree of exposure to the transition risks associated with climate change has led ERAFP to acquire specific monitoring tools. In 2013, ERAFP was thus one of the first investors to quantify the greenhouse gas emissions caused by its investments, initially for listed equities, and to compare them with a standard market benchmark. Since then, ERAFP has taken a continuous improvement approach to its assessment of climate-related risks and opportunities, expanding the number of asset classes and indicators covered over the years.

ERAFP presents the climate analysis of its private equity and infrastructure portfolio for the first time in this report⁵¹.

⁵¹ See pages 131-134.

Alongside the strategy set out above, which applies to 93%⁵² of its investments, ERAFP also seeks to make a positive contribution to the energy transition through its themed investments in areas such as renewable energy, forestry and green bonds, as well as in climate-friendly themed equity funds and in its low carbon investment mandate⁵³.

Participation in the Net-Zero Asset Owner Alliance

Since its inception, ERAFP has made it a point of honour to ensure that its investment activities are consistent with its commitment to a carbon-free economy. By joining the Net-Zero Asset Owner Alliance in 2020, an initiative under the aegis of the United Nations, ERAFP formalised its commitment to decarbonising its portfolio with a view to making it carbon neutral by 2050, thereby helping to avoid a global temperature increase above the 1.5°C target by 2100, in accordance with the Paris climate agreement.

In joining the Net-Zero Asset Owner Alliance, ERAFP committed to making its portfolio carbon neutral by 2050.

To move progressively towards carbon neutrality, Alliance members are required to set intermediate targets, initially for 2025 and then for 2030 and 2040. In October 2020, under the 2025 Target Setting Protocol⁵⁴ developed jointly with the other Alliance members, ERAFP committed to reducing its greenhouse gas emissions by 16-29% by 2025 compared with 2019. The targets must cover three of the following four categories: setting GHG emission reduction trajectories by asset class and/or sector, shareholder engagement and financing the energy transition.

In order to draw up its own roadmap, ERAFP has set up an internal steering committee composed of the CEO, the deputy CEO in charge of technical and financial management, the heads of various asset classes and the head of SRI.

The publication of ERAFP's roadmap is scheduled for the end of the first half of 2021.

CLIMATE RISK MANAGEMENT

The TCFD insists on a description of the processes in place to target and manage climate-related risks.

Operational implementation risk

+ In order to prevent misinterpretation of its climate strategy by asset managers, ERAFP's strategic management includes monitoring the actions taken by asset management companies to factor in climate-related risks. This monitoring is carried out through the following controls:

- Controls before launching a mandate: ERAFP only selects asset management companies that are able to apply its SRI guidelines and whose offer demonstrates a perfect understanding of this framework;
- During the course of the mandate, ERAFP checks that its SRI guidelines are properly applied by its asset managers, questions managers on how they manage, control and mitigate climate-related risks and encourages them to engage in dialogue with companies in the portfolio in order to promote greater transparency and increased availability of climate-related data.

+ ERAFP mitigates the risk of an inadequate assessment of an issuer's climate profile by a wide range of data sources:

- the non-financial rating agency, Vigeo, via its half-yearly and monthly reports and its continuous alert-based monitoring system;

⁵² This figure corresponds to the percentage of investments subject to both ERAFP's SRI policy and the climate analysis performed by the climate service providers.

⁵³ For a detailed presentation of these investments, see p. 78.

⁵⁴ <https://www.unepfi.org/wordpress/wp-content/uploads/2021/01/Alliance-Target-Setting-Protocol-2021.pdf>

- climate service providers S&P Trucost Limited and Carbone 4, via their analyses of climate change-related risks and opportunities;
- analyses by our asset management companies, via their reporting and discussions at management committee meetings;
- collaborative climate initiatives in which ERAFP participates.

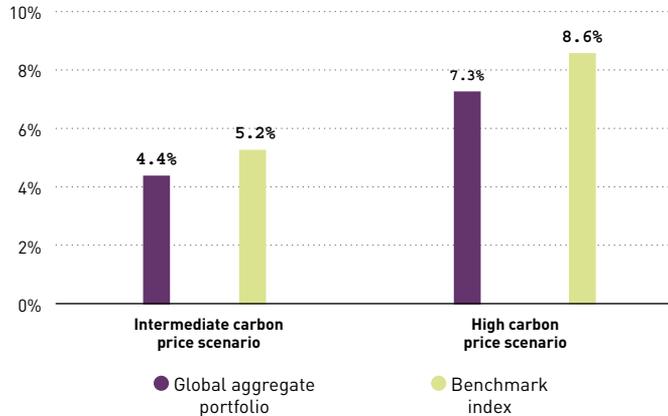
Transition risks

Transition risks include political and legal risks, technology risks, market risks and reputational risks.

Carbon pricing mechanisms now seem indispensable to reducing greenhouse gas emissions. Currently, 44 countries and 31 provinces or cities – representing 60% of global GDP – have an explicit carbon price⁵⁵. It is highly likely that other schemes will emerge in order to ensure achievement of the nationally determined contributions (NDCs) of the countries that have ratified the 2015 Paris climate agreement. Higher carbon prices are highly likely to have direct financial consequences for companies whose core business produces GHG emissions. Companies will also face indirect financial risks as higher carbon prices are passed on to their suppliers, who will seek to cover some or all of the cost by increasing their own prices in turn. Factors have thus been developed to estimate the proportion of additional costs that will be passed on from suppliers to companies.

SHARE OF EBITDA AT WEIGHTED RISK IN 2030 (%)

Source – Trucost, 30 November 2020



In this environment, companies with higher earnings power will have a better chance of absorbing future cost rises due to carbon pricing or price hikes. EBITDA at risk⁵⁶ is a good indicator of a company’s potential vulnerability. The bar chart above summarises the exposure of the global aggregate portfolio to an increase in carbon prices under two price scenarios (intermediate and high carbon prices) based on the IPCC’s representative concentration pathways (RCP 2.6 and 4.5)⁵⁷.

Total exposure reflects a portfolio-wide weighting of the EBITDA at risk of the companies that make up the portfolio.

4.4% of the weighted profits of the global aggregate portfolio would be ‘at risk’ if carbon prices increased in line with the intermediate carbon price scenario, compared with 5.2% for the benchmark index. Under the high carbon price scenario, 7.3% of weighted profits would be at risk for the portfolio, compared with 8.6% for the benchmark.

55_ ‘Les comptes mondiaux du carbone en 2020’, Sébastien Postic and Marion Fetet, I4CE, Paris, May 2020.

56_ EBITDA at risk = (Future carbon costs)/EBITDA.

57_ Details of the IPCC representative concentration pathway (RCP) scenarios are presented on page 88.

The analysis shows that by 2030:

+ If carbon prices increase in line with the 'intermediate carbon price' scenario,

- the EBITDA margin will fall by 0.8% for the global aggregate portfolio relative to current levels, compared with a 0.9% fall for the benchmark index;

- such an increase will lead to a 5.6% reduction in the average value of portfolio companies, measured by the ratio of enterprise value to EBITDA, compared with 6.8% for the benchmark index.

+ If carbon prices increase in line with the 'high carbon price' scenario,

- the EBITDA margin will fall by 1.2% for the global aggregate portfolio relative to current levels, compared with a 1.5% fall for the benchmark index;

- such an increase will lead to a 14.8% reduction in the average value of portfolio companies, measured by the ratio of enterprise value to EBITDA, compared with 12.4% for the benchmark index.

> LOW SCENARIO (RCP 2.6)

This scenario assumes that policies are implemented that are considered sufficient to reduce greenhouse gas emissions in accordance with the Paris climate agreement target of limiting climate change to 2°C by 2100. This scenario is based on OECD and IEA research.

> INTERMEDIATE SCENARIO (RCP 4.5)

This scenario assumes that policies will be implemented to reduce greenhouse gas emissions and limit climate change to 2°C in the long term, but with delays in taking measures in the short term. In relation to transition risks, the intermediate carbon price scenario is also based on OECD and IEA research as well as on the viability assessments of nationally determined country contributions carried out by Ecofys, Climate Analytics and New Climate Team. It is assumed that countries whose national contributions are not in line with the 2°C target in the short term will increase their climate change mitigation efforts in the medium to long term.

> HIGH SCENARIO (RCP 8.5)

This scenario reflects the full implementation of nationally determined country contributions under the Paris climate agreement, based on OECD and IEA research.

The scenarios have different implications for physical and transition risks. For transition risks, a high carbon price implies that policies are implemented that are considered sufficient to reduce greenhouse gas emissions in accordance with the Paris climate agreement objective of limiting climate change to 2°C by 2100 (low scenario, RCP 2.6). For the analysis of physical risks, a high-risk scenario is based on the high scenario (RCP 8.5) described above.

Physical risk

The physical risks precipitated by climate change will have an enormous impact on financial markets. Severe disruptions could materialise globally due to commodity shortages, price fluctuations, or damage and loss of infrastructure.

Physical risks are a combination of localised risks (relating to sites) and risks relating to the value chain of affected businesses. S&P Trucost Limited has developed a methodology based on data from more than 500,000 assets linked to more than

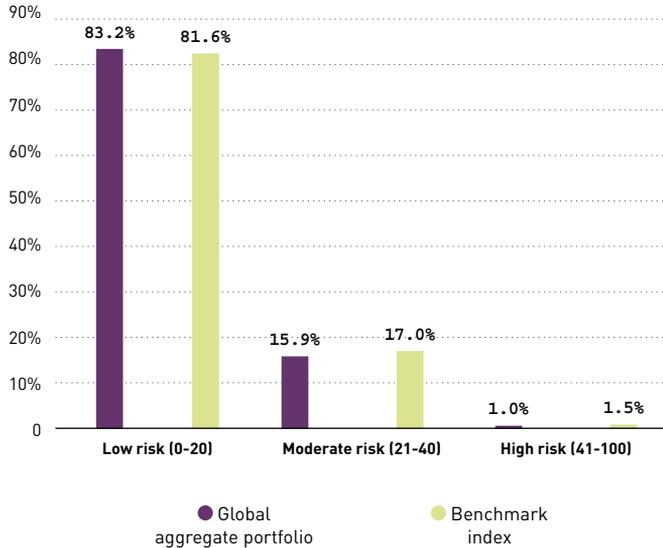
15,000 companies. These assets are assessed based on their exposure and vulnerability to seven physical risks (water stress, fires, floods, heat waves, cold waves, hurricanes and rising water levels). Evaluations are performed on the basis of three climate scenarios (low, moderate and high levels of global warming), that are in turn based on the IPCC's representative concentration pathways (RCPs 2.6, 4.5 and 8.5). Companies are rated from 1 to 100 for each of the seven risks in all three scenarios. The lowest rating is 1, while a rating of 100 indicates

the highest possible exposure and vulnerability to a given risk. The average of the seven scores is then calculated to obtain a composite physical risk score at company level. The results presented below concern the case of a high global warming scenario in the period to 2050.

ERAFF's global aggregate portfolio scores 11.9, indicating a low risk.

EXPOSURE TO PHYSICAL RISKS (% OF ASSETS)

Source — Trucost, 30 November 2020



+ The risk score is less than or equal to 20 (low risk) for **83.2%** of the value of the global aggregate portfolio. This is higher than the low-risk proportion of the benchmark (81.6%).

+ The risk score is less than or equal to 40 (high risk) for **1.0%** of the value of the global aggregate portfolio. This is lower than the high-risk proportion of the benchmark (1.5%).

INDICATORS

Driven by its conviction that what is not measured cannot be managed, ERAFP was one of the first investors to calculate and publish its carbon footprint, in its 2013 public report.

Carbon intensity

Since 2015, ERAFP has used the method that measures the investor's carbon risk on the basis of carbon intensity.

MEASUREMENT OF THE INVESTOR'S CARBON RISK EXPOSURE

CALCULATION OF CARBON INTENSITY AS A WEIGHTED AVERAGE

At issuer level: factoring in of carbon intensity, in terms of CO₂ emissions per unit of either revenue (companies) or GDP (countries).

Portfolio level aggregation: average carbon intensity of issuers weighted for their respective proportions of the portfolio.

Normalisation (unit): CO₂ emissions per unit of revenue (weighted average) or GDP

ERAFP's approach consists in considering that a portfolio's exposure to climate risk is reflected by the average carbon intensity of its constituent companies or countries, weighted by their respective weights in the portfolio. This metric, while providing no information on indirect CO₂ emissions or those attributable to ERAFP's investments, circumvents the biases linked to measuring investor responsibility⁵⁸ and can be applied to all asset classes. In addition, the fact that it takes account of a company's revenue means it can be used to assess operational efficiency as well as the exposure of the portfolio to the most carbon-intensive companies. ERAFP has carried out an historical analysis of this indicator to find out whether the trend in the portfolios is towards rising or falling GHG emissions⁵⁹.

ERAFP uses a double result grid for the scopes of emissions taken into account in the carbon intensity calculation:

- + analysis of scope 1 emissions and direct suppliers⁶⁰;
- + analysis of emissions for all scopes.

At the single company level, ERAFP's benchmark index covers scope 1 emissions and direct suppliers. Scope 3 emissions data are flawed on account of the lack of a comprehensive measurement and reporting standard, as well as the fact that relatively few companies publish data for these emissions. Taking scope 3 into account remains interesting on a complementary basis, particularly for certain key sectors in which the majority of GHG emissions are scope 3, as this makes it possible to report emissions spanning a company's whole value chain.

At portfolio level, it makes even more sense to use a metric restricted to scope 1 emissions and direct suppliers, as taking scope 3 into account would lead to emissions being double or triple counted. The intensity results by portfolio for all scopes are nonetheless presented by way of information.

Lastly, although this metric is highly suited to ERAFP's best in class approach in that it identifies the best-performing issuers in a sector in terms of carbon efficiency, it has certain limitations, such as a lack of visibility on the contribution to the energy transition (the green share) and a lack of more qualitative and forward-looking dimensions (alignment with temperature scenarios).

In accordance with the TCFD's recommendations, ERAFP has decided to use the weighted average carbon intensity method. Moreover, in line with its continuous improvement approach, ERAFP enhanced this measure in 2019 by including an analysis of indirect emissions (scope 3).

⁵⁸ The fact that the share of a company's CO₂ emissions attributable to an investor changes according to the market capitalisation, the level of debt or the company's financial structure more generally, independently of the emissions themselves, is one of the main biases.

⁵⁹ The historical analysis covers the period 2015-2020 for the equity and corporate bond portfolios and 2016-2020 for convertible bonds, which were not covered by the climate analysis in 2015.

⁶⁰ Scope 1 corresponds to direct emissions resulting from the combustion of fossil fuels, such as gas, oil, coal, etc. Scope 2 relates to indirect emissions linked to the consumption of the electricity, heat or steam required to manufacture the product. Scope 3 concerns other indirect emissions, such as the extraction of materials purchased by the company to manufacture a product or the transport-related emissions of employees and of customers who buy the product. This is a company's biggest source of emissions.

Alignment with temperature scenarios

The degree to which portfolios and benchmarks are aligned with the objective of limiting global warming relative to pre-industrial levels was assessed by examining the consistency of the carbon trajectories of the companies that make them up with the trajectories assumed by a variety of warming scenarios.

Methodology for calculating sector trajectories

The Paris climate agreement target implies that annual global net CO₂ emissions will have to be reduced to zero by 2050, with this effort being split between different industries according to specific sectoral 'trajectories'.

In accordance with the recommendations of the Science-Based Targets initiative (SBTi), the trajectories used in this report will follow the Sectoral Decarbonisation Approach (SDA) for sectors with homogeneous production and the Greenhouse Gas Emissions per Unit of Value Added Approach (GEVA) for the other sectors of the portfolio.

PORTFOLIO

SECTORS

Sectors with homogeneous, carbon-intensive production for which a specific decarbonisation trajectory exists.

Electricity generation, Cement, Steel, Aluminium, Air transport

Sectors with various types of production for which no distinct decarbonisation trajectory exists.

Other sectors

METHOD

SDA

The SDA method is based on application of the 1.5°C and 2°C scenarios of the International Energy Agency (IEA). It posits, for certain business sectors, 1.5°C and 2°C 'trajectories' between 2010 and 2050, including targets for absolute carbon intensity levels by 2050 (tCO₂/unit of activity), as well as annual rates of reduction of that carbon intensity.

GEVA

The GEVA method assumes that all the different sectors of the economy must reduce their emissions at the same pace.

Unlike the SDA method, the unit-of-value-added approach is based on an economy-wide scenario and emissions intensity is measured against a financial rather than a physical baseline. Each company's transition trajectories are then measured in terms of carbon per unit of added value, adjusted for inflation. These results are then compared with the global decarbonisation trajectories that would satisfy a given global warming scenario.

SCENARIOS

IEA scenarios taken from Energy Technology Perspectives (ETP) 2017, providing SDA assessment parameters compliant with 1.75, 2 and 2.7°C global warming scenarios.

Representative concentration pathway (RCP) scenarios used in the IPCC's AR5 report, providing GEVA evaluation parameters compatible with global warming scenarios of 2, 3, 4 and 5°C (RCPs 2.6, 4.5, 6 and 8.5)⁶¹. For the 1.5°C scenario, an intensity reduction rate of 7% per year is used. This is the rate recommended by the SBTi.

61_ The representative concentration pathway scenarios (RCPs 2.6, 4.5 and 8.5) are detailed on page 88.

Methodology for calculating issuer trajectories

Trajectories for issuers are calculated using both historical and forward-looking data. The historical data concerns greenhouse gas emissions and the company's activities and has been compiled since 2012. The forward-looking data depends on the sources available, which are listed below in order of use:

1. Emissions reduction targets reported by the companies.
2. Failing that, data by asset for certain sectors.

3. Failing that, historical emissions trends for companies with the same commercial activities.

4. Failing that, historical average emissions trends within a sub-industry.

5. Failing that, emissions intensity is assumed to be constant.

The assessments are based on scope 1 and scope 2 GHG emissions.

For the purposes of this report, ERAFP uses carbon budget ratios to assess the alignment of an issuer or portfolio with these science-based trajectories.

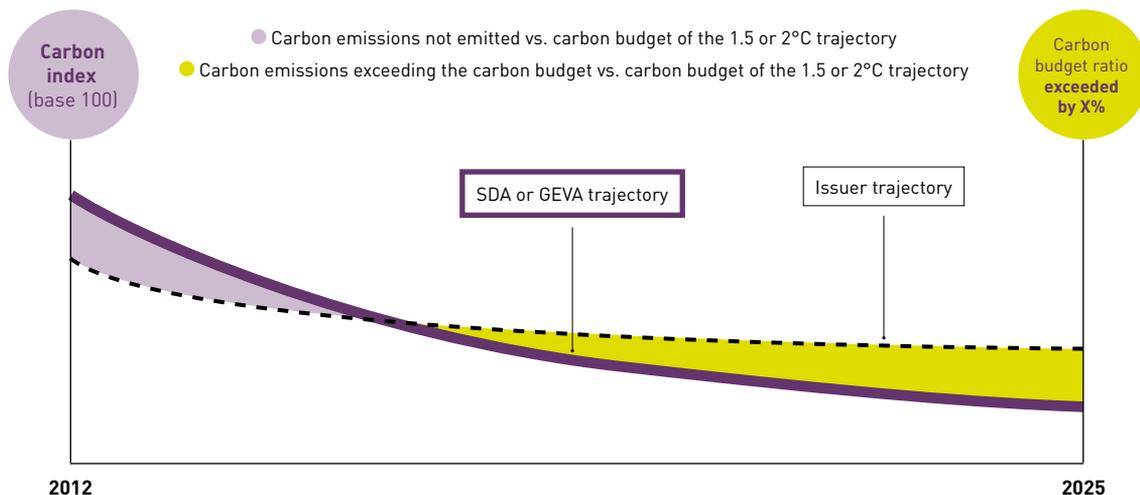
Carbon budget ratio

The carbon budget ratio assesses whether issuers' aggregate past and future emissions are in line with the greenhouse gas emissions trajectories required not to exceed 1.5 or 2°C of global warming. This makes it possible to determine whether, over the period 2012 to 2025, issuers will have emitted more or less than in a 1.5 or 2°C scenario.

