



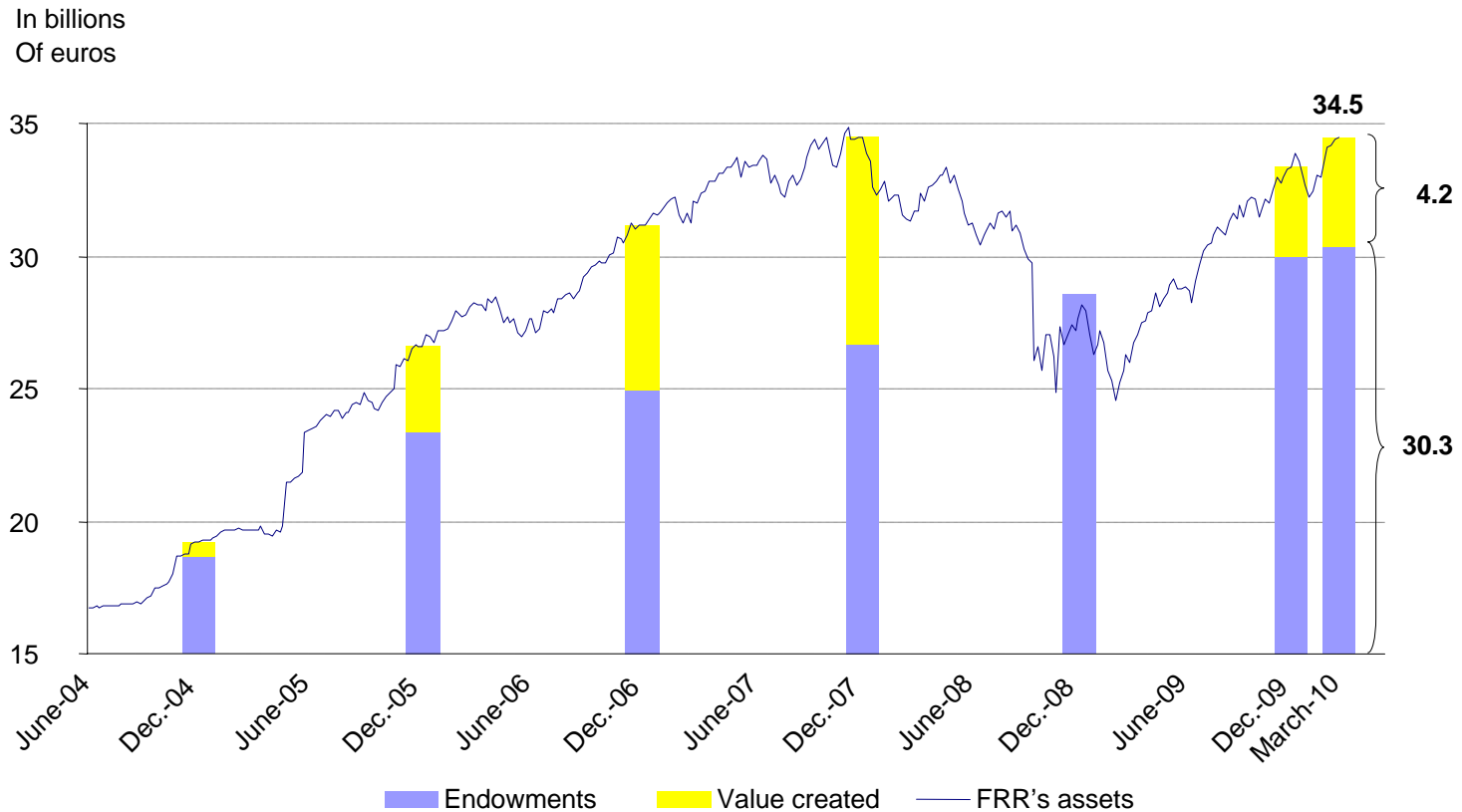
Press conference

Thursday 10 June 2010

- 1. The 2009 rebound enabled the FRR to absorb some of the impact of the financial crisis
- 2. The results justify the choices made in June 2009
- 3. FRR's overall performance : its driving forces (long-term allocation, manager performance), cost controls
- 4. Un uncertain climate that requires a high level of adaptability
- 5. Responsible investment strategy: concrete achievements
- 6- The FRR, a relevant additional lever for long-term change

