



The Executive Board

15 December 2016

Press Release

FRR EXCLUDES THE TOBACCO SECTOR AND WITHDRAWS FROM COAL

At a meeting held on 1st December 2016, the Supervisory Board of the Fonds de Réserve pour les Retraites (FRR), adopted the Executive Board's proposal to exclude from its portfolio investments in equities or bonds of tobacco producing companies and companies in which thermal coal extraction or coal-fired power generation accounts for more than 20% of their turnover.

Exclusion of the tobacco sector:

Tobacco consumption is responsible for 6 million deaths worldwide each year and generates significant costs for insurers and health systems. Faced with this scourge, the World Health Organization (WHO), Governments and civil society are increasingly mobilizing to reduce consumption, which could eventually weigh on the performance of these companies. The FRR also believes that progress will not be achieved by dialogue with these companies, because the whole purpose of engagement would be to demand that they should stop their activities altogether. For this reason, FRR has decided to exclude the tobacco industry from its portfolio.

Exclusion of coal:

Over the past two years, FRR has been heavily involved in the issue of energy and ecological transition. It has committed to several international initiatives aimed at reducing its portfolio's greenhouse gas (GHG) emissions. It also joined a coalition of investors demanding more transparency on how companies approach energy transition.

To fulfil this commitment, FRR has implemented an ambitious policy to reduce the CO2 emissions of its portfolio under "low carbon" management. This is achieved through new benchmark indices with at least 50% less CO2 emissions than the standard indices and by requiring passive managers on most other indices to implement a management process aimed at reducing the carbon footprint of the portfolio. At the end of 2015, FRR's equities portfolios had a carbon footprint 25% lower in terms of CO2 emissions per million euros of turnover than their index and 30% lower in terms of CO2 emissions per million euros invested.

As a result, it has reduced its exposure to high-carbon sectors, particularly those exposed to coal. Indeed, coal, which emits more than other types of fossil energy (over the period 2000-2013, more than 60% of the world's CO₂-energy¹ emissions have been produced by coal), tends to be more heavily penalized when calculating a company's CO₂ emissions.

COP 21, held at the end of last year, has incited energy transition actors (Governments, investors, NGOs, businesses...) to take a stance on various environmental issues. Governments, and also investors, are increasingly calling coal into question as being incompatible with the objective of limiting global warming to 2°.

FRR has therefore decided to exclude companies more than 20% of whose turnover is derived from thermal coal or which generate more than 20% of their electricity, steam or heat production from coal (thermal or lignite), except those employing carbon capture and storage processes or those that have formally announced their commitment and have begun to take action in this direction.

These two strategies will be rolled-out during the course of 2017 with the launch of passive equities management mandates based on an ESG approach in an amount of five billion euros and shall be applied in existing bonds mandates. Between now and the end of 2017, these exclusions will have been applied to nearly 95% of the overall scope of the FRR's assets.

The Fonds de réserve pour les Retraites is an administrative public establishment of the State created by law in 2001. Governed by a Supervisory Board and Executive Board, its mission is to manage the funds allocated to it until 31 December 2010 in order to build up reserves for the long-term sustainability of the retirement pension system.

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¹ CO₂-energy emissions from the combustion of oil, gas and coal account for around 2/3 of greenhouse gas emissions. At 60% of the total, coal accounts for just over one-third of global emissions. The remaining third is mainly associated with deforestation, agriculture and waste management.