In the graph below, this is represented by the difference between the green area and the violet area in relation to the total carbon budget for the period.

BASIC PRINCIPLE FOR CALCULATING THE CARBON BUDGET RATIO

Source — ERAFP



An issuer's excess, or carbon budget surplus, is expressed as a temperature to enable the issuer's performance to be compared to the 1.5°C or 2°C targets.

Advantages and limitations of carbon budget ratios

Advantages:

- + The benchmark does not reflect companies' average performance but the performance expected for 1.5 or 2°C trajectory compatibility.
- + The carbon budget ratio shows the remaining or exceeded carbon budget for each sector under review compared to a budget aligned with a 1.5 or 2°C scenario. It is based on an aggregate of issuers' past and future emissions. The indicator can thus be considered conservative insofar as a large proportion of issuers have not yet taken action to meet the 1.5 or 2°C targets.

Limitations:

- + The method takes into account companies' published targets for carbon performance, but lacks a system for assessing their ability to keep to their commitments.
- + The methodology is constantly evolving and needs to be further improved over time.

Analysing the alignment of portfolios with the climate objectives of the Paris climate agreement is a new and complex exercise on which more methodological work needs to be performed. ERAFP is a member of the Net-Zero Asset Owner Alliance's Methodology and Reporting working group, in which it is working with fellow members to develop a rigorous analysis methodology.

Green share

Focus on electricity generation

As explained above, ERAFP wishes to wait until the European green taxonomy is finalised before embarking on the development of an overall analytical methodology regarding climate-related opportunities for its portfolios. However, given the crucial role that the electricity generation sector must play in the coming years to achieve the Paris climate agreement targets, ERAFP has decided to assess:

- + the output in GWh produced by the sector from fossil fuels, renewables or other energy sources (i.e. nuclear);
- + the alignment of the energy mix of the portfolios with political global warming targets.

Brown share

Focus on exposure to fossil fuels

To limit global warming, the energy sector must make drastic changes, as only a third of the world's fossil fuel reserves and resources can be burned⁶² (70% of the world's fossil fuel resources must remain unused before 2050, i.e.: a third of oil resources, 50% of gas resources and more than 80% of coal resources⁶³). Industry experts refer to assets that may be unexpectedly or prematurely impaired, devalued or transformed into liabilities as 'stranded assets'.

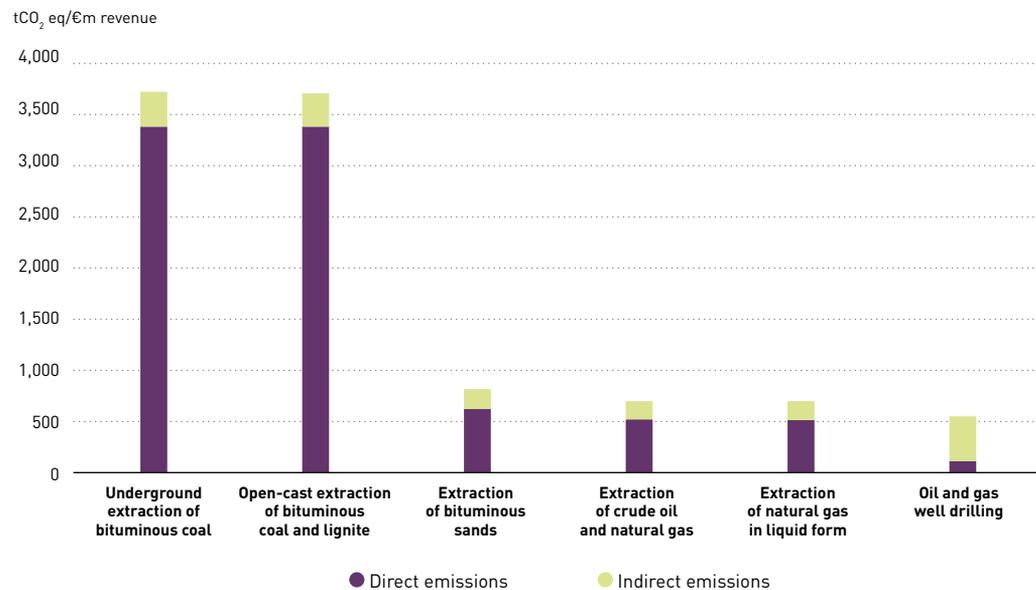
The exposure of ERAFP's portfolio and benchmark indices to these assets can be analysed through their exposure to extractive companies and their reserves. Extraction activities include the following industries: open-cast extraction of bituminous coal and lignite, underground extraction of bituminous coal, extraction of crude oil and natural gas, extraction of natural gas in liquid form, oil and gas well drilling, extraction of bituminous sands and oil and gas support activities.

62_ International Energy Agency.

63_ 'The geographical distribution of fossil fuels unused when limiting global warming to 2°C' by Christophe McGlade & Paul Ekins, 2015.

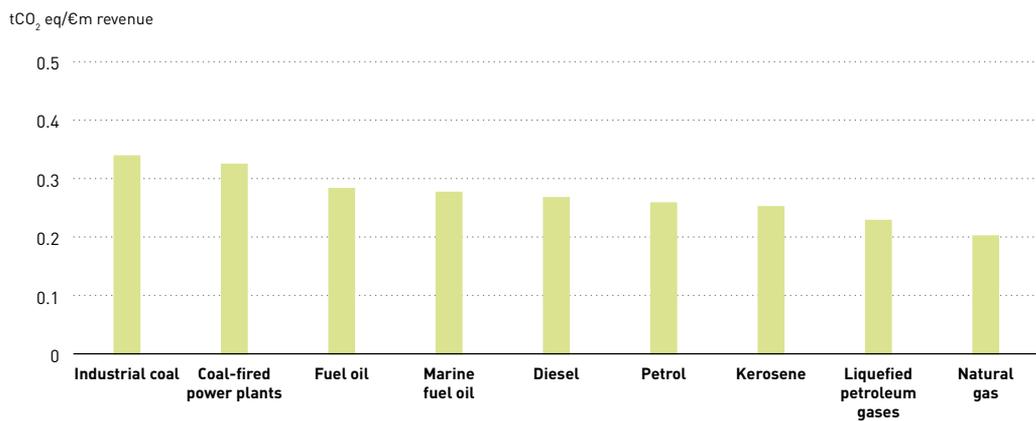
CARBON INTENSITY OF THE VARIOUS EXTRACTIVE INDUSTRIES

Source — Trucost



EMISSIONS INCLUDING THE COMBUSTION OF FOSSIL FUELS

Source — Defra



The climate impact of these different types of extraction varies. In terms of tCO₂/€ million of revenue (excluding use), coal extraction emerges as the most polluting industry.

If we include the use phase for these extractive industries, expressed in tCO₂/kWh, the differences between the various types of energy diminish but coal remains the highest emitter of CO₂.

While fossil fuels are still used throughout the economy today, some seem more easily substitutable than others in terms of use. In the electricity generation sector, for example, replacing fossil fuels and especially coal – which still represented nearly 40% of energy consumption in 2018⁶⁴ – with non-fossil-based energy represents the first major challenge of the energy transition.

With this in mind, in 2019 ERAFP updated its best in class policy by requiring companies in sectors with a high energy transition impact to adopt strategies consistent with the objectives of the Paris climate agreement – and by selling its interests in those without such a strategy and whose thermal coal-related activities account for more than 10% of their revenue.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

ERAFP has put in place an internal control and risk management system alongside the Scheme's technical and financial management tools, notably to ensure permanent risk monitoring and compliance with the rules and procedures in force. In view of ERAFP's activities, a significant part of the internal control and risk management system is dedicated, aside from the control of operational risks, to investments and the associated financial risks, as well as to technical risks. Its ability to fulfil its missions is thus assessed regularly and appropriately in view of its organisation and that of delegated asset managers and representatives.

An overview of the 2020 internal control report appears in the appendix to this document. Applicable regulations provide that the board of directors deliberate each year on a detailed control report, which reviews the ongoing assessment of all risks over the past financial year⁶⁵.

64_ <https://www.iea.org/reports/coal-2018>

65_ Article 22 of Decree no. 2004-569 of 18 June 2004 on the French Public Service Additional Pension Scheme.

PART 03



**FINANCIAL AND NON-FINANCIAL ANALYSIS
OF ERAFP'S PORTFOLIOS**

For ERAFP, a 100%-SRI investor since its creation, socially responsible investment is a cross-cutting framework that concerns its whole investment policy. The SRI approach is assessed through a detailed analysis of the portfolio.

Asset class by asset class, mirroring the composition of the overall portfolio, ERAFP measures issuers' consolidated ESG rating results and analyses changes therein over the year. It is worth noting that ERAFP's best in class approach is selective in terms of issuers, as almost one third of the companies in the benchmark indices are excluded from the Scheme's investment universe.

Where available, the climate change analysis for each portfolio is shown after its ESG rating. This analysis is based on the following indicators:

- + carbon intensity;
- + alignment with temperature scenarios;
- + green share;
- + exposure to fossil fuels.
- + The indicators used in connection with the 2°C alignment analysis, the carbon budget ratio and

the portfolio 'temperature', the results of which are based on assumptions and a methodology subject to change over time, must be interpreted with caution.

Monitoring the SRI aspects of investment policy is most relevant for the asset classes that account for the biggest shares of ERAFP's overall portfolio. This cross-cutting line of analysis is consequently less well developed for diversification portfolios that are still being built up or contain a limited pool of securities.

THE BOND PORTFOLIO

At 31 December 2020, the bond portfolio (excluding convertible bonds) totalled €14.9 billion at amortised cost, representing 48.9% of ERAFP's total assets. It was split between fixed-rate sovereign and similar bonds (18.9% of assets, or €5.8 billion), inflation-linked bonds (5.9%, or €1.8 billion) and corporate bonds (24.1%, or €7.4 billion).

At end-2020, the bond portfolio had generated unrealised gains equivalent to 16.6% of its amortised cost.

PUBLIC SECTOR BONDS

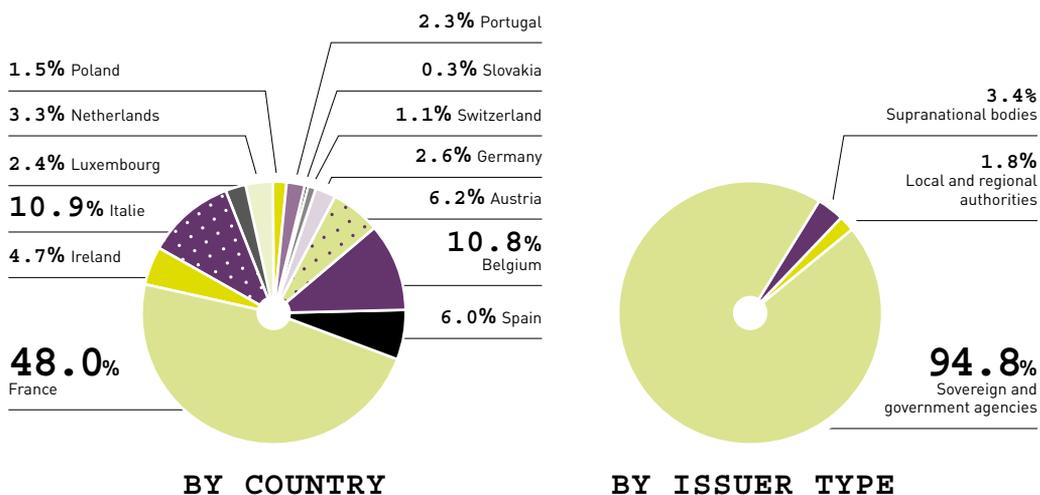
ERAFP manages all public sector bonds directly; their value at amortised cost at end-2020 was €7.6 billion.

Sovereign bonds accounted for 95% of this portfolio, or around 23.5% of the Scheme's total investments. They include fixed-rate securities and inflation-linked bonds issued by euro-zone sovereigns as well as bonds guaranteed by these

sovereigns, such as those issued by Kreditanstalt für Wiederaufbau, the German national development bank. The remainder are issued by local and regional authorities in the OECD and supranational institutions. The IRR of sovereign and similar bonds between the Scheme's inception and end-2020 has been 5% per year in market value terms, notably reflecting the fact that bond yields were much higher (3.6% yield on purchase) when the portfolio was first formed than in 2020.

BREAKDOWN OF PUBLIC SECTOR BONDS AT 31 DECEMBER 2020 (AT AMORTISED COST)

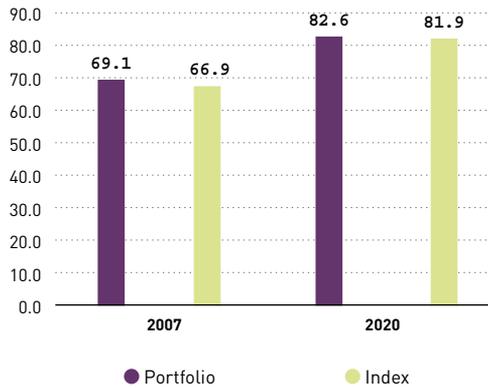
Source – ERAFP



SRI PROFILE

CHANGE IN THE AVERAGE SRI RATING OF THE SOVEREIGN BOND PORTFOLIO COMPARED WITH BENCHMARK

Source — Vigeo-Oekom, 31 December 2020



All issuers in ERAFP’s portfolio satisfy its SRI criteria, based on the Vigeo rating. Indeed, all the countries whose bonds are part of ERAFP’s portfolio have obtained an average SRI score much higher than 50/100, the minimum rating defined in ERAFP’s SRI guidelines for this asset class.

The portfolio outperformed its benchmark index (by 0.7 points in 2020 vs. 1.1 points in 2019). The portfolio’s outperformance of its benchmark on non-financial criteria is attributable mainly to the portfolio’s relative overweighting of France, which has a good SRI rating, as well as its underweighting of securities issued by countries with a below-average SRI rating and credit quality. The fact that there is a relatively strong correlation between the financial and non-financial assessments of sovereign issuers supports this argument.

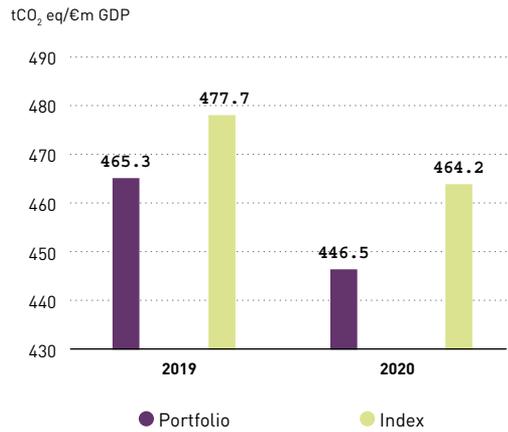
Note also that, given that the investment universe of euro-denominated securities issued by OECD countries is of limited size and its constituents’ SRI profiles are relatively similar, it is unlikely that the gap between the overall SRI ratings of the portfolio and the index will significantly widen.

CLIMATE ANALYSIS

CARBON INTENSITY

CARBON INTENSITY OF ERAFP’S SOVEREIGN BOND PORTFOLIO

Source — Trucost, 30 November 2020⁶⁶



The carbon intensity of ERAFP’s portfolio is 3.8% lower than that of the benchmark index. The positive difference is mainly due to the portfolio’s overweighting of French government securities. This relates to the fact that nearly three-quarters of the energy produced in France is from a low-carbon, nuclear source. So while the share of renewable energies in its energy mix remains relatively low, France’s ratio of greenhouse gas emissions to GDP is one of the euro-zone’s lowest.

An internal rate of return since the portfolio’s creation of **5%**

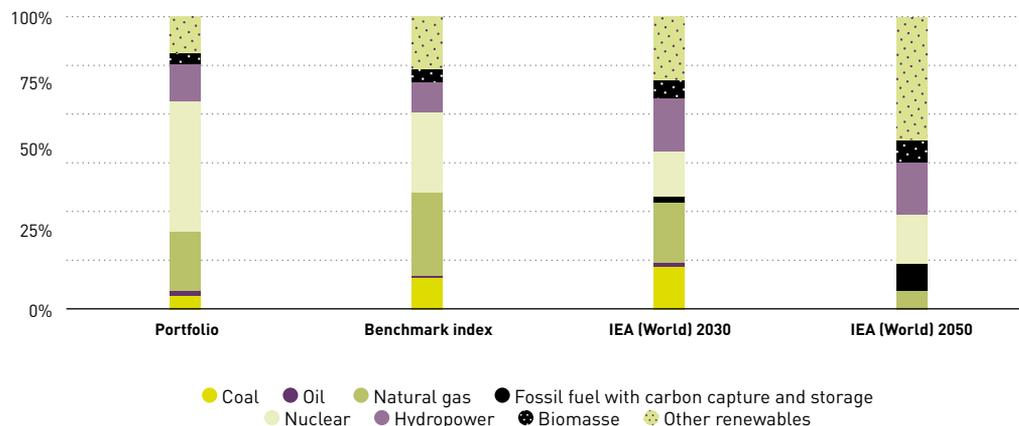
66_ The change of service provider in 2019 makes it difficult to compare data with the previous years.

GREEN SHARE

[Focus on electricity generation](#)

ENERGY MIX OF THE SOVEREIGN BOND PORTFOLIO (EXPRESSED IN GWH GENERATED)

Source — Trucost, 30 November 2020



The share of fossil fuels in ERAFP's sovereign portfolio's energy mix is already lower than that required in the IEA's 2030 2°C scenario⁶⁷. However, the proportion of renewable energies needs to increase.

CORPORATE BONDS

EURO-DENOMINATED CORPORATE BONDS

At the year-end, the 'euro credit' portfolio, consisting of euro-denominated corporate bonds, totalled close to €6.3 billion at amortised

cost, representing 20.5% of ERAFP's assets.

The euro-denominated corporate bond management mandates entrusted to Amundi and Ostrum AM notably include investments of €386 million in loan securitisation funds (out of a total commitment of €574 million). While most of the portfolio continues to be run by delegated managers, since 2015 ERAFP has also held investments in third-party subordinated debt funds, which now have a market value of €132 million. In 2019, the Scheme further diversified its bond portfolio in the low interest

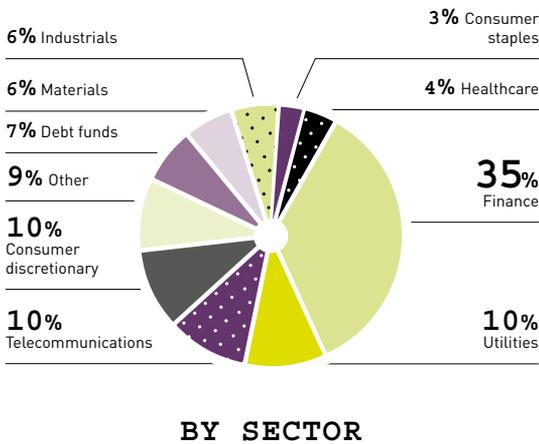
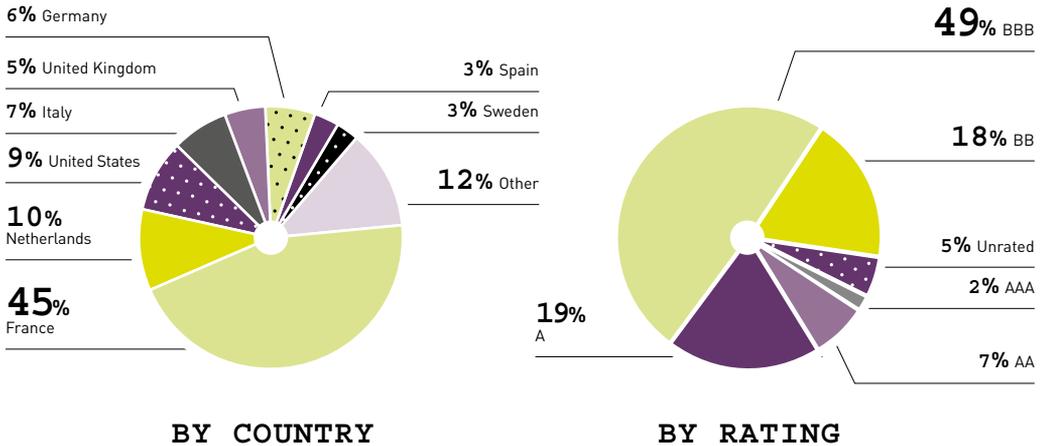
rate environment by investing in high-yield bond funds. The market value of these investments currently stands at €61 million.

