FONDS DE RESERVE
POUR LES RETRAITES

2021 Annual Report

SUSTAINABLE INVESTMENT: A MATTER OF PUBLIC INTEREST

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Message from the Management Board and the Chair of the Supervisory Board

After a 2020 that was almost entirely domi. nated by the COVID-19 pandemic and the extraordinary reaction of governments and central banks to limit its effects, 2021 was a year of massive vaccination campaigns and a vigorous recovery of the global economy despite the emergence of many bottlenecks in global value chains.

Against this backdrop, portfolio manage. ment performance, which rested exclusively on performance assets (equities, high yield bonds and unlisted assets) stood at 6.95%.

Bond yields proved to be volatile and began to rise sharply at the end of the year, partic-ularly in the United States. This rise weighed on the performance of the hedging port-folio (-0.53%) and concen.trated all of the performance on the perfor.mance portfolio (+7.57%). Administrative management costs were contained at a very low level of 0.09%.

This performance was the result of the FRR's choice to invest its strategic allocation with a resolute view towards the long term and the commitment of its employees to focus on three priorities of public interest.

SANDRINE LEMERY
Chair of the Supervisory Board

The first priority is to contribute significantly towards reducing the debt in the pension system

Two insights are useful in measuring the contribution of the FRR's sustainable performance to the financing of pensions:

- since 1 January 2011, performance assets have recorded a cumulative performance of 114.6% and hedging assets of 32%. Since that same date, the annualised performance stood at 4.73% at the end of 2021;
- the FRR thus made it possible to create value with reference to CADES' aver.age cost of debt of EUR 14.1 billion, up EUR 1.8 billion in 2021 thanks to a perfor.mance that exceeded its cost of debt.

These results will enable the FRR to pay the liabilities defined, first by the pension reform of 2010 and secondly by the law of 7 August 2020:

- EUR 2.1 billion a year up to 2024;
- EUR 1.45 billion per year between 2025 .

The second priority is reflected in the assumption of firmer commitments in terms of climate and ecological transition

The FRR is pursuing its proactive policy on alignment with the Paris Agreement.

In addition, in line with the commitments under its participation in the Net-Zero Asset Owner Alliance (NZAOA), the FRR has asked the managers of its euro bond mandates to monitor their portfolio's emissions in order to reduce them by more than 30% by 2024. Along these lines, it has awarded EUR 6 billion in bond mandates with higher ESG requirements, particularly with regard to decarbonisation and dialogue.

A similar process is under way in the renewal of bond management mandates in dollars for an equivalent of more than EUR 3 billion.

The FRR has also awarded indexed equity mandates for SRI management consistent with the Paris Agreement for an amount of EUR 4.4 billion.

To date, the FRR has already reduced the emissions on its equity portfolios by 53% since 2013. It emits 39% less CO_2 equivalent per million in revenue than the companies in its benchmark.

> The FRR is pursuing its proactive policy on alignment with the Paris Agreement.

ÉRIC LOMBARD
Chairman of the Management Board

Apart from the control of CO_2 emissions and the policy of conducting dialogue with issuers with a view to changing their growth model, the FRR also contributes to the financing of green infrastructure, with EUR 485 million committed to nine funds, or 1.85% of its portfolio. 72% of these commitments have now been called, half in France.

The third priority is to contribute significantly to the financing of French companies

By investing in French companies of all sizes, the FRR makes a significant contribution to financing the French economy. In 2021, cumulative commitments since 2013 in unlisted assets increased to EUR 4.1 billion, of which 70% are invested in France. The amounts actually called and present in the portfolio stood at EUR 2.6 billion at the end of 2021.

> The FRR contributes to the financing of the French economy.

Efforts made over the past year centred mainly on equity or quasi-equity financing through the selection of four funds, two of which focus on the development of future technological leaders (as part of the Tibi initiative), and on additions to existing mandates. Commitments in innovative infrastructure linked to ecological and energy transition have also been continued.

Thanks to the FRR's teams and the active involvement of its board, the FRR, once again, demonstrated its leadership as a responsible public investor accompanying the current transitions.

OLIVIER ROUSSEAU
Executive Director

YVES CHEVALIER
Executive Director

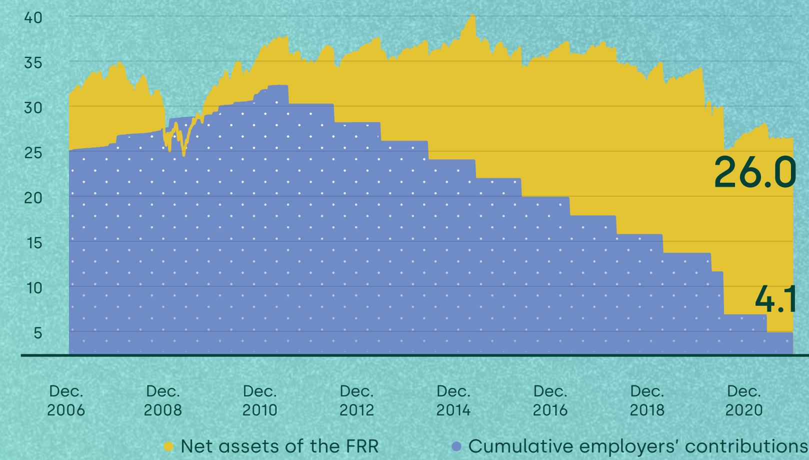
KEY FIGURES

26.0

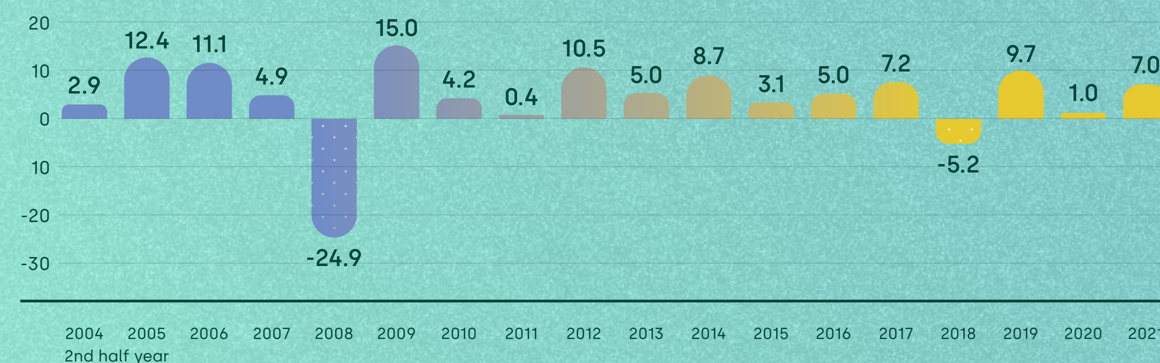
EUR BILLION

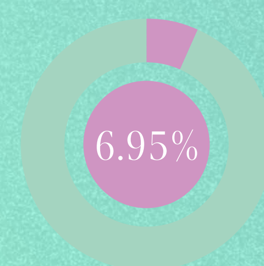
The FRR's assets at 31/12/2021

CHANGES IN THE VALUE OF THE FRR'S NET ASSETS AT 31/12/2021 (IN EUR BILLIONS)

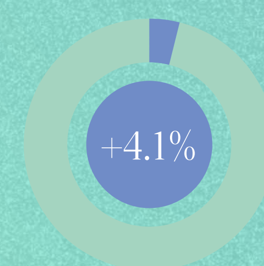


THE FRR'S NET ANNUAL PERFORMANCE (AS %)

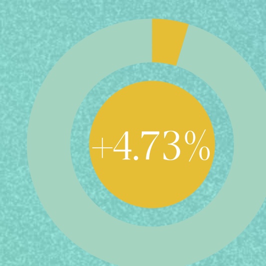




2021 performance net of charges



Annualised performance of assets since June 2004



Annualised performance of assets since December 2010[1]

1. Since the entry into force of the 2010 pensions reform, the FRR's financial model has changed substantially:
   – The FRR no longer receives new investments (EUR 1.5 to 2 billion a year up to 2010);
   – The FRR pays EUR 2.1 billion every year to the CADES;
   – the FRR had to pay the CNIEG balance (EUR 5 billion) at the end of July 2020.

THE FRR IN ITS ECONOMIC ENVIRONMENT

ECONOMIC AND FINANCIAL REVIEW

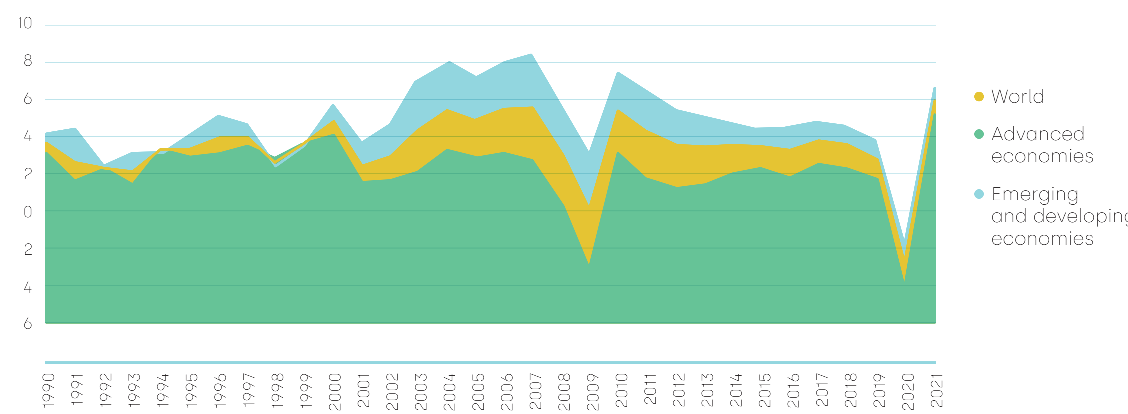
Economic and financial events

The global context

In 2021, the pandemic, marked by the COVID-19 “race between vaccines and virus mutations,” continued to have a major influence economically. Thanks to the vaccine roll-out and continued accommodating budgetary and monetary policies, international growth rebounded sharply to reach 5.9% in 2021 (after -3.1% in 2020), according to the latest IMF esti. mates. However, the emergence of more contagious variant viruses caused new waves of the pandemic, resulting in growth spikes and disruptions in global supply chains. The economic outlook was also marked by a clear acceleration of inflation, reflecting, beyond the 2020 base effect, a rise in energy and other commodity prices, as well as a mismatch between supply and demand brought on by the pandemic and highlighted in particular by the semi-conductor shortage and mari. time freight congestion. In this regard, the reactions of central banks were mixed: in developed countries, care was taken not to precipitate the withdrawal of monetary support, while some emerging economies were forced into a rapid tightening (nota. bly Brazil, Russia and Mexico) despite the still fragile recovery.

In 2021, different attitudes towards the pandemic, uneven availability of vaccines across countries, and disparate fiscal and monetary policies led to an asynchronous global recovery.

ANNUAL GDP GROWTH: WORLD, ADVANCED ECONOMIES AND EMERGING AND DEVELOPING ECONOMIES (AS %) – Source: FMI



United States

The economy reverted to pre-pandemic levels of growth in the first half of 2021, boosted by massive fiscal stimulus packages targeting household income in particular, and by the easing of coro. navirus restrictions due to the vaccina. tion campaign. GDP grew significantly in Q1 and Q2 (+1.5% and then +1.6%). The economic weakening in the middle of the year (+0.6% in Q3) was due in particular to the renewed intensity of the pandemic and problems with supplies and recruitment, but activity recovered in Q4 (+1.7%), driven by significant growth in company stocks and a more sustained rise in consumer spending. For 2021 as a whole, the US economy saw a recovery well above its pre-pandemic level and recorded 5.7% growth (after -3.4% in 2020).

The recovery in the US labour market has been solid but, unlike trade, employment has not returned to pre-crisis levels. With a decline of 2.8 percentage points in 2021, unemployment stood at 3.9% at the end of the year, still 0.4 percentage points above its February 2020 level. The COVID-19 pandemic has also had a persistently negative impact on the labour force, leading to recruitment difficulties, particularly for low-skilled workers. By the end of 2021, the participation rate stood at 61.9%, remaining 1.5 points below its pre-pandemic level.

The Federal Reserve (Fed) and the US government have continued to implement unprecedented measures to support the recovery. Committed to a policy of "maxi. mum employment", the Fed continued its asset purchases at a rate of USD 120 billion per month until mid-November and left key interest rates at a record low of 0%. Fiscal policy remained highly expansionary with the adoption of a USD 1.9 trillion stimulus package (American Rescue Plan Act) in March 2021, bringing the total amount of support passed by the US Congress since the start of the COVID-19 pandemic to USD 5.5 trillion (or 25% of GDP excluding the impact of the pandemic).

Eurozone

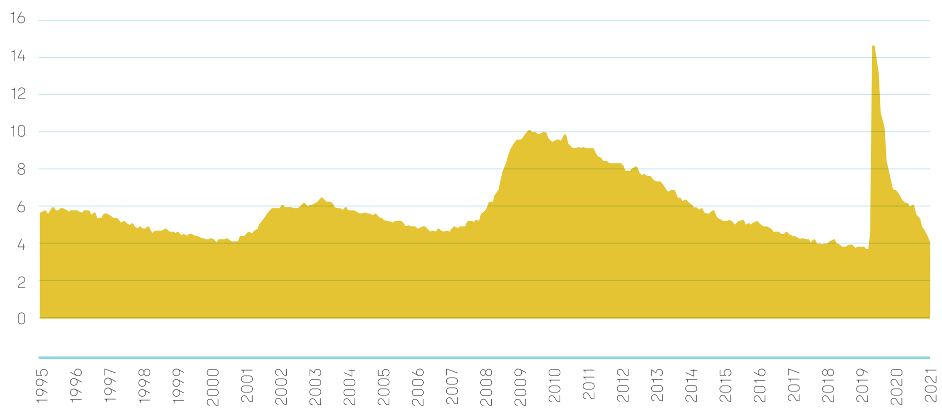
Business only recovered in Q2 (+2.2% after -0.3% in Q1) after the beginning of a year marked by a resurgence of the pandemic. A speedy vaccination campaign and the easing of restrictions in early summer continued to support robust GDP growth in Q3 (+2.3%). Business bounced back in Q4 in the face of the Delta/Omicron wave, even though it grew by only 0.3%. Overall, with average annual growth of 5.2% in 2021 (-6.4% in 2020), the eurozone managed to reach its pre-pandemic GDP level by the end of the year.

However, performance within the area was heterogeneous: in France, business was 0.9% above pre-pandemic levels in Q4 2021; in Italy and Germany, the gap to be closed narrowed significantly (-0.5% and -1.5%, respectively); while in Spain the loss of GDP still totalled -4.0%.

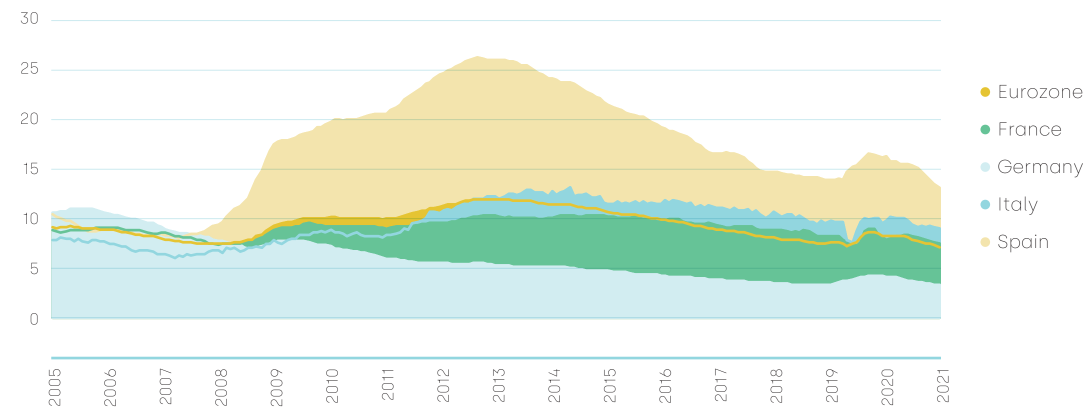
Furlough schemes proved key to cushioning the impact of the pandemic protecting employment and household income, limiting the rise in labour costs for companies. As a result of the strong economic recovery, robust job creation also led to a drop in the eurozone unemployment rate to 7% by the end of 2021 – an improvement on pre-pandemic rates.

The policy mix remained remarkably accom. modating thanks to the implementation of the Recovery and Resilience Facility, the key instrument at the heart of the NextGenerationEU recovery plan, and the continuation of the European Central Bank's Pandemic Emergency Purchase Programme representing a theoretical amount of EUR 80 billion per month until September 2021, reduced to EUR 60 billion thereafter.

UNITED STATES: UNEMPLOYMENT RATE (AS %) – Source: US Bureau of Labor



UNEMPLOYMENT RATE IN THE MAIN EUROZONE COUNTRIES (AS %) – Source: Eurostat



Asia

In **Japan**, the economic recovery was limited in 2021 (+1.7% after -4.5% in 2020), due to prolonged coronavirus restrictions and a long delay in the vaccination campaign. The resurging pandemic led to business suffering in Q1 and Q3 (-0.5% and -0.6%, respectively), with containment of the pandemic giving way to only a modest recovery in Q2 (+0.6%). The lifting of emergency measures in September and the easing of supply tensions, however, enabled the Japanese economy to recover more significantly in Q4 (+1.3%).

In **China**, faced with a resurgence of pandemic outbreaks, the health measures imposed by the authorities as part of a "zero Covid" strategy have negatively impacted consumer spending and led to uneven growth. In addition, the Chinese government's focus on its long-term policy aims (including "shared prosperity" as well as financial and climate stability) has resulted in policy initiatives that have weighed on business and investor confidence: a restrictive policy towards the real estate sector, regulatory tightening affecting certain sectors of the "new economy" (tech, education, etc.), decarbonisation efforts imposed on the provinces, etc. The Chinese economy was nevertheless expected to grow by 8.1% in 2021, thanks to the already favourable situation at the beginning of the year (+6.3%) and to growth that remained solid in the first half of the year (close to pre-Covid levels) due to the strength of exports and good investment performance. The economic fallout in the middle of the year, however, bucked the trend and rekindled fears that the Chinese economy was slowing down too much. The resurgence of the pandemic in several parts of China, the marked tightening of credit conditions and real estate market regulation, as well as energy shortages caused by the slowdown in coal production, explain the loss of momentum observed during the summer.

Focus on inflation

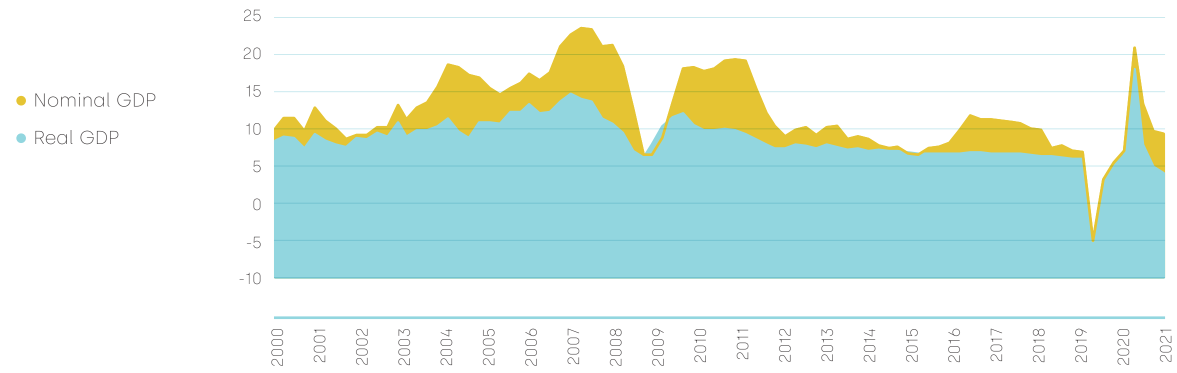
The reflationary environment induced by ultra-accommodating macroeconomic policies, rising fossil fuel prices supported by the strength of the recovery, and supply chain disruptions caused by the pandemic led to a sharp rise in inflation.

In the **United States**, the year-on-year change in the consumer price index exceeded +2.0% as of March 2021 (compared with +1.4% in January), reaching +7.0% by the end of the year. Core inflation rose rapidly from 1.4% in January to 5.5% in December 2021, prompting the Fed to begin tapering its asset purchase programme in mid-November (at an initial rate of USD 15 billion per month).

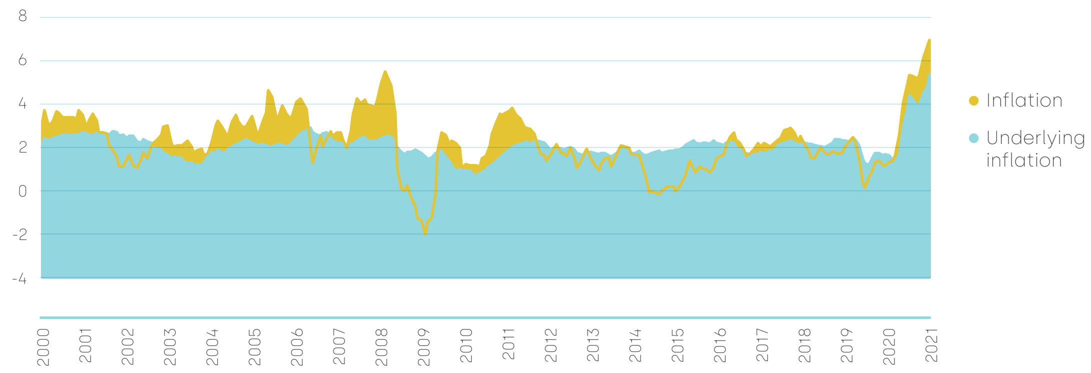
The surge in property prices has been one of the main contributors to the price dynamics. This is primarily due to strong demand from households, which have made significant savings since the start of the pandemic and have been forced to redirect their spending towards the consumption of goods. Production bottlenecks in industry were then compounded by strict coronavirus restrictions in Asian countries that severely disrupted the supply of semiconductors. Finally, major logistical difficulties (port congestion, sea freight bottlenecks and shortages of truck drivers) increased delivery times and transport costs.

In the **eurozone**, the consumer price index also rose sharply from 0.9% in January to 5.0% in December 2021, but the rise in core inflation was more contained than in the US (from +1.4% to +2.6%). Energy costs, linked to rising fossil fuel prices, and in particular gas market tensions, remain the key reason for high inflation levels in the eurozone.

CHINA: ANNUAL REAL GDP GROWTH (AS %) – Source: National Bureau of Statistics



UNITED STATES: ANNUAL INFLATION GROWTH (AS %) – Source: US Bureau of Labor Statistics



PERFORMANCES OF THE FRR'S ASSET CLASSES

Developed market equities were hugely popular in 2021

In 2021, equity markets in developed countries produced remarkable performance of 21.8%[1], driven by optimistic investor sentiment and very strong corporate earnings growth.

This optimism was driven by a strong recovery in economic activity in developed countries, linked to the reopening of businesses and mass vaccinations against COVID-19, as well as remarkably accommodating monetary policies by central banks and the effects of the massive support and fiscal stimulus packages put in place by governments to combat the effects of the pandemic.

Against this favourable economic backdrop, company earnings saw exceptional growth. For example, the earnings per share of US companies in the S&P 500 index rose by 51% in 2021 after a 16% fall in 2020, representing an increase of 26.8% over the two-year period. In the eurozone, earnings per share for the Euro Stoxx index rose by 87% after plummeting 40% in 2020, representing an increase of 12.2%over the two-year period. As a result, stocks in these two zones rose significantly (+23% in the eurozone, +27% in North America).

Within developed countries, the energy, technology and finance sectors performed best with gains of 41%, 30% and 28% respectively in 2021. Defensive sectors such as consumer non-cyclicals and utilities underperformed with gains of 13% and 10% respectively over the year.

Emerging market equities rose more modestly, by 4.9%[2] in 2021, suffering negative yields in Brazil and especially China, which accounted for almost 30% of the index. Chinese equities were particularly affected by the massive tightening of regulation of large tech companies, stricter credit terms and legislation in the real estate sector. In this sector, the increased risk of bankruptcy of large developers such as Evergrande particularly worried markets.

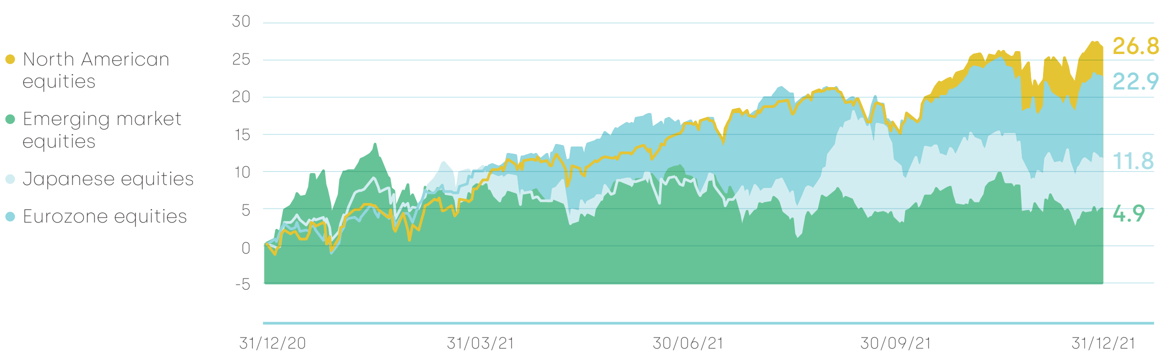
Diversification assets performed unevenly

As in 2020, diversification asset returns (emerging market and high yield bonds) were mixed in 2021.