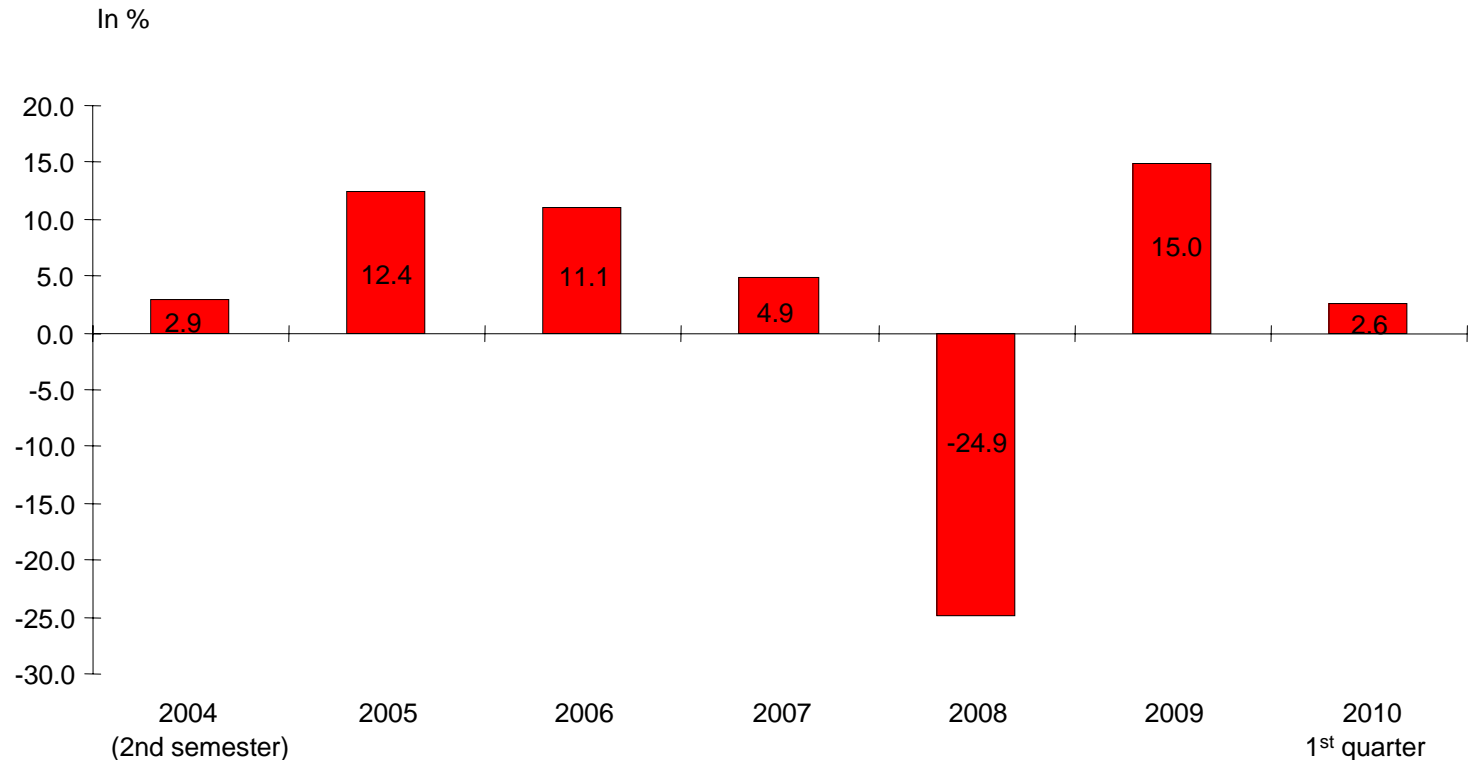
1. The 2009 rebound enabled the FRR to absorb some of the impact of the financial crisis (1)

The FRR's assets at 31 March 2010



1. The 2009 rebound enabled the FRR to absorb some of the impact of the financial crisis (1)

The FRR's annual performance



➤ Annualized performance since June 2004 is 3.1% at 31 March 2010.