ERAFP's total investments in loan securitisation funds amounted to €526 million (out of a total commitment of €773 million). The IRR of the euro-denominated corporate bond portfolio between its launch in 2009 and 31 December 2020 came to 4% (at market value). ERAFP focused its bond portfolio investments on corporate bonds in 2020, as corporates offered particularly attractive yields compared with sovereign bonds.

⁶⁷ Data taken from the 2DS scenario developed by the International Energy Agency in its Energy Technology Perspectives (ETP) report.

BREAKDOWN OF EURO-DENOMINATED CORPORATE BONDS HELD IN THE DELEGATED MANAGEMENT MANDATES BY SECTOR, COUNTRY AND RATING AT 31 DECEMBER 2020 (AT MARKET VALUE)

Source - ERAFP



An internal rate of return since the portfolio's creation of **4%**

INTERNATIONAL CORPORATE BONDS

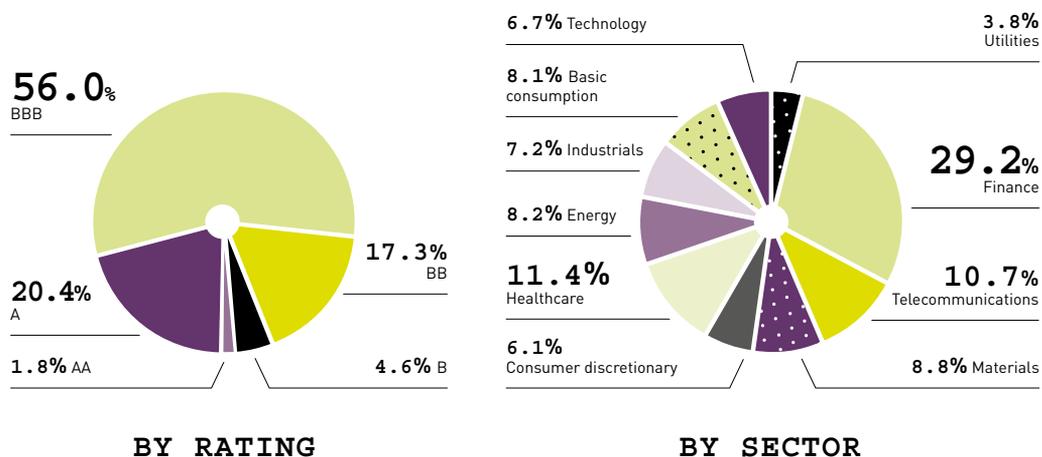
At 31 December 2020, the international corporate bond portfolio totalled €1.1 billion at amortised cost, representing 3.6% of ERAFP's assets. It consisted at that date of two discretionary mandates, one entrusted to AXA Investment Managers Paris for US dollar-denominated OECD corporate bonds and a second entrusted to Aberdeen Standard Investments for private-sector bonds in emerging countries.

In addition to delegated management, ERAFP has holdings of €181 million (market value) in third-party emerging country corporate bond funds and a €55 million holding in an emerging market green bond fund (see box on page 103).

The IRR of the international bond portfolio stood at 3.8% at the end of 2020.

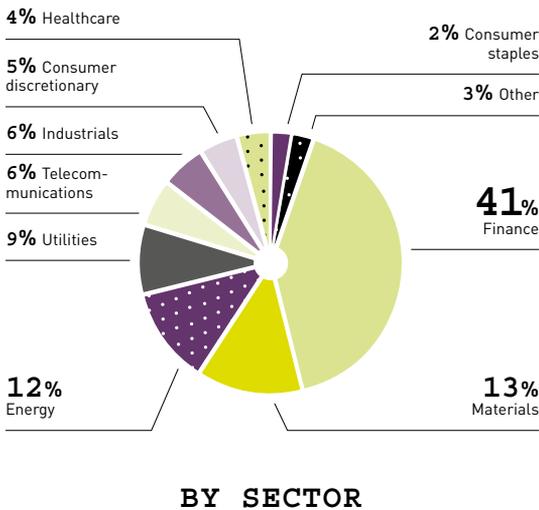
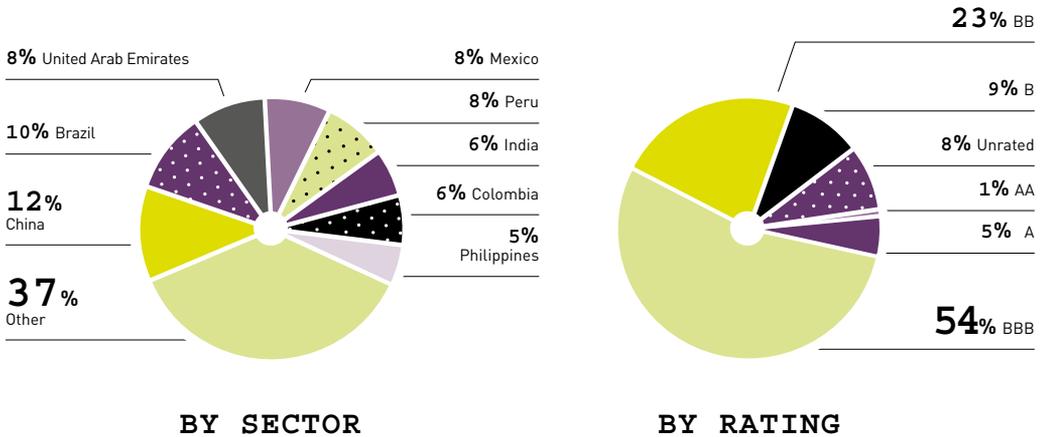
BREAKDOWN OF US DOLLAR-DENOMINATED CORPORATE BONDS HELD IN THE DELEGATED MANAGEMENT MANDATES BY SECTOR AND RATING AT 31 DECEMBER 2020 (AT MARKET VALUE)

Source – ERAFP



BREAKDOWN OF EMERGING COUNTRY CORPORATE BONDS HELD IN THE DELEGATED MANAGEMENT MANDATES BY SECTOR, COUNTRY AND RATING AT 31 DECEMBER 2020 (AT MARKET VALUE)

Source – ERAFP



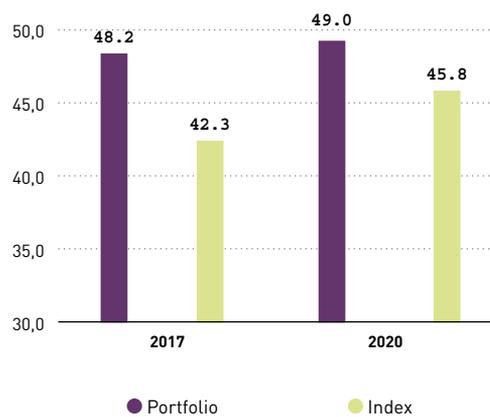
THE ISSUE OF ENERGY TRANSITION IN EMERGING COUNTRIES

In 2019, ERAFP invested €50 million in Amundi Planet Emerging Green One, the largest emerging market green bond fund to be launched to date with €1.3 billion in AUM. The fund results from a partnership between Amundi and IFC, a member of the World Bank group, aimed at encouraging the creation of a high-quality green bond market – complete with support measures for issuers and attractive returns for institutional investors.

SRI PROFILE

CHANGE IN THE AVERAGE SRI RATING FOR THE CORPORATE BOND PORTFOLIO COMPARED WITH BENCHMARK

Source — Vigeo, 31 December 2020



ERAFP's corporate bond portfolio⁶⁸ has outperformed its benchmark index in SRI terms since 2017⁶⁹. In 2020, the portfolio outperformed the index by 3.2 points.

The portfolio's rating has increased slightly (by 0.8 points) since 2017.

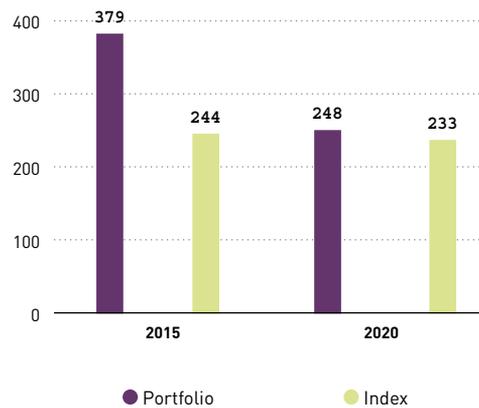
Note that ERAFP's US dollar corporate bond portfolio is at a disadvantage in relation to its benchmark index, which is composed wholly of investment grade securities, whereas around 20% of ERAFP's portfolio is made up of high-yield bonds. Issuers of high-yield bonds are generally less transparent on ESG themes than their investment-grade counterparts.

CLIMATE ANALYSIS

CARBON INTENSITY

CHANGE IN THE AVERAGE SRI RATING FOR THE CORPORATE BOND PORTFOLIO COMPARED WITH BENCHMARK

Source — Trucost, 30 November 2020

tCO₂ eq/€m revenue

In 2020, the corporate bond portfolio's carbon intensity⁷⁰, calculated as a weighted average, was 6% higher than that of the benchmark index. However, the portfolio's carbon intensity continues to improve (-131 tCO₂ eq per €m of revenue since 2015), leading to a narrowing of the gap in relation to the index. The 2020 figure marked a substantial improvement on the 19% gap in 2019.

The carbon intensity of the corporate bond portfolio decreased by 20% between 2019 and 2020, outperforming the 11% fall in the index.

⁶⁸ Includes both the euro and US dollar-denominated portfolios.

⁶⁹ Year of implementation of the corporate SRI guidelines amended in 2016.

⁷⁰ Direct emissions and direct suppliers.

The performance gap continues to be mainly attributable to the over-weighting of utilities and materials in the portfolio compared with the index (6% in the index vs. 10% in the portfolio for utilities and 4% in the index vs. 7% in the portfolio for materials); on average these sectors emit more greenhouse gases than others, automatically leading to a poor performance in terms of carbon intensity. Bond mandates are not suited to a benchmarked management approach and can therefore diverge significantly from the composition of the index used as a benchmark for SRI rating or carbon footprinting.

The carbon performance gap relative to the benchmark index persists if we add scope 3⁷¹. However, the gap is decreasing here too – from 21% in 2019 to 13% in 2020. The sector allocation effect remains negative for the portfolio in the utilities and materials sectors, as the addition of emissions from indirect suppliers and emissions linked to the use of products more than doubles the carbon intensity of both the portfolio and the index for these sectors. Note that while they provide an overview of the entire value chain, results including scope 3 should be interpreted with caution as there is an increased risk of double counting emissions.

By contrast, the stock selection effect in the utilities and materials sectors is positive regardless of the scope considered, on account in particular – for the utilities sector – of an electricity production energy mix that is less carbon-intensive and more focused on renewables than that of the benchmark index – and a warming temperature of less than 2°C.

CARBON INTENSITY PERFORMANCE OF THE PORTFOLIO RELATIVE TO BENCHMARK

Source — Trucost, 30 November 2020

	SCOPE 1 AND DIRECT SUPPLIERS	ALL SCOPES COMBINED
Aggregate bond portfolio	248	1,140
Benchmark index	233	1,005
Relative performance	-6%	-13%

The power generation energy mix of the utilities sector in the international corporate bond portfolio is aligned with a below-2°C scenario.

71_ Includes indirect suppliers and use of products.

ALIGNMENT WITH TEMPERATURE SCENARIOS

The SDA method confirms the robust performance of the electricity production companies in the portfolio, which are already on course for alignment with a 2°C scenario – even a 1.5°C scenario. However, the warming temperature for the cement and steel industries, which are less advanced in the energy transition, is currently above 2.7°C. Nonetheless, the gap with the carbon budget aligned with a 2°C scenario is not very significant (5% and 15%, respectively). The aluminium sector is located between these two cases, being aligned with a 2-2.7°C scenario. The portfolio has no air transport investments.

With regard to the carbon budget ratio and the temperature of sectors analysed using the GEVA method, no sector is aligned with a 2°C or 1.5°C scenario. Healthcare and industrials are the sectors that show the lowest deviations from the carbon budget aligned with a 2°C scenario (11% and 17%), being aligned with 2-3°C and 4-5°C scenarios, respectively.

By contrast, the sectors with the widest variances against the 2°C carbon budget are real estate and utilities, which have a warming temperature of more than 5°C. This is attributable to the portfolio's investment in certain issuers from these sectors whose carbon intensity increased over the period 2012-2018 and is expected to continue

rising between 2018 and 2025 – or to not reduce sufficiently to allow a trajectory compatible with a 1.5 or 2°C scenario. However, the data used is still mainly based on historical average trends and trajectories could improve if companies were to publish ambitious reduction targets. To that end, ERAFP is engaging with companies through a number of collaborative initiatives (CA100+, AOA, IDI, etc.) and monitors the proportion of companies aiming to reduce their greenhouse gas emissions in accordance with the SBTs.

ERAFP monitors the proportion of companies aiming to reduce their greenhouse gas emissions in accordance with the Science-Based Targets.

CARBON BUDGET RATIO AND TEMPERATURE EQUIVALENT OF THE CORPORATE BOND PORTFOLIO COMPARED WITH THAT OF ITS BENCHMARK INDEX

Source — Trucost, 30 November 2020

		CORPORATE BOND PORTFOLIO				BENCHMARK INDEX			
		Weight (%)	Gap (%) 1.5°C	Gap (%) 2°C	Temperature in degrees Celsius [°C]	Weight (%)	Gap (%) 1.5°C	Gap (%) 2°C	Temperature in degrees Celsius [°C]
‘HOMOGENEOUS’ ACTIVITIES (SDA)	Electricity production	5.7%	-19%	-24%	<1.75°C	2.2%	-13%	-17%	< 1.75° C
	Cement	0.3%	43%	15%	> 2.7° C	0.7%	31%	8%	> 2.7° C
	Steel	0.5%	15%	5%	> 2.7° C	0.0%	22%	9%	> 2.7° C
	Aluminium	0.1%	8%	5%	2-2.7° C	0.0%	8%	5%	2-2.7° C
	Air transport	0.0%	-	-	-	0.1%	16%	11%	2-2.7° C
‘HETEROGENEOUS’ ACTIVITIES (GEVA)	Communication services	13.3%	89%	55%	> 5° C	8.7%	94%	58%	> 5° C
	Consumer discretionary	8.2%	57%	25%	> 5° C	9.5%	94%	52%	> 5° C
	Consumer staples	3.7%	72%	38%	> 5° C	8.3%	58%	27%	> 5° C
	Energy	4.6%	87%	54%	> 5° C	6.4%	86%	52%	> 5° C
	Finance	24.8%	72%	39%	> 5° C	29.6%	53%	24%	> 5° C
	Healthcare	6.5%	41%	11%	2-3° C	8.3%	45%	15%	3-4° C
	Industrials	10.1%	46%	17%	4-5° C	9.3%	58%	26%	> 5° C
	Information technology	2.3%	83%	44%	> 5° C	4.3%	50%	17%	4-5° C
	Materials	5.7%	53%	24%	> 5° C	3.8%	58%	28%	> 5° C
	Real estate	6.4%	175%	119%	> 5° C	3.8%	161%	101%	> 5° C
Utilities	3.9%	117%	77%	> 5° C	3.4%	354%	278%	> 5° C	

As at 31 December 2020, 44% of ERAFP's corporate bond portfolio investments were made in companies that have either had their greenhouse gas emissions targets for alignment with a Paris climate agreement or 2°C scenario approved under the Science-Based Targets

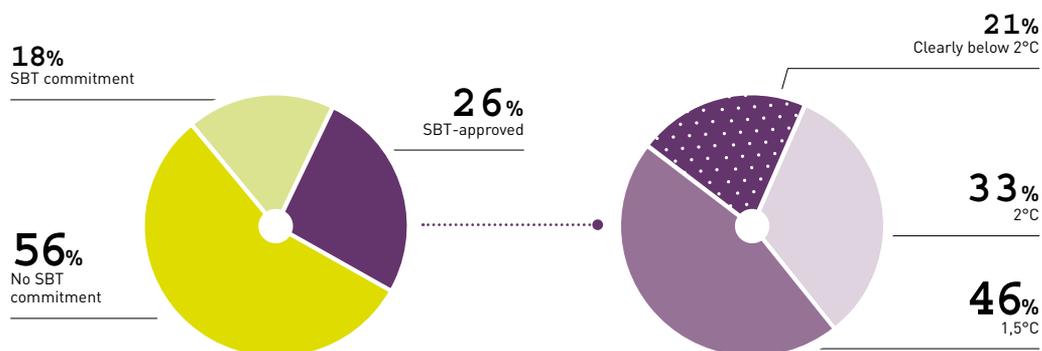
(SBT) initiative, or have pledged to do so.

Of the investments made by ERAFP in companies in this portfolio that had already had their temperature scenario alignment objective approved under the SBT initiative

[26%], 46% were in companies that had adopted a 1.5°C scenario, 21% in companies that had set an alignment objective compatible with a scenario clearly below 2°C and 33% in companies that had chosen to align their emissions with a 2°C scenario.

PROPORTION OF ERAFP'S ASSETS IN THE CORPORATE BOND PORTFOLIO COVERED BY SCIENCE-BASED TARGETS, BY TARGET TYPE (AS A %)

Source — ERAFP & SBT, 31 December 2020



As at 31 December 2020, 44% of ERAFP's corporate bond portfolio investments were made in companies that have either had their greenhouse gas emissions targets for alignment with a Paris climate agreement or 2°C scenario approved under the Science-Based Targets (SBT) initiative, or have pledged to do so.

GREEN SHARE

Focus on electricity generation

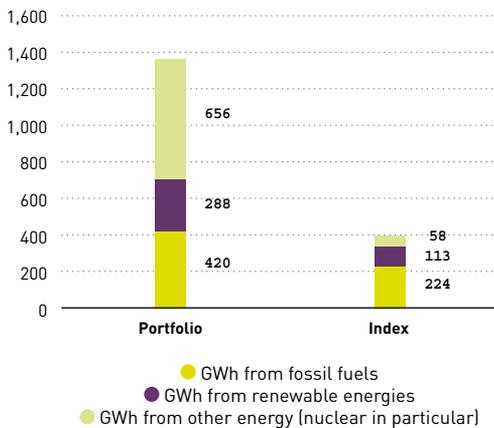
Analysis of the portfolio’s electricity-generating companies makes it possible to better understand the compatibility of their activities with international climate objectives aimed at limiting temperature increases to below 2°C.