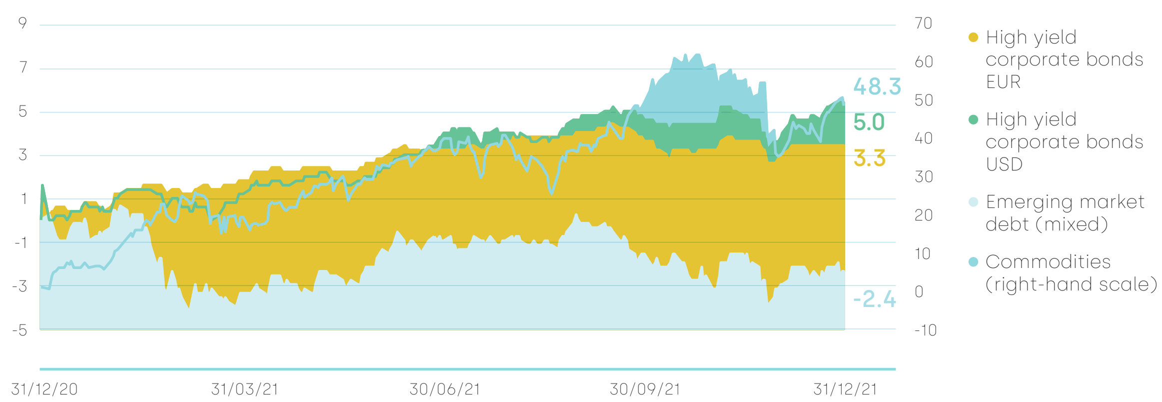
High yield bonds again saw positive returns, despite the rise in interest rates observed in 2021. This is the result of lower risk premiums, driven by strong economic growth in an accommodating environment. The risk premium for euro-denominated issues fell from 3.5% to 3.1% and for dollar-denominated issues from 3.6% to 2.8%. High yield bonds also benefited from an advantageous carry trade and low bankruptcy rates.

As in 2020, emerging market bonds inpenalised these asset classes, particularly dollar-denominated issues as they have a longer average maturity. The increase in risk premiums on dollar bonds did not have much of an impact on their yield, rising only from 3.2% to over 3.3%. In contrast, local currency issues were heavily penalised by the significant increase in their yield from 4.2% to 5.7%. The losses incurred on these issues were mitigated by the slightly positive performance of emerging market currencies against the euro (+1.1%). The most favourable changes came from the yuan (+10%), the Taiwanese dollar (+10%) and the ruble (+7%). On the other hand, the Turkish lira fell by 40%. The Colombian, Chilean and Argentine pesos fell by about 10%, but their index weighting was not particularly high.

2021 EQUITY MARKET RETURNS (AS %)



2021 DIVERSIFICATION ASSET RETURNS (AS %)



1. Based on the MSCI World Net Total Return Index in USD.

2. According to the MSCI Emerging Markets Net Total Return index in EUR.

The FRR had no exposure to commodities since mid-2013, but commodities increased by 48.3% in 2021. One example was the 50% rise in the price of Brent crude oil from USD 52 to USD 78 per barrel. Only precious metals performed poorly, with gold and silver showing losses of 3.6% and 9.6% respectively in 2021.

Investment grade bond assets suffered from rising interest rates

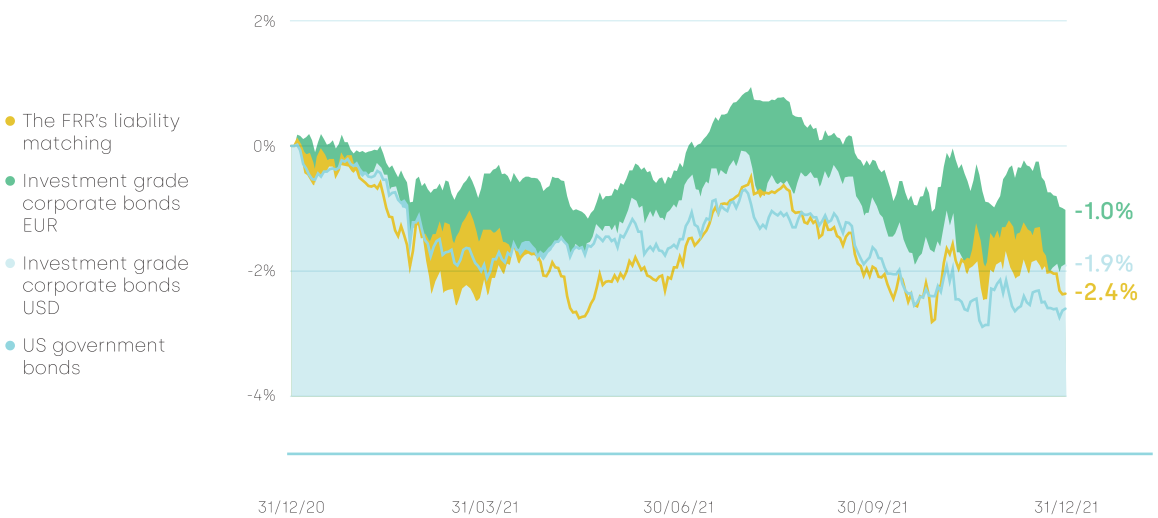
The rise in interest rates penalised the bond asset classes. In the US, the 10-year yield rose by 0.6% from 0.9% at the beginning of January to 1.5% at the end of December. France's 10-year yield rose 0.5%, up from -0.3% to 0.2%.

In the first half of the year, interest rates were driven by higher growth prospects, thanks to the recovery in trade. The strength of this growth raised fears that economies were overheating and inflation spiralling. However, the reassuring (dovish) speeches of central bankers regarding monetary tightening reversed the trend on rates and triggered a downward phase during the summer. Finally, they rose again in Q4 against a background of persistent inflation, which was previously deemed transitory. Accordingly, 2021 was a roller-coaster ride for sovereign and corporate bonds, i.e. a difficult start to the year, followed by a recovery in the summer, and a new phase of decline that saw them end the year in the red.

Thus, euro-denominated and dollar-denominated investment grade corporate bonds fell by 1% and 1.9% respectively over the year. The FRR's liability matching (invested in OATs) and US government bonds have a lower carry yield and suffered directly from interest rate rises. Returns on these two assets was therefore even lower than that of investment grade corporate bonds.

It is worth remembering that the FRR is not invested in US government bonds. Instead, they were used as a hedge to tactically reduce the US interest rate exposure of US investment grade corporate bonds. These hedges were consequently a winner in 2021 and partially offset the poor performance of US corporate bonds.

2021 HEDGING ASSET RETURNS (IN %)



Contributions to performance

The FRR implemented only two major tactical moves in 2021.

At the beginning of the year, it purchased EUR 250m of eurozone equities to ensure the weight of equities in its portfolio was in line with the strategic allocation. Then, between January and November, the FRR bought back all of its interest rate hedging positions in US government bonds, i.e. EUR 2 billion, in order to align the duration of its portfolio with that of the strategic allocation.

The flexible allocation management generated a return of 0.1%.

The implementation of asset allocation had an overall effect of almost zero, with three specific effects as follows:

- a contribution of 0.3%, due to the return on unlisted assets relative to their proxy index of listed assets
- a -0.2% contribution from the management of mandates and listed asset funds. Excluding management fees, the alpha of listed asset management was in fact slightly positive.
- a -0.1% contribution from other management (transition and overlay).

The smart beta indices, on the other hand, had a zero return relative to the capitalisation-weighted benchmarks.

The outperformance of unlisted assets compared with their proxy of listed assets was particularly high for two of them:

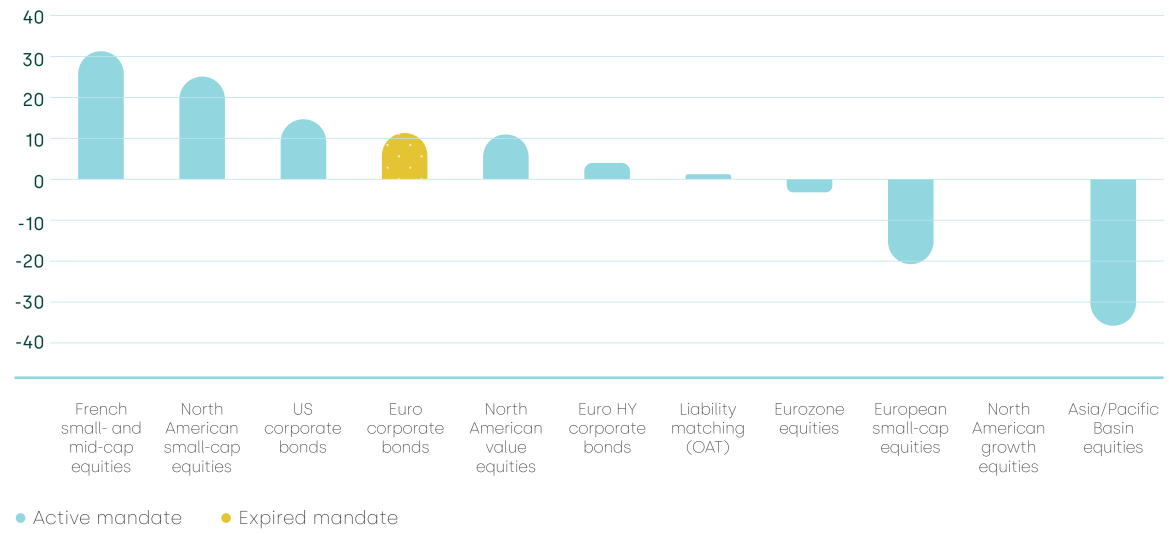
- private equity, which generated a 0.2% return;
- infrastructure, which generated a 0.1% return.

However, this outperformance may be partly due to valuation mismatches between listed and unlisted assets.

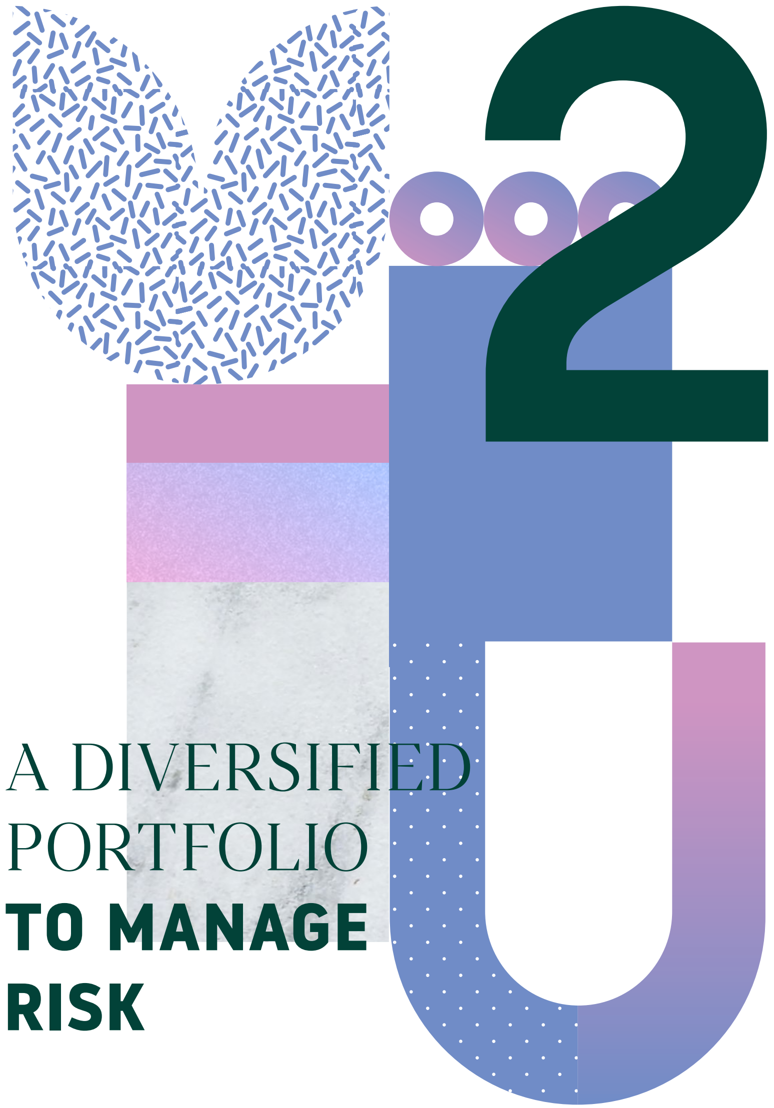
Management of mandates and listed asset funds contributed to a performance, net of management fees[3],of -0.2% in 2021. This can be attributed primarily to:

- ESG-optimised equity management for -0.1%;
- active management of small-cap stocks (+0.1% for French stocks and -0.1% for European stocks);
- active management of Japanese equities representing -0.2%;
- active management of investment grade corporate bonds for +0.1%, equally divided between those in EUR and those in USD;
- emerging markets equity funds for -0.04%.

VALUE CREATION BY THE FRR'S MANDATES IN 2021 (IN EUR MILLIONS)



3. The contribution was slightly positive gross of costs.



A DIVERSIFIED PORTFOLIO **TO MANAGE RISK**

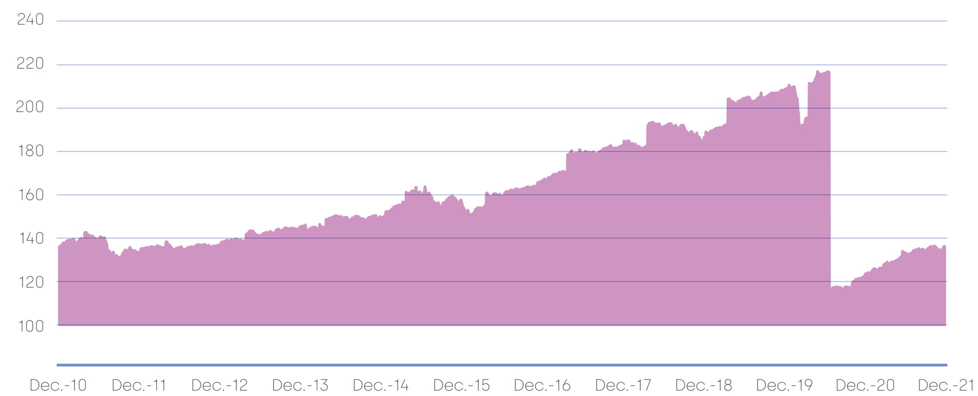
A DIVERSIFIED PORTFOLIO WITH A LONG-TERM FOCUS

The FRR's asset position has improved considerably since 2020

Since the end of 2010, the liabilities have consisted of 14 annual payments of EUR 2.1 billion from 2011 to 2024. However, as a result of the pandemic, the FRR's asset situation was disrupted in 2020 by the request for payment of the CNIEG balance (approximately EUR 5 billion) and by the addition to the FRR's liabilities of nine annual payments of EUR 1.45 billion, from 2025 to 2033. This automatically increased the liabilities by more than EUR 13 billion and caused the financing ratio to plunge to 114%. However, from mid-2020 to the end of 2021, it recovered significantly to 134%.

This increase is primarily due to the solid performance of the financial markets in 2020-2021, particularly equities. But the FRR's management choices have also paid off.

CHANGES IN THE FINANCING RATIO FROM 2010 TO 2021 (AS %)



Major management decisions of the FRR in 2020-2021

Despite a reduced safety margin in 2020 and 2021 (due to the low level of the financing ratio), the weight of performance assets, which increased significantly in 2020 and 2021, rose by around 7% in the FRR portfolio, from around 40% in 2010 to over 60% in 2021.

Three significant changes were made to the portfolio between 2020 and 2021:

- the weight of euro-denominated high yield corporate bonds increased by 5%;
- the notional amount of options-hedged equities decreased by 3.4% of assets, which made it possible to ease the cap on equity performance;
- the weight of unlisted assets increased by 1.5%, due to calls for funds received (notably on private equity) and the exclusive sale of listed assets to pay EUR 2.1 billion to the CADES.

This resulted in a 7% increase in the weight of performance assets in the portfolio, but without a significant increase in the overall weight of equities. In fact, the equity weighting was reduced by around 1.5% in the strategic allocation at the end of 2021 year on year, replaced by unlisted assets. The decision to keep the equity weighting at around 38% in the portfolio at the end of 2021 reflects the FRR's positive tactical position. At the end of 2021, the portfolio was in line with the strategic equity allocation, whereas it was underweight by around 2% at the end of 2020. This tactical position allowed the FRR's flexible management to maintain a positive contribution in 2021, despite the underweighting of US equities.

CHANGES IN THE FRR'S PORTFOLIO FROM 2020 TO 2021

	End of 2020	End of 2021
Equities	**37.9%**	**38.5%**
European equities	*15.8%*	*19.55%*
Non-European developed market equities	*5.6%*	*5.8%*
Emerging market equities	*4.3%*	*4.25%*
Option-hedged developed market equities	*12.3%*	*8.90%*
High yield corporate bonds	**4.5%**	**9.4%**
Emerging market bonds	**6.1%**	**6.1%**
Unlisted assets, performance share	**6.0%**	**7.4%**
Performance assets	**54.35%**	**61.4%**
Investment grade bonds	**41.1%**	**37.4%**
Liability matching	*10.8%*	*9.7%*
Developed country bonds	*0.0%*	*0.0%*
Investment grade corporate bonds	*30.3%*	*27.7%*
Unlisted assets, investment grade share	**2.3%**	**2.4%**
Cash	**2.3%**	**-1.2%**
Investment grade bond assets	**45.65%**	**38.6%**

Asset classification based on a liability based management process

Performance assets are subject to high return expectations and include developed market equities (option-hedged or not) and emerging market equities, emerging market and high yield corporate bonds, as well as a portion of unlisted assets. Hedging assets are more closely correlated to the FRR's liabilities and include the matching of liabilities invested in OATs, euro-and dollar-denominated investment grade corporate bonds, and the other portion of unlisted assets.

Investment grade bond assets	Investment grade corporate bonds	Euro-denominated issues
		USD-denominated issues
	Government bonds	Liability-matched OATs
	Cash	Cash
	Investment grade share of unlisted assets	2/3 of infrastructure
		½ of real estate
		20% of acquisition debt
		45% of corporate debt
Performance assets	Equities	Developed market equities (including 50% in the eurozone)
		Emerging market equities
		Option-hedged developed market equities
	Performance assets	Emerging market bonds in USD and local currencies
		Euro- and US dollar-denominated high yield corporate bonds
	Unlisted assets, performance share	100% of private equity
		1/3 of infrastructure
		½ of real estate
		80% of acquisition debt
		55% of corporate debt
		100% of mezzanine debt

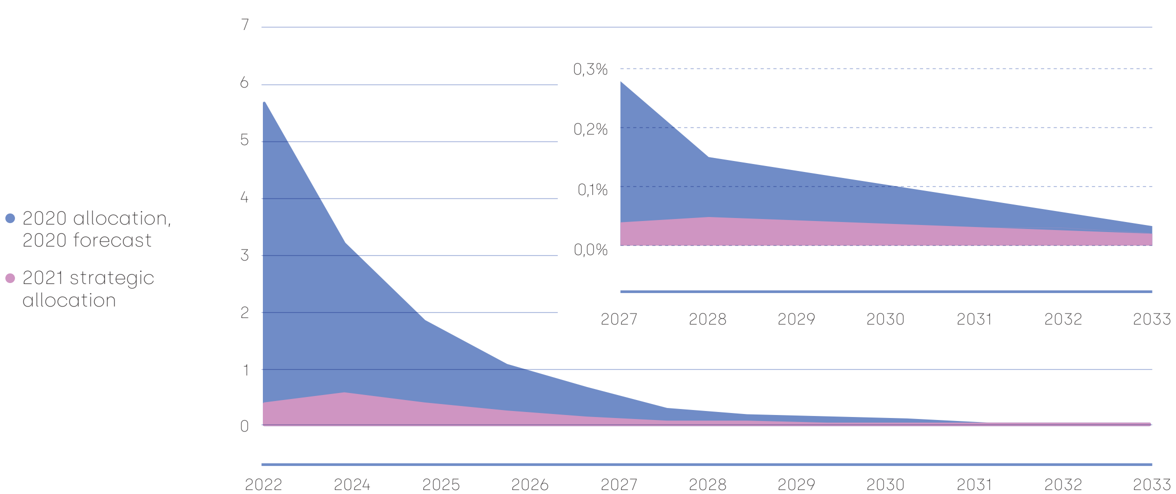
The allocation is in line with the FRR's objectives

This high weighting of performance assets stems from the long-term positioning of the FRR's portfolio, since its primary objective is to ensure the CADES debt is repaid: EUR 2.1 billion per year from 2022 to 2024, then EUR 1.45 billion from 2025 to 2033. This requires a low long-term probability of running out of funds. With the 2021 strategic allocation, there is a possibility that the funding ratio will fall below 1 in the early years, although this probability has been greatly reduced year on year, thanks to the solid performance in 2020/21. However, this risk is particularly low in the long term and even less than 0.1% from 2027 onwards, thanks in particular to the "mean reversion" effect observed on performance assets.

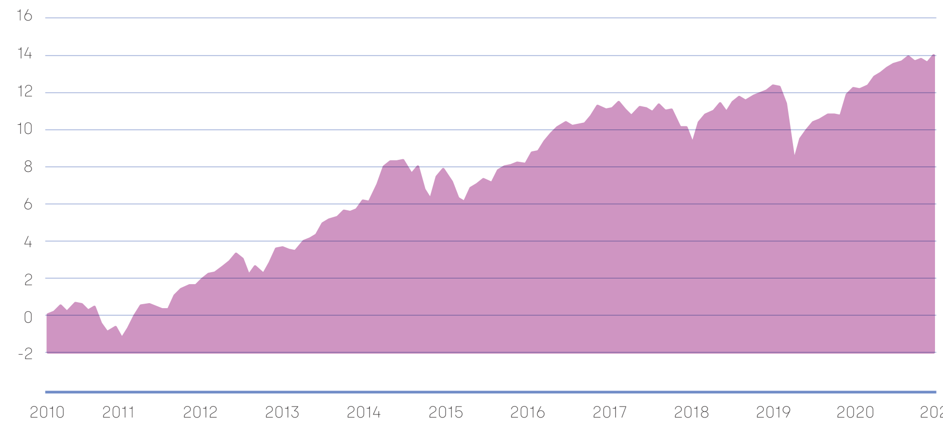
The changes to the portfolio in 2021 are also in line with the FRR's second objective: create significant value for the State, i.e. make the money entrusted to it grow well beyond the interest the State would have avoided if it had used the money to reduce its gross debt. The FRR therefore creates value if the performance on its assets is higher than the average annual cost of French debt (plus a CADES premium of 0.1%).

The implementation of the asset-liability management model at the end of 2010 resulted in the FRR creating additional value of EUR 14.1 billion as at 31 December 2021. Value creation was EUR 12.3 billion at the end of 2020. Value creation rose by EUR 1.8 billion in 2021.

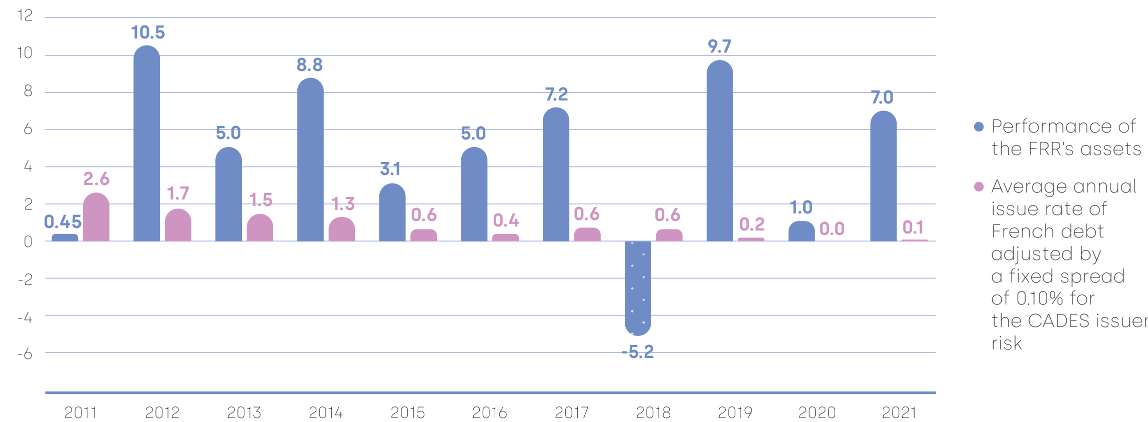
LIKELIHOOD OF SEEING A FUNDING RATIO BELOW 1 FOR THE 2021 STRATEGIC ALLOCATION AND CHANGE FROM THAT IN 2020 (AS %)



THE FRR'S CREATION OF VALUE VERSUS AN INVESTMENT AT THE COST OF FRENCH DEBT (IN EUR BILLIONS) – Source: FRR, Agence France Trésor



ANNUAL PERFORMANCE OF THE FRR'S ASSETS AND WEIGHTED AVERAGE COST OF FRENCH DEBT (%) – Source: FRR, Agence France Trésor



In 2021, the performance of the FRR was again higher than the average cost of French debt, at +7.0% compared with +0.1%. Since the end of 2010, the annualised performance of the FRR's assets has been 4.7%, while the average annual cost of issuing French debt (plus a CADES premium of 0.1%) is 0.9% per year.

According to the FRR's estimates, the strategic allocation chosen in 2021 should still create significant value until 2033: in a typical case and depending on the circumstances, between EUR 4.7 billion and EUR 5.2 billion (value 2021) from 2021 to 2033, for a surplus (assets – liabilities) which was assumed to be EUR 4.9 billion according to the 2021 strategic allocation assumptions.

Therefore, each euro entrusted to the FRR (in addition to those strictly necessary to pay the liabilities) yields between EUR 2 and EUR 2.1 (2021 value) from 2021 to 2033 in a typical case.