2. The results justify the choices made in June 2009

Choices made at the time of the strategic allocation review in June 2009 :

- Retain a predominant proportion of “performance assets” (55%) - Reaffirmation of the FRR as a long-term investor
- Make the investment strategy more flexible – factoring-in short and medium term risks
- Strive for optimal performance – Reinforce comparative advantages (active management, low costs)
- Extra-financial aspects of the crisis and its repercussions – Reinforce the FRR’s identity as a responsible investor

2. Reminder: the investment strategy of June 2009 (1)

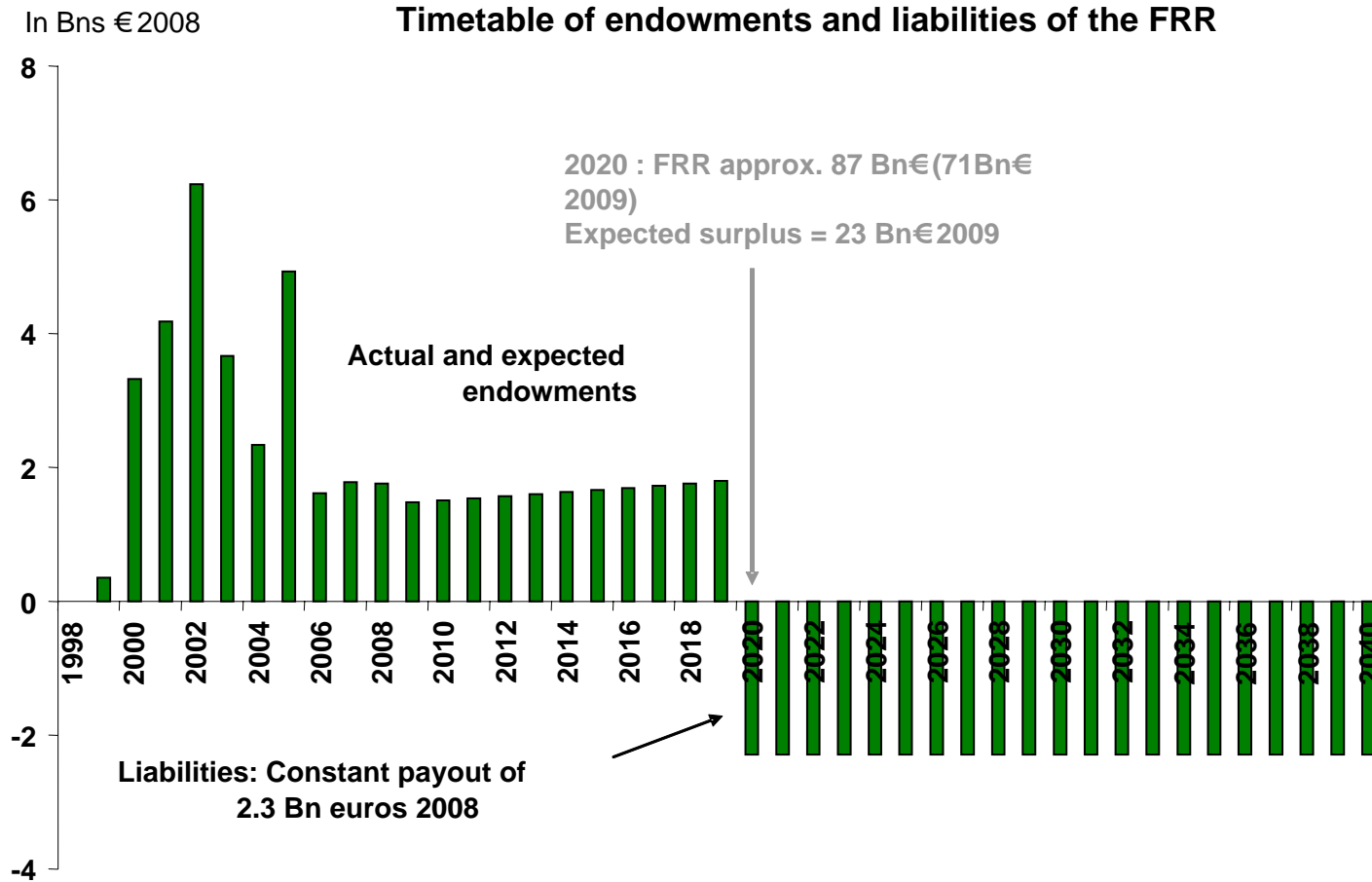
- Liabilities: linear payouts between 2020 and 2040, enabling the endowments paid in to be paid back adjusted for inflation (estimated in June 2009 to be 2.3 Bn Euros 2008).

