



July 2006

COMPLIANCE GUIDELINES

APPLICABLE TO MEMBERS OF THE MANAGER SELECTION COMMITTEE

I. Background

- Article R 135-27 of the French Social Security Code (*Code de la Sécurité Sociale*) stipulates that the Manager Selection Committee is responsible for opening and analyzing the proposals submitted by potential recipients of the asset management mandates awarded by the FRR. The Committee is also consulted by the FRR Executive Board on the specifications of these RFPs. A report on the execution of mandates is made to the Committee.

- In a government order dated November 3, 2005 relative to direct management by the FRR of its reserve fund under unusual circumstances, the Committee is asked to give the Executive Board its opinion on this issue—namely, to state whether it believes that none of the asset management firms having already been awarded a mandate is in a position to take the place of another asset management firm that is no longer able to manage a particular mandate. The Committee then reviews the monthly report submitted on the results of the internal management to which the Fund has committed itself. It offers the Executive Board its opinion, as often as it deems necessary and at least once a year, on the circumstances under which the general evolution of the mandates could bring about the unusual circumstances stipulated by this government order.

- Article L 135-13 of the French Social Security Code provides that the members of the Committee must comply with non-disclosure requirements under the terms and conditions and subject to the penalties mentioned in Articles 226-13 and 226-14 of the French Criminal Code (*Code Pénal*). Article 226-13 provides that *"the disclosure of non-public information by an individual who is privy to that information through his or her position or profession, or through a temporary position or assignment, shall be subject to imprisonment and the payment of a 15,000 euro fine."*

II. Principles

- The FRR acts in the sole interest of its agents, i.e. the retirement organizations on whose behalf the Fund will make pension payments as of 2020. In a decision dated May 16, 2006, its Supervisory Board held that *"the Fund's investment policy must strive to optimize, within the 2020 payout horizon, the return on investments made under the best possible conditions of security and in compliance with risk constraints"* defined by the Board.

- The process of selecting the asset management firms and financial intermediaries that will invest the funds it requires to achieve this objective must be carried out in accordance with the highest standards of impartiality and strict adherence to the standards and criteria defined by the FRR, which are consistent with the French Government Procurement Code, which the potential managers are informed of in regulations issued with the various consultations. In accordance with this framework, the members of the Committee are expected to be loyal, independent and objective—with respect to the asset management firms and other financial intermediaries that submit proposals as part of the FRR's RFP process, as well as with respect to the financial or legal consultants commissioned by the FRR or any of the participants in its procurement process, in the interest of avoiding any conflict of interest or any conduct that could impair the image or reputation of the FRR. They must also refrain from disclosing the content of any information or analyses submitted, as well as the content of any discussions or conclusions that emerge during Committee meetings.

III. Practical rules

Professional responsibilities of members

- Committee members must disclose to the Executive Board, prior to their appointment and in the event of any changes that occur subsequent thereto, any other professional positions they hold. This list is transmitted to the other members of the Committee, as well as to the Chairman of the Fund's Supervisory Board.

As a guarantee of their independence, they undertake to refrain from holding any salaried position with an asset management firm or financial intermediary in general (bank, insurance company, broker, etc.) throughout their term on the Committee.

When their professional duties involve no more than a position on the supervisory, administrative or investment board of these entities, the FRR Executive Board may examine the issue of potential conflict of interest on a case by case basis, based on a set of objective criteria (the exact role in the company or organization, shareholding structure, core business, size, etc.).

If, as a result of this review, the Executive Board considers that there is no conflict of interest, and that later such company or entity that is related to it in this way does respond to an RFP launched by the FRR, then the MSC member in question would be prevented from taking part in any RFP involving these same parties.

The members of the Committee may conduct consulting assignments on behalf of financial intermediaries or asset management firms. These assignments, which must be conducted over a defined period, must not involve asset management companies at any time during an RFP involving the latter directly or indirectly as an applicant. (Two months prior to the RFP and four months after the final selection). Their content must comply with the following principles.

Relationships with asset management firms and financial intermediaries

When the FRR initiates an RFP, members of the MSC shall refrain from any and all privileged contact with applicants that have or are considering taking part in the process, directly or indirectly, and this until the FRR has published the list of firms or intermediaries that have been awarded mandates. Any questions that are addressed to them on the process or outcome of the RFP shall be referred directly to the FRR.

Use of information

In the course of RFPs, Committee members are privy to a great deal of information pertaining to the organization, workforce, staff, investment process, resources and tools and, more generally, the strengths and weaknesses of the asset management firms competing for the mandates. Committee members undertake to comply with the highest standards of non-disclosure of non-public information and to ensure that they do not create a situation of unfair competition between the potential asset management firms or financial intermediaries competing for mandates.

Gifts or other perks

Committee members are expected to refuse any gifts or perks of any kind that could be construed as directly linked to their position on the Committee, and whose value could give the appearance of calling their independence into question. In case of doubt, they shall make a formal disclosure to the other members of the Committee.