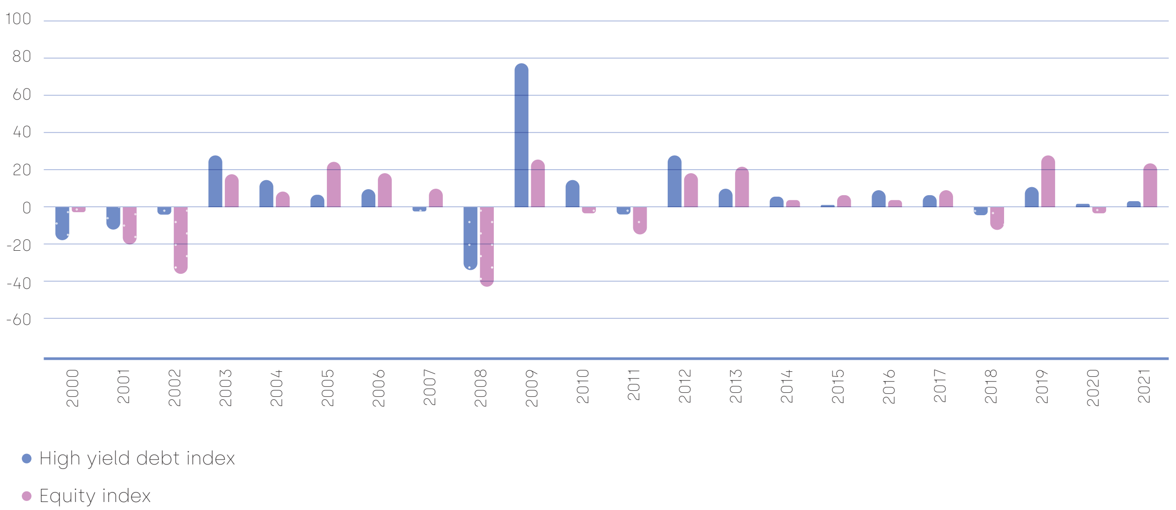
Focus on euro-denominated high yield corporate bonds

Euro-denominated high yield corporate bonds were the assets whose weighting increased the most in 2021. As a bond asset, euro-denominated high yield corporate bonds depend on the growth of euro interest rates, but are in fact much more correlated to equities (0.61 on average over the last 20 years) via the changes in their risk premiums (spreads). However, the anti-correlation between interest rates and risk premiums over the last 20 years, especially during the recent pandemic, has limited the volatility of high yield bonds.

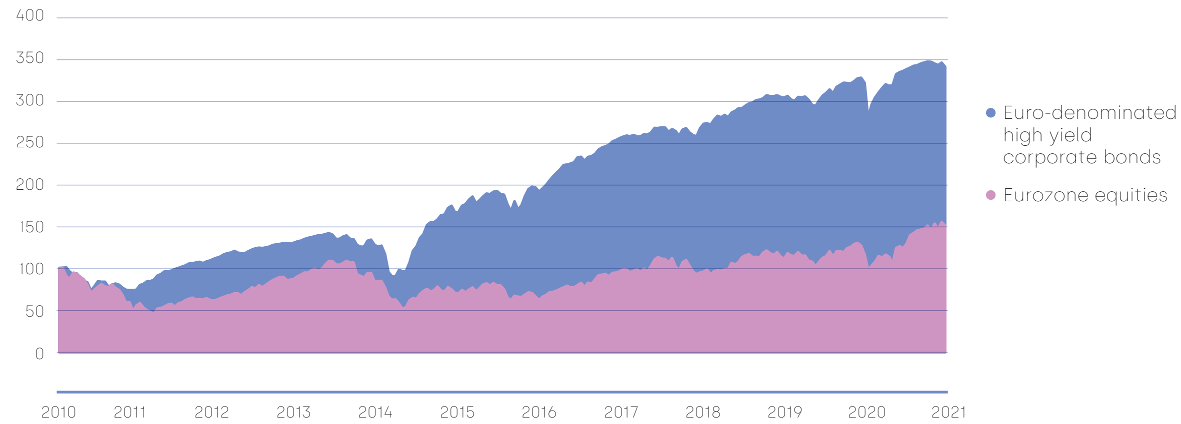
Accordingly, their volatility stood at 10.9% over the last 20 years, compared with 18.4% for eurozone equities[1] while their maximum loss totalled 37% (end 2008), compared with 56% for equities (early 2003). The adjustments were therefore lower for high yield corporate bonds.

However, historically, the performance of high yield corporate bonds has been much higher than that of equities since the end of 2000 in the eurozone, with comparable performances in the United States.

ANNUAL PERFORMANCE OF HIGH YIELD CORPORATE BONDS AND EQUITIES, IN THE EUROZONE (AS%)



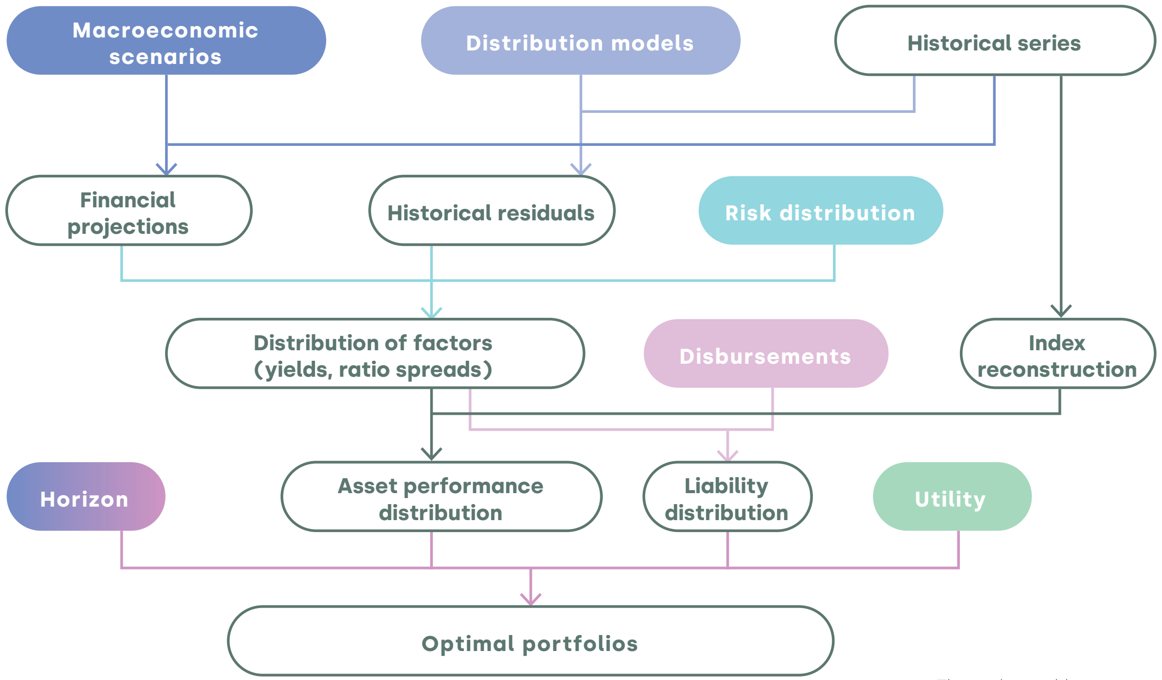
EUROZONE EQUITY AND EURO-DENOMINATED HIGH YIELD CORPORATE BOND INDICES



The FRR does not expect this outperformance to be repeated in the coming years. Nevertheless, the risk/return ratio of high yield bonds should remain attractive and provide diversification within performance assets.

1. Bloomberg Corporate High Yield Euro index for euro-denominated high yield corporate bonds, EURO STOXX 50 Total Return index for equities.

Models used for the annual strategic allocation review



The coloured boxes are "Input Assumptions".

The construction of optimal portfolios is based on an algorithm whose main steps are summarised in the diagram above.

The algorithm's inputs are presented in colour: fund target ("disbursements", "horizon"), "historical series", choice of models ("distribution models"), choice of utility function ("utility"), choice of the nature of probability distribution ("risk distribution"), and finally, forecasts of economic variables ("macroeconomic scenarios").

In particular, the construction of asset performance distribution requires the distribution of basic factors (rates, spreads, valuation ratio, exchange rate, dividend growth, etc.) and a method for reconstructing asset classes using these basic factors.

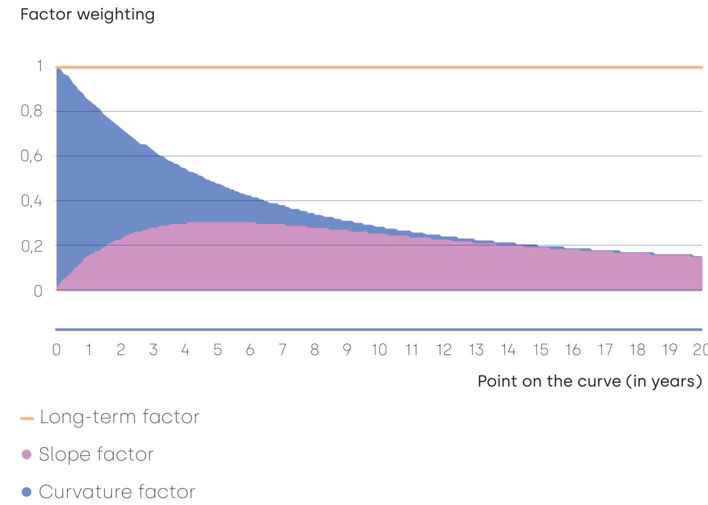
While dividend growth, the euro/dollar rate and the basket of emerging market currencies are disseminated directly, the main factors (yields, spreads and valuation ratios) are modelled.

Yields: the Diebold-Li model (2006)

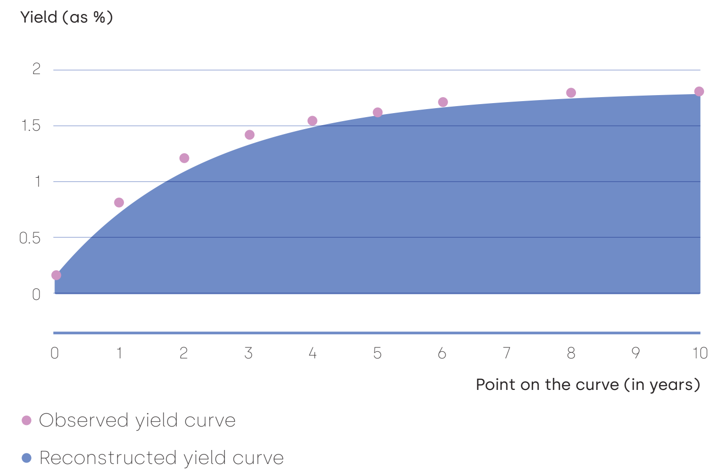
Yield curves are an essential part of bond asset modelling. In order to avoid modelling each point of the yield curve separately, the **Nelson-Siegel (1987) model reduces the curve to three factors:** the long-term yield, the yield slope and the curvature of the curve. Each point on the curve is the result of a linear combination of these three factors: long-term yields will have a high "long term" factor weight while short-term yields will be determined by the "long term" factor and the slope. Finally, the curvature will allow intermediate yields to be placed between the short-term and long-term parts of the curve.

The three Nelson-Siegel factors are then disseminated according to a first-order autoregressive process in order to translate the projections of the economic scenarios into stochastic diffusion (an extension proposed by Diebold-Li in 2006).

NELSON SIEGEL'S WEIGHT OF FACTORS



RECONSTRUCTION OF THE US YIELD CURVE



Spreads: the Black-Karasinski model (1991)

Spreads represent the risk premium of a bond asset over its risk-free yield. Bond assets with spreads in the portfolio are: investment grade companies, high yield companies and emerging market debt.

Several key characteristics of spreads must be reproduced by the distribution model:

- the spread cannot be negative;
- the historical weightings of the lognormal distribution of spreads approximate a normal distribution;
- the volatility of spreads is not constant but depends on the level of the spread (the higher the spread, the greater the volatility itself).

The Black-Karasinski model allows these characteristics to be translated into the distribution process: positive premium guarantee, lognormal weighting of spreads, and volatility proportional to yields. It is worth remembering that the Black-Karasinski model can be seen as a first-order process on the logarithms of spreads.

Equities: Campbell and Shiller's model (1988)

There is much academic debate about the predictability of equity returns. In a strategic allocation, it is assumed that equity returns are based on:

- the Price to Dividend ratio (the inverse of this ratio being the rate of return on the share from the dividend payment);
- the rate of dividend growth.

The model used can be seen as a dynamic version of Gordon's (1962) model which states that the share price is the sum of discounted future dividends.

It is assumed that the valuation ratio follows a first-order autoregressive process. This assumption reduces equity risk as the investment horizon increases, since the ratio eventually returns to its long-term level (mean-reversion mechanism).

To compensate for this reduction in risk over the long term, a specific model on changes in equity volatility is introduced. In the short term, this GJR-type model generates periods of peaking volatility, consequently increasing the probability of particularly negative returns.

A common assumption: the firstorder autoregressive process1

As discussed in each of the three sections, yields, spreads and valuation ratios each involve a first-order process in their modelling.

A first-order autoregressive process assumes that:

- the value at T depends on previous T-1 values only;
- the process oscillates around an equilibrium value (its long-term value) and is therefore subject to **mean reversion;**
- **the process depends on just two parameters: the equilibrium value and the speed of return to this level if the process deviates from it.**

This mode of distribution therefore reflects a central assumption in the modelling: the main financial variables of the strategic allocation are stochastically distributed but gradually return to their long-term equilibrium.

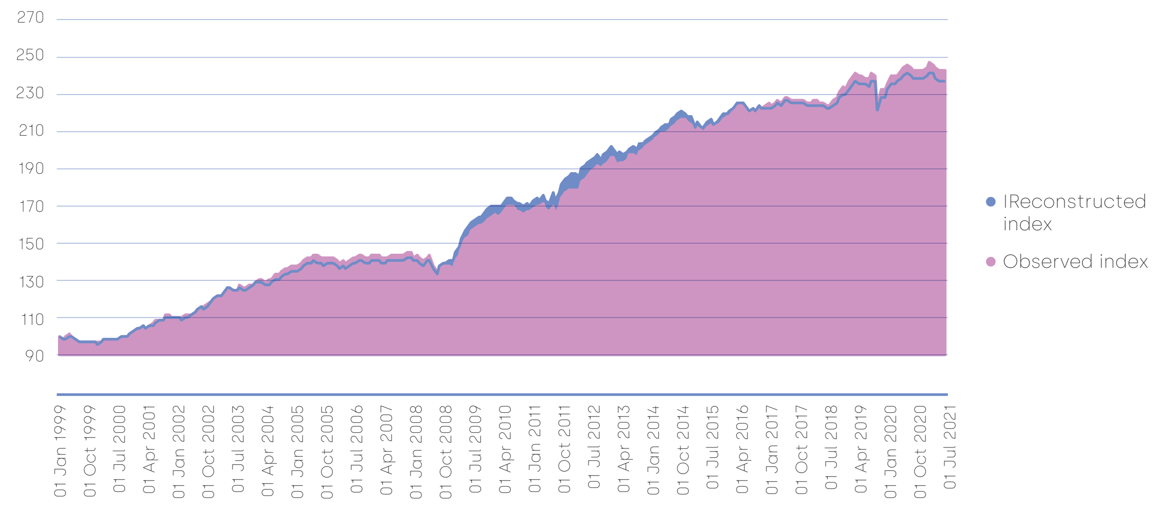
Reconstruction of bond performance

While the equity model allows for the direct reconstruction of equity indices, an additional step is required for the reconstruction of bond indices.

Bond yields are subdivided into two sources (interest income and market changes in the security) and two factors (yields and spreads) leading to four distinct effects.

The reconstruction performed is an **approximation**, as the exact calculation would require data for all the securities making up the index over the period used (1999-2021). This approximation deteriorates when the securities in the index have large disparities in maturities and market changes but give results that are historically remarkably close to the indices.

EXAMPLE OF A BOND INDEX RECONSTRUCTION: EURO-DENOMINATED INVESTMENT GRADE CORPORATE BONDS



News on tenders

2021 calls for tender news

2021 saw many new tenders, resulting in the launch and finalisation of several major bids for the FRR management.

For all these selections, ESG aspects have become increasingly important in the various stages of the selection process.

Consequently, during the application phase, specific ESG analysis criteria were developed and then further considered in order to quantitatively assess the inclusion of ESG aspects.

In the bidding phase, many questions were added on the details of the means used and the process of integrating ESG aspects into management choices.

Finally, the site visit provides a particularly good illustration of the involvement of dedicated teams in taking ESG criteria into account, the capacities and methods for analysing these aspects, and the extent to which they are integrated into the management process.

In May 2021, the FRR finalised the selection of managers for **"responsible active management mandates: euro-denominated corporate bonds"**. This restricted tender was for **indicative assets of EUR 5.5 billion** and consisted of two separate lots, a euro-denominated investment grade corporate bond lot and a euro-denominated high yield corporate bond lot. The FRR selected five managers for each lot.

The FRR also launched a call for tenders in April 2021 for the selection of **"responsible active management mandates: investment grade corporate bonds denominated in USD"**. This restricted tender is for **indicative assets of EUR 2.5 billion**. The final selection of managers for this contract will take place during 2022.

For these calls for tenders, the FRR insisted on the importance of **responsible, active management**, on ESG concerns being taken into account by selected candidates in the analysis and management process, while integrating the FRR's exclusion policy (prohibited weapons, tobacco and coal) and commitment.

Candidates must therefore demonstrate, in particular through the organisation of credit analysis, the integration of management teams and the processes put in place:

- the inclusion of extra-financial criteria in the investment evaluation process;
- consideration of the challenges of climate change, including reducing CO_2 emissions and reserves, contributing to the ecological and energy transition, and aligning the portfolio with the 2°C trajectory);
- the development of expertise and/or specific strategies concerning impact bonds (green bonds, social bonds and sustainable bonds);
- dialogue with issuers with holdings in the portfolio.

More broadly, candidates should favour issuers whose strategy is in line with the Paris Agreement.

Finally, candidates must produce both quantitative and qualitative reporting on the measures taken and the progress made in this area.

In addition, in line with the commitments made as part of its participation in the Net-Zero Asset Owner Alliance (NZAOA), the FRR has asked the managers of its euro mandates to monitor their portfolio's emissions in order to reduce them by more than 30% by 2024. In this context, ESG requirements have been bolstered, particularly with regard to decarbonisation and dialogue.

For the dollar bond mandates, requirements to reduce the greenhouse gas emissions of the portfolios are also imposed on this call for tenders, and will be implemented upon mandate launch.

2021 also saw the launch and finalisation of a new open tender in March for the selection of one or more managers for the **responsible management of equity index replication mandates aligned with the principles of the Paris Agreement** and involving **indicative assets worth EUR 4 billion.**

The contract was for the selection of a maximum of four managers capable of optimising replication of equity indices (whether weighted by capitalisation or not) with a responsible approach subject to minimising the risk relative to the index and preserving the characteristics of the indices used. The FRR's objective is, in particular, to align the portfolios managed with a trajectory compatible with the Paris Agreement, which aims to avoid dangerous climate change by limiting global warming to well below 2°C, and continuing efforts to limit it to 1.5°C.

The methodologies used by each manager to fulfil this objective, which may change over the duration of the mandate and according to the indices, must include at least:

- a gradual reduction of the carbon footprint in absolute terms;
- a reduction relative to the carbon footprint benchmark;
- an overweighting of the "green share" of investments;
- a physical and transitional risk measure;
- an ESG rating above the benchmark;
- the FRR's exclusion policy.

At the end of the selection process, the Management Board of the FRR decided to select bids by three candidates.

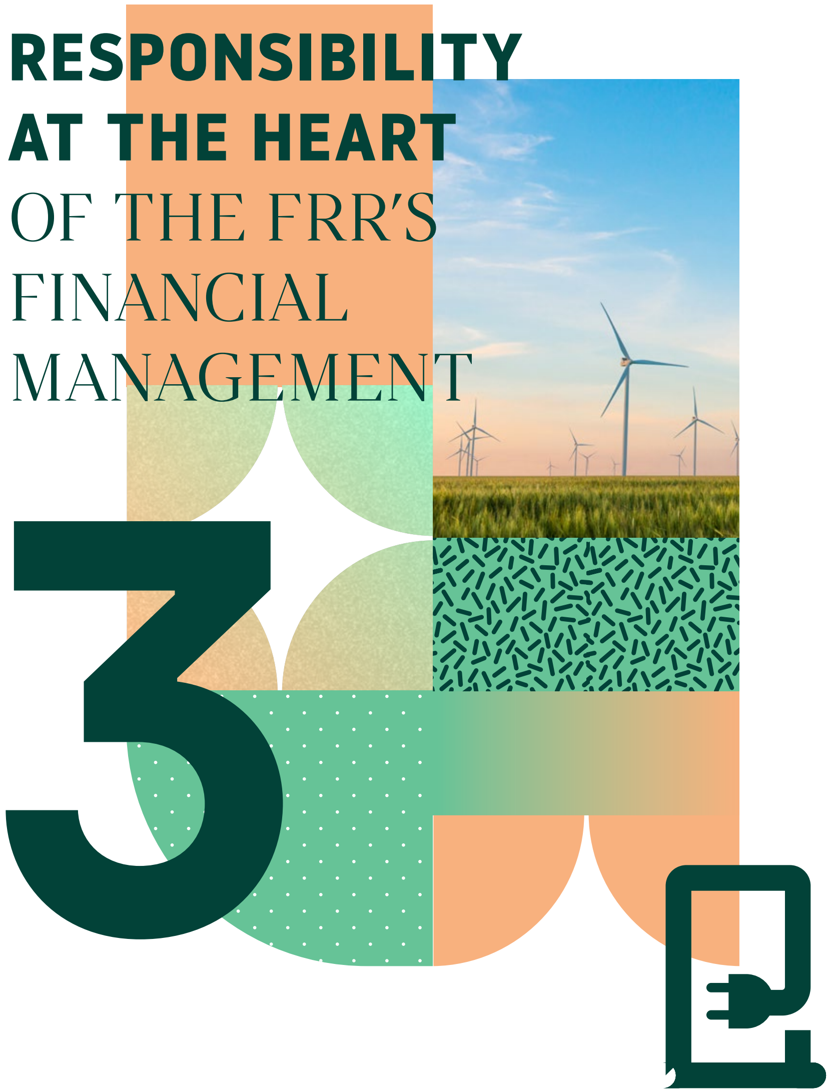
Finally, in October 2021, the FRR launched an open tender to select two investment services providers specialising in the **management of transition transactions.**

The main role of these managers is to perform certain investment or divestment transactions necessary for the constitution or adjustment of the portfolios managed by the asset managers and to execute and, if necessary, receive and transmit the orders for the purchase or sale of financial instruments emanating from the FRR's asset managers for execution during transition periods under the most stringent conditions of confidentiality. The roles taken on are aimed at reconfiguring the portfolios in accordance with the wishes expressed by the asset managers acting on behalf of the FRR to whom these portfolios are then transferred, and to reduce all the costs which are traditionally incurred during such transactions.

At the end of the selection process, the Management Board of the FRR decided to select bids by two candidates.

RESPONSIBILITY AT THE HEART OF THE FRR'S FINANCIAL MANAGEMENT

3



SUSTAINABILITY POLICY

Taking sustainability criteria into account in its management decisions is part of the FRR's corporate philosophy. In fact, as early as 2001, the FRR's founding texts specify that "The Management Board reports regularly to the Supervisory Board, and in particular on the way in which the general direction of the investment policy has taken into account social, environmental and ethical considerations". The Supervisory Board requested a strong commitment from the FRR in terms of responsible investment: As a public investor, and a vehicle for intergenerational solidarity, the FRR has a duty to lead by example and factor Environmental, Social and Governance (ESG) criteria into its management practices.

This concern manifests itself through an SRI strategy and the desire to influence the companies in which the FRR invests through numerous engagement actions and the adoption of voting guidelines at general meetings.

SRI strategy

In order to implement its responsible investor pledge, the FRR laid the groundwork in 2003 and then formalised it through five-year strategies characterised by growing ambitions in terms of responsibility and a desire to go further and support the players in its ecosystem (management companies, businesses, index providers, and extra-financial analysis providers). These strategies, which include general principles, concrete objectives, steps and resources, are presented by the Management Board to the Supervisory Board, which approves them after obtaining the opinion of the Responsible Investment Committee. The latter is in charge of ensuring the implementation of the guidelines defined by the Board to prevent and control the extra-financial risks of the FRR's portfolios.

The FRR has therefore gradually laid the foundations for incorporating environmental, social and governance criteria, across its entire portfolio, when selecting its asset managers and the issuers in which they invest. It has also introduced a comprehensive voting rights policy.

The four pillars of the SRI strategy for the period 2019-2023

1. Integrating new standards (based on best practices and regulatory changes)
2. Extending the responsible investment dimension
3. Accelerating the energy transition
4. Action on the financial management ecosystem

THE MAIN MILESTONES

2001
Consideration of extra-financial aspects provided for under the Law creating the FRR

2003
First call for tenders for the selection of managers: incorporation of ESG criteria

2005
SRI strategy - 2005-2008 period
Publication of «Guidelines on the exercise of voting rights»

2006
Founding member of PRI
Member of the CDP
Assessment of the entire portfolio against extra-financial criteria

2007
Financing the "Sustainable Finance and Responsible Investment" Chair.
Support for the FIR-PRI Academic Research Award

2008
SRI strategy - 2008-2012 period

2009
Adoption of CDP WATER
Support for the Extractive Industries Transparency Initiative (EITI)

2013
SRI strategy - 2013-2017 period

2014
Membership of the International Corporate Governance Network (ICGN)
Support for an initiative concerning management of textile supply chain risks

2014
Signatory to the PRI Montreal Pledge
Signature of the climate change declaration at the UN summit

2017
Signatory to the French public investors charter for climate commitment
Adoption of CDP FOREST

2017
Member of the CA100+
Membership of the IIGCC

2017
Signatory to a declaration for the attention of WHO members and ministers of health supporting stronger tobacco control regulation

2018
Support for the United Nations Environment Programme Finance Initiative (UNEP-FI)
Pledge to follow the TCFD's* recommendations
Membership of the Responsible Investment Forum (FIR)

2019
SRI strategy - 2019-2023 period
Commitment to support a fair transition*

2019
Signatory to the French public investors charter to promote the sustainable development goals (SDGs)*
Collaborative engagement with Women's Empowerment Principles
Signatory to the Gender Initiative declaration

2019
Membership of the Net-Zero Asset Owner Initiative

2021
Signatory to the Bangladesh Accord declaration
Support for TotalEnergies' presence in Myanmar

* SDGs: Sustainable Development Goals.
* TCFD (Task Force on Climate-related Financial Disclosures).
* Fair transition: consideration of the social aspect in decisions related to the energy transition.