- Objective : beyond these liabilities, to achieve the best possible additional performance, whilst respecting prudence and risk diversification principles.

- Flexible allocation :
 - ❖ A reference portfolio (55% “performance assets” / 45% fixed income) ...
 - ❖ ... with a range of fluctuation fixed by the Supervisory Board
 - ❖ ... within which the actual allocation is decided by the Executive Board on recommendation of the Strategic Investment Committee.

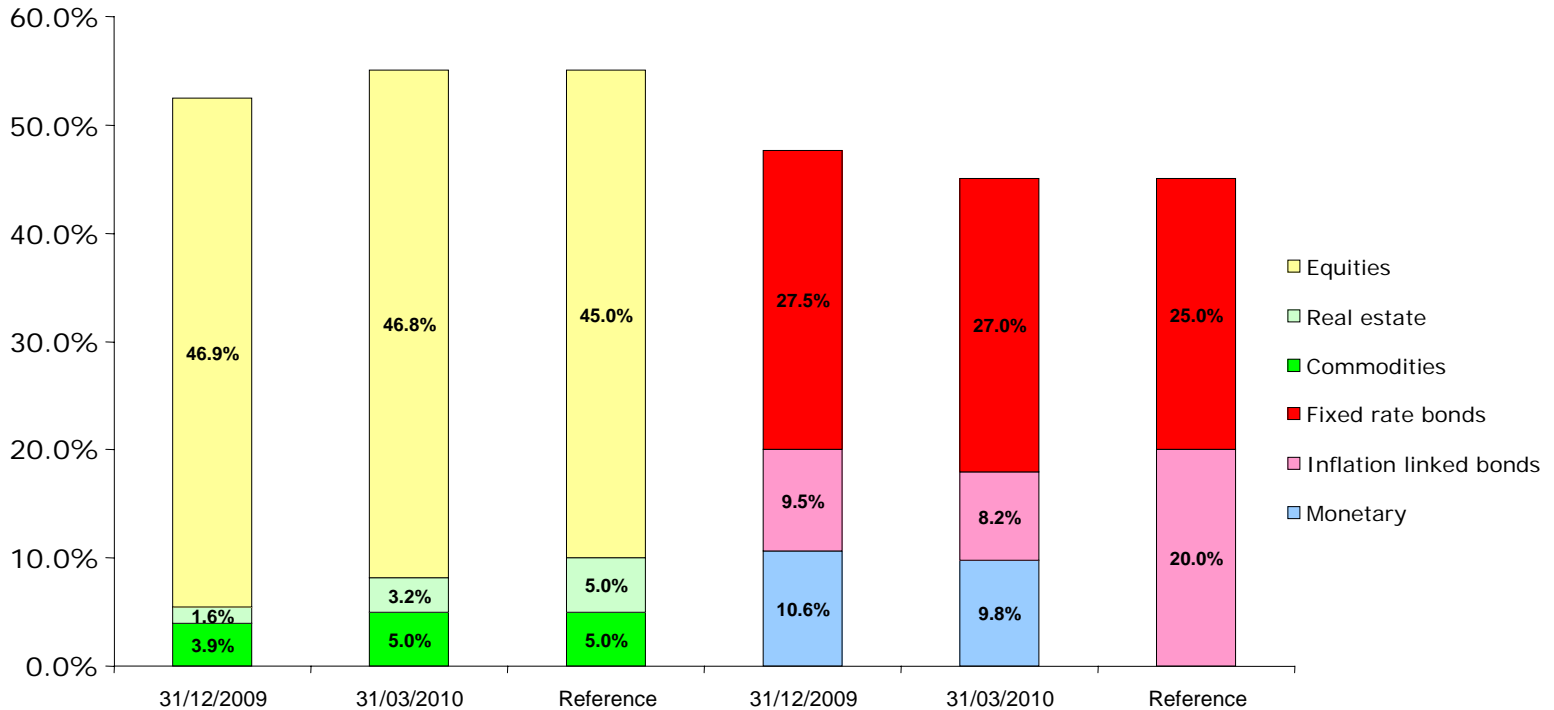
2. Reminder: the investment strategy of June 2009 (2)