As we have seen above, the 2012 to 2025 trajectory of the portfolio’s electricity-producing issuers is compatible with a sub-1.5°C trajectory. The share of electricity production from fossil energies already complies with the share required to meet a 2°C scenario by 2030⁷², while the share of renewable energies will have to increase by 25%. Note, however, that most of the electricity that portfolio issuers produce is already decarbonised, as 48% of it comes from nuclear energy.

The portfolio finances over three times more electricity than the benchmark index, most of it decarbonised [288 GWh from renewable energies and 656 GWh mainly from nuclear for ERAFP’s portfolio, compared with 113 GWh and 58 GWh, respectively, for the benchmark index] while the benchmark index mainly finances fossil fuel-generated electricity [224 GWh for the index, i.e. 57% of electricity financed, compared with 420 GWh for the portfolio – but representing only 31% of electricity financed].

GWH RELATED TO ELECTRICITY PRODUCTION

Source — Trucost, 30 November 2020

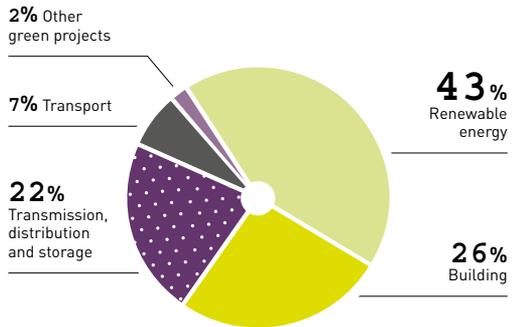


Focus on green bonds

ERAFP’s corporate bond portfolios include investments in low-carbon projects categorised as green bonds. Of the 40 green bonds held in the portfolio, only 13 were analysable due to a lack of communication from the other issuers. These 13 bonds have already made it possible to avoid 1,253 tCO₂ per € million invested⁷³. They mainly concern renewable energy projects.

EMISSIONS AVOIDED PER PROJECT (%)

Source — Trucost, 30 November 2020



Within the corporate bond portfolio, the share of electricity production from fossil energy producers already complies with that required for a 2°C scenario by 2030.

⁷² Based on the 2DS scenario of the International Energy Agency.

⁷³ Analysis over the entire project life cycle.

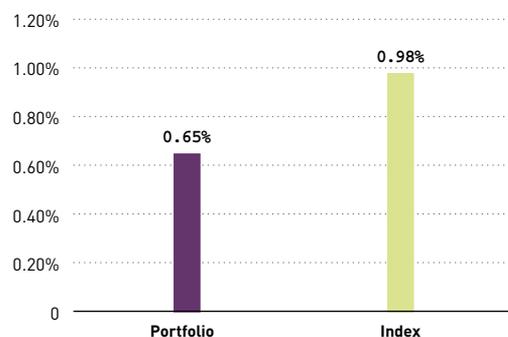
BROWN SHARE

Focus on exposure to extractive industries

As explained above, to limit global warming to 2°C the energy sector must make radical changes, because most of the world's fossil fuel reserves and resources should not be exploited. ERAFP has assessed the exposure of the portfolio and its benchmark to extractive industries to estimate exposure to potentially stranded assets.

EXPOSURE OF THE CORPORATE BOND PORTFOLIO TO EXTRACTIVE INDUSTRIES COMPARED WITH THAT OF THE INDEX (IN REVENUE)

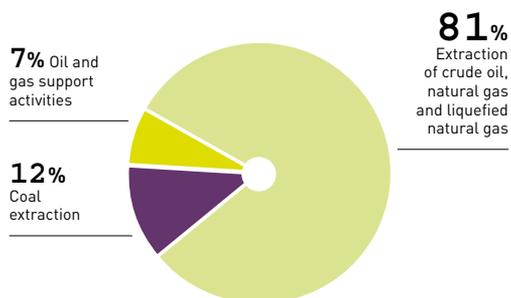
Source — Trucost, 30 November 2020



The corporate bond portfolio's average weighted share of revenue exposed to the extractive industries was 0.65%. This low exposure is better than that of its benchmark (0.98%). In terms of business type, oil and natural gas extraction represents 81% of the total, oil and gas support activities 7% and coal, the energy source with the highest emissions⁷⁴, 12%. The portfolio has no exposure to bituminous sands.

SECTOR DISTRIBUTION OF THE PORTFOLIO'S EXTRACTIVE REVENUE BY PROJECT (%)

Source — Trucost, 30 November 2020



METHODOLOGY NOTE

ERAFP has adopted a policy of divestment from issuers that generate more than 10% of their revenue from thermal coal and do not have a reduction action plan in line with the objectives of the Paris climate agreement. The chart above shows that the portfolio's coal-related extractive revenue represents 12% of all revenue from extractive businesses. This does not mean that more than 10% of all issuers' revenue comes from coal, but that 12% of the 0.65% of extractive industry revenue in the combined bond portfolio comes from coal.

⁷⁴ See page 94.

THE CONVERTIBLE BOND PORTFOLIO

Put in place in 2012, the convertible bond mandates have been entrusted to Schelcher Prince Gestion and Lombard Odier Gestion. At 31 December 2020, the convertible bond portfolio totalled €821 million

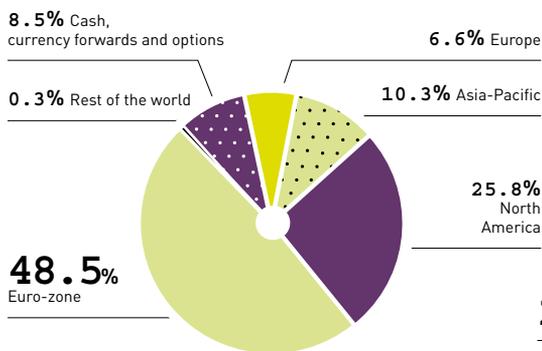
at amortised cost, representing 2.7% of ERAFP's total assets.

At the end of 2020, it had generated unrealised gains equivalent to 25.2% of its amortised cost.

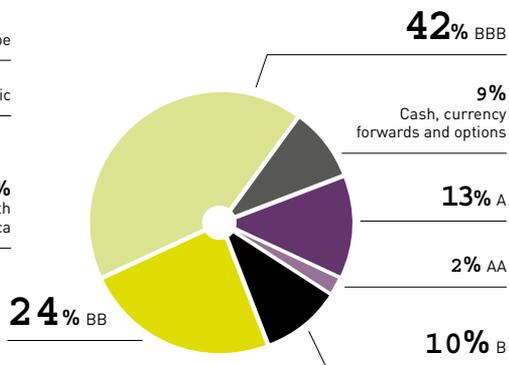
The IRR of the convertible bond portfolio was 13.8% at 31 December 2020. The portfolio has returned 4.5% since its creation in 2012.

BREAKDOWN OF CONVERTIBLE BONDS BY SECTOR, RATING AND REGION AT 31 DECEMBER 2020 (MARKET VALUE)

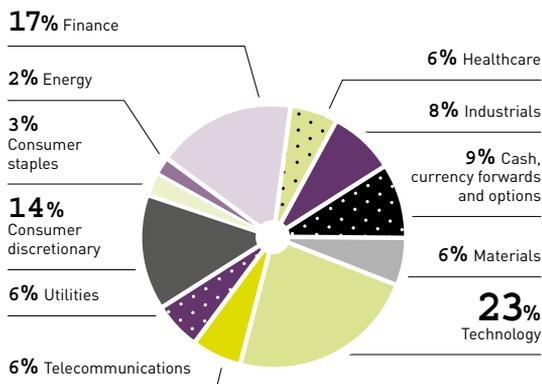
Source - ERAFP



BY REGION



BY RATING



BY SECTOR

SRI PROFILE

SRI RATING OF THE CONVERTIBLE BOND PORTFOLIO COMPARED WITH BENCHMARK

Source — Vigeo, 31 December 2020



The consolidated convertible bond portfolio⁷⁵ continues to outperform its benchmark index, indicating that ERAFP's best in class SRI strategy has been applied correctly in these delegated management mandates.

There was an improvement in the European convertible bond portfolio's SRI performance compared with that of 2019 (45.9 in 2020 vs. 44.2 in 2019). While the SRI rating of the international convertible bond portfolio was down (39.1 in 2020 vs. 41.1 in 2019), it remains significantly higher than the benchmark (39.1 vs. 32.2 for the benchmark).

The rating difference between the European and international portfolios can be attributed to the strong contingent of North American and Asian issuers in the latter. ERAFP's SRI guidelines place strong emphasis on the consideration of social criteria such as respect of union rights and the encouragement of labour-management dialogue. European companies generally pay more attention to these issues in day-to-day management than their US and Asian counterparts, and thus receive higher scores. However, the

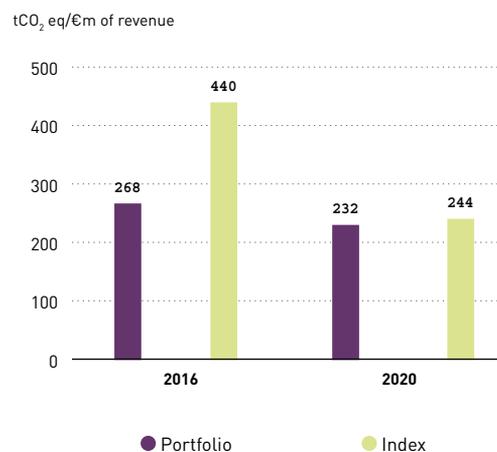
international portfolio outperformed its benchmark index by a greater margin than the European portfolio (+1.7 points for the European portfolio vs. +4.3 points for the international portfolio), due to its broader, more heterogeneous investment universe and more impactful best in class approach.

CLIMATE ANALYSIS

CARBON INTENSITY

CARBON INTENSITY OF THE CONVERTIBLE BOND PORTFOLIO RELATIVE TO BENCHMARK

Source — Trucost, 30 November 2020



The result is presented on an aggregate basis for the two convertible bond portfolios – European and international. The consolidated convertible bond portfolio's weighted average carbon intensity for scope 1 and direct suppliers was 5% lower than that of its benchmark index. The portfolio's carbon intensity has been decreasing since 2016 (268 tCO₂ eq/€m of revenue in 2016 vs. 232 tCO₂ eq/€m of revenue in 2020). The portfolio's carbon intensity decreased by 3% between 2019 and 2020, while that of the index increased by 1%. This was a better performance compared to the index than last year.

⁷⁵ Combines the two convertible bond portfolios – European and international.

If we add the scope 3 analysis, the carbon intensity of the portfolio is substantially higher than the benchmark. This difference is mainly because the portfolio holds stock in a US manufacturer of semiconductors and lighting products with very high 'downstream' scope 3

emissions (product use). This stock alone accounts for around 75% of the portfolio's carbon intensity. This shows the extent to which the integration of scope 3 can impact intensity results, which can be dominated by a handful of companies that are responsible for very high

scope 3 emissions. Note that while they provide an overview of the entire value chain, results including scope 3 should be interpreted with caution as there is an increased risk of double counting emissions.

CARBON INTENSITY PERFORMANCE OF THE PORTFOLIO COMPARED WITH THAT OF THE BENCHMARK INDEX

Source — Trucost, 30 November 2020

	SCOPE 1 AND DIRECT SUPPLIERS	ALL SCOPES COMBINED
Convertible bond portfolio	232	2,845
Benchmark index	244	1,552
Relative performance	5%	-83%

ALIGNMENT WITH TEMPERATURE SCENARIOS

The SDA method confirms the robust performance of the electricity production companies in the portfolio, which are already on course for alignment with a 2°C scenario – even a 1.5°C scenario. The warming temperature for the air transport sector is between 2 and 2.7°C. This sector is less than 10% short of alignment with a 2°C scenario. By contrast, for the steel industry, which is less advanced in the energy transition, the warming temperature is above 2.7°C. The portfolio is not exposed to the cement or aluminium industries.

With regard to the carbon budget ratio and the temperature of the sectors analysed using the GEVA method, the portfolio's financial and consumer staple sectors are well aligned, at between 1.5 and 2°C. By contrast, the sectors with the widest variances against the 2°C carbon budget are communication services, healthcare and real estate, which have a warming temperature of more than 5°C. This

is attributable to the portfolio's investment in certain issuers from these sectors whose carbon intensity increased over the period 2012-2018 and is expected to continue rising between 2018 and 2025 – or to not reduce sufficiently to allow a trajectory compatible with a 2°C scenario. However, the data used is still mainly based on historical average trends and trajectories could improve if companies were to publish ambitious reduction targets. To that end, ERAFP is engaging with companies through a number of collaborative initiatives (CA100+, AOA, IDI, etc.) and monitors the proportion of companies aiming to reduce their greenhouse gas emissions in accordance with the SBTs.

As at 31 December 2020, 26% of ERAFP's corporate bond portfolio investments were made in companies that have either had their greenhouse gas emissions targets for alignment with a Paris climate agreement or 2°C scenario approved under the Science-Based Targets (SBT) initiative, or have pledged to do so.

Of the investments made by ERAFP in companies in this portfolio that had already had their temperature scenario alignment objective approved under the SBT initiative (18%), 62% were in companies that had adopted a 1.5°C scenario, 26% in companies that had set an alignment objective compatible with a scenario clearly below 2°C and 12% in companies that had chosen to align their emissions with a 2°C scenario.

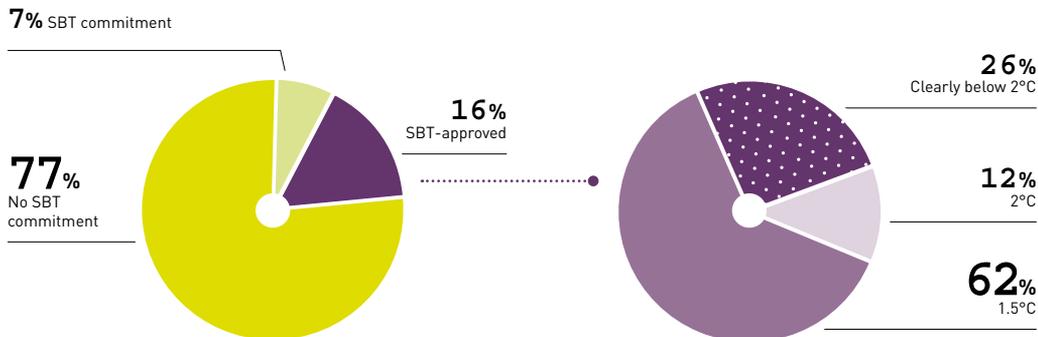
CARBON BUDGET RATIO AND TEMPERATURE EQUIVALENT OF THE CONVERTIBLE BOND PORTFOLIO COMPARED WITH BENCHMARK

Source — Trucost, 30 November 2020

		CONVERTIBLE BOND PORTFOLIO				BENCHMARK INDEX			
		Weight (%)	Gap (%) 1.5°C	Gap (%) 2°C	Temperature in degrees Celsius (°C)	Weight (%)	Gap (%) 1.5°C	Gap (%) 2°C	Temperature in degrees Celsius (°C)
‘HOMOGENEOUS’ ACTIVITIES (SDA)	Electricity production	4.0%	-26%	-32%	<1.75° C	5.6%	-21%	-27%	<1.75° C
	Cement	0.0%	-	-	-	0.0%	-	-	-
	Steel	0.6%	24%	12%	> 2.7° C	0.0%	-	-	-
	Aluminium	0.0%	-	-	-	0.0%	-	-	-
	Air transport	4.9%	13%	9%	2-2.7° C	3.3%	13%	9%	2-2.7° C
‘HETEROGENEOUS’ ACTIVITIES (GEVA)	Communication services	8.3%	360%	277%	> 5° C	12.5%	240%	174%	> 5° C
	Consumer discretionary	9.0%	35%	2%	2-3° C	12.3%	48%	13%	2-3° C
	Consumer staples	2.7%	5%	-15%	1.5-2° C	1.6%	41%	13%	3-4° C
	Energy	1.1%	84%	51%	> 5° C	3.8%	118%	73%	> 5° C
	Finance	10.7%	4%	-16%	1.5-2° C	3.0%	-2%	-22%	<1.5°C
	Healthcare	4.1%	246%	168%	> 5° C	8.2%	45%	14%	3-4° C
	Industrials	10.0%	49%	20%	> 5° C	12.7%	53%	24%	> 5° C
	Information technology	24.8%	93%	51%	> 5° C	17.5%	75%	38%	> 5° C
	Materials	8.8%	98%	58%	> 5° C	8.3%	70%	35%	> 5° C
	Real estate	7.3%	201%	133%	> 5° C	8.5%	387%	282%	> 5° C
	Utilities	1.5%	48%	21%	> 5° C	1.6%	31%	7%	2-3° C

PROPORTION OF ERAFP'S ASSETS IN THE CONVERTIBLE BOND PORTFOLIO COVERED BY SCIENCE-BASED TARGETS

Source — ERAFP & SBT, 31 December 2020



GREEN SHARE

Focus on electricity generation

Analysis of the portfolio's electricity-generating companies makes it possible to better understand the compatibility of their activities with international climate objectives aimed at limiting temperature increases to below 2°C.

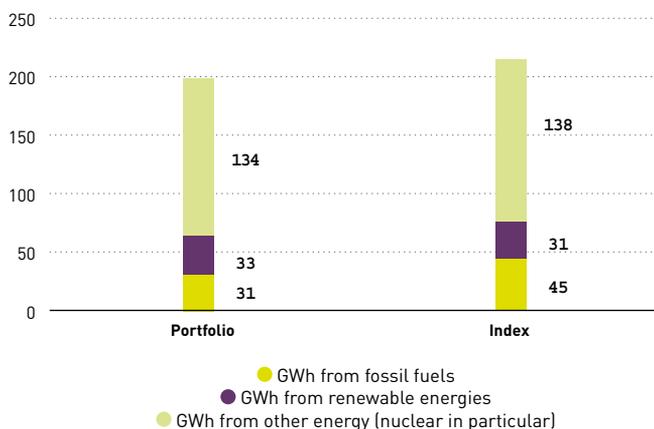
The portfolio finances a similar amount of electricity from decarbonised electricity to the benchmark (33 GWh from renewable energies and 134 GWh mainly from nuclear for the portfolio, compared with 31 GWh and 138 GWh, respectively, for the benchmark) but on the other hand finances less fossil fuel-generated electricity (31 GWh for the portfolio compared to 45 GWh for the benchmark index). The fossil-fuel electricity produced by the issuers in the portfolio comes only from gas, generally the least carbon-intensive fossil energy in the value chain.

As shown on page 113, the 2012 to 2025 trajectory of the portfolio's electricity-producing issuers is compatible with a sub-1.5°C trajectory. The share of electricity from fossil energies is already much smaller

than that required to meet a 2°C scenario by 2030⁷⁶, while the share of renewable energies will have to increase by 30%. This is due to the strong representation of nuclear energy in the portfolio.

GWH RELATED TO ELECTRICITY PRODUCTION

Source — Trucost, 30 November 2020



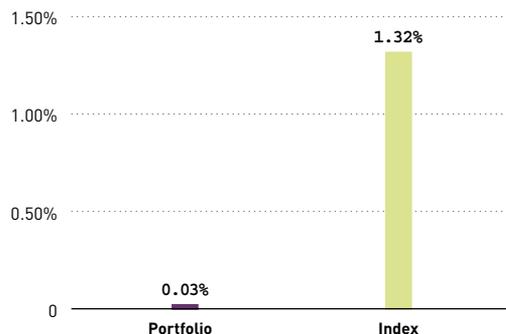
⁷⁶ Based on the 2DS scenario of the International Energy Agency.