FRR pledges

One of the main ways in which institutional investors can act in favour of sustainable development is by exercising their power of influence with regard to the issuers they help finance, but also with regard to their own ecosystems. Based on this observation, the FRR has been involved in various efforts since its inception, both internationally and nationally. It played a founding role in many of them, including the most influential (PRI). The FRR has also decided to foster dialogue with companies through collaborative initiatives, in partnership with its fund and mandate managers, as well as with companies directly whenever necessary.

Global initiatives

PRI Principles for Responsible Investment

PRI – 2005

The FRR is a founding member of the UN Principles for Responsible Investment.

The PRI reflect the shared values of a group of investors having a long-term investment horizon and diversified portfolios, including insurers and reinsurers, pension funds and other private and public institutional investors. They are fully compatible with the FRR's SRI strategy.

The PRI are key to the development of responsible investment: at the end of 2021, the PRI had more than 3,800 signatories, representing a total of around EUR 110 trillion in assets under management.

GLOBAL INITIATIVES	INITIATIVES ADDRESSING ENVIRONMENTAL ISSUES	INITIATIVES ADDRESSING SOCIETAL ISSUES	INITIATIVES ON GOVERNANCE ISSUES
PRI Principles for Responsible Investment French Public Investors Charter to promote the Sustainable Development Goals (SDGS)	CDP Climate Action 100+ IIGCC Net-Zero Asset Owner Alliance French public investors charter for climate commitment	ICGN International Corporate Governance Network EITI Extractive Industries Transparency Initiative	Statement encouraging the signing of the Women's Empowerment Principles Gender initiative

French Public Investors Charter to promote the Sustainable Development Goals (SDGS) – 2019

The French public financial institutions and operators, to which the FRR belongs, pledged to implement six principles formulated in the French Public Investors Charter to Promote Climate Action in December 2017. They are now committed to ensuring their responsible investor approach and activities are consistent with all the dimensions of sustainable development (environmental, social, economic prosperity and governance), as represented by the 17 2030 Sustainable Development Goals (SDGs) adopted by Member States.

Responsible Investment Forum (FIR) - 2018

The Forum pour l'Investissement Responsable was created in 2001 by fund managers, experts in social and environmental analysis, consultants, trade unionists, academics, and citizens. They have since been joined by investors, including the FRR in 2018.

The FIR's objectives are to promote Socially Responsible Investment (SRI) to ensure that more investments address social cohesion and sustainable development issues.

Initiatives addressing environmental issues

CDP - 2006

Supported by the United Nations Environment Programme, the CDP is one of the most important international initiatives for the environment and climate change. It seeks better information on companies' behaviour with regard to the environment, their energy consumption and the effects of climate change. In this regard, the FRR supported the CDP in 2006, followed by CDP WATER and CDP FOREST.

The CDP has become a key player in the standardisation and collection of key environmental information from companies. By the end of 2021, it was backed by 680 investors representing EUR 118 trillion in assets, and more than 13,000 international listed companies responded to their questionnaires on climate change, water, and forests.

Net-Zero Asset Owner Alliance - 2009

In November 2019, the FRR joined the Net-Zero Asset Owner Alliance. The latter consists of 71 global investors, representing EUR 9.4 trillion in assets, who are committed to moving their investment portfolios towards net GHG (greenhouse gas) emissions by 2050 that are consistent with a maximum temperature increase of 1.5°C above pre-industrial temperatures, taking into account the best available science, including the findings of the IPCC (Intergovernmental Panel on Climate Change). Members also commit to regular progress reports, including setting interim targets every five years in accordance with Article 4.9 of the Paris Agreement.

In order for members to meet their fiduciary obligations, manage their risks and achieve their performance objectives, this commitment must be incorporated into an overall ESG approach, including, but not limited to, climate change.

Members should seek to fulfil these targets, in particular by advocating and engaging with business and industry, as well as by seeking to influence public policy, to ensure a low-carbon transition while mitigating the related social impact.

CLIMATE ACTION 100+ - 2017

Climate Action 100+ is the largest collaborative engagement initiative in relation to climate change. By the end of 2021, this initiative was supported by more than 615 signatories, representing more than EUR 59 trillion in assets under management.

This initiative is at the heart of climate change action by the Net-Zero Asset Owner Alliance of which the FRR is a member. In essence, Climate Action 100+ is an investor- led initiative to mobilise more than 168 of the world's largest greenhouse gas emitters representing 80% of industrial emissions that are critical for meeting the Paris Agreement targets to reduce emissions, develop climate-related financial disclosures and improve climate risk governance.

Institutional investors group on climate change - IIGCC - 2015

The IIGCC is a forum for investors to collaborate on climate change. The IIGCC provides its members with a collaborative platform to encourage public policies, investment practices, and corporate behaviour that address long-term risks and opportunities associated with climate change.

By the end of 2021, this initiative was supported by more than 370 investors, representing EUR 45 trillion in assets under management.

French public investors charter for climate commitment - 2017

The FRR signed this charter in December 2017. All French public financial traders and institutions decided to pursue an approach aimed at ensuring that their activities comply with the objectives of the Paris Agreement.

For the record, the FRR has also supported numerous other climate initiatives over the years, including:

- 2014: Signature of the PRI Montreal Pledge, Support to the Portfolio Decarbonization Coalition, Signature of the climate change declaration at the UN Climate Summit
- 2015: Support for the ACT initiative - ASSESSING LOW-CARBON TRANSITION
- 2017: Statement to G7 governments regarding Climate Change.

Initiatives addressing societal issues

Statement encouraging the signing of the Women's Empowerment Principles – 2019

The FRR believes that diversity is a determining factor in companies' operational and financial performance. On 17 September 2019, with the support of UN Women, it made a joint declaration to promote gender equality in business. This initiative aims to bring together a significant number of investors to call on a wide range of listed companies around the world to be more transparent on this issue and to encourage them to sign up to the Women's Empowerment Principles. It is a set of seven principles, the result of an alliance between UN Women and UN Global Compact, which companies can follow in order to promote gender equality in their business environment.

Gender initiative - 2019

On 7 November 2019, the FRR signed the Gender Initiative. The statement, coordinated by Mirova and co-signed by 66 investors representing a total of EUR 4 trillion in assets under management, is supported by UN Women and the United Nations Global Compact and aims to promote gender equality in business.

Initiatives on governance issues

ICGN
International Corporate Governance Network

International corporate governance network (ICGN) - 2014

The ICGN is an international organisation of governance professionals. Its aim is to inspire and promote international corporate governance standards. These improvements contribute to a more sustainable performance of companies and help to make them more transparent.

In this context, the ICGN has various committees which reflect on the establishment of best practices in corporate governance. With a six-year tenure on the ICGN Board of Directors, the FRR has been involved in the definition of good governance rules whose application is evident in the markets concerned by the calls for tender.

EITI Extractive Industries Transparency Initiative

Extractive Industries Transparency Initiative (EITI) - 2009

This initiative seeks to increase the transparency and responsibility of companies operating in extractive industries, by checking and publishing all payments made by companies, as well as all income received by governments, as a result of mineral, oil and gas extraction. In supporting the EITI, the FRR invites all companies directly or indirectly concerned by the above, and in which it holds shares, to contribute. It also encourages those companies already committed to supporting the initiative to play an active role in its implementation.

Voting guidelines

The FRR's responsible investor policy requires shareholder approval at every general meeting. Given the wide-ranging and international nature of the FRR's investments, its voting guidelines incorporate three dimensions:

- The benefits for the FRR of working actively to improve the governance of the companies in which it invests. This aspect aims to promote the balance of power within companies' management bodies and clarity about these powers, as well as the quality of the information provided to shareholders and respect for their rights and for the integrity of their votes. Accordingly, it is one of the factors that play an important role in the long-term survival of the corporate community, in the continuity of the strategy that companies pursue, and in the way they fulfil their responsibilities to all their stakeholders. All these factors contribute directly to strong future valuations.
- The fact that the FRR is a long-term investor. It has chosen to prioritise, in its portfolio structure and the management mandates that reflect the asset allocation strategy set by the Supervisory Board, an active approach based on an analysis of the fundamental valuation outlook for equity and debt securities issued by various categories of issuers. It therefore stands to reason that investment managers would take this horizon into consideration in their application, on a case-by-case basis, of the guidelines included in the voting rights principles, in particular when assessing the appropriateness of financial transactions that affect corporate capital.
- Lastly, efforts to improve corporate governance, whether made by the companies themselves, lawmakers or regulators, have intensified in recent years and must continue. The active exercise of the FRR's voting rights must, however, realistically consider the specific conditions in each market, mainly based on the issuers' capitalisation, and the significant differences that may exist in corporate law and in terms of the corporate governance practices in the relevant countries.

In accordance with its founding texts, the FRR's voting rights are exercised by the asset managers it has selected and they do so in the best interests of the Fund.

The FRR's guidelines on the exercise of voting rights incorporate all of these factors and must therefore be broad enough to account for particular national circumstances (in France and internationally). The FRR therefore aims to capitalise on investment managers' knowledge and their ability to understand the practices in force in various financial centres. Investment managers may also rely on these practices for subjects not covered by the FRR's guidelines.

Integration of new standards

The FRR will publish its first Sustainability Report in application of Article 29 of the Climate and Energy Act (LEC) of 8 November 2019 for financial year 2021. This is voluntary as the FRR is not obliged to release such a publication. This report replaces the scheme previously provided for in Article 173 of the Energy Transition Act. Article 29 incorporates regulatory developments and experience derived from best practice:

- The European Sustainable Finance Disclosure Regulation (SFDR), including the integration of a double materiality logic (Potential Risks of ESG criteria on investments/Main Negative Impacts of investments on sustainability factors (Principle Adverse Impact – PAI);
- The European Regulation on the Taxonomy of Sustainable Activities, which will enter into force as of financial year 2022;
- the TCFD's recommendations.

Article 29 of the LEC also contains some provisions specific to France:

- details on the integration of ESG factors in risk management systems, with a focus on climate and biodiversity risks;
- a publication of strategies to align with the Paris Agreement global warming targets, as well as with long-term international targets concerning biodiversity conservation;
- a shift from the "comply or explain" principle to a requirement for a continuous improvement plan with defined objectives and corrective measures.

Accelerating the energy transition

While maintaining an essential level of vigilance concerning all other ESG concerns, responding to the climate emergency is one of the FRR's priorities. Joining the Net-Zero Asset Owner Alliance commits the FRR to aligning itself with the Paris Agreement around the following three levers:

- adopting ambitious targets for reducing greenhouse gas emissions from portfolios;
- engaging with companies to encourage them to adopt strategies to align with the Paris Agreement via its managers as well as collaborative initiatives such as the Climate 100+;
- contributing to the financing of the energy transition, by continuing to make a long-term contribution to the creation of a net-zero economy through "transition financing".

Emission reduction

As part of its membership of the Net-Zero Asset Owner Alliance, the FRR adopted new targets for reducing portfolio emissions. In order to ensure a 1.5°C global warming trajectory, the alliance identified a range of asset class emission reduction targets of between -16% and -29% by 2025.

At the beginning of 2021, the FRR finalised the surveys necessary to set targets, which it made public on 30 September 2021. This is a continuation of a long-standing process that already reduced emissions by 40% between 2013 and 2019.

The FRR has decided to set a target of a further 20% reduction in its developed market equity and corporate bond portfolios by 2025, compared with 2019.

The target is absolute and not relative to the indices, so this is a significant reduction to which the FRR is pleased to contribute.

Under the Net-Zero Asset Owner Alliance, these targets will be reviewed every five years.

Paris Agreement

At COP 21 in Paris, on 12 December 2015, Parties to the UNFCCC reached a landmark agreement to combat climate change and to accelerate and intensify the actions and investments needed for a sustainable low-carbon future. The Paris Agreement builds upon the Convention and – for the first time – brings all nations together around a common cause to undertake ambitious efforts to combat climate change and adapt to its effects, with enhanced support to assist developing countries to do so. As such, it charts a new course in the global climate effort.

The Paris Agreement's central aim is to strengthen the global response to the threat of climate change by keeping a global temperature rise this century well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5°C. Additionally, the agreement aims to increase the ability of countries to deal with the impacts of climate change, and to make finance flows consistent with a low GHG emissions and a climate-resilient pathway. To reach these ambitious goals, appropriate mobilisation and provision of financial resources, a new technology framework and enhanced capacity-building are to be put in place, to support action by developing countries and especially vulnerable countries, in line with their own national objectives.

Launch of tenders with decarbonisation targets for credit mandates

In 2020, the FRR launched a call for tenders for responsible active management in corporate bonds issued in euro. The wording of the tender has for the first time introduced the term "responsible management" concerning bond management. This underlined the FRR's commitment to integrating a responsible dimension into its management across all asset classes. In addition, the FRR explicitly stated in this call for tenders that the selected candidates will have to take the challenges of climate change into account in their management processes, including a reduction of CO_2 emissions, a contribution to the ecological and energy transition, and an alignment of the portfolio with the 1.5°C trajectory. This call for tenders led to the selection of 10 managers who started managing their portfolios in October 2021 with an emission reduction target of 30% by 2024. All EUR credit portfolios are already showing a reduction in CO_2 emissions from the baseline, and in line with the NZAOA reduction trajectory to which the FRR has made a pledge. At 31 December 2021, the reduction in carbon emissions on the HY EUR category was -28% compared with the index level at the time of activation of the mandates, and -41% on the euro investment grade bond category.

Scope 1, 2 and 3: ADEME definitions

- Direct GHG emissions (or SCOPE 1): Direct emissions from fixed or mobile installations within the organisational boundary, i.e. emissions from sources owned or controlled by the organisation, e.g. combustion from fixed and mobile sources, non-combustion industrial processes, ruminant emissions, biogas from landfills, refrigerant leaks, nitrogen fertilisation, biomass, etc.
- Indirect energy emissions (or SCOPE 2): Indirect emissions associated with the production of electricity, heat or steam imported for the organisation's activities.
- Other indirect emissions (or SCOPE 3): Other emissions indirectly generated by an organisation's activities that are not accounted for in SCOPE 2 but are related to the entire value chain, e.g. the purchase of raw materials, services or other products, employee travel, upstream and downstream transport of goods, management of waste generated by the organisation's operations, use and end of life of products and services sold, immobilisation of production goods and equipment, etc.

Exclusion of the most polluting companies

Beyond its dialogue with companies and its financing of activities that promote the energy transition, the FRR decided in 2017 to exclude companies whose thermal coal extraction or coal-based electricity, heat or steam production activity exceeded a threshold initially set at 20% of their revenue from its portfolios.

In 2018, the FRR chose to further commit to a low carbon economy by lowering this threshold to 10% of their revenue.

KEY INDICATORS OF THE CLIMATE REPORT[1]

In 2007, the FRR calculated the environmental footprint of its portfolio for the first time. Since then, in line with its responsible investment strategy, the commitments made and the decarbonisation efforts made on part of its portfolios, the FRR measures the carbon footprint of its mandates and funds every year.

The study prepared by S&P Trucost covers the emissions generated by the operations of companies, as well as their direct suppliers. Carbon emissions are estimated in weighted average carbon intensity (WACI) and expressed in tonnes of CO_2 equivalent per million euro of revenue, which is the method recommended by the TCFD and the work of the Net-Zero Asset Owner Alliance.

It is worth noting that the FRR's Global Equity portfolio emits less than its benchmark and that the decarbonisation rate varies at around 4% per year on average, which is consistent with the IPCC's rate of decarbonisation in a 2°C scenario but lags behind the 1.5°C target.

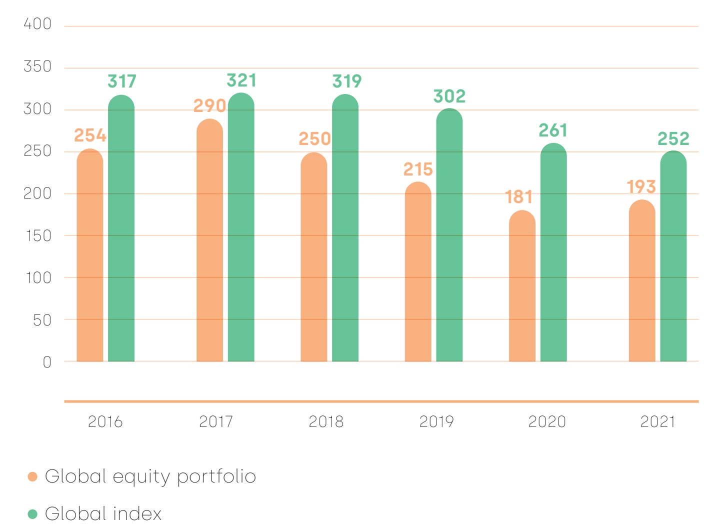
The table below compares the total decarbonisation of the FRR portfolios between 2016 and 2021. There is a strong decarbonisation trend in the Developed Equity portfolio compared with the Emerging Equity portfolio, whose emissions actually increased over the period. The Global Equity portfolio obtains its decarbonisation from investments managed in mandates where the FRR controls the investment process.

Equity portfolio carbon footprint

The graph below shows the changing carbon footprint of the Global Equity portfolio in tonnes of CO_2 equivalent per million euro of revenue.

At the end of 2021, the weighted average carbon intensity (WACI method) of the companies in the FRR's Global Equity portfolio amounted to 193 tonnes of CO_2 equivalent per million euro of revenue. It was 23% lower than that of the FRR benchmark. From 2016 to 2021, the carbon footprint of the FRR portfolio's benchmark index decreased by 20% while that of the FRR portfolio decreased by 18% (i.e. around 4% per year).

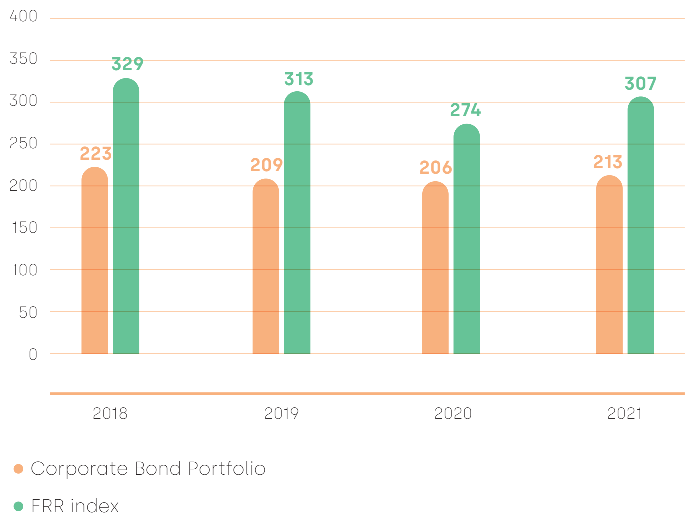
WEIGHTED AVERAGE CARBON INTENSITY (WACI) ($TEQCO_2$/€M TURNOVER) DIRECT EMISSIONS AND DIRECT SUPPLIERS – Source: S&P Trucost



1. Source: Trucost.

Portfolio/Index	Decline in Intensity (C/R method) 2016-2021
Global Equity Portfolio	-21%
Composite Equity Index	-7%
Developed Market Equity Portfolio	-23%
FRR Developed Market Equity Index	-11%
FRR Emerging market equity portfolio	8%
FRR Emerging Market Equity Index	26%

WEIGHTED AVERAGE CARBON INTENSITY (WACI) (TEQCO$_2$/€M TURNOVER) DIRECT EMISSIONS AND DIRECT SUPPLIERS – Source: S&P Trucost



Corporate Bond Portfolio Carbon Footprint

The graph opposite shows the changing carbon footprint of the Corporate Bond portfolio in tonnes of CO_2 equivalent per million euro of revenue.

At the end of 2021, the carbon footprint of the FRR's corporate bond portfolio amounted to 213 tonnes of CO_2 equivalent per million euro of revenue. It is 31% lower than the benchmark. From 2018 to 2021, the carbon footprint of the benchmark decreased by 6.7% while that of the portfolio decreased by 4.5%.

Government Bond Portfolio Carbon Footprint

S&P Trucost's portfolio carbon footprint analysis methodology for sovereign assets measures the greenhouse gas exposure of sovereign assets based on total greenhouse gas emissions by country, reflecting the specific role of the public sector as a provider of key services for the economy and as a lawmaker that can influence carbon footprints. The scope of the analysis is:

- domestic emissions, i.e. the emissions generated by goods and services produced and consumed in a given country;
- direct imports, i.e. the emissions generated by goods and services directly imported into a country;
- direct exports, i.e. the emissions generated by goods and services produced in a country and exported.

The graph below shows the weighted average carbon intensity of the portfolio and its benchmark index: this indicator quantifies the portfolio's average intensity based on the weighting of each country included in it. It measures the portfolio's allocation to more or less carbon intensive economies. The difference in carbon intensity between the FRR's portfolio and that of the benchmark is due to the overweighting of emerging countries in the former (37% for the portfolio vs 34% for the benchmark). This is the result of asset allocation decisions within the hedging component.

Review of «climate action» engagement in 2021

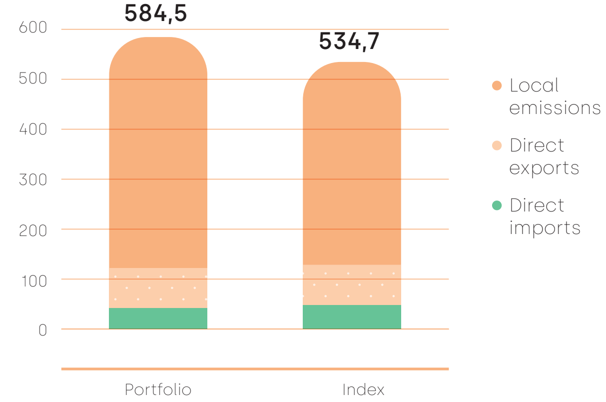
2021 was a year marked by growth, impact and influence for Climate Action 100+, the largest investor engagement initiative in relation to climate change. With the addition of 70 new investors in 2021, Climate Action 100+ now has over 615 signatories representing EUR 65 trillion in assets under management.

These investors engage with 167 of the world's largest listed private issuers and drive corporate climate action in line with the global target of achieving net zero emissions by 2050 or earlier.

The strength of Climate Action 100+ is the global focus on results and the spirit of partnership between investors and companies. In addition, there has been a notable increase in investor appetite for climate action in Asia over the past year, broadening the impact and influence of the initiative in that region of the world.

Investor engagement through the initiative has resulted in increased climate ambitions from targeted companies. This observation is based on an evaluation that is carried out every year, based on ten indicators grouped in the Net-Zero Company Benchmark. These indicators include the company's "Net Zero" ambition, its short, medium and long-term emission reduction targets, its decarbonisation strategy and the investments allocated to it, its governance of climate issues, its just transition, and its follow-up of the TCFD recommendations.

CARBON INTENSITY WACI (TEQCO$_2$/M€ PIB)



The 2021 Net-Zero Company Benchmark report found that 83 of the targeted companies (i.e. 52%) set net neutrality targets for 2050 or earlier, compared with only five in 2018, after the initiative was launched. To demonstrate the scale of the impact, it is estimated that these net-zero targets will reduce greenhouse gas (GHG) emissions by 9.8 billion tonnes per year by 2050, roughly the equivalent of China's annual emissions.

Throughout the year, the initiative's investors engaged with companies to set short-, medium- and long-term emission targets, find out about their lobbying activities and whether there were climate experts on their boards. The progress made by investors through Climate Action 100+ is emblematic of how times have changed and reinforces the seriousness with which major investors are addressing climate change as a financial risk.

The initiative has been praised by financial media around the world, including the Financial Times, Reuters, Bloomberg, Wall Street Journal, Forbes and the Sydney Morning Herald, which have covered the initiative's key achievements. Climate 100+ is regularly quoted in articles to demonstrate the power of collaboration, engagement, and how it is actually leading to unprecedented change among some of the world's largest corporate issuers.

Climate Action 100+ is coordinated by its five founding investor networks: AIGCC, Ceres, IGCC, IIGCC and PRI. It is led by the Climate Action 100+ Global Steering Committee, which includes five investor representatives and the heads of the investor networks. The strategy is deployed by the investor network staff who support investors in their engagement with targeted companies.

Continued financing of the energy transition

In 2021, the FRR continued growing its investments in favour of the energy transition.

- **Investment in ESG equity replication strategies**

For several years, the FRR has been investing in equity replication strategies that integrate decarbonisation objectives but also aim to favour companies that contribute positively towards the energy transition. This was reflected in current portfolios by quantified objectives relative to benchmarks with increasing green technology components in portfolios or by the overweighting of companies with a substantial share of their activity derived from renewable energy in an equity portfolio representing EUR 3.4 billion at the end of December 2021. As of this date, the green technology portion of the portfolio is 8% compared with 5.3% for the portfolio's benchmark, representing an increase of 50%. In addition, companies with a significant proportion of their business derived from renewable energy are overweighted by almost 60% in the portfolios. Other objectives that aim to strengthen rankings concerning climate action or resource overexploitation within portfolios relative to benchmarks may be added.

- **Launch of a call for tender consistent with the Paris Agreement**

In 2021, the FRR launched a new tender to replace current ESG equity replication strategies. With the new call for tenders, the FRR sought to be much more ambitious on climate action in order to align its strategies with the various commitments made in this regard. This new call for tenders aimed to select equity strategies consistent with the Paris Agreement.

