PRESS RELEASE

ERAFP publishes Fossil Fuel Policy, which reinforces its commitment to reducing greenhouse gas emissions from its investment portfolios

Paris, January 19, 2024 - As part of its SRI approach, the Board of Directors of the French public service additional pension scheme (ERAFP) adopted a policy relating to the three main sources of fossil fuels (thermal coal, non-conventional fossil fuels[1] and conventional fossil fuels[2]) at its last meeting of the 2019-2023 term in September 2023. This reference document, which establishes a demanding framework within the ERAFP's responsible investment policy, contributes to achieving the objective of adapting the portfolio to a scenario of 1.5°C temperature rise, in line with the Paris Agreement, is now published by the Scheme.

Based on a review of the main scientific and institutional scenarios[3], ERAFP's fossil fuel policy consists of three lines of action. It recognises that the measures taken need to be graded according to each of them. It is consistent with the objectives set within the framework of the energy-climate law as well as with the agreement reached at COP 28.

ERAFP therefore endorses the scientific recommendations for a rapid phase-out of coal as well as to gradually and very significantly reduce the share of fossil fuels in the energy mix, with priority given to unconventional hydrocarbons.

This policy on fossil fuels aims to strengthen ERAFP's contribution to financing an economy compatible with a scenario limiting global warming to 1.5°C, and to divest from companies in the sector whose strategy is not in line with this scenario.

The main measures adopted include in particular[4] :

- planned exit from thermal coal by 2030 in OECD countries and 2040 worldwide;
- a divestment of ERAFP portfolio (excluding bonds) and an exclusion from new investments (including bonds) of companies whose thermal coal-related activities exceed 5% of turnover from 1 January 2024 (compared with 10% of turnover at present), then 1% of turnover from 1 January 2026;
- a cessation of investment in companies developing new capacity linked to thermal coal;
- a divestment of ERAFP portfolio from companies whose non-conventional fossil fuels activities exceed 30% of turnover;
- a cessation of new investments in debt of companies whose non-conventional fossil fuels activities exceed 5% of turnover;
- a cessation, from 2030, of new investments in debt by companies developing oil and gas exploration or production projects.

In order to support the energy transition, exceptions to these exclusions are provided for companies presenting projects to exit thermal coal in line with ERAFP exit dates, for green bonds, or for companies with a credible strategy to adapt to a 1.5°C temperature rise scenario.

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[1] Shale oil and gas, oil sands and shale, hydrocarbons extracted from sensitive areas such as the Arctic or ultra-deep drilling.
[2] Crude oil and natural gas.
[3] See in particular here: IEA, Net Zero by 2050, May 2021 https://www.iea.org/reports/net-zero-by-2050 and Special Report 1.5 Degrees 2018, "Mitigation" chapter of the 6th Assessment Report 2021-2022, IPCC, 2021 https://www.ipcc.ch/report/ar6/wg3/downloads/report/IPCC_AR6_WGIII_FullReport.pdf.
[4] The terms and conditions described in this document will come into force on January 2024. They will apply to mandates and dedicated funds investing in live shares.

These selection criteria will be accompanied by a systematic annual monitoring with managers of the evolution of the climate policies of these companies as well as their respective exit plans, for which the Scheme will directly or indirectly lead the commitment actions associated. For companies who not comply with a 1.5°C temperature rise scenario, a case-by-case analysis may lead to the divestment of the position in the best interests of ERAFP.

➡ To find out more about ERAFP's fossil fuel policy

ERAFP: France's number one public service pension scheme and full-SRI institutional investor
With almost €44 billion in financial assets wholly invested in accordance with a fully socially responsible investment approach, ERAFP is among the leading SRI institutional investors. From its inception in 2005, ERAFP's board of directors has sought to maximise returns on its financial asset portfolio in accordance with SRI-driven principles. As a signatory of the UN Principles for Responsible Investment, ERAFP adopted an SRI Charter in March 2006 hinging on five values: respect for the rule of law and human rights; social progress; social democracy; environment; and high standards of governance and transparency.
ERAFP is also one of the world's largest public pension funds in terms of member numbers, with almost 4.5 million beneficiaries, 44,000 employers and nearly €2 billion in annual contributions in 2022. As a mandatory points-based pension scheme, it has been managing supplementary pension benefits for French civil servants in state-run bodies, local authorities and public hospitals since January, 1st 2005.

For more information about ERAFP ➔www.rafp.fr

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