BROWN SHARE

Focus on exposure to extractive industries

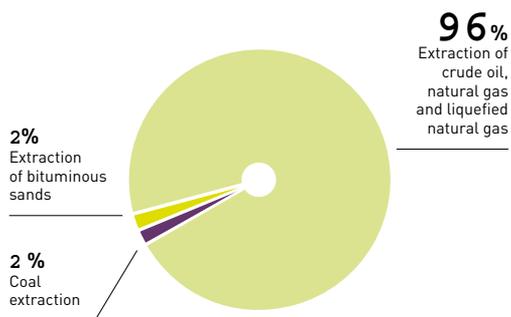
EXPOSURE OF THE CONVERTIBLE BOND PORTFOLIO TO EXTRACTIVE INDUSTRIES (IN REVENUE)

Source — Trucost, 30 November 2020



SECTOR DISTRIBUTION OF THE PORTFOLIO'S EXTRACTIVE REVENUE BY PROJECT (%)

Source — Trucost, 30 November 2020



The convertible bond portfolio's average weighted share of revenue exposed to the extractive industries was 0.03%. This very low exposure is better than that of its benchmark (1.32%). It comes mainly from the extraction of crude oil and natural gas (96%), with coal and bituminous sands accounting for the rest (2% each). Note that these 2% shares for coal and bituminous sand extraction mean that 2% of the 0.03% of the portfolio's revenue is derived from the extractive industries. These figures are therefore extremely low: for every €1 million of revenue, approximately €6 comes from each of these two sectors.

0.03%
Share of revenue exposed to extractive industries in the convertible bond portfolio

THE EQUITY PORTFOLIO

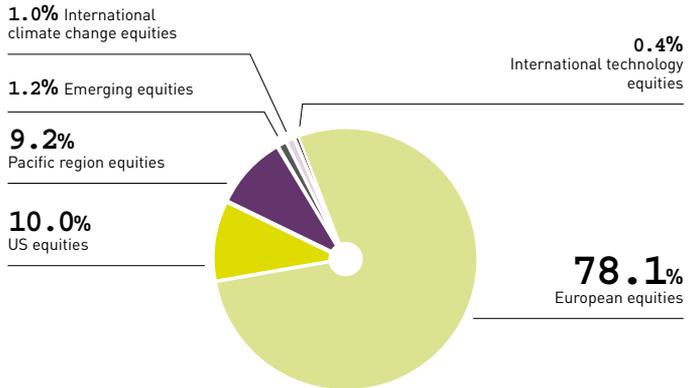
At 31 December 2020, the equity portfolio totalled €9.2 billion at amortised cost, representing 30.1% of ERAFP's total assets. It was split between European equities (24.6% of assets, or €7.5 billion) and international equities (5.5%, or €1.7 billion). At 31 December 2020, ERAFP had outsourced the management of its equity portfolio, with the exception of direct investments in climate change reduction-themed funds (€170 million at market value), emerging country equity funds (€123 million at market value) and funds invested in technology companies (€55 million at market value).

The two equity portfolios were split between 15 mandates, including 11 European equity mandates entrusted to Allianz, Amiral Gestion, Amundi, AXA IM, BFT - Montanaro, Candriam, EdRAM, Mirova, OFI AM and Sycomore (two mandates), and four international equity mandates entrusted to Natixis-Loomis and Robeco for the North America region and to Comgest and Robeco for the Pacific region.

In terms of risk dispersion, investments are highly diversified across euro-zone and non-euro-zone equities, with 17 countries and 13 sectors represented. The portfolio's biggest geographic exposure is France, at 44%, followed by Germany (16%) and the Netherlands (11%), while its biggest sector exposure is industrials (17%), followed by financials (15%), consumer discretionary (15%), materials (11%) and information technology (11%).

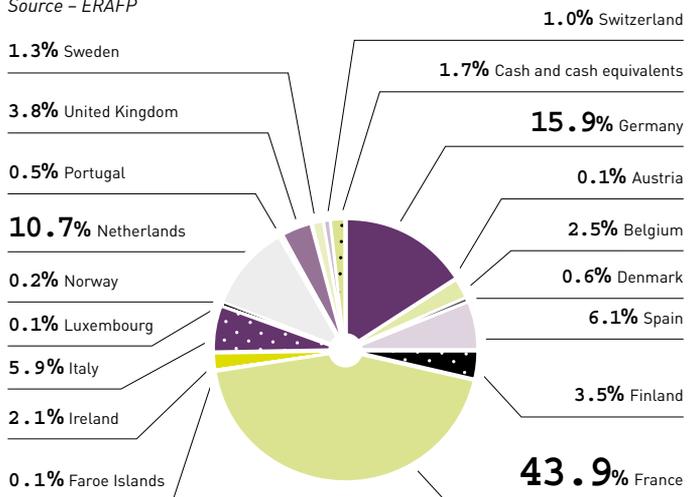
BREAKDOWN BY REGION THE EUROPEAN EQUITY PORTFOLIO AT 31 DECEMBER 2020 (AT MARKET VALUE)

Source — ERAFP



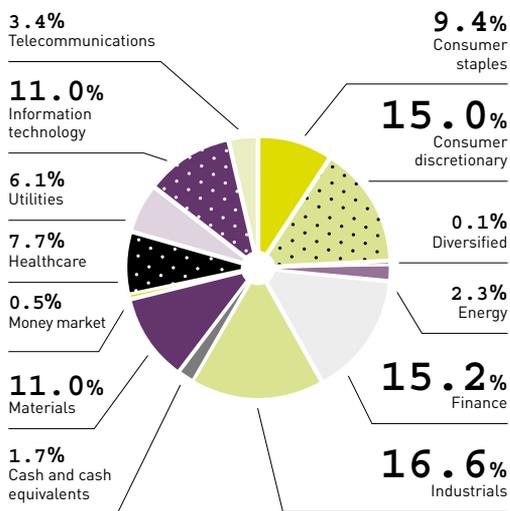
BREAKDOWN OF EUROPEAN EQUITIES BY COUNTRY AT 31 DECEMBER 2020 (AT MARKET VALUE)

Source — ERAFP



BREAKDOWN OF THE EUROPEAN EQUITY PORTFOLIO BY SECTOR AT 31 DECEMBER 2020 (AT MARKET VALUE)

Source – ERAFP



At the end of 2020, the performance of the euro-zone/ European equity portfolio at market value was negative [-1.9%], mainly due to the less rapid recovery of European equities following the crisis and the turbulence in the financial markets last spring. IRR since the Scheme's inception stood at 5.9%.

At 18.3% (market value), the IRR of the international equities portfolio was higher than that of the euro-zone/ European equities portfolio at 31 December 2020. On the same date, the IRR since the portfolio's creation in 2009 stood at 12.76% per year. As a result, at end-2020 the equity portfolio had generated unrealised gains representing 41.3% of its amortised cost, down 5.9 points from 2019.

SRI PROFILE

The SRI rating of the consolidated equity portfolio has increased by more than three points since 2017⁷⁷. The portfolio's outperformance relative to the benchmark index also increased slightly, to +3.3 points. In 2020, all equity portfolio SRI ratings increased compared with 2019. With the exception of the Pacific equity portfolio, all the portfolios continue to outperform their respective benchmark indices in terms of SRI performance.

The underperformance of the Pacific equity portfolio is due in particular to the fact that one of the two mandates invests in smaller companies, for which less information is available for assessment purposes. Moreover, the portfolio is more exposed than the index to Japan, a country whose average SRI performance is weaker than that of the other countries included in the index. In this manager's case, the management process relies largely on dialogue with the portfolio companies aimed at increasing their transparency. For its part, ERAFP ensures through its regular meetings with managers that its expectations are duly taken into consideration.

SRI RATING OF ERAFP'S EQUITY PORTFOLIO COMPARED WITH BENCHMARK

Source – Vigeo, 31 December 2020



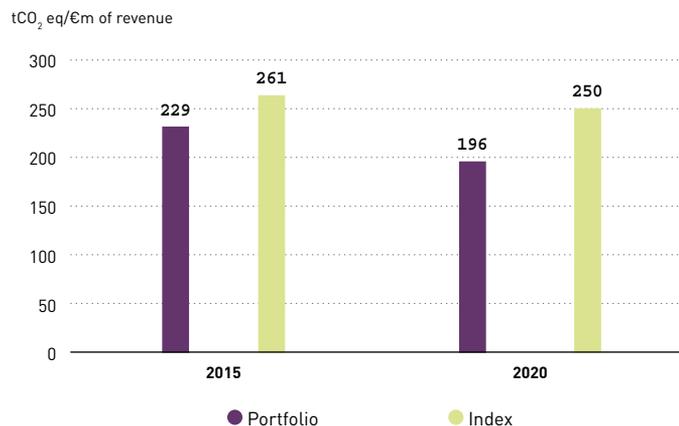
⁷⁷ First year of the most recent equity mandate.

CLIMATE ANALYSIS

CARBON INTENSITY

CARBON INTENSITY OF THE EQUITY PORTFOLIO COMPARED WITH BENCHMARK

Source — Trucost, 30 November 2020



In 2020, the equity portfolio's carbon intensity, calculated as a weighted average for scope 1 and direct suppliers, was 22% lower than that of its benchmark index (196 tCO₂ of revenue vs. 250 tCO₂ eq/€m of revenue). This portfolio's carbon intensity has improved since 2015 (-14%), as has its gap with the benchmark index (which widened from -12% in 2015 to -22% in 2020).

The equity portfolio's carbon intensity decreased by 15% between 2019 and 2020, outperforming the index, which saw a 10% decrease over the same period.

This performance gap is mainly attributable to a slight underweighting in utilities combined with effective selection of less carbon intensive securities in that sector. On top of these two factors, allocation to less carbon intensive materials stocks more than offset the overweighting of this sector, which has one of the highest emissions rates. If we add scope 3, the equity portfolio underperforms the index, being 12% more carbon intensive. This is due mainly to its selection of industrials sector stocks with high scope 3 emissions. For example, a single European manufacturer of lighting products with very high 'downstream' scope 3 emissions (use of products) is responsible for 5% of the carbon intensity of the entire equity portfolio despite the very small size of the holding. This shows the extent to which the integration of scope 3 can impact intensity results, which can be dominated by a handful of companies that are responsible for very high scope 3 emissions. Note that while they provide an overview of the entire value chain, results including scope 3 should be interpreted with caution as there is an increased risk of double counting emissions.

CARBON INTENSITY PERFORMANCE OF THE PORTFOLIO COMPARED WITH THAT OF THE BENCHMARK INDEX

Source — Trucost, 30 November 2020

	SCOPE 1 AND DIRECT SUPPLIERS	ALL SCOPES COMBINED
Aggregate equity portfolio	196	1129
Benchmark index	250	1011
Relative performance	22%	-12%

ALIGNMENT WITH TEMPERATURE SCENARIOS

As for corporate and convertible bonds, the SDA method confirms the robust performance of the electricity production companies in the portfolio, which are already on course for alignment with a 2°C scenario – even a 1.5°C scenario. For the steel industry, the gap with the 2°C scenario carbon budget is a mere 1%, meaning that it is aligned with a temperature of 2 - 2.7°C. On the other hand, the warming temperature for the cement industry, which is less advanced in the transition, is above 2.7°C. The cement and air transport sectors have little representation in the portfolio, however (less than 1% of assets). The portfolio is not exposed to the aluminium or air transport sectors.

With regard to the carbon budget ratio and the temperature of sectors analysed using the GEVA method, no sector is aligned with a 2°C scenario. Healthcare and materials are the

sectors that show the lowest budget deviation from this scenario, at 6% and 17%, respectively, which aligns healthcare with a 2-3°C scenario and materials a 4-5°C scenario. Real estate is the sector with the widest gap with the 2°C carbon budget, at 90%, representing a warming temperature of more than 5°C. This is attributable to the portfolio's investment in certain issuers from these sectors whose carbon intensity increased over the period 2012-2018 and is expected to continue rising between 2018 and 2025 – or to not reduce sufficiently to allow a trajectory compatible with a 2°C scenario. However, the data used is still mainly based on historical average trends and trajectories could improve if companies were to publish ambitious reduction targets. To that end, ERAFP is engaging with companies through a number of collaborative initiatives (CA100+, AOA, IDI, etc.) and monitors the proportion of companies aiming to

reduce their greenhouse gas emissions in accordance with the SBTs. As at 31 December 2020, more than half of ERAFP's equity portfolio investments were made in companies that have either had their greenhouse gas emissions targets for alignment with a Paris climate agreement or 2°C scenario approved under the Science-Based Targets (SBT) initiative, or have pledged to do so.

Of the investments made by ERAFP in companies in this portfolio that had already had their temperature scenario alignment objective approved under the SBT initiative (36%), 54% were in companies that had adopted a 1.5°C scenario, 21% in companies that had set an alignment objective compatible with a scenario clearly below 2°C and 24% in companies that had chosen to align their emissions with a 2°C scenario.

PROPORTION OF ERAFP'S ASSETS IN THE EQUITY PORTFOLIO COVERED BY SCIENCE-BASED TARGETS, BY TARGET TYPE (AS A %)

Source — ERAFP & SBT, 31 December 2020



CARBON BUDGET RATIO AND TEMPERATURE EQUIVALENT OF THE EQUITY PORTFOLIO COMPARED WITH THAT OF ITS BENCHMARK INDEX

Source — Trucost, 30 November 2020

	EQUITY PORTFOLIO				BENCHMARK INDEX				
	Weight (%)	Gap (%) 1.5°C	Gap (%) 2°C	Temperature in degrees Celsius (°C)	Weight (%)	Gap (%) 1.5°C	Gap (%) 2°C	Temperature in degrees Celsius (°C)	
'HOMOGENEOUS' ACTIVITIES (SDA)	Electricity production	3.0%	-13%	-18%	<1.75°C	4.2%	1%	-11%	1.75-2° C
	Cement	0.6%	90%	33%	> 2.7° C	0.6%	71%	25%	> 2.7° C
	Steel	0.0%	10%	1%	2-2.7° C	0.3%	24%	11%	> 2.7° C
	Aluminium	0.0%	-	-	-	0.0%	8%	5%	2-2.7° C
	Air transport	0.0%	-	-	-	0.1%	11%	7%	2-2.7° C
'HETEROGENEOUS' ACTIVITIES (GEVA)	Communication services	5.9%	96%	58%	> 5° C	5.3%	102%	64%	> 5° C
	Consumer discretionary	12.0%	88%	45%	> 5° C	14.2%	78%	38%	> 5° C
	Consumer staples	8.5%	52%	21%	> 5° C	8.2%	63%	30%	> 5° C
	Energy	2.5%	60%	30%	> 5° C	3.8%	99%	63%	> 5° C
	Finance	12.6%	75%	41%	> 5° C	14.2%	67%	36%	> 5° C
	Healthcare	9.5%	34%	6%	2-3° C	9.0%	37%	9%	2-3° C
	Industrials	16.9%	51%	20%	> 5° C	15.2%	56%	25%	> 5° C
	Information technology	13.7%	62%	25%	> 5° C	12.2%	66%	28%	> 5° C
	Materials	9.2%	46%	17%	4-5° C	6.1%	59%	28%	> 5° C
	Real estate	1.4%	143%	90%	> 5° C	2.6%	308%	217%	> 5° C
	Utilities	2.0%	79%	46%	> 5° C	2.0%	46%	18%	> 5° C

GREEN SHARE

Focus on electricity generation

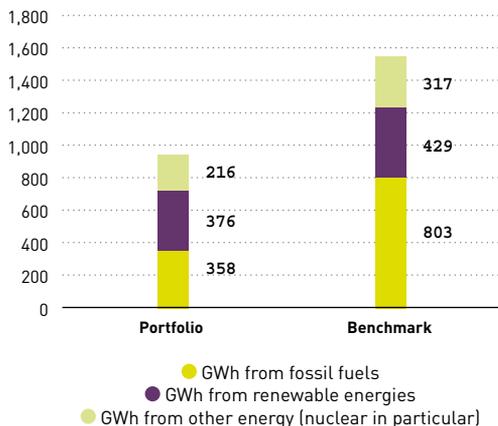
Analysis of the portfolio’s electricity-generating companies makes it possible to better understand the compatibility of their activities with international climate objectives aimed at limiting temperature increases to below 1.5°C.

The portfolio finances more energy from renewable sources than from fossil fuels (40% vs. 38%), which is not the case for the index (28% vs. 52%). As the weight of the electricity generation sector in the portfolio is lower than in the benchmark index, the total number of GWh financed is higher for the benchmark index.

As shown above, the trajectory of the portfolio’s electricity-producing issuers is compatible with a sub-1.5°C trajectory over the period 2012-2025.

GWH RELATED TO ELECTRICITY PRODUCTION

Source — Trucost, 30 November 2020

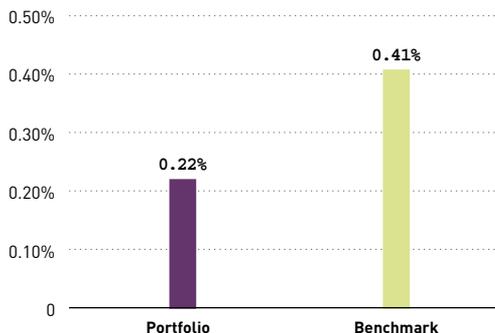


BROWN SHARE

Focus on exposure to extractive industries

EXPOSURE OF THE EQUITY PORTFOLIO TO EXTRACTIVE INDUSTRIES COMPARED WITH BENCHMARK (IN REVENUE)

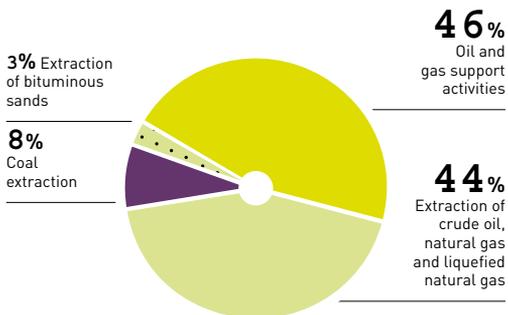
Source — Trucost, 30 November 2020



The equity portfolio’s average weighted share of revenue exposed to the extractive industries was 0.22%. As for the other portfolios, this exposure is lower than that of its benchmark (0.41%). The majority of this revenue comes from oil and natural gas extraction (44%) and oil and gas support activities (46%). Coal, the energy source with the highest emissions⁷⁸, accounts for 8% of revenue, while exposure to bituminous sands is low (3%).

SECTOR DISTRIBUTION OF THE PORTFOLIO’S EXTRACTIVE REVENUE

Source — Trucost, 30 November 2020



78_ See page 94.

SUMMARY OF ERAFP'S VOTING AT 2020 ANNUAL GENERAL MEETINGS OF SHAREHOLDERS

France seventh year of 'say on pay' was marked by the economic crisis linked to the Covid-19 pandemic. In a context where the pay of the average executive in the French sample fell compared with last year (-9%)⁷⁹, the average rate of rejection by shareholders of corporate officer pay resolutions also fell (8.2% rejection rate in 2020 compared with 12.9% in 2019), as did that of ERAFP (92.4% in 2019 compared with 86.9% in 2020).

The downward trend in dividends paid in the French sample (an average drop of 38% in terms of dividend per share compared with 2019) was also noteworthy. On other governance issues, ERAFP particularly welcomes the increase in the proportion of women on boards (47% in 2020 vs. 45% in 2019).

For the 20 international general meetings that ERAFP monitors in depth, the average rate of shareholder opposition to management-proposed resolutions was slightly higher than that observed in the French sample and up compared with 2019 (5% in 2020 vs. 3.8% in 2019).

Resolutions on remuneration policies at sample companies were voted against more in 2020 than they were in 2019 (8.2% vs. 5.4%). The average executive's pay saw a year-on-year increase of around €250k⁸⁰. It was also significantly higher than that observed in the French sample (+40%).