This increased emphasis on the strategies' climate aspect called for new objectives to be integrated without abandoning those developed in the previous call for tender. Accordingly, this call for tenders sets targets for reducing carbon emissions, overweighting the green share, improving the ESG rating and increasing avoided emissions, reducing physical and transition risks, and overweighting companies with trajectories that tend towards a 1.5°C scenario.

In order to integrate these new objectives, new optimisation criteria are required, including the integration of Scope 3 in order to gain a better understanding of a company's carbon emissions and therefore its impact on the environment, the development of methodologies for calculating emissions avoided in order to estimate the positive contribution of a company to the reduction of carbon emissions for society as a whole, and methodologies for calculating a portfolio's global warming impact and therefore that of the companies that it comprises. This work also requires asset management companies to work with research groups and extra-financial data providers in order to advance the work of all stakeholders.

The call for tenders resulted in three management consultants being selected who demonstrated substantial expertise in index replication and the integration of extra-financial criteria, including climate criteria, and a desire to continue to develop climate action by working externally with data providers and working groups. Internally, dedicated research teams have been mobilised to develop new ESG criteria.

- **Green bonds**

The financing of the energy transition by the FRR also took the form of investments in green bonds in the dedicated Investment Grade, High Yield Euro and US Investment Grade credit mandates.

As at 31 December 2021, green bonds represented EUR 564 million, equivalent to 2.16% of the FRR's total assets and 6.21% of credit mandate assets.

More specifically, the Euro Investment Grade Credit mandates had 8.9% of their assets in this bond category compared with 7.2% in 2020 and 8.8% relative to their benchmark. The weighting was 3.3% for US Investment Grade Credit mandates, the same as in the previous year, while the benchmark comprised just 1.9%. Finally, new High Yield Euro mandates held 5.4% of green bonds compared with 5.2% for their index.

The green bonds in the FRR's portfolio mainly finance green building and renewable energy projects.

- **Investment in infrastructure contributing towards the energy transition**

In 2021, a new infrastructure fund was selected for financing to the tune of EUR 30 million. This marked the second year running for a management company with which the FRR was already a partner in this asset class.

The FRR's commitments to unlisted funds specialising in infrastructure amounted to EUR 484.5 million, now deployed across nine funds.

Calls for funds amounted to EUR 172.8 million and some funds made distributions totalling EUR 47.4 million and coupons worth EUR 12.6 million.

The majority of the investments of these funds concerned projects related to the Ecological and Energy Transition, among which the most represented sectors are renewable energies, methanisation, hydrogen, hydroelectricity, biomass and biogas.

The remaining projects related to sectors of significant social importance, such as telecommunications (optical fibre specifically, allowing access for all to digital data) and social infrastructure (hospitals and universities, etc.).

The share of assets located in France and directly financing French infrastructure development accounted for nearly 50% of these investments.

Ultra-fast
electrical charging stations

As part of its commitment to financing infrastructure that contributes towards the energy transition, the FRR began participating in the French company NW Groupe's equity financing in November 2020 through investment in the fund managed by Rgreen Invest, Infragreen IV.

The FRR invested EUR 80 million in the INFRAGREENIV fund, which made an equity commitment worth EUR 33.75 million in November 2020 in NW GROUPE.

This partner specialises in the renewable energy sector through the development and construction of renewable energy projects. The group has developed more than 100MW of photovoltaic and wind power plants, including 45MW with storage.

Its second area of expertise is the development and operation of innovative electricity storage solutions, including the JBox, to meet the challenges of energy sustainability and grid demands through its subsidiary NW Joules.

NW Groupe approached RGREEN INVEST to accelerate the large-scale deployment of its innovative storage solution, the JBox, which takes the form of a Plug & Play container integrating a storage system, power electronics and a delivery point ("PDL") with a power of approximately 1.25MW each, the purpose of which is to provide various types of combined services as part of system services, electrical network flexibility and rapid recharging of electric vehicles, which are to be managed remotely.

With the European Commission's decision to end the use of internal combustion engines by 2035 and the acceleration of hybrid and electric vehicle sales already underway, this integrated storage and ultra-fast charging solution is an innovative and essential response to these developments.

As a major investor in this fund, which is committed to the energy transition, on 22 October 2021 the FRR was invited to the launch of the first ultra-fast recharging station (IECharge) coupled with a storage unit (JBox) which will enable the deployment of a network of 600 electric recharging stations throughout the country by 2023.

The high-powered charging points can supply sufficient charge in 10 minutes to travel 300 kilometres, while it takes 21 hours on a domestic 3.7 kW socket. The launch took place in Vezin le Coquet in Ille-et-Vilaine; a rural area that reflects the need for a nationwide network of charging points In addition to the head of NW Groupe, the financial partners and local elected representatives, the launch was attended by the Minister of the Ecological Transition, Barbara Pompili, Minister Delegate of the Ecological Transition, in charge of transport, Jean-Baptiste Djebbari, and chair of Fondation Energies pour le Monde, Jean-Louis Borloo, and included a speech made by the head of the Solar Impulse Foundation Bertrand Piccard, who proclaimed this invention to be the 1001st cleanest and most profitable solution to the environmental crisis.

Green Hydrogen The role of hydrogen in the energy transition

To fulfil its energy transition objectives, France is now investing in the production and use of low-carbon and renewable hydrogen. Mainly used in the chemical and refining industries until now, this energy carrier could help to decarbonise certain industrial sectors, provide electricity storage or supply the transport sector. However, hydrogen technology still has a number of obstacles to overcome before it can be deployed.

Currently, hydrogen has two main uses: as a raw material for the production of ammonia (fertiliser) and methanol and as a reagent in the processes of refining crude oil into petroleum products, fuels and biofuels.

Nevertheless, there are many possible uses for hydrogen, and it holds great promise for decarbonising a number of sectors and paving the way for the energy transition.

Energy storage in the form of hydrogen makes it possible to offset interruptions to renewable energy provision (wind and solar) by optimising electricity production capacity.

When developing a renewable electricity mix, when the network is in surplus (i.e. when electricity production exceeds consumption), electrolysis makes it possible to store hydrogen for the short or longer term, depending on requirements.

The available hydrogen can be reused in a fuel cell to produce electricity or injected directly into gas networks.

SWEN Capital Partners manages the SWEN Impact Fund for Transition (SWIFT) in unlisted assets for the FRR. SWIFT is the first European infrastructure fund dedicated to renewable natural gas. It invests directly in methanisation, renewable hydrogen, and gas and LNG refuelling infrastructure for the maritime and land transport sector.

The FRR has invested EUR 34.5 million in the SWIFT fund, which made a commitment in the form of convertible bonds worth EUR 24.99 million in July 2021 in Lhyfe.

Created in 2017 in Nantes, Lhyfe is a producer and supplier of green and renewable hydrogen for mobility and industry. Its production sites provide access to renewable hydrogen in industrial quantities, in keeping with the concept of a virtuous energy model. Lhyfe raised EUR 70 million in funding between 2019 and 2021.

On 1 October in Bouin in the Vendée region, Lhyfe launched the first site for the industrial production of renewable hydrogen from wind turbines and seawater globally. This launch was accompanied by the raising of EUR 50 million from the Banque des Territoires, **Swen Capital Partners (manager of the FRR)**, and its longstanding partners[2].

This Vendée site is the first in the world to produce renewable hydrogen from wind energy on an industrial scale. Lhyfe already has approximately 60 projects throughout Europe.

The Bouin production site: a technical feat and a global first

At Port-du-Bec in the Vendée region, a few metres from the ocean, Lhyfe is now producing the world's first renewable hydrogen in industrial quantities (up to one tonne/day, currently 300 kg) produced by an electrolyser powered directly by wind turbines: a technical feat.

This hydrogen will supply four service stations, including the one in La Rochesur-Yon. Around 50 heavy vehicles will be able to run on renewable hydrogen in the Loire-Atlantique, Sarthe and Vendée regions initially, and then in other French departments, thanks to the Vallée Hydrogène Grand Ouest (VHyGO) project.

Beyond local communities, the hydrogen produced by Lhyfe is also a real opportunity for decarbonisation that other players are seizing. The first kilogram of hydrogen generated will be used to run:

- buses, refuse collection vehicles and fire engines in La Roche-sur-Yon, in the Vendée region;
- forklifts in the Lidl logistics warehouse
- near Nantes;
- Buses and commercial vehicles in Le Mans;
- heavy construction equipment in the port of La Turballe.

This second round of financing worth EUR 50 million will enable Lhyfe to step up its deployment and R&D teams in France and abroad by EUR 30 million.

Lhyfe has 60 employees and will more than double its workforce in 2022. EUR 20 million will be allocated to finance the company's projects, 60 of which are located throughout Europe.

The financing goes hand-in-hand with a partnership that will finance all the sites developed in France, including those of the VHyGO project (including Lorient, Brest and Dieppe).

The partnership with **SWEN Capital Partners** will allow for international deployment: after the first international projects revealed last spring in Denmark (GreenLab, a 600,000m2 industrial park), and a more recently disclosed project in Portugal, more announcements will follow, particularly in Italy, Germany and the United Kingdom.

Lhyfe previously received a grant from the Programme d'investissements d'avenir (PIA) for its feasibility study via Bpifrance, followed by backing from the Deeptech Plan and export insurance sector.

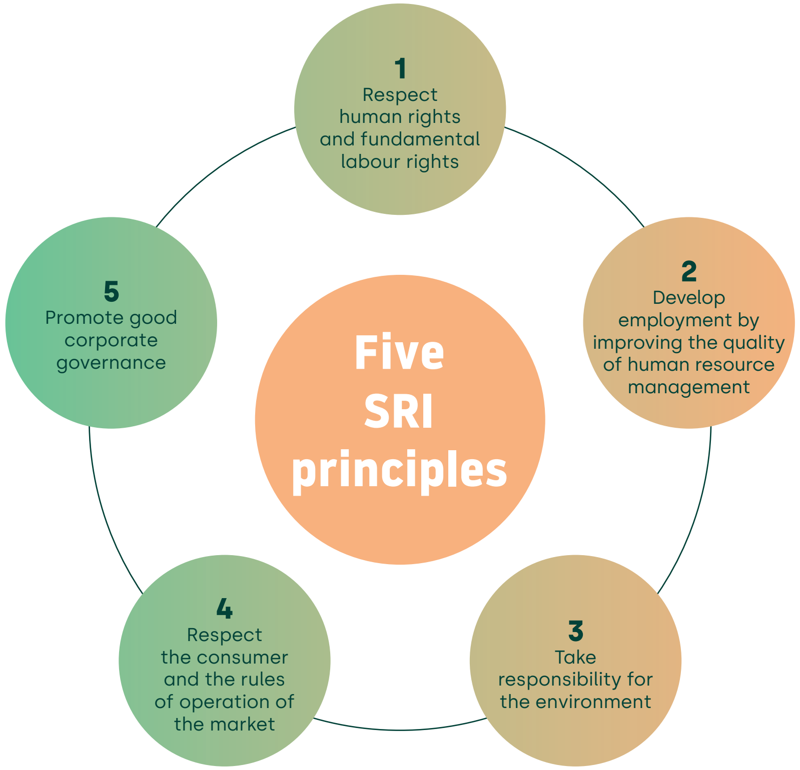
In 1874, in his famous novel The Mysterious Island, Jules Verne prophesied as follows: "I believe that water will one day be used as a fuel, that hydrogen and oxygen, which constitute it, used alone or simultaneously, will provide an inexhaustible source of heat and light of an intensity that coal cannot have".

2. Noria, Ovive (Les Saules group), Ouest Croissance, Océan Participations and SEM Vendée Energie.

Extending the responsible investment dimension

Integrating ESG concerns in investments

Regardless of asset class, following a selection process that places increasing emphasis on ESG, the FRR's management mandates require the FRR's managers to take account of its responsible investment strategy in their management, in particular by systematically integrating an ESG analysis into the issuer selection process, and by exercising voting rights and initiating dialogue, and to report on this in the bi-annual management committees and in the annual reports. The ESG assessment of companies is conducted according to the FRR's five SRI principles.



Reporting requirements for ESG analysis

As part of the monitoring of portfolios invested in different asset classes and geographical areas, additional requirements requested by the FRR for these mandates have been added. Additional reporting elements, both quantitative and qualitative, are now required to report on ESG actions.

Firstly, the managers provide monthly reporting confirming compliance with the sectors that the FRR has excluded from its portfolio.

Since 2020, the FRR requires qualitative reporting dedicated to ESG aspects which must include at least the following elements:

- A report on the commitments made by the manager regarding socially responsible investment, indicating the Environmental, Social and Governance (ESG) concerns that they focus on within the investment universe; the way in which these extra-financial issues are taken into account in their research and analysis of companies and whether they are considered to have an impact on the selection of securities or the construction of the portfolio; and the monitoring of these commitments made within the framework of the management mandates, including in terms of resources and organisation (development of the teams, technical means, etc.).
- Qualitative reporting highlighting investments in the clean technology sector or those contributing to the energy transition, dialogue or engagement with issuers relating to extra-financial matters, participation in think tanks or international initiatives on ESG, carbon, energy transition, etc.
- A report on the ESG ratings of companies in the portfolio resulting in a summary of the ESG ratings of the extra-financial analysis providers, or those established internally, for each of the securities in the management mandates.

Finally, voting rights must be exercised by the various managers in accordance with the "Guidelines on the exercise of voting rights" published by the FRR on its website. Regular reporting is also expected.

In addition to these elements, other elements may be included in ESG reporting as the markets evolve and are discussed regularly between the investment manager and the FRR.

Supporting companies in relation to ESG concerns

Exercise of voting rights

In accordance with its founding texts, the FRR's voting rights are exercised by the asset managers it has selected and they do so in the best interests of the Fund.

The FRR's guidelines on the exercise of voting rights factor in the dimensions of the FRR and must be broad enough to also take into account particular national circumstances (in France and internationally). The FRR therefore aims to capitalise on investment managers' knowledge and their ability to understand the practices in force in various financial centres. Investment managers may also rely on these practices for subjects not covered by the FRR's guidelines.

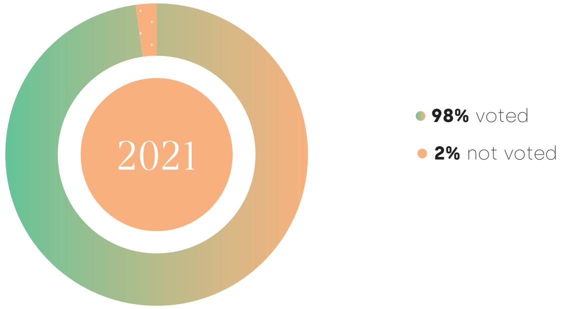
To assist it with its monitoring, the FRR is working on a system to score the quality of the governance of its portfolio of developed market equities. This new analytical approach improves the FRR's understanding of the key elements of this portfolio's governance. Conducted through its asset managers, voting enabled the Fund to participate in 1,605 general meetings in 2021 and to vote on more than 20,000 resolutions in the countries that make up its developed market equity portfolio. Its managers participated in 98% of the general meetings where votes were held.

The FRR Managers voted on the resolutions proposed by the management at the general meetings with 80.93% FOR and 19.07% AGAINST.

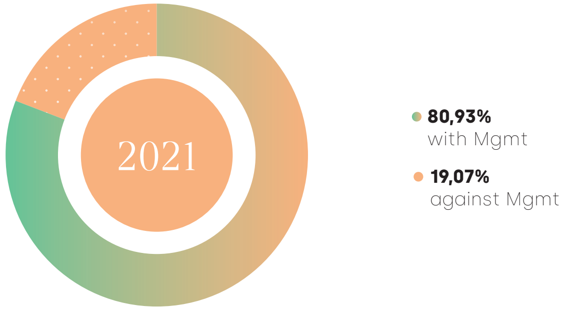
In 2021, most votes against management related in particular to resolutions on remuneration (27% of votes compared with 25% in 2020). The election and appointment of directors (12% of votes against, as in 2020), and operations having an impact on the company's share capital (20% of votes against).

Managers are mindful not only of the amounts but also of the quality of the information disclosed and the transparency. It is also worth noting the large number of resolutions on share capital transactions to enable companies heavily impacted by the COVID-19 pandemic to recapitalise. 20% of votes against this type of operation were counted on these resolutions in 2021.

NUMBER OF GENERAL MEETINGS WHERE VOTES WERE HELD IN 2021



PERCENTAGES APPROVED



The FRR pays close attention to consideration of extra-financial – especially ESG – criteria by boards of directors, and of TCFD recommendations, as well as to the diversity of boardrooms and executive committees at the companies in which it holds shares.

The trend in tabling "Say on climate" resolutions that started in 2020 is growing significantly with 11 resolutions presented in 2021.

Review of the exercise of voting rights for ESG-optimised equity index management mandates

The ESG-optimised equity portfolio is a large portfolio representing EUR 3.4 billion as at 31 December 2021 implementing a responsible management policy which aims to respect various sustainable objectives set when the mandates were activated. However, the responsible policy sought by the FRR also applies to voting at general meetings.

2021 was again marked by the COVID-19 pandemic and its impact on the functioning of companies and participation in General Meetings. A large proportion of the AGMs were held virtually, a format that is favoured by companies. Nevertheless, managers remained cautious about this new way of operating at AGMs, the main concern being to preserve the dialogue between the company's management and shareholders. The meetings were generally not postponed beyond 30 June, as was the case for some of them over the course of 2020.

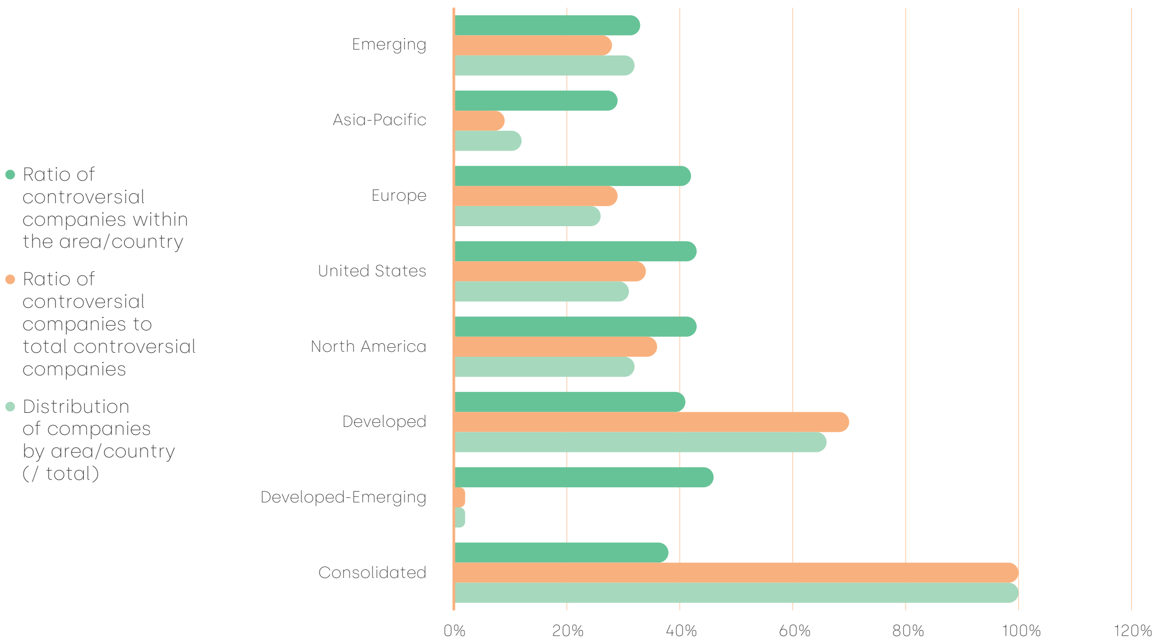
Managers attended 1,063 General Meetings and voted on nearly 18,000 resolutions, including nearly 275 shareholder resolutions. On average, managers voted against almost 25% of the resolutions reviewed, an increase of 20% compared with the previous year. Votes against resolutions mainly related to remuneration during a difficult period from an economic and social point of view for companies. Concerning votes on remuneration, the managers opposed more than 40% of these resolutions for some mandates. Votes against resolutions also concerned the election of directors deemed not independent enough or holding too many mandates, or the authorisation of capital changes exceeding 26 months.

One of the major themes in 2021 was also the energy transition and the decarbonisation trajectory of issuers. Managers therefore carefully examined the energy transition plans and commitments made by companies. Such votes supported shareholder resolutions calling for more transparency and reporting on these issues. For example, one manager supported more than 95% of the shareholder resolutions addressing climate change.

Review of 2021 engagement action (excluding climate action)

In addition to voting at General Meetings, managers also engaged in dialogue with the companies in the portfolio. For example, in ESG-optimised equity index management mandates, in 2021, nearly 750 dialogues were initiated or continued with more than 300 issuers by the equity managers of ESG-optimised index mandates. These dialogues mainly concerned the energy transition and corporate governance. However, compliance with international standards and controversies were also discussed with the companies concerned by the managers. This initiative mainly took the form of participation in collective initiatives, but 17% of the engagement actions, i.e. around 130 initiatives, were direct dialogues initiated or pursued by the management companies.

DISTRIBUTION OF CONTROVERSIAL COMPANIES BY AREA/COUNTRY – Source: Vigeo Eiris



Reading grid: The United States represents
- 34% of controversial companies in the portfolio
- 31% of companies in the portfolio
- 43% of US companies are controversial

Extra-financial risks may arise from companies' failure to comply with universally recognised principles such as those of the United Nations Global Compact, good governance or international conventions ratified by France. This is why the FRR has its portfolio analysed by a third party every year. In this regard, it has chosen Moody's ESG Solutions (formerly Vigeo Eiris). It identified 137 companies in the FRR's equity and bond portfolios that were involved in one or more critical or high severity controversies. This is a lower number, as a percentage of portfolio companies, than last year where the equities and bonds are concerned.

These controversies arise for the most part in developed economies. Some 70% of controversial companies are located in developed economies, 34% of which are domiciled in the US. 30% of companies are located in emerging economies.

On the basis of this report, the FRR selected the following list of companies for its 2021 dialogue plan via its managers: Facebook, Alphabet, Uber Technologies, Tyson Foods, Corteva, Fletcher Building and Wynn Resorts. The FRR has engaged with six of its managers concerning these seven controversial companies, three of which (Alphabet, Facebook and Tyson Foods) were already the subject of an engagement action in 2020.

At the end of 2021's dialogue campaign, it appeared that the majority of the FRR's managers had already initiated a dialogue with the companies regarding the controversies identified by Moody's ESG Solutions. They consider that the controversies identified this year have moderate financial impacts, thanks in particular to companies' customised responses to ESG concerns. On the other hand, controversies are analysed and well handled by managers. This bears out the success of the 2020 dialogue plan. It is now necessary to go as far back as 2019 to find (only a few) responses below the high standards expected by the FRR. The FRR, together with its peers, highlighting such concerns, probably contributed to the industry's progress on these subjects.

In addition, the FRR was involved in supporting two initiatives: one concerning health and safety issues in the textile and clothing sectors, and the other concerning Total's activities in Myanmar.

Textile and clothing sector

The FRR co-signed the Investor Statement on the Bangladesh Accord in April 2021.

Eight years have passed since the collapse of the Rana Plaza industrial complex in Bangladesh, killing 1,134 garment workers and injuring 2,600. This massive tragedy has drawn attention to widespread human rights abuses in the garment sector, as well as the failure of the Bangladeshi government and companies sourcing labour from there to create workplaces that both protect and respect the lives of workers and mitigate the risks to companies and their investors.

Immediately after the collapse, the Interfaith Center on Corporate Responsibility (ICCR) formed the Bangladesh Investor Initiative, comprising 250 institutional investors with more than USD 4.5 trillion in assets under management, to encourage global companies, which source from Bangladesh, to become directly involved in the transformation of Bangladesh's garment sector by taking the following four steps:

1. Adhere to the legally binding agreement on fire and building safety;
2. SCommit to strengthening local unions and ensuring a living wage for all workers;
3. Publicly disclose all their suppliers, including those in Bangladesh; and
4. Ensure that appropriate grievance mechanisms and effective remedies, including compensation, are in place for affected workers and families.

In the years since the agreement was drawn up, substantial progress has been made, but much remains to be done to completely eliminate worker safety risks. As such, in 2021, a coalition of investors decided to issue a new declaration.

As a result, negotiations between the brands and retailers led to an important agreement creating the International Accord for Health and Safety for a period of two years in Bangladesh and other countries.

The International Accord for Health and Safety in the garment and textile industry is a 26-month legally binding agreement to make garment factories safer.

Garment brands and retailers who are signatories to the International Accord commit to supporting an independent RMG Sustainability Council (RSC), which has already implemented health and safety programmes in Bangladesh. The RSC is a private initiative of Bangladeshi industry, global brands and Bangladeshi unions. Brands and retailers commit to developing country-specific health and safety programmes based on the principles of the 2013 and 2018 agreements and feasibility studies. The new agreement will be implemented through the International Accord Foundation in the Netherlands.

By 18 January 2022, 162 companies had signed the agreement (mainly European companies of all sizes).

TotalEnergies' activities in Myanmar

The FRR also supported TotalEnergies' presence in Myanmar, and the human rights and material risks associated with the Group's activities in that country, particularly since the military coup of 1 February 2021.

The initiative, led by a relatively small number of investors, was followed up by a letter, signed by 35 investors, representing more than EUR 3 trillion in assets under management. The joint pressure from civil society and investors has since borne fruit, as the Group announced in January 2022 that it would withdraw from the area, both as operator and shareholder.

Exclusion policy

The FRR has put in place exclusion criteria regarding:

- practices of some companies that do not comply with universally recognised principles, such as those of the UN Global Compact, the Principles for Responsible Investment and good governance principles such as the International Corporate Governance Network (ICGN);
- activities that do not comply with certain international conventions ratified by France, in particular those on unconventional weapons and tobacco, or companies headquartered in a country on the French and European lists of non-cooperative states and territories for tax purposes;
- coal-related activities, which are particularly damaging in terms of global warming.

These controversial practices and activities were analysed by Moody's.