- Calculation hypothesis: endowments limited to 2% social tax (1.5Bn constant € per year)



3. First driving force of the FRR's overall performance : long-term allocation (1)

Evolution of the portfolio structure



Performance assets

Bond assets

3. First driving force of the FRR's overall performance : long-term allocation (2)

Main contributors to performance (at 31/12/2009) :

| | | |
|---|--------------------------------------|--------------|
| ❖ | Equities | 11.3% |
| ❖ | Commodities | 0.5% |
| ❖ | Bonds | 3.4% |
| ❖ | Financial and administrative costs | -0.2% |
| | Net performance over the year | 15.0% |

- Performance linked to the upward trend of the equities markets in 2009.

3. Second driving force of the FRR's overall performance : manager performance

Contribution to out-performance (at 31/12/2009):

| | | |
|---|-------------------|--------|
| ❖ | Equities | 0.83% |
| ❖ | Commodities | 0.03% |
| ❖ | Bonds | -0.07% |
| ❖ | Currency (active) | -0.09% |

Overall out-performance (listed assets) 0.70%

Approx. 230 M€ in 2009

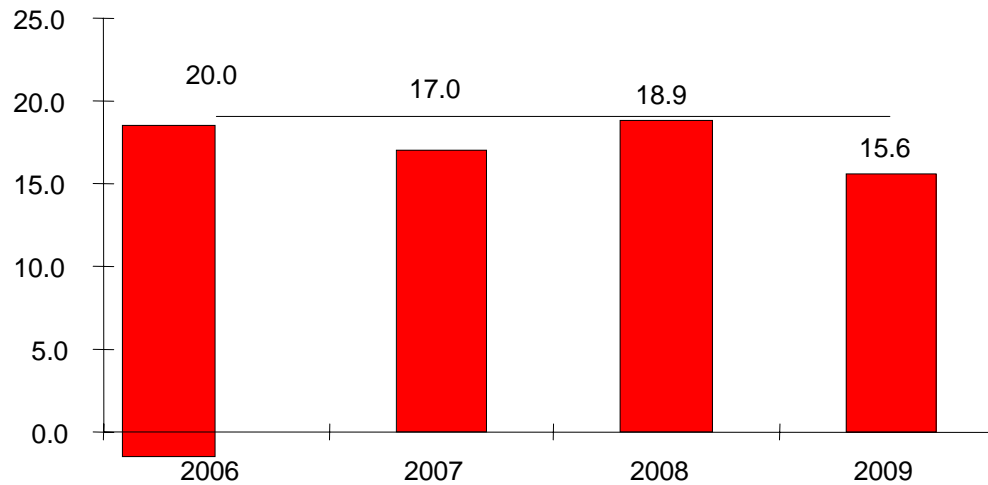
- **Very good performance of external managers**, particularly on equities in 2009.

3. The FRR's overall performance: cost control

Operating costs

(in basis points)

Benchmark : 19 bp ¹



¹ Estimate - Mc Kinsey

➤ A significant reduction in costs in 2009.

4. Un uncertain climate that requires a high level of adaptability

➤ Increase of global risks:

- ❖ Sovereign debt crisis

- ❖ Weaknesses in banking sector

- ❖ Low growth potential, especially in the Eurozone.

➤ Ways to respond through more flexible allocation :

- ❖ Strategic allocation review: now on annual basis; by end of 2010.

- ❖ Role of the SIC: Quarterly external expert oversight on steering long-term allocation.