Meanwhile, the level of board independence is admittedly higher than that observed for France (58%) but has fallen significantly compared with 2019 (63% in 2020 vs. 67% in 2019). The process of increasing the percentage of women board members – which is less advanced than in France – also slowed compared with last year (33% in 2020 vs. 35% in 2019), but this is partly attributable to a sample effect.

More specifically, regarding voting at meetings of ERAFP's portfolio companies, while there was less pronounced opposition than last year to resolutions put to French general meetings, those put to international general meetings were voted against more frequently. Reinforcing this trend, through its delegated asset managers ERAFP voted against 31.8% and 39.9%, respectively, of the resolutions submitted by the management of French and international companies that it monitors in depth (compared with 38.4% and 33.9%, respectively, last year). The main themes opposed concerned:

- + executive pay;
- + the appointment or reappointment of directors due to the lack of independent representation or gender balance on boards, or the excessive number of directorships held by certain candidates;
- + the appropriation of earnings (dividend distribution) in cases where the company's proposal appeared irresponsible: dividends exceeding net income, excessive debt, imbalance between the remuneration of shareholders and that of employees, major restructuring carried out during the financial year, etc.

In 2020, ERAFP supported 45% of shareholder-initiated resolutions in the French sample, twice fewer than in 2019 (88%) due to the fact that it did not wish to support a number of resolutions proposed by shareholders on board appointments. With regard to the international sample, in 2020 ERAFP voted in favour of 71% of shareholder-initiated resolutions, roughly the same proportion as last year (75%).

For the equity portfolio as a whole, ERAFP's delegated asset managers voted on its behalf in favour of 11 shareholder resolutions to support the climate.

⁷⁹ In 2020, this sample comprised 40 major French companies.

⁸⁰ Calculation based on the same sample of 20 international companies in 2019 and 2020.

FRANCE

	2020	2019	2018	2017	2016	2015
ERAFP SAMPLE INDICATORS						
Percentage of female board members	47%	45%	45%	44%	41%	36%
Percentage of independent board members	58%	58%	56%	52%	51%	47%
Average pay of chief executive (€)	4,966,696	5,441,684	4,618,390	4,842,008	4,328,418	3,689,856
OVERALL RESULTS						
Resolutions monitored in depth by ERAFP	1,030	915	913	889	810	772
<i>Average adoption rate per GM of resolutions proposed by management</i>	95.3%	94.3%	93.6%	93.7%	94.5%	94.4%
Resolutions (excluding shareholder-initiated resolutions) rejected by the GM	0.3%	1.0%	0.4%	1.7%	1.8%	3.6%
Resolutions (excluding shareholder-initiated resolutions) adopted by less than 90% of the votes	15.1%	19.4%	19.4%	19.1%	16.6%	16.9%
Resolutions (excluding shareholder-initiated resolutions) adopted by less than 70 % of the votes	2.0%	2.9%	2.7%	2.0%	1.8%	5.5%
ERAFP VOTES						
ERAFP votes in favour of resolutions (excluding shareholder resolutions)	68.2%	61.6%	56.3%	56.8%	60.5%	67.7%
ERAFP votes in favour of a dividend distribution	92.5%	87.5%	87.5%	50.0%	51.4%	60.5%
<i>Average adoption rate per GM of resolutions concerning a dividend distribution</i>	99.3%	99.3%	99.2%	99.1%	99.1%	95.9%
ERAFP votes in favour of resolutions concerning executive pay	13.1%	7.6%	9.4%	8.3%	16.9%	16.5%
<i>Average adoption rate per GM of resolutions concerning executive pay</i>	91.8%	87.1%	86.8%	87.2%	90.8%	87.8%
ERAFP votes in favour of appointments and/or reappointments of directors	77.9%	80.6%	67.3%	63.0%	67.6%	66.9%
<i>Average adoption rate per GM of resolutions concerning director appointments or reappointments</i>	94.1%	94.0%	93.4%	92.4%	93.8%	94.8%

	2020	2019	2018	2017	2016	2015
SHAREHOLDER RESOLUTIONS						
Shareholder-initiated resolutions submitted	11	8	6	3	10	9
Shareholder-initiated resolutions adopted by the GM	0	0	1	0	0	0
Shareholder-initiated resolutions supported by ERAFP	45%	88%	67%	67%	70%	56%

INTERNATIONAL

	2020	2019	2018	2017	2016	2015
INDICATORS - ERAFP SAMPLE						
Percentage of female board members	33%	35%	29%	29%	29%	26%
Percentage of independent board members	63%	67%	65%	70%	63%	59%
Average pay of chief executive (€)	7,025,938	6,772,875	8,264,047	7,168,817	6,673,944	8,522,796

	2020	2019	2018	2017	2016	2015
OVERALL RESULTS						
Resolutions monitored in depth by ERAFP	315	305	253	241	245	196
<i>Average adoption rate per GM of resolutions proposed by management</i>	95.0%	96.2%	96.5%	94.4%	95.1%	96.0%
Resolutions (excluding shareholder-initiated resolutions) rejected by the GM	0.0%	0.7%	0.0%	1.3%	0.4%	0.0%
Resolutions (excluding shareholder-initiated resolutions) adopted by less than 90% of the votes	13.4%	7.0%	6.2%	10.4%	11.0%	11.5%
Resolutions (excluding shareholder-initiated resolutions) adopted by less than 70% of the votes	2.1%	1.8%	0.8%	2.7%	2.6%	0.0%
ERAFP votes in favour of resolutions (excluding shareholder resolutions)	60.1%	66.1%	62.6%	42.2%	43.3%	58.9%
ERAFP votes in favour of a dividend distribution	93.8%	86.7%	87%	53.3%	42.9%	54%
<i>Average adoption rate per GM of resolutions concerning a dividend distribution</i>	98.3%	99.7%	97.7%	99.4%	98.8%	92.5%
ERAFP votes in favour of resolutions concerning executive pay	3.4%	0.0%	5.0%	5.0%	0.0%	0.0%
<i>Average adoption rate per GM of resolutions concerning executive pay</i>	91.8%	94.6%	90.2%	81.6%	85.8%	94.1%
ERAFP votes in favour of appointments and/or reappointments of directors	65.8%	73%	51.5%	31.1%	42.7%	
<i>Average adoption rate per GM of resolutions concerning director appointments or reappointments</i>	93.7%	94.4%	96.1%	93.3%	93.5%	
SHAREHOLDER RESOLUTIONS						
Shareholder-initiated resolutions submitted	24	28	12	17	16	13
Shareholder-initiated resolutions adopted by the GM	1	1	0	0	3	1
Shareholder-initiated resolutions supported by ERAFP	71%	75%	67%	65%	81%	85%

THE DIVERSIFICATION PORTFOLIO

Amundi holds this mandate, which was first awarded in 2013, with the aim of maximising performance while complying with ERAFP's SRI Charter and optimising the risk-return ratio by implementing a diversified, flexible and dynamic asset allocation. The fund is managed using a risk budget, based on a fundamental approach, with no benchmark constraint. The risk budget for this fund was set at -25% for 2020.

At 31 December 2019, the multi-asset fund totalled €888 million at amortised cost, representing 3% of ERAFP's total assets. It had generated unrealised gains equivalent to 27.3% of amortised cost, up from 2019.

At the end of 2020, the diversification portfolio's IRR stood at 7.2%, and its IRR since the portfolio's creation in 2013 at 5.2%.

SRI PROFILE

ERAFP has developed specific provisions for applying its SRI guidelines to multi-asset fund management. It was decided that the SRI eligibility of funds available for selection by Amundi would be determined based on:

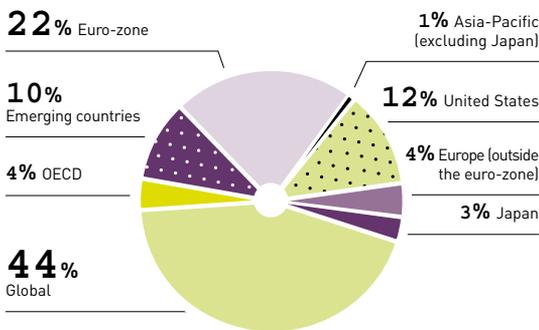
- + an analysis of the management process put in place: the only funds eligible are those selected through a best in class SRI approach or a particular environmental (reduction of climate change, protection of water resources, etc.) or social (healthcare, combating poverty, etc.) approach;
- + or an analysis of the fund's SRI quality based on the SRI rating of each issuer represented in the fund.

€888
million at
amortised cost

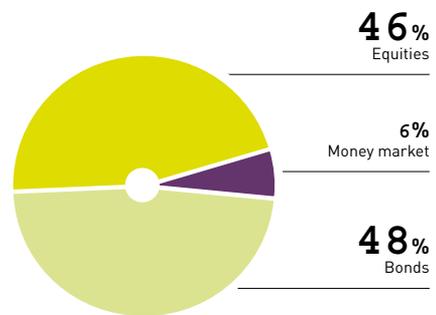
An internal rate
of return since
the portfolio's
creation of
5.2%

BREAKDOWN BY ASSET CLASS AND REGION AT 31 DECEMBER 2020 (AT MARKET VALUE)

Source - ERAFP



BY REGION



BREAKDOWN
BY ASSET CLASS

THE PRIVATE EQUITY AND INFRASTRUCTURE PORTFOLIO

ERAFFP uses two delegated management methods to invest in unlisted private equity and infrastructure assets.

As from 2015, it began to make direct subscriptions to investment funds, which at end-2020 amounted to:

- + €477 million in private equity funds (€223 million called);
- + €290 million in infrastructure funds (€146 million called), including €170 million committed (€64 million called) to dedicated renewable energies and energy transition funds.

Starting in 2017, ERAFFP has awarded unlisted asset management mandates as follows: + €350 million in the dedicated private equity fund, managed by Access Capital Partners, which has already made commitments totalling €290 million (€163 million called);

+ €340 million in the dedicated infrastructure fund (of which €100 million dedicated exclusively to renewable energies), managed by Ardian France, which has already made €265 million of commitments (€125 million called).

The amounts invested in the unlisted portfolio at 31 December 2020 therefore totalled €657 million (with ERAFFP having committed €1.5 billion in total), comprising: + €386 million in private equity assets (out of €827 million committed);

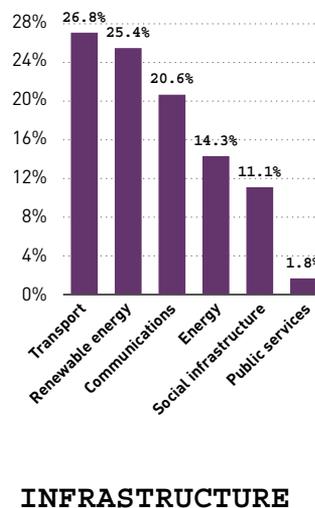
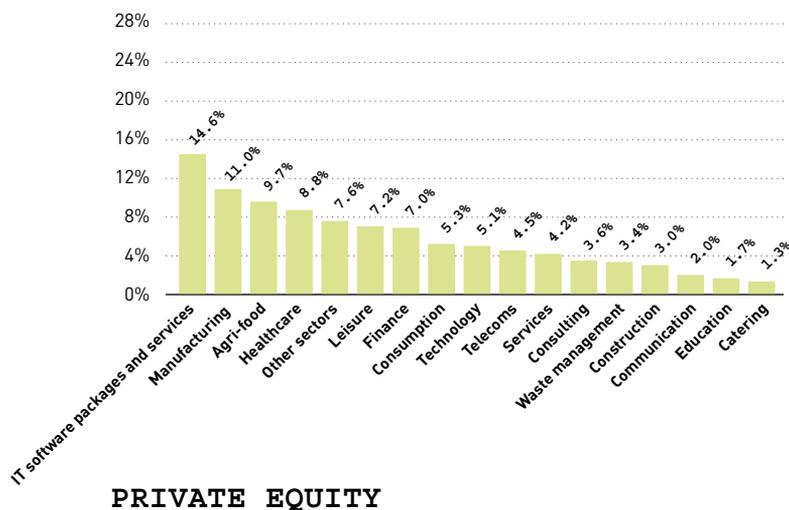
+ €271 million in infrastructure assets (out of €630 million committed).

As the portfolio is in the course of being built up, unrealised gains are limited, representing 6.6% of assets at amortised cost at year-end.

The IRR of the private equity and infrastructure portfolio stood at 4.2% at 31 December 2020.

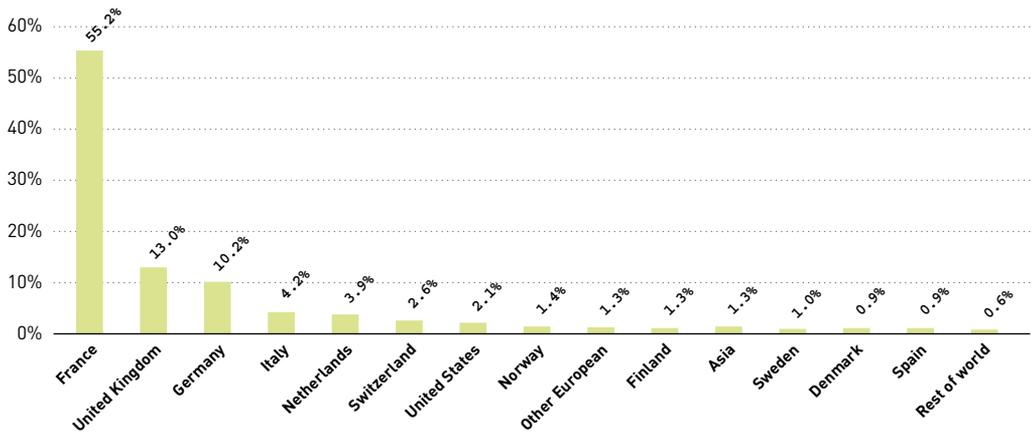
SECTOR BREAKDOWN OF PRIVATE EQUITY AND INFRASTRUCTURE FUNDS 31 DECEMBER 2020 (AT MARKET VALUE)

Source – ERAFFP

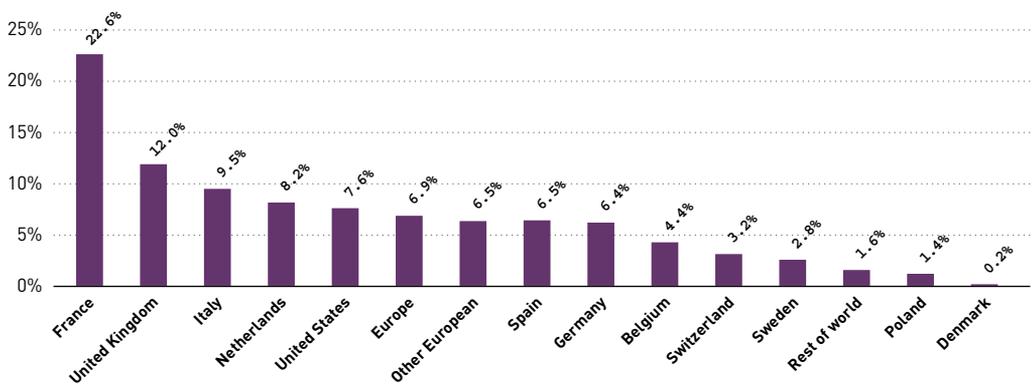


GEOGRAPHIC BREAKDOWN OF PRIVATE EQUITY AND INFRASTRUCTURE FUNDS AT 31 DECEMBER 2020 (AT MARKET VALUE)

Source – ERAFP



PRIVATE EQUITY



INFRASTRUCTURE

SRI PROFILE

In connection with its unlisted asset management mandates, ERAFP has developed SRI criteria for private equity and infrastructure investments. The aim of these criteria is to adapt to the specific features of these asset classes while applying the five values of ERAFP's SRI Charter. Each criterion adapts the best in class principle to the specific nature of the asset class by incorporating a dynamic approach consistent with the investments' lifespan. Practically speaking, this means using the investment as a lever to encourage improvement in practices. Particular attention is also paid to managing the reputational risk arising from any controversial practices associated with portfolio companies or projects.

As the delegated asset managers invest mainly through mutual funds, SRI analysis is based on two aspects:

- + the SRI management process implemented by the target fund;
- + ESG assessment and monitoring of portfolio lines in relation to ERAFP's SRI criteria.

PRIVATE EQUITY PORTFOLIO

In 2020⁸¹, all the managers selected for ERAFP's private equity fund mandate signed ERAFP's delegated asset manager ESG clause. 35% of the management companies issued an ESG report (compared with 23% in 2018) and 55% had signed the PRI (compared with 47% in 2018).

Managers are also assessed on the basis of the ESG reporting of the companies in the underlying funds and their ability to meet the ESG criteria identified within the companies. Based on these criteria, the average ESG rating of the managers of the portfolio's underlying funds is 7/10 (based on the assessment of the delegated asset manager of ERAFP's private equity portfolio).

INFRASTRUCTURE PORTFOLIO

In terms of infrastructure investments, the delegated asset manager first ensures that the targeted funds do not invest in companies that extract or burn coal or have been found guilty of violating international environmental, social or governance standards. All managers of the

targeted funds are then assessed before the investment based on a rating grid analysing their ESG policy, their management of significant ESG risks, their contribution to the management of ESG risks and opportunities of the underlying assets and the transparency of their ESG reporting. All the managers selected by the delegated asset manager of ERAFP's portfolio have a responsible investment policy. In 2020⁸², 91% were signatories to the PRI. Their average ESG rating was 81%.

The underlying assets of the funds invested in on behalf of ERAFP are assessed on the basis of 32 ESG criteria covering ERAFP's SRI framework. The fund managers are therefore assessed both on their ESG performance and on their management of the ESG performance of their underlying assets.

Based on the 2020 assessment, which covered the underlying assets of the 15 funds invested in at 30 September, the average ESG performance of the assets in the portfolio was 55%.

The assessment covered 58% of the portfolio's market value.

Using engagement as a lever to encourage improvement in practices.

⁸¹_ Based on 2019 data.

⁸²_ Based on the 2019 assessment.

CLIMATE ANALYSIS

ERAFP has carried out carbon footprinting for the private equity and infrastructure portfolio with the assistance of Carbone 4 since 2017.

PRIVATE EQUITY

Scope

At the end of 2019, this analysis covered 93% of the assets in which ERAFP is invested through the funds managed by its delegated private equity asset manager (125 out of 135 assets).

The assets covered by the analysis represented a total investment of €105 million.

Transition risks

39 portfolio assets, or 28% of investments, are considered to be associated with a sector of key importance for the energy transition, namely construction, mobility, waste, industrials, chemicals and agri-foods.

However, while a minority of the portfolio’s investments are in these key sectors, 71% of its related emissions are scope 3 and only 29% scopes 1 and 2.

Ultimately, its emissions are concentrated on four assets (three in the industrials sector and one in the agri-foods sector) that account for 40% of the portfolio’s emissions.

POINT MÉTHODOLOGIQUE METHODOLOGY NOTE

The emissions calculation methodology used requires the asset’s business sector to be identified, based on its NACE code⁸³ and a description of its activity. The asset’s revenue and balance sheet are also needed. Due to the lack of maturity of carbon data on unlisted companies, sector ratios are applied from Carbone 4’s database, which classes sectors as being of low or high importance for the energy transition. For high importance sectors with high stakes, significant sources of scope 3 emissions are taken into account. For an airport services company, for example, part of the ‘downstream’ scope 3 emissions related to aircraft journeys are taken into account.