Concerning controversial practices, the analyses cover 96% of the capitalisation of the consolidated portfolio (equities and bonds). Some 3,441 companies were analysed out of 5,624 in the portfolio. Vigeo Eiris identified 137 companies in the FRR's equity and bond portfolios that were involved in one or more controversies of critical or high severity, either frequently or persistently, associated with a lack of responsiveness on their part. This figure is on the rise (128 the previous year). As in 2020, US companies, and the financial and telecom/media sectors remain over-represented where these levels of controversy were concerned.

Controversial weapons that are excluded include anti-personnel mines (banned by the 1997 Ottawa Convention, signed by 164 countries[3]), cluster munitions (banned by the 2008 Oslo Convention, signed by 108 countries[4]), chemical weapons (1992 Chemical Weapons Convention) and biological weapons (1972 Biological Weapons Convention). Each year, the FRR publishes an exclusion list approved by the Supervisory Board's Responsible Investment Committee. This list is updated during the first half of each year and published on the FRR's website. The aim of its methodology is currently to identify companies involved in the development, production, maintenance, use, distribution, stockpiling, transport or trade of cluster weapons, anti-personnel mines, chemical and biological weapons or their key components. From its investment universe, the FRR identified and placed on its exclusion list 15 companies in 2021.

Company	Country
Anhui Greatwall Military Industry Co., Ltd.	China
Anhui Military Industry Group Holding Co. Ltd.	China
Aryt Industries	Israel
Bharat Dynamics	India
China Aerospace Science & Technology Corp.	China
Hanwha Aerospace	South Korea
Hanwha Corp	South Korea
Kcp	India
Lig Nex1	South Korea
Lockheed Martin	United States
Northrop Grumman	United States
Premier Explosives	India
Solar Industries India	India
Textron	United States
United Engine Corp. Jsc	Russia

3. with the exception of the United States, Russia, etc.
4. with the exception of the United States, Russia, etc. Vendée Energie.

The exclusion of tobacco is based on the 2003 WHO Framework Convention on Tobacco Control, in respect of which France is a signatory. This is the first treaty negotiated under the auspices of the World Health Organisation. It is an evidence-based treaty that reaffirms the right of all people to the highest standard of health. The convention represents a key development in that it outlines a strategy to regulate addictive substances; unlike previous drug control treaties, it affirms the importance of demand reduction strategies as well as supply reduction.

More information on the analysis of controversies and the implementation of exclusion policies will be included in the Sustainability Report, to be published in mid- 2022.

Supporting companies within private equity mandates

Since its first private equity mandates in 2007, the FRR required comprehensive reporting from its managers, including a significant ESG component to develop, measure and verify the impact of its investments on companies and their ecosystems.

In practice, the FRR ensures that its managers carry out a pre-acquisition ESG assessment, raise awareness of ESG concerns among management, and define areas for improvement over the coming years in order to promote the company's development and prepare it for the best possible level of ESG requirements and thus encourage the sale.

The FRR's requirements have given further weight to a trend among management companies, which are increasingly developing ESG monitoring systems, with the support of the management teams of the companies in the portfolio.

Holdings are monitored in respect of their ESG pledges. Support for companies is active and is often organised around an ESG roadmap drawn up at the time of acquisition, adapted to the specific challenges of each company and followed throughout the life of the holding.

While levers differ according to the size of the companies and the sectors in which they operate, management companies are very active in the "Social" and "Governance" areas, particularly with regard to the structuring of boards of directors (especially in terms of gender equality).

Amongst the managers who are particularly active in the integration of ESG concerns, Swen Capital Partners has created a best practice guide dedicated to the unlisted industry and has awarded an award every year for the past seven years recognising ESG approaches and any progress made. Several FRR managers have been nominated or honoured in recent years and in 2021 the jury included a member of the FRR's team.

Le score ESG du portefeuille

An analysis of the FRR's global equity portfolio at the end of 2021 shows an average ESG score of 46/100, up from 43.9 at the end of 2020 and 1,7 points higher than its benchmark. This performance is the result of the application of the FRR's responsible investment policy in its mandates.

This change is differentiated according to geographical zones, with progress in North America and emerging markets, which are catching up a little, but a deterioration in the Asia-Pacific zone (-3.6) and in Europe (-3). However, the latter area still achieved a far higher ESG performance than other geographical areas (53.1).

For the non-sovereign corporate bond portfolio, the average ESG score decreased slightly from 45.7 to 45.5, while the benchmark score increased (from 45.3 to 47.3). This is the result of a slight decrease in average ESG scores across all geographical regions, with the exception of emerging markets (which should be put into perspective as they represent around 1% of assets at the end of 2021).

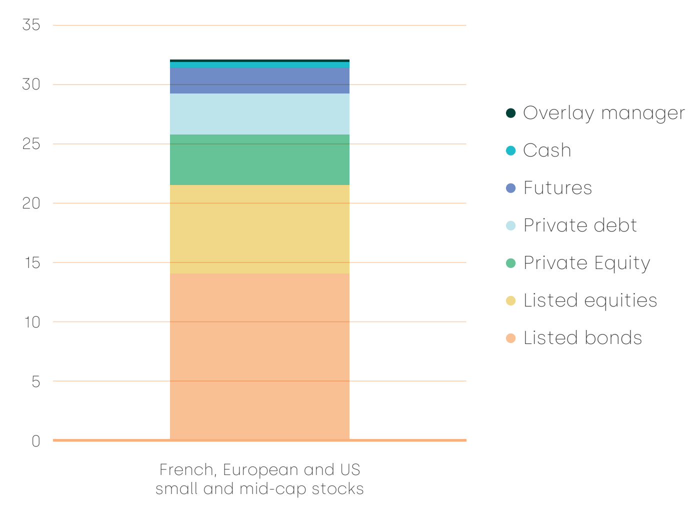
Financing the French economy: intergenerational social responsibility

French weighting in the FRR's assets

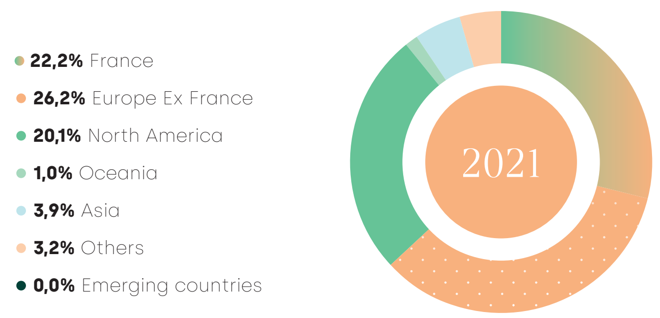
Acting as an instrument of solidarity between generations, a long-term investor and an actor managing public funds for the benefit of the community, the FRR increases its support for French companies every year. It consequently contributes to consolidating the balance of the social systems thanks to the creation of jobs and the income generated by the companies it supports.

As at 31 December 2021, France's share of the FRR's investments was 30.5% and 32.5% when taking into account investments in futures, representing an increase of 0.5% compared with the previous year. The assets invested in France increased by EUR 73 million in one year, thanks to the FRR's performance in 2021.

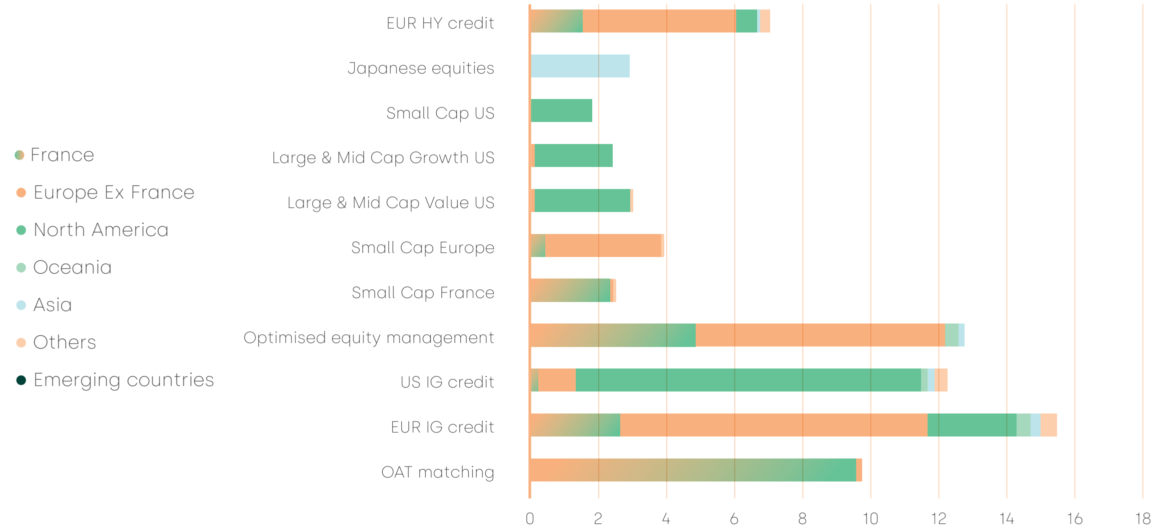
SUPPORT FOR THE FRENCH ECONOMY AS A % OF TOTAL INVESTMENTS BY THE FRR AT 31 DECEMBER 2021



GEOGRAPHICAL BREAKDOWN OF THE FRR'S MANDATES (EXCLUDING FUNDS) AT 31/12/2021 (AS %)



GEOGRAPHICAL AND ASSET CLASS BREAKDOWN OF MANDATES AS A % OF THE FRR'S TOTAL ASSETS AS AT 31 DECEMBER 2021



In order to satisfy the balance of the social security schemes and in particular to contribute to the CADES, each year the FRR must divest part of its assets up to EUR 2.1 billion. As in the previous year, instead of reducing its mandates invested in French equities, the FRR preferred to reduce its bond mandates, as well as its European and US equity mandates in particular.

As at 31 December 2021, 48% of the FRR's investments through its mandates were in Europe, and particularly in France, which represented 22%. When we look at this breakdown by asset class, we see that a large proportion of the investments made in France come from matching mandates (for EUR 2.5 billion) and optimised management mandates (for EUR 1.3 billion).

Financing French SMEs and ETIs: a clear goal

- listed shares of French and European SMEs

The FRR's asset allocation in favour of European equities includes a share of this exposure to French and European small caps.

In order to keep the post payment allocation of CADES stable, a withdrawal of EUR 290 million was made only on European small caps, thus increasing the exposure to France within the small and mid caps held by the FRR.

Despite this substantial redemption during the year, the performance of these mandates more than made up for the withdrawal thanks to an absolute return of almost 22%, higher than the portfolio's average return. This asset class represented 6.22% of the FRR's total assets at the end of 2021 (compared with 5.96% the previous year).

- private equity

Private equity supports the growth and development of unlisted companies by providing the necessary equity to support the creation (innovation capital), participate in the growth (growth capital) and contribute towards the transfer of companies (buyout capital).

This capital support helps to strengthen companies in their markets and to support their development, particularly internationally. This contributes towards job creation and promotes the emergence of national leaders.

The pension reform, passed in 2010, marked the end of this type of investment for the FRR, but in 2015 the public authorities and the Fund's supervisory board decided to invest two amounts in unlisted assets dedicated to the financing of French companies. The first EUR 2 billion comprised over EUR 900 million in private equity while EUR 325 million of the second amount worth EUR 750 million was deployed by selecting funds in the buyout and innovation capital segments but also by adding to certain existing innovation capital and development capital mandates.

Accordingly, by the end of 2021, more than EUR 1.1 billion in commitments had been made in private equity funds targeting French companies, supporting business development and job creation in France:

- EUR 315 million in innovation capital, with an average of 49% of the capital called up to finance young innovative companies in their early stages of development in the digital (low tech and deep tech), biotechnology, medtech and fintech sectors;

- EUR 415 million in expansion/transfer capital, with an average of 44% of the money being used to finance the expansion of SMEs;
- EUR 400 million in private equity, through hedge funds that are on average 52% committed to investing in medium-sized growth capital and buyout funds of mostly regional French SMEs and ETIs (intermediate-sized enterprises).

These funds and mandates continued to be deployed, with the average call rate increasing to 48%. As a result, 337 companies were financed through direct funds and fund mandates, of which 314 were French.

The FRR also participated in two market initiatives deployed during the COVID-19 pandemic, one relating to tourism and the other to health, through two investment funds dedicated to these sectors (the Nov Santé fund and the Nov Tourisme fund)

These initiatives formed part of a EUR 2.2 billion programme in which the FRR engaged with other institutions to help sustain the economy, which was negatively affected by the pandemic.

Nov Tourisme fund

The FRR committed EUR 25 million to this fund. As such, it is the biggest investor with an outstanding amount of approximately EUR 160 million, used to finance very small businesses, SMEs and ETIs in the tourism, hotel, restaurant and leisure sectors and to identify solutions for the tourism industry, through equity or quasi-equity investments.

Tourism has been a long-term global growth driver, growing at around 4% per year. Tourism is a key sector for the French economy representing 7.4% of GDP and more than two million jobs, as well as a contributing around EUR 17 billion to the balance of payments. Two thirds of French tourism is domestic and one third is international. France is the most visited country in the world, with over 89 million international tourists in 2018. It ranks third worldwide in terms of revenue, behind Spain and the United States (against a total of EUR 55.5 billion in 2018).

French tourism benefits from unique competitive advantages: France's geographical location, diverse natural beauty, rich cultural heritage, and way of life. It covers a wide variety of businesses and territories, each with specific key success factors. However, the tourism sector in France is facing economic, competitive, technological, environmental and societal structural challenges, and the purpose of this fund is to support an adapted response to these challenges. By the beginning of 2022, the Nov Tourisme fund had made nine investments representing a total of EUR 79 million (46% of the fund). Investment was therefore ahead of schedule. Most investments are made through preferred shares or convertible bonds, a strategy that is more protective than investing only in shares. The financial leverage of financed companies is low. The fund's Gross IRR at the end of 2021 was purportedly close to 7%.

Nov Santé fund

Faced with a deterioration of companies' balance sheets as a result of the pandemic, it seemed essential to increase the volume of equity financing as a response to this situation. Long-term investors, including the FRR, have therefore made a commitment to the public authorities to set up a global investment programme in the health sector worth EUR 800 million.

The FRR decided to invest EUR 40 million in a EUR 420 million unlisted Nov Santé equity fund alongside 19 investors to support the development of French SMEs/ETIs in this sector. Through equity and quasi-equity financing, this fund will hold minority stakes in companies located in France, with at least 80% of them invested in growth capital transactions and over 70% in late stage/growth: objectives that are in line with the FRR's targets.

In contrast to the tourism initiativedescribed above, the purpose of this fund is not to bolster a sector facing temporary challenges, but to contribute to the reinforcement of health sovereignty by financing equipment, healthcare operators and biotechnology. Accordingly, investment delivery is subject to health sovereignty criteria, the absence of which was cruelly highlighted at the start of the pandemic: a strong constraint of the health initiative is that the disposal of investments is carried out first and foremost with a national preference and is justified by the manager to limit the risk of sale to a foreign partner.

In addition, the fund managers will aim to consolidate indicators such as increased production, employment, and R&D in France in conjunction with ESG monitoring imposed by the new "Relance" Label during the asset holding phase.

Launched several months after the Nov Tourisme fund, at the beginning of 2022 the Nov Santé fund invested in four transactions worth EUR 107 million out of EUR 420 million, i.e. 25% of the available funds.

- Private corporate debt financing

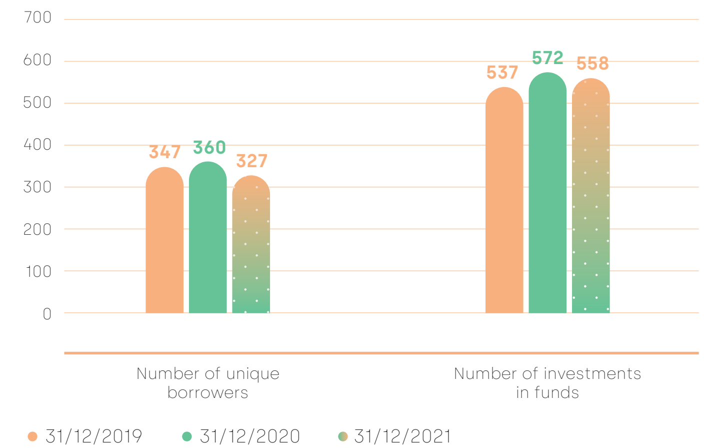
The FRR's investments in private debt represented approximately EUR 1.9 billion in commitments in 2021, and an investment of almost EUR 1.1 million in financing granted by the Fund through private debt funds. They are therefore an important factor in the FRR's policy of financing the French economy implemented since 2013.

These investments are made through the funds of 11 management companies. In 2021, they supported 327 companies, 74% of which were French and 94% of which were located in the eurozone.

On average, a company financed by the funds selected by the FRR has around 2,600 employees and generates an EBITDA of approximately EUR 55 million.

The number of companies financed is down due to the end of the FRR's private debt investment programme:

CHANGES TO THE NUMBER OF INVESTMENTS IN THE FRR'S PRIVATE DEBT PORTFOLIO

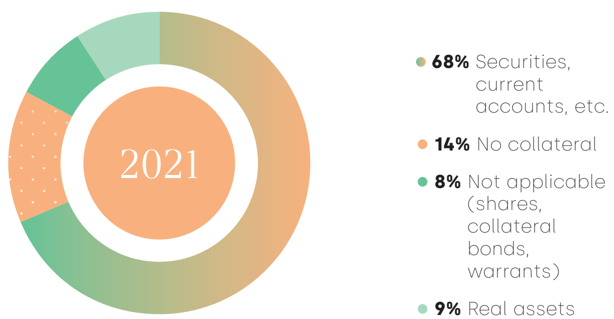


Most of the transactions (77%) are financed with collateral, which is a guarantee attached to a debt obligation, allowing a more favourable payment to be made on the price of a specific asset than that reserved for other creditors.

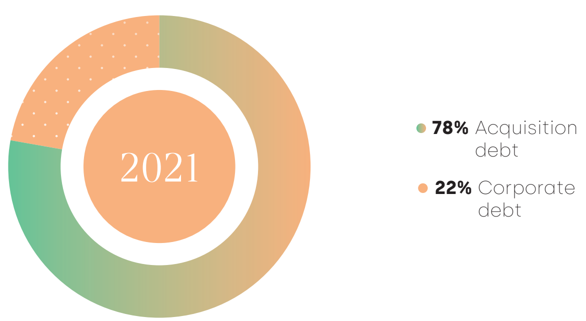
The FRR's private debt investments have historically been accounted for by distinguishing between corporate debt (corporate loans) and acquisition debt (LBO debt).

- The universe of private acquisition debt includes investments in debt issued by legal structures such as holding companies created specifically to finance a transfer of share ownership in a company. This financing is partly in equity sponsor shares and partly in debt. This type of debt falls under acquisition debt (leveraged loan). The vast majority of these transactions should be classified as high yield (rated between BB/B).
- Other debt financing is corporate loan type financing that addresses the problem of financing the growth of the company (the purpose is not to finance a transfer of ownership of the company). In the FRR's private debt portfolio, private corporate debt represents about 20% of commitments and investments. The assets are of a crossover nature and the rating is generally between BBB and BB (except for the mezzanine).

TYPES OF COLLATERAL (AS %)



TYPE OF TRANSACTIONS IN THE FRR PORTFOLIO (AS %)



Since 2017, investments have been diversified through the selection of unitranche funds, mezzanines, and to a lesser extent through an investment in an asset-backed lending vehicle. In 2021, the most recent investments made concerned only mezzanine funds managed by highly experienced French management companies, which are oriented towards financing without the support of private equity funds ("sponsorless") and which constitute an important support channel for the French economy with a very attractive risk/return ratio, while preserving the governance of these companies.

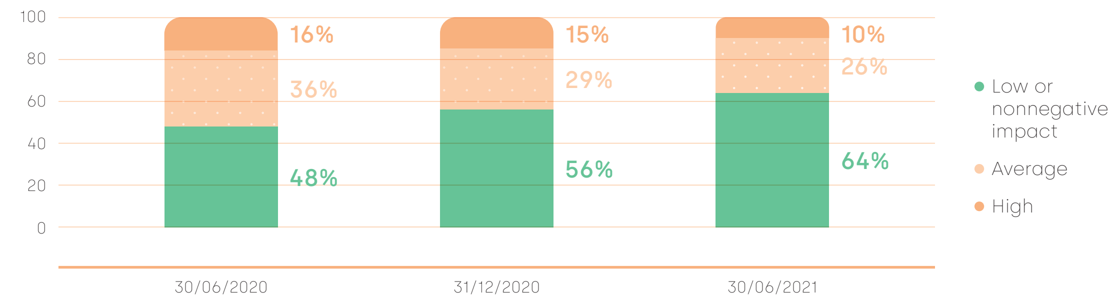
Some statistics regarding the FRR's private debt portfolio following the pandemic

In 2021, the private debt market returned to a momentum that was ultimately slightly altered by the COVID-19 pandemic, as issue volumes and leverage (net debt to EBITDA) started to rise again: accordingly, the perception of the level of credit risk stabilised at its pre-pandemic level (HY or IG spread levels were almost identical to those at the end of 2019). Issuer defaults were ultimately low in the FRR's investment universe.

<u>The portfolio's sensitivity to COVID-19</u>

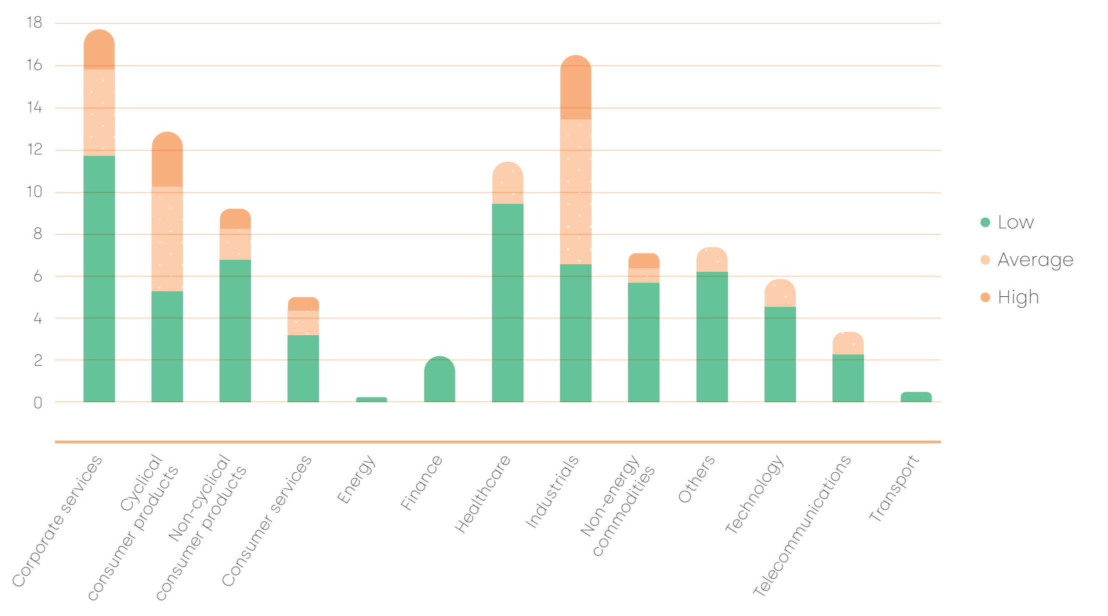
Economically exposed activities of companies financed by the private debt funds selected by the FRR decreased significantly.

COVID-19 SENSITIVITY OF COMPANIES FINANCED BY PRIVATE DEBT FUNDS INVESTED BY THE FRR (AS %)



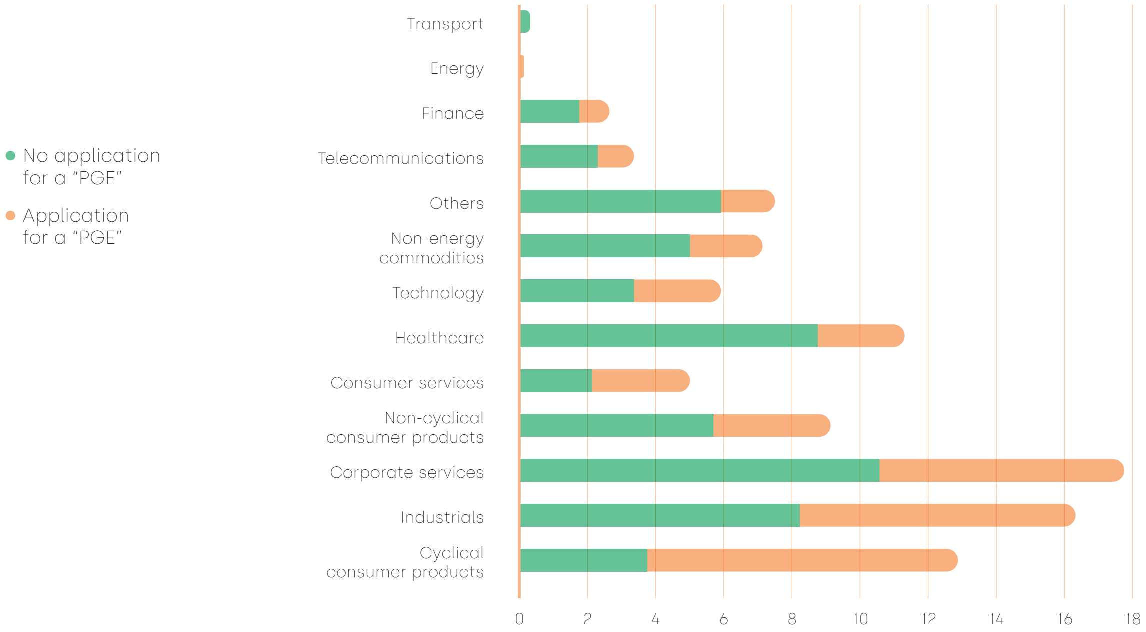
The most sensitive companies to the pandemic tended to specialise in manufacturing, cyclical consumer products, and business services:

SECTOR WEIGHTINGS OF THE PRIVATE DEBT PORTFOLIO AND IMPACT OF COVID-19 (AS %)



To tackle the economic shock linked to the COVID-19 pandemic, the Government has implemented an exceptional system of guarantees to support bank financing for businesses amounting to EUR 300 billion. Many companies in the FRR's private debt portfolio have activated this facility:

"PGE" RATE BROKEN DOWN PER ACTIVITY SECTOR (AS %)



Liquidation of one of the first private debt funds in which the FRR invested

The Tikehau Corporate Leveraged Loan Fund was liquidated on 3 December 2021, eight years after its launch in 2013. This fund was one of the first senior loan fund-sinvested in by the FRR that was launched by a French management company on the French market, following the Idinvest Dette Senior 1 fund, which was also launched in 2013.