5. Responsible investment: concrete achievements (integration)

Integration of environmental, social and governance (ESG) aspects into the portfolio

| <i>In % of equities/active management portfolio</i> | 2005 | 2009 |
|---|------|------|
| ESG integration | 48% | 85% |
| SRI processes | 0% | 13% |

- Since the adoption of the strategy in 2008, **integration, growth** of ESG aspects in all asset classes.

5. Responsible investment: concrete achievements (voting rights)

Active exercise of voting rights

| | 2005 | 2009 |
|--|-------|--------|
| No. of GM voted at (as % of GM where voting possible) | 70% | 93% |
| Total number of resolutions | 7,598 | 61,082 |
| Proportion of votes FOR | 89% | 85% |
| Proportion of votes AGAINST | 10% | 13% |
| Proportion of abstentions | 1% | 2% |

5. Responsible investment: concrete achievements (monitoring extra-financial risks)

- ❖ **Contraversial weapons** (anti-personnel mines, sub-munitions (cluster bombs) (2007-2009): exclusion of companies from the portfolio
- ❖ **Sovereign debt** (2008): listing territories with excessive reputational risk for the FRR, based on body of evidence (Myanmar, North Korea, Iran and Zimbabwe)
- ❖ **Commodities** (2008) : no investment in modified agro-food products
- ❖ Guidelines in relation to **"tax havens"** (2009) : no contractual relations with managers and no investment in securities of companies or States in such territories (French list)
- ❖ Launch of **process of dialogue with companies** (2009)

5. Focus : relations with the finance industry

- Reinforcement of questions and conditions relating to **financial soundness of managers**
- Implementation of **Pittsburgh recommendations in relation to remuneration structure** :
- ❖ Reflected in **candidacy and proposal questionnaires**: general compliance with Pittsburgh recommendations, multi-year performance targets, prohibition on guaranteed bonuses beyond one year...
- ❖ Change of **guidelines for exercise of voting rights**: publication in the annual report of relevant financial institutions of the main characteristics of their remuneration policy.

6. The FRR, a relevant additional lever for long-term change

- The funding requirements of the CNAV up to 2020 are increasing due essentially to revised economic assumptions (2003 scenario out-of-date, then crisis).
- But the effects of the demographical surge (Babyboom generation reaching retirement age) still explain to a large extent the increase in the CNAV's funding requirements between 2020 and 2040.
- On the assumption of a return of 6.3%, the FRR's assets should total 87Bn current euros in 2020 (71Bn 2009 €) which should cover a substantial part of the additional funding requirements.

6. The FRR's role in old age pension reform?

- What **the law** says: the FRR must serve to finance future pensions as from 2020 paid by the private sector pension schemes (CNAV and RSI).
- The FRR cannot exempt the need for reforms via **structural levers**, but it is a **useful tool to accompany them**.
- **Utilisation of the FRR must be clear and predictable**: precisely defined, fixed payout timetable.
- The FRR, one of the rare tools at the service of **inter-generational fairness**.

Compared to our message of last year:

- Soundness of the FRR as a tool
- Convictions as a long-term investor
- Capacity to meet its liabilities

Responsible investment in 2009 : companies excluded

List of companies excluded from the portfolio at 31 December 2009
(anti-personnel mines or sub-munitions (cluster) bombs)

| ENTREPRISE | PAYS |
|------------------------------------|------------|
| Alliant Techsystems ATK | États-Unis |
| General Dynamics | États-Unis |
| Goodrich | États-Unis |
| Lockheed Martin | États-Unis |
| L3 Communications | États-Unis |
| Raytheon | États-Unis |
| Singapore Technologies Engineering | Singapour |
| Textron | États-Unis |

Company ...Country ...United States ...Singapore

French “Tax Havens” list

| | | |
|------------|------------------|----------------------------------|
| Anguilla | Guatemala | Niue |
| Belize | Cook Islands | Panama |
| Brunei | Marshall Islands | Philippines |
| Costa Rica | Liberia | Saint-Kitts-and-Nevis |
| Dominique | Montserrat | Saint-Lucia |
| Grenada | Nauru | Saint-Vincent and the Grenadines |

Source : ministerial order of 12 February 2010 made pursuant to para. 1 sub-para. 2 of article 238-0 A of the French General Tax Code