The portfolio’s emissions can be expressed in absolute terms, based on the portion of each asset’s absolute emissions that corresponds to ERAFP’s holding⁸⁴, expressed in tCO₂ eq per €m invested⁸⁵ and tCO₂ eq per €m of revenue according to the asset’s weight in ERAFP’s total investment.

PRIVATE EQUITY MANDATE TRANSITION RISK

Source — Carbone 4, 31 December 2019

ABSOLUTE EMISSIONS	CARBON FOOTPRINT (TCO ₂ EQ/€M INVESTED)	CARBON INTENSITY (TCO ₂ EQ/€M OF REVENUE)
94 ktCO ₂ eq allocated	294 tCO ₂ eq/€m	495 tCO ₂ eq/€m of revenue

⁸³ Statistical classification of economic activities in the European Community. The level 2 NACE code is used. ⁸⁴ Allocation to the portion held by ERAFP based on the asset’s capital and debt.

⁸⁴ Allocation to the portion held by ERAFP based on the asset’s capital and debt.

⁸⁵ Allocation to the portion held by ERAFP based on the asset’s capital and debt.

Green share

METHODOLOGY NOTE

In 2020, Carbone 4 redesigned its green share calculation methodology based on the European Taxonomy, which sets the minimum standards compatible with a 2050 carbon neutrality target for each relevant business sector included in the Taxonomy. If an asset is above the minimum it can be considered green.

The Taxonomy sectors are grouped into eight categories⁸⁶, broken down into 71 sub-sectors.

The ERAFP portfolio distinguishes between two categories of asset:

+ **Green share:** Percentage of investments in companies that belong to sectors automatically qualifying as sustainable under the Taxonomy (e.g. wind energy) or that publish information from which it can be determined that they meet the required standards.

+ **Potential green share:** Percentage of investments in companies that belong to sectors potentially qualifying as sustainable under the Taxonomy but do not publish the information needed to determine whether they meet the required standards or what proportion of their revenue is aligned with them.

For these assets, it is possible that only part of ERAFP's investment may be counted in the green share. This is the case for railway rolling stock production, for example, as only one part of it is electric while the other uses fossil fuels.

Based on this methodology, the green share of the private equity portfolio managed by Access Capital Partners on behalf of ERAFP is estimated at 3% of investments. It consists of assets specialising in recycling, waste management and rail transport consulting.

ERAFP also holds 12 assets (corresponding to 13% of its investments) in sectors that are potentially sustainable. However, it cannot determine whether they meet the European Taxonomy standards because it lacks sufficient information about them.

Physical risk

Physical risks is calculated using a simplified analysis based on the Carbone 4 methodology that takes into account the asset's geographical exposure and sector vulnerability to seven risks: temperature rises,

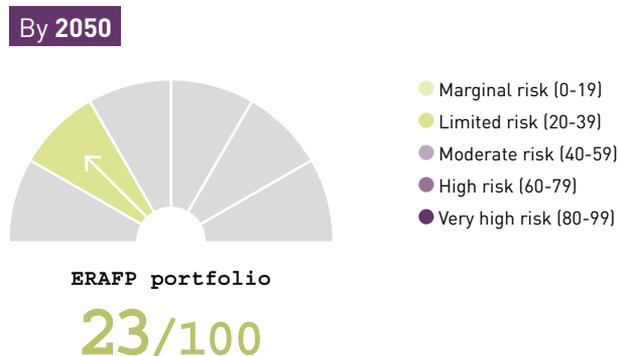
heat waves, droughts, rising sea levels, precipitation, bad weather and storms.

The analysis is based on a median warming scenario of between 3°C and 4°C by 2100.

This analysis shows that the private equity portfolio has a generally limited exposure to physical risks, with a score of 23/100 by 2050, compared with 28/100 for its benchmark index⁸⁷.

PRIVATE EQUITY PORTFOLIO PHYSICAL RISKS

Source — Carbone 4, 31 December 2019



⁸⁶ Sectors covered by the Taxonomy are grouped into eight categories as follows: forestry, agriculture, manufacturing, energy, water and waste, transport and storage, information and communications, and construction.

⁸⁷ The benchmark index is composed of 1,634 companies.

INFRASTRUCTURE

Scope

The climate analysis presented for this asset class covers the investments of the infrastructure management mandate. An analysis of funds invested directly was also carried out, but the data has yet to be confirmed. However, the estimated green share for ERAFP’s direct investments in funds is significant as they have significant exposure to renewable energies.

In terms of coverage, the data available do not currently cover all investments under the infrastructure mandate.

The financial or physical data required to measure transition risks were provided in full for 49 assets, i.e. 52% of the investments covered by the Carbone 4 analysis at 31 December 2019 - representing an amount of €72 million. For the green share and physical risks, however, measurement was possible covering 76 assets.

Improvements in the collection and reliability of certain physical and financial data on assets in the coming years will extend the reporting scope.

Transition risks

For infrastructure, Carbone 4 takes into account the three emissions scopes, including construction, operation and use. While this provides an overview of all the infrastructure’s risks and opportunities, the infrastructure itself is not accountable for all emissions generated in its supply chain. Carbone 4 therefore allocates emissions based on the sector in question. For each emissions indicator considered, emissions are mainly concentrated in one or two funds, and relate to a handful of assets whose activity is linked in most cases to gas production or distribution. However, in accordance with ERAFP’s SRI guidelines, no assets under review in the primary funds are involved in coal extraction or combustion.

METHODOLOGY NOTE

For calculations relating to greenhouse gas emissions, Carbone 4 prioritises the use of physical data from the infrastructure itself, where available, and, where relevant, business sector data. This includes installed capacity (in MW) or production (in MWh) for electricity production, for example, or road length (in km) for road infrastructure. When the data is not available or relevant for the business sector (e.g. the waste or water management sectors), monetary data is used (revenue or capex). The sector ratios developed by Carbone 4 are then applied (for example, a motorway represents x tCO₂/km).

TRANSITION RISK OUTCOMES

Source — Carbone 4, 31 December 2019

ABSOLUTE EMISSIONS	CARBON FOOTPRINT (TCO ₂ EQ/€M INVESTED)	CARBON INTENSITY (TCO ₂ EQ/€M OF REVENUE)
5.4 ktCO ₂ eq allocated	74 tCO ₂ eq/€m invested	252 tCO ₂ eq/€m of revenue

Contribution to the energy transition

Carbone 4 calculated emissions avoided for the infrastructure mandate by calculating a benchmark situation in a given country and comparing the related indirect emissions with those of the portfolio. Based on this definition, it is estimated that on average the portfolio avoids 13 tCO₂/€ million invested. The portfolio is able to avoid emissions through its inclusion of renewable energy infrastructure investments. Carbone 4 also relied on the European taxonomy to define the green share of the infrastructure portfolio (see page 132 for more information on the methodology used).

On average, the portfolio's green share represents 8% of the investments taken into account in 2020⁸⁸. Meanwhile, 31% of its investments are in eligible sectors. There is not sufficient information about them to determine whether they meet the European taxonomy thresholds. Note that this portfolio's green share is likely to increase in the coming years as new renewable energy infrastructure investments are taken into account.

Physical risks

As for the private equity and real estate portfolios, analysis of ERAFP's physical risk exposure of ERAFP's infrastructure investments is based on the methodology developed by Carbone 4 ['Climate Risk Impact Screening']. As above, physical risks are measured with reference to the asset's sector and its geographical exposure to various risks⁸⁹ in a scenario of median (3°C to 4°C) warming by 2100.

The infrastructure portfolio's average combined risk score is 35/100 by 2050, corresponding to a moderate risk. Overall, the most sensitive assets are airports and those located in high-risk regions such as Italy, the Netherlands and Singapore.

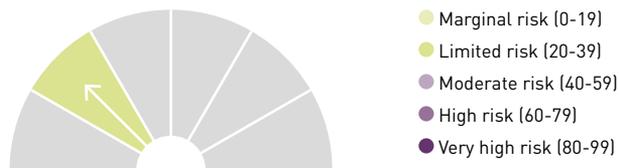
Note that an analysis of exacerbating factors related precise geographical location of assets within a country (coastal or mountainous zone, etc.) would allow this risk category to be assessed in greater detail.

INFRASTRUCTURE PORTFOLIO PHYSICAL RISKS

Source — Carbone 4, 31 December 2019

By 2050

Average combined risk score of the Ardian portfolio



ERAFP portfolio

35/100

⁸⁸ These investments represent €72 million.

⁸⁹ As above, the risks in question are: temperature rises, heat waves, droughts, precipitation, bad weather, rising sea levels and storms.

THE REAL ESTATE PORTFOLIO

ERAFF's real estate portfolio comprises six diversified SRI asset management mandates:

+ four French real estate mandates, two of which are managed on a diversified basis by AEW Ciloger and La Française REM, a third under which AEW Ciloger manages ERAFF's headquarters building and fourth in the residential real estate sector, managed by Ampère Gestion;

+ two European real estate mandates, one managed by AXA Real Estate IM SGP and the other by LaSalle IM.

At 31 December 2020, the real estate portfolio totalled €3.6 billion at amortised cost, representing 11.9% of ERAFF's total assets. Unpaid commitments of €639 million, pending future deliveries of buildings and cash calls by funds currently in the investment phase, can be

added to this amount. The portfolio's unrealised gains represented 3.8% of its amortised cost in 2020. The real estate portfolio committed to investing €177 million in subsidised middle income housing funds.

In terms of financial performance, the real estate portfolio's annual IRR was negative in 2020, at -1.59%.

GEOGRAPHICAL BREAKDOWN OF THE REAL ESTATE PORTFOLIO AT 31 DECEMBER 2020

Source — ERAFF

	COMMITMENT ⁹⁰	EXPOSURE ⁹¹
France	68.6%	72.0%
Netherlands	3.0%	4.4%
United Kingdom	5.3%	3.8%
Germany	5.9%	5.3%
Spain	3.7%	3.6%
Belgium	2.9%	0.1%
Finland	2.2%	2.5%
Europe	4.1%	3.1%
Luxembourg	1.8%	1.7%
Czech Republic	1.7%	1.8%
Ireland	0.8%	1.6%

⁹⁰ Commitment represents the sum of the amount disbursed for the existing assets and the assets delivered, the acquisition price including taxes, costs associated with off-plan purchases not delivered, the amount disbursed for funds no longer making calls and the amount of the commitment for the funds.

⁹¹ Exposure represents the sum of the appraisal value of real estate assets and of the underlying assets of funds. It is calculated inclusive of debt.

SRI PROFILE

ERAFP has developed a demanding and innovative SRI process for real estate assets, adapting the five values of its SRI Charter to the asset class. It not only focuses on the real estate's environmental impact, but also integrates social progress, human rights, democratic labour relations and good governance criteria into its management. In this respect, taking these criteria into account along the entire management chain is of crucial importance. This approach also aims to adapt the best in class principle to the specific nature of the real estate asset class by incorporating a dynamic approach consistent with the investments' lifespan. In practical terms, this is reflected in two types of SRI performance for the real estate concerned: + a relative performance that compares the non-financial characteristics of these buildings and their management (lease, use,

maintenance) with those of other buildings of the same type (same usage and type of construction, equivalent location);

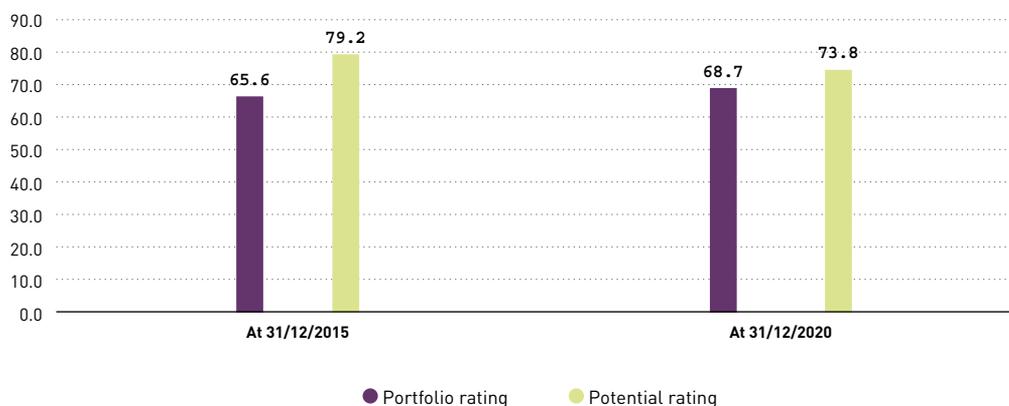
+ a dynamic performance that aims to raise each asset to best in class status, using a potential SRI rating estimate at the date of acquisition. In summary, only real estate assets with a high SRI rating within their category at the time of acquisition, or those with strong improvement potential, can be selected for ERAFP's portfolio.

+ In 2020, the consolidated rating for ERAFP's real estate portfolio⁹² continued to improve as it had done in 2019 (from 67.6 to 68.7). The increase was mainly driven by the delivery of two buildings whose SRI performance improved significantly. The potential rating fell slightly compared with last year (from 74.1 in 2019 to 73.8),

due in particular to the integration of new assets, the potential of which will be reviewed each year based on the action plans carried out. The overall potential for improvement remains significant. As the real estate portfolio is in an expansion phase, its SRI ratings may change due to new acquisitions in the coming years. Most (i.e. 72%) of the real estate assets in ERAFP's portfolio are certified⁹³ to standards of minimum environmental and social performance. This figure rose 5% from last year despite the fact that the scope under review in terms of numbers of assets broadened by 28%. Most certifications obtained or pending are BRE Environmental Assessment Method (BREEAM), High Environmental Quality (HEQ) and/or NF Habitat.

CHANGE IN THE CONSOLIDATED REAL ESTATE PORTFOLIO'S AVERAGE SRI RATING

Source — Asset managers, 31 December 2020



⁹² Consolidated rating of the five real estate management mandates.

⁹³ Obtained or pending.

CLIMATE ANALYSIS

TRANSITION RISKS

In 2020⁹⁴, two residential real estate portfolios⁹⁵ were added to the scope under review. The analysis now covers €2.72 billion in terms of amount invested by ERAFP at end-2019, i.e. 83%⁹⁶ of the real estate

portfolio (up by nearly €700 million compared with end-2018).

The share of residential real estate in the analysis increased significantly, from 2% to 19%.

Data reliability improved, with calculation for 74% of the assets under review being based on real consumption data (compared with 60% last year).

TRANSITION RISKS

Source — Carbone 4, 31 December 2019

	ABSOLUTE EMISSIONS (TCO ₂ EQ)	CARBON FOOTPRINT (TCO ₂ EQ/€M INVESTED)	CARBON INTENSITY (TCO ₂ EQ/€M OF REVENUE)	SURFACE INTENSITY (KGCO ₂ EQ/SQ M/YEAR)
2018	30,100	15	287	42
2019	37,700	14	261	38

The portfolio's absolute emissions increased compared with the previous year (+24%) but less rapidly than its surface area (+48%).

Whether in relation to the amount invested or the asset's revenue or surface area, ERAFP's real estate portfolio emissions fell between 2018 and 2019.

Whichever emissions indicator shown above is considered, on average the three French asset portfolios generated 3.5 times fewer emissions than the two European portfolios. This is attributable in particular to the difference in electricity mix between countries (France has one of the least carbon-intensive electricity mixes in Europe, while Germany, the Czech Republic and the Netherlands have some of the highest). It also reflects the fact that the majority of the portfolio's

issues are concentrated on just a few assets. ERAFP tends to focus on these assets to improve their energy performance and, ultimately, the portfolio's overall performance. In connection with its participation in the Net-Zero Asset Owner Alliance and its provisional roadmap setting portfolio emissions reduction targets to achieve carbon neutrality by 2050, ERAFP is currently working with its assets managers to identify the various means of reducing its assets' emissions. The work carried out is based on the CRREM⁹⁷ methodology, which makes it possible to place each asset on a 1.5°C trajectory specific to its type and country.

Overall, ERAFP's assets perform well compared with the average for the countries in which they are based. This is also true in comparison with the French and

European averages. This is also true in comparison with the French and European averages.

ERAFP's real estate portfolio has a lower surface intensity than the European benchmark⁹⁸ for office assets (48 kg CO₂/sq m/year for the portfolio compared with 66 kg CO₂/sq m/year for the benchmark) and a slightly higher surface intensity for retail assets (44 kg CO₂/sq m/year for the portfolio compared with 40 kg CO₂/sq m/year for the benchmark). The French real estate portfolio's assets also have a lower average surface intensity than the benchmark⁹⁹.

⁹⁴ Based on asset data at 31/12/2019.

⁹⁵ Five delegated asset managers are now involved in collecting data for analysis.

⁹⁶ Based on market value at 31/12/2019.

⁹⁷ Carbon Risk Real Estate Monitor (CRREM) is a European research project that defines 2°C and 1.5°C decarbonisation objectives and trajectories for the real estate sector by asset type and country.

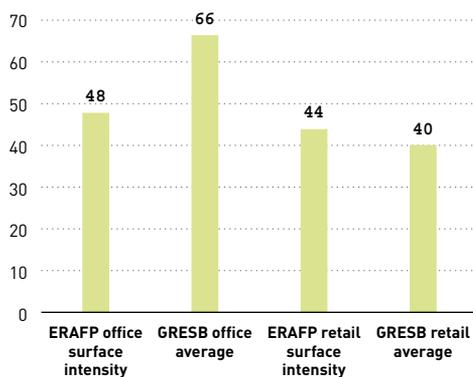
⁹⁸ Global Real Estate Sustainability Benchmark (GRESB) average for offices.

⁹⁹ Sustainable Real Estate Observatory (OID) barometer average by asset type.

COMPARISON OF THE REAL ESTATE PORTFOLIO'S SURFACE INTENSITY WITH THAT OF A EUROPEAN SAMPLE

Source — Carbone 4, 31 December 2019

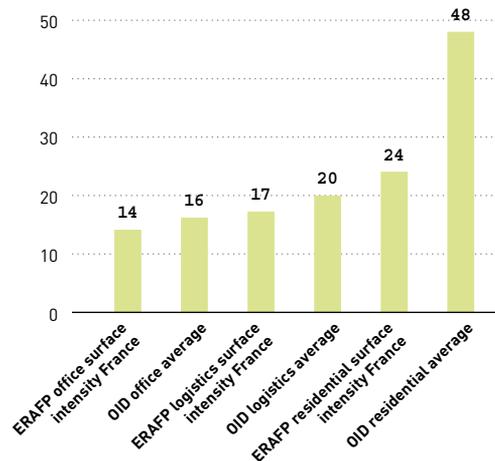
kgCO₂eq/sq m/year



COMPARISON OF THE FRENCH REAL ESTATE PORTFOLIO'S SURFACE INTENSITY WITH THAT OF A FRENCH SAMPLE (BY ASSET TYPE)

Source — Carbone 4, 31 December 2019

kgCO₂eq/sq m/year



CONTRIBUTION TO THE ENERGY TRANSITION

The contribution to the energy transition is presented here through emissions avoided¹⁰⁰.

The carbon intensity avoided is expressed as the number of tonnes of carbon avoided per € million of revenue compared with an average for comparable asset types and countries. On average the ERAFP portfolio avoids 47 tCO₂/€ million of revenue. This figure rose in 2020 due in particular to the inclusion in the scope of new Spanish logistics assets that are less carbon intensive than their benchmark.

PHYSICAL RISKS

In the context of a median global warming scenario (between 3°C and 4°C by 2100), risk scores are calculated

by combining the geographical exposure and sectoral vulnerability of each building category for four risks (heat waves, droughts, floods and rising sea levels¹⁰¹).

While the portfolio's drought risk to 2050 remains moderate on average (46/100), a certain number of assets have ratings close to the high-risk threshold (70/100), particularly in Spain.