It is important to note that the fund achieved its performance objective despite the pandemic, while having significant exposure to France.

- **NOVI mixed investments**

The FRR committed EUR 72.5 million to each of the NOVI funds in 2015 (NOVI 1 managed by Tikehau Capital and La Financière de l'Echiquier and NOVI managed by Idinvest Partners and Oddo BHF).

These funds have now been fully released. In addition to 20% of the assets dedicated to listed shares of small French companies (turnover of between EUR 30 million and EUR 1.5 billion), these two funds combined support nearly 40 domestic companies through the unlisted part by providing both equity and debt financing.

THE IMPACT OF THE FRR **ON ITS ECO-SYSTEM**

IMPACT ON MANAGEMENT COMPANIES AND MANAGEMENT CHOICES

- Some of the investments made by the FRR have an inherently positive investment outlook in terms of impact.
- The investment made in the Fonds de Logement Intermédiaire (FLI) has a positive impact both socially, by making it possible to house more than 11,000 people on a means-tested basis with rent savings, and also environmentally, by building housing with controlled consumption in the city centre or in its surrounding areas, consequently avoiding urban sprawl. Some 71% of the housing offered is located in zones A and A bis with an average discount of 13%; 96% of the residences are located in the city centre or in the surrounding areas of the existing town and are less than 500 m from public transport. Energy consumption is between 13% and 30% below regulatory standards for over 70% of the built stock.
- In addition, the investment in the Brownfields fund, responsible for clearing and reconverting urban and industrial wastelands, enables the rehabilitation of polluted sites and consequently combats urban sprawl and land artificialisation. By contributing to the densification of urban centres and limiting new construction on the outskirts, the conversion of brownfield sites in urban areas, helps to reduce travel-related CO_2 emissions by about 33%. It has been estimated that the conversion of one hectare of wasteland into an urban area avoids the development of approximately two hectares. As a result, Brownfields 3 has helped to preserve over 300 hectares of natural areas.
- Finally, the biotech or medtech funds selected by the FRR finance innovation targeting unmet medical needs and make it possible to treat patients who find themselves at a therapeutic impasse. Other Tibi funds also finance Greentech companies promoting climate action and help protect the environment, i.e. Carbios, a pioneer in the design and development of enzymatic processes that allow PET plastics and textiles to be recycled several times while maintaining the quality of virgin plastics.

Investment in impact funds

When selecting infrastructure funds, the FRR pays particular attention to ensuring that each management company is able to communicate data on the materiality of the environmental (reduction of CO_2 emissions, air pollution, waste recovery, etc.) and social (measurement of job creation, number of potential patients covered by a hospital, etc.) impacts of each of the projects financed and of the portfolio as a whole.

This approach allows management companies to act on these elements and maximise the impacts of their investments while limiting the potential negative impacts of the facilities financed.

Some management companies go even further by indexing the Carried Interest of their funds to expected impact criteria specific to the sectors and themes financed for which indicators are set. An impact governance system has been set up involving certain investors in an impact committee whose role is to validate the impact objectives of each investment in a given sector, to monitor their achievement over time and to decide on the beneficiaries (associations, foundations, NGOs, etc.) of the share of Carried Interest consequently obtained at the time of liquidation of the fund.

This approach has been implemented in the two vintages of the Swen Impact Fund for Transition (SWIFT I and II), managed by Swen Capital and dedicated to the financing of the methanisation and hydrogen sectors.

Infrastructure funds report these impacts in a dedicated document (ESG reporting and/or Impact reporting) in which these indicators are often categorised according to the United Nations' 17 Sustainable Development Goals.

A spillover effect on the French technology financing ecosystem within the Tibi initiative with predominantly French funds

Alongside the deployment of the EUR 2 billion investment programme in 2015 and the EUR 750 million investment programme in 2020 in unlisted French companies, the FRR participated in the "Tibi" initiative aimed at making France a leader in the tech revolution by investing in disruptive technologies developed exclusively by French companies. The aim was to fill a gap in financing by providing access to broad-based funding for these innovative and risky tech firms. These companies are generally experiencing high turnover growth rates (above 20-30% per year) and valuations in excess of several hundred million euro, while aiming for regional or global leadership. As part of this initiative, the FRR committed to investing EUR 250 million in unlisted growth capital for tech firms and EUR 250 million in listed equity funds. In 2021, the FRR continued to deploy these investments by selecting two additional closed-end funds for an amount of EUR 70 million, bringing the cumulative commitment under this initiative to EUR 215 million through five closed-end funds.

French Tech, a movement of French startups, has created two indices: the French Tech 120 and the Next 40, which target promising French startups that have already reached a certain stage of maturity, which is borne out by their investors and/or their turnover. The aim of the French Tech Next40/120 is to help new technological players emerge, by offering support for 120 French companies capable of becoming world-class leaders in technology.

Among the 120 winners of the programme, 40 companies make up the French Tech Next40, which includes: companies valued at at least USD 1 billion, those that have raised more than EUR 100 million in the last three years, and those with a business model that has been validated by investors (fundraising) and customers (revenue growth).

Through selected mandates and funds, the FRR invested in 19 Next40/120 companies.

In addition, the aim set by the government of having 25 French unicorns (startups valued at more than USD 1 billion) by 2025 had already been exceeded by early 2022.

The FRR is invested in six of these 25 unicorns, through selected mandates and funds: Backmarket, Doctolib, ManoMano, Meero, Payfit and Sorare.

The FRR also met with multiple management companies regarding the involvement in Global Tech funds in order to prepare a selection process and specifications in line with the FRR's expectations in this regard and to start selecting such funds in 2021.

IMPACT ON EXTRA-FINANCIAL DATA PROVIDERS

For several years now, the FRR has been working with index providers to ensure that they include extra-financial criteria in the construction of their indices. These efforts led to the creation of the Low Carbon Leaders indices with MSCI in 2013. The FRR continued these efforts alongside the various index providers and, by 2021, most of the customised smart beta indices used by the Fund included a carbon control mechanism in their construction methodology in order to ensure that carbon emissions remained close to the equivalent capitalisation-weighted index.

The FRR is also working with asset management companies and extra-financial data providers to improve ESG data calculation methodologies and practices, as the quality of such data is key to ESG-optimised management. For example, in recent years, the FRR initiated a dialogue between management companies and index providers in order to harmonise the methodologies for calculating the coal component of several major players in the utilities sector. These different initiatives have led to more consistency from data providers in the methodologies to better take into account the activity of the companies studied. For example, the methodologies for consolidating the results of subsidiaries within a parent company or for considering inter-company flows are now better understood by some coal data providers, in order to have responsible management that is more faithful to the economic reality of companies.

Contribution to the funding of responsible investment research

The FRR supports the FIR and sponsors its annual award. It has also funded academic research on sustainable finance and responsible investment at the Toulouse School of Economics and the École Polytechnique since 2007.

ENVIRONMENT: MEASURING THE ENVIRONMENTAL FOOTPRINT

In addition to estimating the carbon footprint of portfolios, Trucost carries out an annual assessment of the overall environmental footprint of portfolio companies and their supply chain. The scope includes the company's direct impacts as well as those of direct and indirect suppliers (including raw material extraction).

The environmental variables studied by Trucost include:

1. Greenhouse gases: carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), sulphur hexafluoride (SF_6), fluorocarbons (FC), hydrofluorocarbons (HFC) and nitrogen trifluoride (NF_3) emissions.
2. Groundwater usage: purchased water (i.e. water purchased from utilities), water from direct cooling processes, and process water.
3. Manufacturing waste: incinerated, landfill, nuclear (product manufacturing, nuclear combustion, industrial and medical processes), and recycled waste.
4. Air pollutants: pollutants from fossil fuel products, acid rain precursors (nitrogen oxide, sulphur dioxide, sulphuric acid, ammonia), ozone depleting substances (HFCs and CFCs), dust and particulates, metal emissions, smog precursors and volatile organic compounds.
5. Soil and water pollutants: fertilizers and pesticides, metal emissions to soil and water, acidic emissions to water and pollutants from nutrients and acidic substances.
6. Use of natural resources: extraction of minerals, metals, natural gas, oil, coal, and forestry and agricultural processes.

At the end of 2021, an analysis of the portfolios concluded that each million euro of income generated a natural capital cost of 2.8 to 6.3% (2.8% for the developed equity portfolio, 6.3% for the emerging equity portfolio). The environmental impact of the portfolios was significantly lower than that of the indices (-21% to -32%), with the exception of the corporate bond portfolio whose environmental impact was similar to that of its benchmark.

This assessment provides a global view of the impact that the activity of the companies in the portfolio have on the environment, and therefore indirectly on biodiversity. The FRR teams are monitoring the emergence of impact analysis methodologies specifically targeting biodiversity and have initiated a dialogue with the management companies of the mandates on this topic.

RISK MANAGEMENT AND CONTROL

5

GOVERNANCE OF RISK MANAGEMENT

Following the pensions reform of 2010, each year the Supervisory Board determines the FRR's strategic allocation, which relies on an investment model which provides for a high level of liability hedging. The FRR's investments are mainly implemented via mandates awarded to investment managers. The FRR is also authorised to invest up to 20% of its assets directly in UCIs, excluding money market UCIs.

Every month, a **Risk Committee** examines the performance of the portfolios and the Fund, as well as changes in the main financial and operational risks. This committee also examines investments in new asset classes and defines the applicable risk frameworks. It is chaired by a member of the Management Board and organised by the risk management teams. More broadly, it also ensures that a risk management culture is propagated within the FRR. The Risk Committee's files are then reviewed and analysed at meetings of the Management Board.

The Performance and Financial Risk department (DPRF) is also invited to the FRR's various specialised committees (Investment Strategy Committee, Manager Selection Committee) and, if so required, issues an opinion. It also sits on various internal bodies (Tactical Investment Committee, Strategic Allocation Steering Committee, etc.). Lastly, it can issue opinions on the strategic allocation review, which it presents to the Supervisory Board meeting at which this review is conducted.

Within the FRR, a technical committee for monitoring SRI led by the financial department brings together members of each department and the members of the Management Board. It meets at least once a month to develop indicators, monitor the implementation of the strategy and discuss any issues relating to the FRR's investment responsibilities. It prepares the dossiers presented to the Responsible Investment Committee and the Supervisory Board.

FINANCIAL RISKS

Since 2020, the ex ante financial risk measures used by the FRR to oversee the management of its service providers have been the subject of evidence-based studies (in particular the tracking error (TE) for equity management, and the duration times spread (DTS) for fixed income management), with the aim of harmonising the different approaches and methodologies for calculating the ex ante risk measures (TE and DTS) of the managers and that of the FRR, as far as possible.

Accordingly, for the credit risk framework of its bond managers, the FRR has endeavoured to standardise the calculation approach among its managers for the SPS (or DTS) by taking greater account of the risks on early repayment for quasi-equity securities.

Asset and liability management risk

This is the risk that the FRR's strategic allocation is not appropriate for the funding of its liabilities to the CADES, the Fund's beneficiary. The FRR has to pay EUR 2.1 billion every year to the CADES up to 2024, and then EUR 1.45 billion per year from 2025 to 2033. Over the year, the liability coverage margin[1] increased by EUR 2.3 billion to EUR 6.7 billion at 31 December 2021, representing a performance over 2021 of 53.50%.

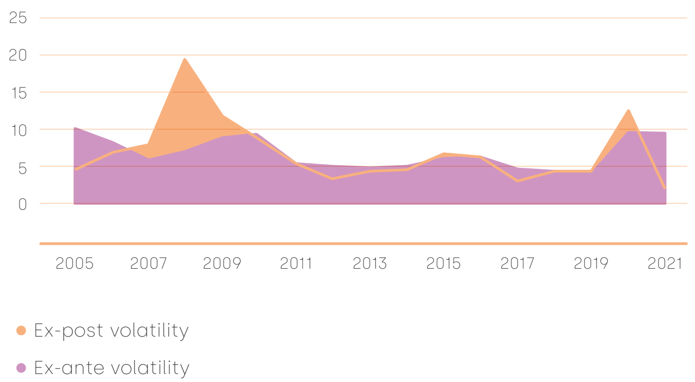
The portfolio's market risks

The overall portfolio's annualised volatility remains low by the FRR's past standards, whether measured ex ante (the portfolio's projected volatility) or ex post (actual volatility).

The ex-post annual volatility of the value of the FRR's assets was 2.91% in 2021 (versus 12.1% in 2020) with an annual return of 6.95% (versus 1.01% in 2020). Ex-ante volatility averaged 9.5% in 2021, compared with 9.5% the previous year.

The risk of an unfavourable change in the value of the portfolio (a loss) is assessed over a short-term horizon of one year; this is the time frame of the annual strategic asset allocation review in consultation with the FRR's governance.

OBSERVED ANNUAL VOLATILITY (AS %)



Accordingly, the estimated average potential loss over a one-year investment horizon in the 1% of worst-case scenarios, measured by a 99% Conditional Value at Risk (CVaR) over one year, represents 23.20% of the FRR's assets (compared with 30.70% year on year), or EUR 6.06 billion. This significant decrease is due to lower levels of volatility in the equity markets in 2021.

Risk on performance assets

Performance assets (mainly equities) present the most significant risk factor in CVaR. At the end of 2021, their contribution to the average potential loss linked to changes in prices in 1% of the worst-case scenarios is 21.0% of the FRR's assets, i.e. EUR 5.55 billion (compared with 27.18% at the end of 2020).

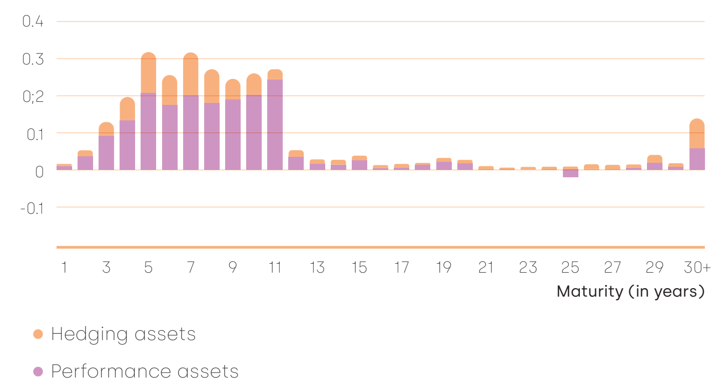
Interest rate risk

At the end of the year, the average potential loss linked to yield curve changes, measured by a one-year CVaR of 99%, was 2.2% of the FRR's hedging assets, i.e. EUR 0.81 billion on the market value of the FRR's portfolio (compared with 3.51% year on year).

The FRR's portfolio's overall interest rate sensitivity increased from 2.47[2] at the end of 2020 to 2.74 at the end of 2021. Thus, for a uniform change of 100 bps across all yield curves, the value of the FRR's portfolio would decrease by 2.74%, i.e. around EUR 0.72 billion. This level of interest rate sensitivity takes into account the FRR's reduced exposure to interest rate risk on credit through the introduction of strategic and tactical hedging.

Symmetrically, a 100 bp interest rate rise would result in a 5.18% fall in the value of the FRR's balance sheet liabilities (its interest rate sensitivity was 6.00 at end-2020).

CONTRIBUTIONS TO THE PORTFOLIO'S INTEREST RATE SENSITIVITY BY ASSET CLASS AND MATURITY



1. The Liability Coverage Margin is the market value of the FRR's assets net of its liabilities.

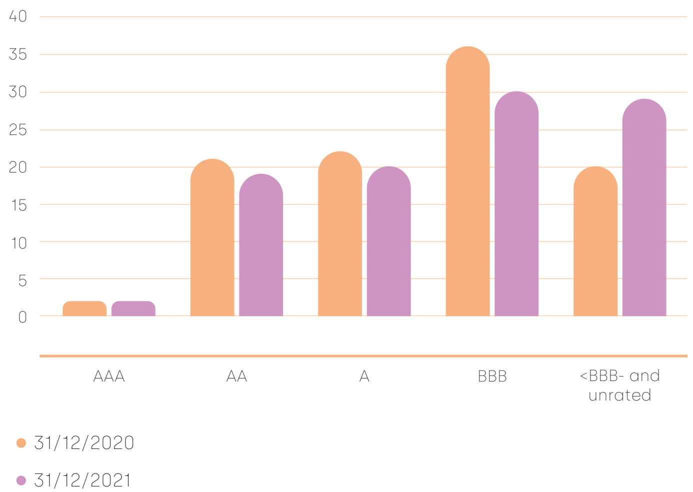
2. Including fixed income assets in the performance component.

The portfolio's credit risk

The table below shows a breakdown by rating of the FRR's fixed income assets at the end of 2020 and 2021. The bulk of these assets are invested in investment grade securities.

	AAA	AA	A	BBB	<BBB- and unrated
31/12/2020	2%	21%	22%	36%	20%
31/12/2021	2%	19%	20%	30%	29%

BREAKDOWN OF THE FIXED INCOME CATEGORY BY RATING



The increase in credit risk observed between 2020 and 2021 was mainly due to the new Strategic Allocation, for which exposure to credit risk has risen sharply. The analysis universe changed in 2021, as the DPRF started to include the ratings of the securities making up the private debt funds (two-thirds of these ratings are communicated by the managers, the rest being estimated by the Financial Risk department on the basis of the average ratings observed among comparable rated asset funds).

The overall quality of the FRR's fixed income portfolio in 2021 was lower than in 2020; 71% of this portfolio is invested in investment grade securities, compared with 80% year on year. This is essentially due to a change in the allocation of fixed income investments, more oriented towards high yield securities (private debt and high yield in particular).

With the new strategic allocation and the subsequent increase in the internal limit for investment in high yield securities in the credit portfolio (excluding OATs) from 33% to 50%, the average rating[3] of the FRR's fixed income portfolio (BB at the end of December 2021) deteriorated relative to the end of 2020 (BBB-), with the expected loss rate corresponding to the average rating of BB standing at 0.54%.

In order to monitor credit risk throughout the year, the FRR has a tool that enables it to detect downgrades of its Euro and US credit exposures on a weekly basis, independently of the FRR's asset managers. Thanks to this tool it is possible to anticipate major downgrades of issuers or issues held within the mandates. In the event of a significant downgrade[4], the Financial Risk department informs the monthly Risk Committee. In 2021, five alerts were generated from this tool (compared with two alerts in 2020).

In addition, the potential loss[5] related to the correlated deterioration of the credit quality of issuers[6] is also estimated on the basis the FRR's Credit portfolio. As at 31 December 2021, the Credit CVaR amounts to 9.3% of the value of the Credit portfolio (respectively 8.6% in 2020) or EUR 1.4 billion in 2021 (respectively EUR 1.3 billion in 2020). In 2021, the potential extreme loss rate was 18.6% (respectively 16% in 2020) for the performance category and 6.1% (respectively 6.8% in 2020) for the hedging category. Performance assets contributed 53.4% to the Credit CVaR Credit (respectively 38% in 2020), compared with a contribution of 46.6% for hedging assets (respectively 62% in 2020). The increase in credit risk followed the new strategic allocation in 2021 which increased the share of high yield credit in the performance category at the expense of investment grade credit in the hedging category.

Counterparty risk is the risk linked to trading by investment managers in over-the-counter forward financial instruments with bank counterparties (swaps and currency forwards). It has been sharply reduced as a result of the introduction of various measures: minimum rating requirement for authorised counterparties, practice of margin calls, use of CLS[7] Bank's clearing services for foreign exchange, limits per counterparty. By the end of 2021, the overall risk exposure of the FRR to counterparty risk stood at EUR 441 million (compared with EUR 718 million year on year), stemming from currency hedging.

Issuer risk diversification ratios

The diversification of the portfolio's issuer risk on equity and debt issuers is subject to specific ratios in the regulations applicable to the FRR. Beyond these ratios, since 2011 the FRR has set an internal maximum exposure limit for a single issuer or OTC counterparty at 3.5% of the FRR's net assets, excluding sovereign issuers for which specific limits have been set depending on the issuer's rating, and excluding investment funds which are limited to 5% of the net assets. Since a ruling on 24 May 2016, the application of regulatory limits on issuer or counterparty concentration also take into account positions held indirectly through undertakings for collective investment

3. This is an average of the outstanding assets per rating weighted by the cumulative one-year default rates observed between 1983 and 2020 for this same rating.

4. Minimum materiality threshold for changes in expected losses of EUR 1 million, or issuer representing more than 0.10% of the Portfolio's credit component.

5. This is the loss of value of the credit securities in a portfolio due to a deterioration in the creditworthiness of borrowers. It is measured by an average of the worst 1% of credit losses on the portfolio over a one-year investment horizon. The loss corresponds to a 99% Credit CVaR over one year.

6. Credit CVaR takes into account the historic probability of changes in issuers' ratings per sector and their correlation, whereas market CVaR only reflects the difference in credit spreads (at stable creditworthiness) to estimate risk.

7. Continuous Linked Settlement: clearing and settlement system which reduces counterparty risk.

Currency risk

The FRR's portfolio is partly invested in foreign currencies. The strategic allocation is fully hedged except on performance assets which are 90% hedged; assets denominated in emerging currencies are not hedged as the currency rate is an intrinsic element of the performance. Nevertheless, the FRR has some flexibility in its level of hedging, provided that its total currency risk exposure remains below 20% of its total assets (regulatory limit).

Risks to the performance tracking error for the FRR and its investment managers relative to their benchmarks

The volatility of deviations between the performances of the strategic allocation and the real allocation of the portfolio is measured by tracking error (ex ante TE) type indicators. This concept is defined as the annualised standard deviation in performance between the real portfolio and the benchmark allocation target.

Contrary to 2020 and the COVID-19 pandemic, **in 2021, the managers all respected the TE limits defined in the management mandates** with the exception of one overrun in an equity mandate.

By the end of 2021, the ex ante TE between the actual portfolio of the FRR and the strategic allocation was 1.3% (compared with 1.11% year on year). This takes into account the effects of selection (active management of fund managers, choice of indices different from the strategic allocation, etc.) and flexible management (tactical over or underexposure of asset classes, and adjustments to interest rate and currency risk hedging).

In addition to allowing managers of investment grade credit mandates to diversify into lower quality securities, **the FRR limited the credit risk of their portfolios relative to their benchmark.** This is based on measuring the sensitivity of the value of all securities in the portfolio to changes in the credit spread weighted by the spread of those same securities (SPS). This sensitivity reflects the level of credit risk taken through these two elements: the amount received by investors in exchange for the risk taken (the spread or risk premium); and the length of exposure to this risk (the duration). A comparison of the SPS of each manager's portfolio with that of its benchmark (limited to investment grade securities) can be used to assess and limit its over or under exposure to credit risk relative to its benchmark. There was no overrun in 2021 contrary to 2020.

Risk on financial contracts, in particular derivatives

The FRR may only invest in financial contracts that offer a high level of security: its regulatory framework is that of the French Monetary and Financial Code and the AMF General Regulation[8] concerning French UCITS.

The FRR applies the risk monitoring principles for transactions in forward financial instruments set out in the AMF regulation of June 2018 on the method for calculating the overall risk of collective investment undertakings.

The FRR uses the commitment method to calculate the overall risk. This method consists in calculating the actual commitment of the financial contracts in relation to the Fund's total net value. Commitments at the end of 2021 equated to 4.62% of the Fund's assets (compared with 17.76% at end-2020). They are therefore well below the regulatory 100% limit.

Liquidity risk of assets under management

A holding limit on the net assets of each UCI held was introduced in the ruling of 24 May 2016, which set this at 20% (previously an internal limit).

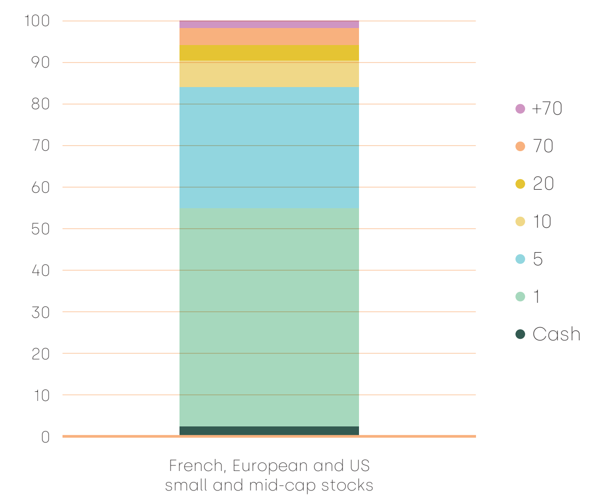
The FRR also maintained a holding limit on companies' capital: it may not hold more than 3% of the shares of any one issuer (with the exception of the unlisted real estate, private equity and infrastructure portfolio).

With regard to estimating the FRR portfolio's liquidity, measures independent of management were carried out at the end of December 2021:

- Concerning French, European and US small and mid-cap stocks, 84% of the portfolio could be sold without a price impact in less than five days[9], compared with 88% at the end of 2020 (see chart below).