While the portfolio's absolute flood risk remains moderate (40/100), some assets also have ratings close to the high risk threshold (particularly individual houses that are vulnerable to flooding)

Heat wave risk is set to increase significantly throughout Europe in the coming decades, particularly in southern regions. However, according to the study it will remain moderate (42/100) in the period to 2050.

¹⁰⁰ As the green share methodology changes frequently, we have only provided emissions avoided data for 2020.

¹⁰¹ The risk associated with rising sea levels only concerns two assets in the portfolio under review, which are located in coastal regions or at very low altitude. While these areas are not expected to have become uninhabitable by 2050 the associated risks (coastal flooding, etc.) will rise. As things stand there is uncertainty surrounding these projected risk measurements.

ERAFP: AN INVESTOR RECOGNISED BY ITS PEERS

At the third edition of the International Climate Reporting Awards organised by the French Ministry for the Ecological Transition, the French Ecological Transition Agency and the think tank 2° Investing Initiative, ERAFP was awarded the jury's prize for best climate report 2020.

Four years after being praised for its 'pioneering approach', obtaining one of the four awards given to economic actors that fully integrate environmental criteria into their activities and investment policies provides confirmation of how ERAFP's committed approach to climate reporting as an institutional investor has matured.

Last year, ERAFP was also recognised by the PRI as a leading ESG practitioner for its selection, appointment and monitoring of asset managers – and at the IPE Awards for its high-quality equity portfolio management.



APPENDICES

GLOSSARY

DISCOUNTING

Method for calculating the present value of a future amount based on an interest rate (referred to herein as the discount rate).

FUNDED SCHEME

A funded retirement scheme invests its paid-in contributions in financial assets, which are liquidated at the time of retirement to pay the accrued rights either as an annuity or in a lump sum. The payment depends on both the amount saved and changes in the value of the assets (typically equities and bonds) in which the funds were invested.

FCP (COLLECTIVE INVESTMENT FUND)

An FCP is a French mutual fund managed by a management company on behalf of unit-holders. It is not a legal entity.

BENCHMARK INDEX

An index that is representative of the market(s) in which the fund is invested.

UCI (UNDERTAKING FOR COLLECTIVE INVESTMENT)

Term generally used to refer to a vehicle for the collective ownership of financial assets.

POINT

Unit for calculating the pension in certain schemes. The contributions make it possible to acquire (vest) points. The amount of the pension is equal to the points vested over the course of the beneficiary's professional career, multiplied by the value of a point at the time of retirement. Most supplementary pension schemes are based on points systems. Basic pension schemes tend to use the 'quarter' system.

RETURN

Ratio of the pension amounts received over the course of retirement to the contribution amounts paid in during the beneficiary's active working life.

TECHNICAL RETURN

Ratio of the service value of a point to the purchase value of a point.

PREMIUM

Premium applied to the amount of the future pension of a beneficiary who has reached the legal retirement age but chooses to continue working, even though he or she has satisfied the coverage period required to receive a full pension.

TRACKING ERROR

Tracking error represents the volatility of performance variances between the fund and its benchmark index.

MARKETABLE SECURITY

Security traded on the financial markets and evidencing a negotiable, associated claim or right (equities, bonds, etc.).

STATUTORY AUDITORS' REPORT ON THE 2020 ANNUAL FINANCIAL STATEMENTS

Statutory Auditors' Report on the Financial Statements

ERAFP

Year ended 31 December 2020

To the supervisory authorities of ERAFP,

Opinion

In compliance with the engagement entrusted to us by the supervisory authorities, we have audited the accompanying financial statements of ERAFP for the year ended 31 December 2020.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Institution as at the end of that year and of the results of its operations for the year then ended in accordance with French accounting rules and principles.

Basis of opinion

Terms of reference

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Responsibilities of the statutory auditors for the audit of the financial statements" section of this report.

Independence

We conducted our audit in compliance with the independence rules applicable under the French Commercial Code and the French code of ethics for statutory auditors for the period from 1 January 2020 to the date of issue of our report.

Justification of our assessments

The global crisis related to the Covid-19 pandemic created unusual circumstances for the preparation and audit of the financial statements for this period. This crisis and the exceptional measures taken in connection with the state of health emergency are impacting companies in many ways, particularly as regards their activity and financing, and leading to increased uncertainty as to their future prospects. Some of these measures, such as travel restrictions and remote working, have also had an impact on companies' internal organisation and the way audits are carried out.

In this complex and changing context, pursuant to the provisions of Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we bring to your attention the following assessments which, in our professional judgement, were the most significant for the audit of the financial statements for the period.

- Certain technical items among the liabilities in your Institution's financial statements, notably provisions, are estimated on a statistical and actuarial basis in accordance with regulatory procedures, as described in note "3.3.3. Scheme benefits and provisions" in the notes to the financial statements.

We assessed the assumptions and valuation procedures used to prepare these accounts, and based on the information available, performed testing to verify the application of these procedures and the consistency of the assumptions made in the light of the Institution's past experience and its economic and regulatory environment. We also examined the appropriateness of the information provided in the notes to the financial statements.

- Financial assets are recognised and measured in accordance with the procedures set out in Note "3.3.4 - Investment transactions" in the notes to the financial statements. We assessed the valuation policies for these assets and, based on the information available to date, we performed testing to verify their application.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on specific elements of the financial statements.

Specific verifications

In accordance with professional standards applicable in France, we have also performed the specific verifications required by law and regulations.

We have no matters to report as to the fair presentation and the consistency with the annual financial statements of the information given in the management report of the board of directors and the other documents on the financial position and the financial statements submitted to the supervisory authorities.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of financial statements that comply with French accounting principles and for such internal control as it determines is necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing ERAFP's ability to continue as a going concern, disclosing, as applicable, matters related to its continuation as a going concern and using the going concern basis of accounting unless it is expected to liquidate the Institution or cease its operations.

The financial statements have been approved by the board of directors.

Responsibilities of the statutory auditors for the audit of the financial statements

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions taken by users on the basis of these financial statements.

As specified by Article L. 823-10-1 of the French Commercial Code, our statutory audit does not provide assurance as to ERAFP's viability or the quality of management of its affairs.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgement throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement in the financial statements, whether due to fraud or error, designs and performs audit procedures in response to those risks, and obtains audit evidence that the auditor considers to be sufficient and appropriate to provide a basis for his/her opinion. The risk of not detecting a material misstatement resulting from fraud is higher than that for one resulting from error, as fraud may involve collusion, falsification, intentional omissions, misrepresentation or the overriding of internal control;
- obtains an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control;
- evaluates the appropriateness of the accounting policies used and the reasonableness of the accounting estimates by management and the related disclosures in the financial statements;
- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institution's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, attention must be drawn in the audit report to the relevant disclosures in the financial statements, or, if such disclosures are not provided or are inadequate, a qualified opinion, adverse opinion or disclaimer of opinion must be issued;

- evaluates the overall presentation of the financial statements and assesses whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Issued at Paris-La Défense and Neuilly-sur-Seine, 29 April 2021.

The Statutory Auditors

Mazars



Digital signature of
- François LEMBEZAT
Date: 29.04.2021
22:21:06 +02'00'

François Lembezat

**Grant Thornton
French member firm of Grant
Thornton International**



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ASSET MANAGEMENT MANDATES AWARDED BY ERAFP

Pursuant to the applicable regulations, ERAFP delegates most of its asset management to external asset management companies.

Allocating the delegated investment management portfolios to a number of different firms spreads financial risk across a number of service providers; this is a prudent approach to the management of assets administered on behalf of beneficiaries.

Other than for the euro-denominated corporate bond mandates, each of the asset management companies has created a dedicated vehicle, in which ERAFP invests based on market conditions in accordance with a fully internal investment process.

In 2020, ERAFP launched two financial tenders:

+ in March, with a view to awarding three management mandates for US mid cap equity portfolios (lot 1) and four management mandates for US large cap equity portfolios (lot 2);

+ in July, with a view to awarding four multi-asset portfolio management mandates.

In connection with previously launched tenders:

+ in August, ERAFP awarded three international convertible bond SRI portfolio management mandates, of which two active mandates to Lombard Odier Gestion and the BFT IM - CQS consortium and one stand-by mandate to Union Investment Institutional.

MANDATES MANAGED ON ERAFP'S BEHALF IN 2020

CORPORATE BOND MANDATES

+ two companies (Amundi and Ostrum AM) were managing euro-denominated corporate bonds;

+ one company (AXA Investment Managers Paris) was managing US dollar-denominated corporate bonds;

+ 1 company (Aberdeen Asset Management Limited) was managing emerging market corporate bonds.

CONVERTIBLE BOND MANDATES

+ two companies (Schelcher Prince Gestion and Lombard Odier Gestion) were managing convertible bonds, one under a European mandate and the other under an international mandate.

EQUITY MANDATES

+ seven companies (Allianz GI, Amundi, AXA Investment Managers Paris, EdRAM, Mirova, Ofi AM and Sycomore AM) were managing euro-zone listed mid and large cap equities;

+ one company (Candriam) was managing European listed mid and large cap equities;

+ one consortium (BFT IM - Montanaro AM) was managing European listed small and mid cap equities;

+ two companies (Sycomore AM and Amiral Gestion) were managing French listed small and mid cap equities;

+ two companies (Ostrum AM and Robeco Institutional Asset Management) were managing North American listed large cap equities;

+ two companies (Comgest SA and Robeco Institutional Asset Management) were managing Pacific region listed large cap equities.

MULTI - ASSET MANDATE

+ 1 company (Amundi) was managing a multi-asset portfolio.

PRIVATE EQUITY AND INFRASTRUCTURE MANDATES

+ one company (Access Capital Partner) was managing a portfolio of unlisted private equity assets;

+ one company (Ardian Capital SA) was managing a portfolio of unlisted infrastructure assets.

REAL ESTATE MANDATES

+ two companies (AEW Ciloger and La Française REM) were managing real estate assets in France;

+ two companies (AXA Real Estate Investment Managers SGP and LaSalle IM) were managing real estate assets in Europe;

+ one company (Ampère Gestion) was managing residential real estate assets in France.

CURRENCY HEDGING MANDATE

+ one company (Millennium Global Europe) was managing a specialised professional currency hedging fund.

ERAFP'S INTERNAL CONTROL ORGANISATION AND RISK MANAGEMENT SYSTEM

I. SYSTEM

The purpose of internal control and the risk management system is to give ERAFP reasonable assurance that the following objectives are met:

- + the aims and objectives set by ERAFP's management, in compliance and consistently with the orientations defined by the board of directors;
- + risk management;
- + economical and efficient use of resources;
- + accuracy and exhaustiveness of accounting and financial information, and compliance with laws, regulations and internal rules and procedures.

ERAFP's internal control organisation and risk management system are based on the following fundamental principles:

- + clear governance and organisation, as well as the segregation of duties: to reduce the risk of conflicts of interest and/or fraud, the commitment, settlement and control functions must be distinct;
- + existence of several levels of control: distinction between first-level controls (carried out by the operational staff or their managers) and second-level controls (carried out by dedicated, hierarchically independent control staff);
- + implementation of dedicated tools, specific committees and appropriate procedures.

ERAFP's internal control system includes:

- + permanent control, which is ERAFP's responsibility;
- + the control activities carried out by the board of directors, which delegates the most detailed tasks to its specialised audit committee.

For ERAFP, the main players in monitoring the internal control and risk management system are:

- + the 'business teams', which are responsible for their own risks and, together with their managers, for effectively performing first-level controls;
- + the internal control and operational risk department (CIRO): in addition to carrying out second-level controls, this department is responsible for coordinating and supervising the risk management system and the first-level controls carried out by the 'business teams';
- + the financial risk control department (RFI), which coordinates and supervises the financial risk control system and performs second-level controls relating to financial risks. The CIRO and RFI departments, which report to the ERAFP's deputy CEO, administrative and operations director, work closely together on all these matters. They are independent with regard to the activities that they control;

+ the accounting agency, which carries out controls as a public accountant independently of the authorising officer.

The accounting agency's participation in ERAFP's internal control system is based on the fundamental principle of segregation of duties between authorising officer and accountant, pursuant to Article 191 of Decree no. 2012-1246 of 7 November 2012 on public budgetary and accounting management.

With respect to risk, ERAFP distinguishes between mismatch risks between the Scheme's assets and liabilities, financial risks and operational risks.

Mismatch risks between the Scheme's assets and liabilities mainly include the risk of insufficient coverage of the Scheme's liabilities by its financial assets, financial risks on assets, member demographic risk (mainly comprising longevity risk), mandatory pension scheme economic and regulatory risks, model risk applied to discount rate tables and calculations, and the risk of timing mismatch between the Scheme's financial asset and liability flows.

Financial risks include credit risk, market risk, liquidity risk, inflation risk relating to mismatch risk between the Scheme's assets and liabilities, counterparty risk, country risk, investment risk and concentration risk.

Operational risks include human resources risk, accounting, fiscal and tax risk, legal and compliance risk, information systems security risk, physical and environmental risks, fraud risk and administrative risk. By extension, ethics-related risk and image and reputational risk are also dealt with under operational risk.

ERAFF has entrusted certain activities to third parties:

- + the management of financial assets, other than sovereign bonds and direct UCI investments, is delegated to financial asset managers authorised to act on behalf of third parties;
- + the Scheme's administrative management is mandated by decree to Caisse des Dépôts et Consignations, which, under the authority and control of the board of directors, carries out tasks such as collecting contributions, maintaining individual retirement accounts, calculating rights, paying benefits to employees of local and regional authorities and public hospitals, managing relations with beneficiaries and employers, and Scheme accounting;
- + the Directorate of Public Finance (DGFIP) is responsible for paying Scheme benefits to central government beneficiaries.

The scope of control therefore covers:

- + first: ERAFF, i.e. its own staff, processes and systems;
- + second, and indirectly: the risks and controls of ERAFF's service providers and external agents, particularly the management companies, the CDC and the DGFIP.

II. CHANGES IN RISK MANAGEMENT AND INTERNAL CONTROL IN 2020

There was progress in 2020 on several projects and initiatives that strengthen risk management and internal control:

- + the risks and internal control committee continued to hold regular meetings. This committee, chaired by ERAFF's CEO and usually held three times a year, comprises the head of internal control and operational risk, the head of financial risk control and the other members of ERAFF's management committee. In addition, a financial risk committee made up of the financial risk control department, the deputy directors and the technical and financial management teams meets prior to meetings of and reports to the risks and internal control committee;
- + implementation of the Institution's control plan and action plans resulting from operational risk mapping continued;

+ to support the Institution with its organisational and functional changes and in connection with the increased diversification of assets, a new risk management and internal control charter was introduced on 1 March 2021. It replaces ERAFF's risk management and internal control policy of February 2016;

- + the two mandate agreements, one between ERAFF and CDC and the other between ERAFF and the DGFIP, were signed in December 2020, leading to better steering of the Scheme's processes delegated to these two bodies and of the controls that they themselves carry out;
- + the updating of the Institution's financial risk management system in early 2020;
- + the formalisation of ERAFF's financial risk framework: the country risk and foreign exchange risk frameworks were signed and work on the credit risk and equity risk frameworks yielded stable versions for implementation in early 2021;
- + as regards the Solveo asset-liability management tool, which is managed by ERAFF's ALM unit, changes made in 2020 paved the way for new management indicators to improve results analysis and, thereby, the tool's functionality.

TABLE OF CORRESPONDENCE WITH ARTICLE 173-VI OF THE ENERGY TRANSITION AND GREEN GROWTH LAW¹⁰²

INFORMATION REQUIRED PURSUANT TO DECREE 2015-1850 OF 29 DECEMBER 2015	SOURCE OF INFORMATION IN ERAFP'S PUBLIC REPORT
ENTITY INFORMATION	
General approach for taking ESG criteria into account in the investment policy.	p. 57-58
Procedures for informing contributors about this approach.	p. 65
Entity's subscription to charters, codes and initiatives or certification relating to the integration of ESG criteria.	p. 58 p. 66-69
If the entity has a risk management policy: description of ESG risks and the internal procedures for identifying and managing them.	p. 63
INCLUSION OF ESG CRITERIA IN THE INVESTMENT POLICY	
Type of criteria taken into account.	p. 60-61
Information used to analyse the criteria's implementation.	p. 58-59
Methodology and results of the analysis carried out on the criteria.	p. 60
Integration of the results of the analysis carried out on the investment policy.	
a) Description of changes made following the implementation of this analysis.	p. 63
b) Implementation of a strategy for engaging with issuers.	p. 66-70, p. 123-126
c) Implementation of a strategy for engaging with portfolio management companies.	p. 58
d) Results of these policies' implementation.	

¹⁰² Law no. 2015-992 of 17 August 2015 on energy transition and green growth.

PRESENTATION OF CRITERIA RELATING TO CLIMATE ISSUES

Reasons for choosing the main ESG criteria.	p. 60-61
<hr/>	
Indication of the risks associated with climate change.	
a) Physical risks (exposure to physical consequences resulting directly from climate change).	p. 88-89, p. 132, p. 134, p. 138
b) Transition risks (exposure to changes resulting from the transition to a low-carbon economy).	p. 87-88, p. 131, p. 133, p. 137
c) Contribution to compliance with the international objective of limiting global warming and to achieving the objectives of the ecological and energy transition.	p. 73-78, p. 99, p. 104-110, p. 112-116, p. 119-122, p. 131-132, p. 133-134, p. 137-138
<hr/>	
Type of information used (internal/external, financial/non-financial).	p. 83-84
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Analysis methodology and, where applicable, details on the main underlying assumptions and their compatibility with the international objective of limiting global warming, and explanation of the relevance of the method and scope used.	
If relevant:	
a) Consequences of climate change and extreme weather events.	p. 88-89
b) Changes in the availability and prices of natural resources.	p. 87-88
c) Issuers' alignment with the low-carbon strategy.	p. 91-93
d) Measurement of greenhouse gas emissions (details on the chosen methodology).	p. 89-90
e) Measurement of assets invested in thematic funds, financial securities or infrastructure assets contributing to the ecological and energy transition.	p. 78

CONTRIBUTION TO COMPLIANCE WITH THE INTERNATIONAL OBJECTIVE OF LIMITING GLOBAL WARMING AND TO ACHIEVING THE OBJECTIVES OF THE ECOLOGICAL AND ENERGY TRANSITION

Analysis of the investment policy's consistency with these objectives and how it contributes to them.	p. 73-78
<hr/>	
Indicative targets that the entity sets in this area, specifying how it assesses their consistency with the international objective of limiting global warming.	p. 86
<hr/>	
Actions taken following the analysis, including in particular:	
a) Changes to the investment and divestment policy.	p. 57-58
b) Engagement with issuers.	p. 69-70
c) Increased investment in thematic funds.	

TABLE OF CORRESPONDENCE WITH TCFD RECOMMENDATIONS¹⁰³

THEME	TCFD RECOMMENDATIONS	SOURCE OF INFORMATION IN ERAFP'S PUBLIC REPORT
Governance	a) Describe the board's oversight of climate-related risks and opportunities.	p. 83
	b) Describe management's role in assessing and managing climate-related risks and opportunities.	p. 83
Strategy	a) Describe the risks and opportunities the organization has identified over the short, medium, and long term.	p. 86-89
	b) Describe the impact of these risks and opportunities on the organization's investment policy.	p. 84-86
	c) Describe the resilience of the organization's investment strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	p. 87-89
Risk management	a) Describe the organization's processes for identifying and assessing climate-related risks.	p. 84-86
	b) Describe the organization's processes for managing climate-related risks.	p. 86-89
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	
Metrics and Targets	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	p. 89-95
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	p. 89-90
	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	p. 86

¹⁰³ Task Force on Climate-related Financial Disclosures.

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