MEASURING THE LIQUIDITY OF DEDICATED FUNDS INVESTED IN FRENCH, EUROPEAN AND US SMALL AND MID-CAP STOCKS

% of small and mid-cap assets that can be liquidated over a given number of days, as at 31 December 2021

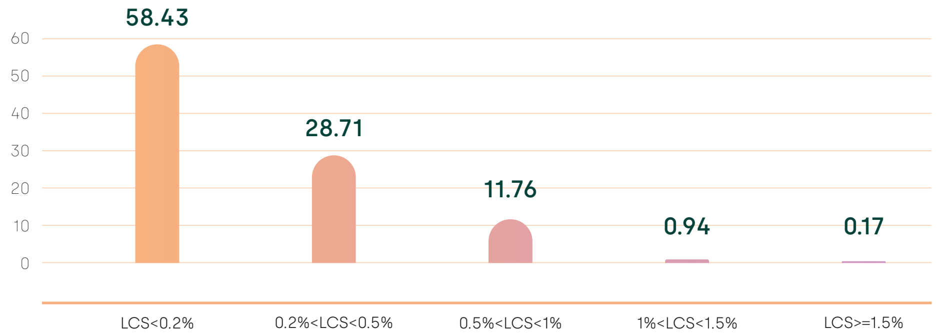


8. Autorité des marchés financiers (French financial markets authority)

9. Assuming that 25% of the average daily volume of transactions observed over the last three months could be liquidated in one day without affecting the price of the securities in question.

- Concerning the FRR's credit category (invested in the Euro Credit, US Credit and OAT matching category), the least "liquid" part of the portfolio is defined[10] by securities whose resale results in a discount rate greater than or equal to 0.5%. This share amounted to about 13% 10. Definition based on the Liquidity Cost Score (or "LCS") method. The LCS is an indicator measuring the cost of liquidation and is calculated from the following haircut rate formula: LCS = (Purchase price - Resale price)/ Purchase price of the security. (mostly discount rate between 0.5% and 1%), compared with 9% year on year. Only 0.17% of securities are considered illiquid, with a resale discount rate of more than 1.5%, compared with 0.09% at the end of 2020 (see chart below)

ESTIMATION OF THE FRR CREDIT PORTFOLIO'S LIQUIDITY (IN %)



10. Definition based on the Liquidity Cost Score (or «LCS») method. The LCS is an indicator measuring the cost of liquidation and is calculated from the following haircut rate formula: LCS = (Purchase price - Resale price)/Purchase price of the security.

EXTRA-FINANCIAL RISKS

"Climate" risks

Trucost produces an annual climate and ESG audit report, which includes an analysis of climate change risks. There are two kinds of risk:

Transition risk, which concern the risks faced by companies with high greenhouse gas emissions, due to potential changes in regulations and pricing in the various carbon markets. Trucost estimates the potential losses based on three scenarios of higher and lower future carbon prices. These estimates take into account both the risks related to corporate GHG emissions and those related to indirect impacts via suppliers The analysis of transition risk reveals, as it did last year, that the EBITDA at risk of all the FRR portfolios is lower than that of its indices.

Physical risks, which are expected to have a significant impact on financial markets. These physical risks combine localised risks (which relate to sites) and risks relating to the value chain of the companies affected. More than two million assets have been linked to the Trucost CorePlus universe (+15,000 companies). The assets are then assessed according to their exposure and vulnerability to seven climate events: water stress, fires, floods, heatwaves, cold waves, hurricanes, and rising water levels. Assessments have been made and the physical risk analysis shows that the FRR's portfolios are slightly less exposed to physical risks (water stress, fires, floods, heat waves, cold waves, hurricanes, and rising water levels) than their benchmarks. Only the emerging market equity portfolio is more exposed.

OPERATIONAL RISKS

This is the risk resulting from inadequate or failed internal processes or external events, regardless of whether they are intentional, accidental or natural.

The FRR's operational risk management system is based on regular risk self-assessment mapping exercises to establish a map of updated residual risks and on the monitoring of the action plans resulting from this map. The introduction of new processes or overhaul of key processes as and when necessary related to dematerialisation, business continuity or widespread electronic validation and signature flows also helps to reduce operational risks upstream. The system initiated in 2019 continued to be improved on in 2020 and 2021 to respond to the changes in processes brought about by remote operation and to strengthen the operational security of business processes.

In fulfilling its role, it is important that the FRR should be able to carry out its main activities without disruption in the event of a serious incident such as the collapse of a supplier, flooding of the Seine, fire, collective action, IT failure or pandemics, etc. The various prevention, crisis management and continuity management measures (crisis management organisation and procedures, backup site, analysis of essential service providers' continuity systems) are regularly updated and monitored by the Risk Committee. The FRR checks the availability of its continuity measures by conducting an annual test of the external backup site, which was carried out by its teams in September 2021.

All significant operational incidents affecting the FRR, whether internal or external in origin, are catalogued and analysed as and when they occur. They are analysed and monitored at Risk Committee meetings (corrective action, impact, compensation, improvement plan monitoring). In this way, the FRR also pays close attention to tracking operational incidents and regulatory sanctions affecting its management service providers, as well as its core service providers. In 2021, the FRR identified two significant operational incidents of external origin which, after analysis, were fully compensated by the mandate managers involved..

PANDEMIC

When the pandemic broke in March 2020, the FRR could ensure the continuity of operations thanks to its employees, who were equipped with IT equipment that allowed them to work from home.

In 2021, the FRR's crisis unit continued to meet on a weekly basis in order to manage the continuity plan and to provide a framework for the organisation of operations, taking into account service requirements and coronavirus regulations. FRR employees continued to work mainly remotely, using Caisse des Dépôts' secure connection architecture and robust IT and electronic signature tools. Service quality was not affected.

This organisation enabled the FRR to function quite satisfactorily and without increasing operational incidents. The FRR's service providers, in particular its management service providers, also continued to adapt their operational organisation to the pandemic.

COMPLIANCE

Ethics

The FRR takes particular care to ensure that its employees respect a very strict code of conduct. This takes the form of specific e-learning and group training.

The ethical framework applicable to the three members of the Management Board is governed by the French Social Security Code. More generally, this code of conduct specifies that in order to comply with the principle of prevention of conflicts of interest, the FRR prohibits all its employees from soliciting or accepting in a personal or family capacity any gift, favour, service, non-work-related invitation, or other donation. Similarly, participation in seminars, colloquia, or professional trips is only permitted with the prior and express agreement of the hierarchy.

Ethical risks, money laundering, terrorist financing, and compliance with international sanctions are all covered by an internal training programme and specific due diligence in the selection process for managers and investments.

Investment and portfolio compliance

Compliance risk is the risk associated with non-compliance with legislative, regulatory or contractual provisions.

Ensuring investment compliance is an essential part of the internal control system. As such, the FRR:

- monitors the compliance of managers of delegated management mandates with their contractual obligations on a daily basis;
- checks that the investments made through UCIs and funds comply with internal rules;
- ensures that its regulatory ratios are complied with (diversification between issuers, exposure to unorganised markets and markets outside the European Economic Area, holding limit on the capital of companies in the portfolio, holding limit on funds, exposure to currency risk, exposure to collective funds, various commitment ratios).
- checks that the FRR's exclusions policy is implemented and respected by its managers.

An analysis of any cases of non-compliance, impact assessments, corrective measures and possible compensation claims are presented in an incident report and monitored at Risk Committee meetings.

6 ORGANISATION **AND COSTS**

ORGANISATION AND HUMAN RESOURCES

As at 2021, the FRR has 47 permanent members of staff, 39 of whom are on Caisse des Dépôts contracts.

All staff work under the authority of the Management Board, to which a finance division, operations and risk division, and legal and communication division report. 2021 was marked by the pandemic, which led to its organisation being adapted and then to the permanent introduction of remote working.

The FRR maintains a demanding level of process security, thanks to its management tools and high-quality reliable analysis, and will continue its ongoing evaluation of the effectiveness of its organisation.

THE FRR'S COSTS

Costs amounted to EUR 85.4 million in 2021, compared with EUR 94.4 million year on year. This fall is due mainly to a EUR 9.5 million decrease in financial management fees, and more specifically a decrease of EUR 9.2 million in performance fees year on year.

This development was largely the result of the decrease in the provision for trailer fees, i.e. the performance fees estimated on 31 December due in respect of mandates not expired at the end of the year. This estimate fell from EUR 55.4 million to EUR 45.7 million at the end of 2021 in correlation with net assets, which decreased by an average of EUR 3.8 billion over the past year. At the same time, the decrease in assets for allocation management and the reduction in options hedging have led to a decrease in overlay fees, which amounted to EUR 2.4 million in 2021, compared with EUR 3.8 million in 2020.

After a significant decrease in 2020, back-office and custody charges – which are on top of the FRR's evaluative expenses budget and relate to services entrusted to Caisse des Dépôts within the framework of the agreement between the two – amounted to EUR 7.6 million compared with EUR 7.8 million in 2020.

All other FRR expenses, such as payroll, real estate costs, IT, overheads or consultancy expenses are part of the Fund's limited budget and have little correlation to net assets. They represent 18% of expenses and amounted to EUR 15.1 million in 2021. These costs correspond to 5.7 basis points of assets under management.

GOVERNANCE

SUPERVISORY BOARD as of 30 june 2022

Chair of the Supervisory Board

Sandrine Lemery

Members of the 'Assemblée Nationale'

Eric Woerth, *substitute* Charles de Courson

Belkhir Belhaddad

Members of the 'Sénat'

Jérôme Bascher

Marie Evrard

Expert representative

Philippe Tibi, Vice-Président du Conseil de surveillance

Representatives of social security beneficiaries appointed by the following nationally representative trade unions

Confédération générale du travail

Pierre-Yves Chanu, Vice-Président du Conseil de surveillance, *substitute* Hélène Guerra

Confédération générale du travail – Force ouvrière

Philippe Soubirous, *substitute* Eric Gautron

Confédération française démocratique du travail

Laetitia Tankwe, *substitute* Thibaut Sellier

Confédération française des travailleurs chrétiens

Isabelle Sancerni, *substitute* Pierre-Alexis Van Den Boomgaerde

Confédération française de l'encadrement – CGC

Marie-Christine Oberst, *substitute* Christine Diebold

Representatives of self-employed and independent workers

Mouvement des entreprises de France

Eric Pinon, *substitute* Jacques Vessaud

Florent Sarrazin

Philippe Poiget, *substitute* Frank Duclos

Confédération générale des PME

Alain Duffoux, *substitute* Michel Giordano

Union professionnelle artisanale

Catherine Foucher, *substitute* Michel Bressy

Representatives of the Minister for Social Security appointed by order of the Minister for Social Security

Frank von Lennep, *substitute* Marianne Kermoal-Berthomé

Morgan Delaye

Representative of the Minister for the Economy, Finance and Industry appointed by order of the Minister for the Economy, Finance and Industry

Sébastien Raspiller, *substitute* Martin Landais

Representative of the Minister for the Budget, appointed by order of the Minister for the Budget

Mélanie Joder, *substitute* Marie Chanchole

MANAGEMENT BOARD

Chairman of the Management Board

Eric Lombard

Executive Directors

Yves Chevalier
Olivier Rousseau

MANAGEMENT COMMITTEE

Yves Chevalier, *Executive Director*

Olivier Rousseau, *Executive Director*

Salwa Boussoukaya-Nasr, *Chief Investment Officer*

Michel Cadio, *Chief Operating Officer*

Karine Callec, *Chief Legal Officer and Public Relations*

Pierre Leygue, *Head of Performance and Financial Management Department*

KARINE CALLEC
Chief Legal Officer
and Public Relations

SALWA BOUSSOUKAYA-NASR
Chief Investment Officer

MICHEL CADIO
Chief Operating Officer

THE FRR'S TEAMS

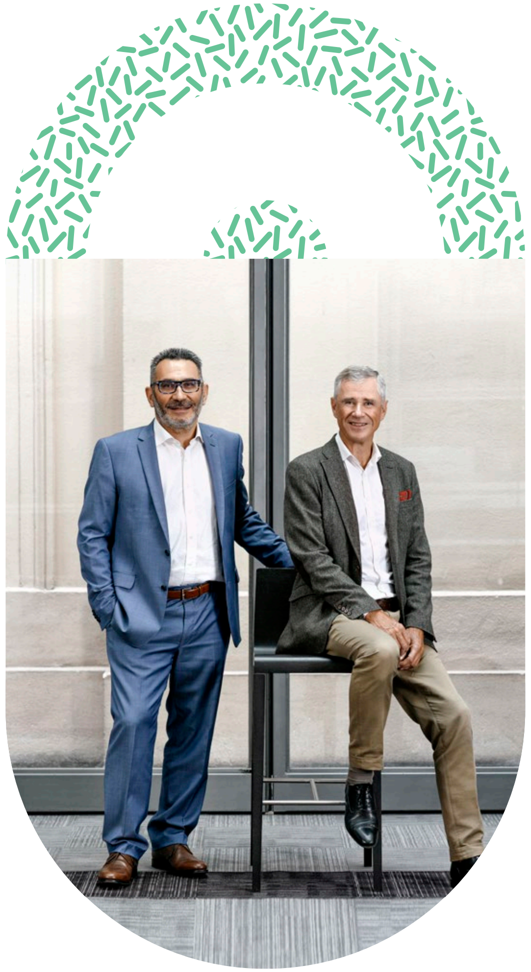
FINANCE DIVISION

↑
External Asset Management and Responsible Investment Department

←
Asset Allocation Department

LEGAL AND COMMUNICATION DIVISION

INTERNAL ACCOUNTING



OPERATIONS AND RISK DIVISION

←
Performance, Financial and Operational Risks Management Department
↓
Information Systems, Organisation and Projects Department

↑
Human Resources and Financial Control Department
→
Middle Office Department

PORTFOLIO MAPPING

Mapping of hedging assets, overlay, transition management and cash as at 31/12/2021

HEDGING ASSETS

- **Bonds** 11 mandates
  - ACTIVE MANAGEMENT
    - **Credit** 9 mandates
      - **IG - Euro** 5 mandates
      - **IG - US** 4 mandates
  - PASSIVE MANAGEMENT
    - **OAT matching** 2 mandates

OVERLAY

- **2 mandates**

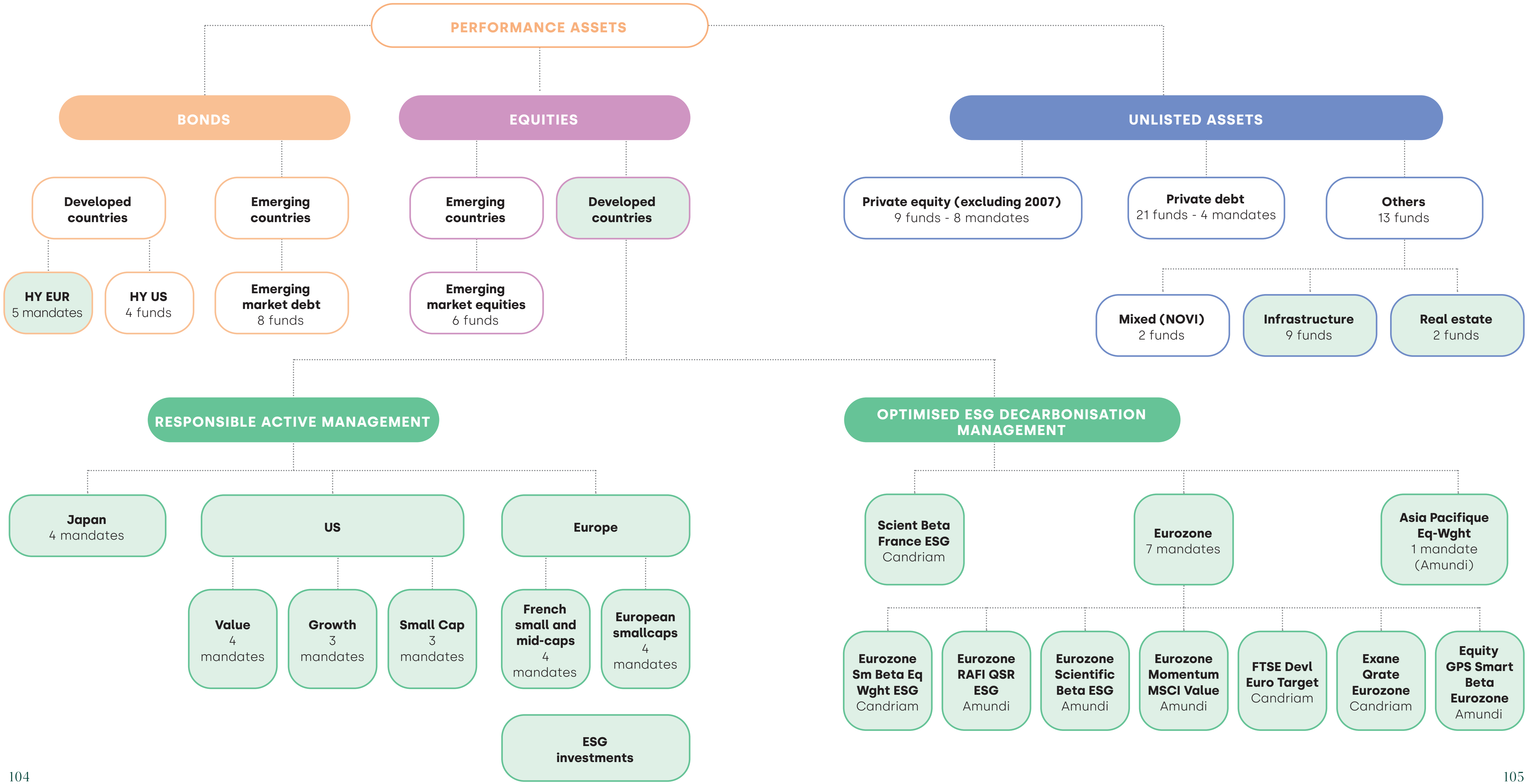
CASH

- **Income account**
- **Direct management**

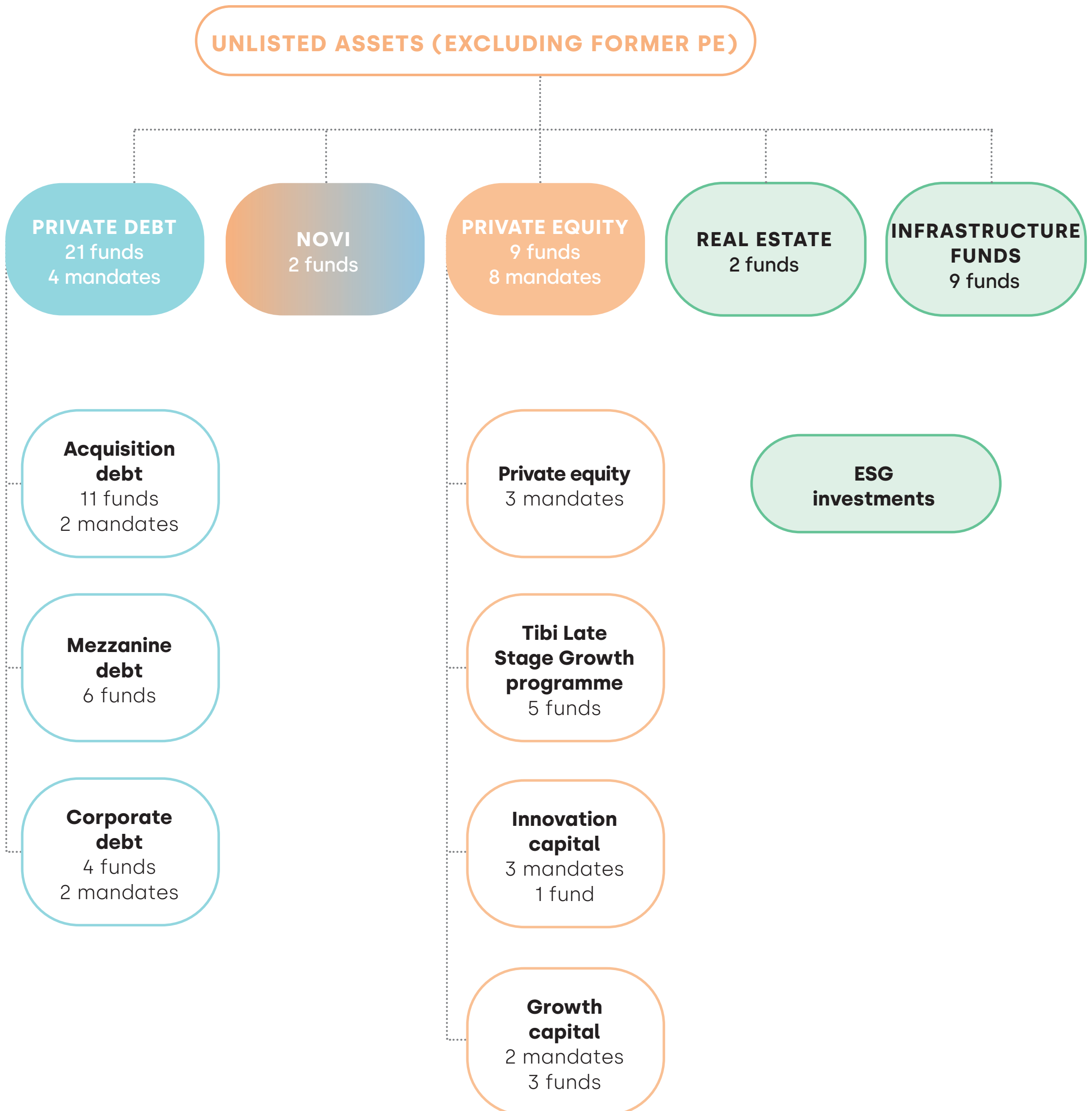
TRANSITION MANAGEMENT

- **2 mandates**

Mapping of performance assets as at 31/12/2021 (physical investments)



Mapping of unlisted investments as at 31/12/20211



THE FRR'S SERVICE PROVIDERS

THE FRR'S INVESTMENT MANAGEMENT COMPANIES

The FRR's investment management companies at 31 December 2021

2005FRR05
PRIVATE EQUITY PROGRAMME

- Access Capital Partners (European small and mid-caps fund)
- Ardian Investment (AXA Private Equity Europe), (Secondary LBO fund)
- Neuberger Berman Europe Limited (North American diversified fund)
- Pantheon Ventures (UK) LLP (European diversified fund)

2015FRR01
ACTIVE MANAGEMENT MANDATES – CORPORATE BONDS – LOT 2 – US DOLLAR-DENOMINATED CORPORATE BONDS

- AXA Investment Managers (AXA Investment Managers Inc. – USA)
- BFT Investment Managers (MacKayShields LLC, USA)
- BlackRock Investment Management (UK) Limited (BlackRock Financial Management Limited – USA)
- Wells Fargo Securities International Limited (Wells Capital Management, Inc. – USA)

2015FRR02
OPTIMISED MANAGEMENT MANDATES - EQUITIES - WITH AN ESG APPROACH

- Amundi Asset Management
- Candriam Luxembourg

2016FRR02
DEDICATED FUND MANDATES – FRENCH COMPANIES' PRIVATE DEBT – LOT 1 – PRIVATE PLACEMENTS

- BNP Paribas Asset Management
- Schelcher Prince Gestion

2016FRR02
DEDICATED FUND MANDATES – FRENCH COMPANIES' PRIVATE DEBT – LOT 2 – ACQUISITION DEBT

- Idinvest Partners
- Lyxor International Asset Management

2016FRR03
DEDICATED FUND MANDATES - SELECTION OF PRIVATE EQUITY FUNDS

- Ardian
- Swen Capital Partners
- LGT Capital Partners Limited

2016FRR05
DEDICATED FUND MANDATES - INNOVATION CAPITAL FRANCE
- Idinvest Partners
- Truffle Capital
- Omnes Capital

2017FRR02
MANAGEMENT MANDATES – OAT MATCHING
- AXA Investment Managers
- Amundi Asset Management

2017FRR03
DEDICATED FUND MANDATES - GROWTH CAPITAL FRANCE
- LBO France
- ISATIS Capital

2017FRR05
TRANSITION OPERATIONS MANAGEMENT
- Blackrock Advisors (UK) Ltd
- Russell Implementation Services Ltd

2018FRR01
SELECTION OF LEGAL SERVICE PROVIDER
- Kramer Levin Naftalis & Frankel LLP
- Gide Loyrette Nouel

2018FRR02
ACTIVE MANAGEMENT MANDATES – LOT 1 – EUROPEAN SMALL CAPS
- JP Morgan Asset Management (Europe) S.à.r.l.
- Fil Gestion
- BNP Paribas Asset Management France
- AXA Investment Managers Paris

2018FRR02
ACTIVE MANAGEMENT MANDATE – LOT 2 – FRENCH SMALL CAPS
- HSBC Global Asset Management
- BFT Investment Managers
- Amiral Gestion
- Sycomore Asset Management

2018FRR03
RESPONSIBLE ACTIVE MANAGEMENT MANDATES – US EQUITIES – LOT 1: US EQUITIES, ACTIVE MANAGEMENT, VALUE
- Amundi Asset Management
- Degroof Petercam Asset Management SA
- Lazard Frères Gestion
- T Rowe Price (Luxembourg) Management SARL

2018FRR03
RESPONSIBLE ACTIVE MANAGEMENT MANDATES – US EQUITIES – LOT 2: US EQUITIES, ACTIVE MANAGEMENT, GROWTH
- Davy Investment Fund Services Limited
- LEGG MASON Investments Ireland Ltd
- T Rowe Price (Luxembourg) Management SARL

2018FRR03
RESPONSIBLE ACTIVE MANAGEMENT MANDATES – US EQUITIES – LOT 2: US EQUITIES, ACTIVE MANAGEMENT, SMALL CAPS
- Aberdeen Standard Investments Ireland Limited
- BNP Paribas Asset Management France
- Davy Investment Fund Services Limited

2019FRR01
RESPONSIBLE ACTIVE MANAGEMENT MANDATES – JAPANESE EQUITIES
- BFT Investment Managers
- COMGEST
- Myria Asset Management
- Nomura Asset Management Europe KVG mbH (NAM Europe)

2019FRR02
OVERLAY MANAGEMENT MANDATES
- AXA Investment Managers Paris
- Russel Investments

2020FRR01
RESPONSIBLE ACTIVE MANAGEMENT MANDATES: CORPORATE BONDS – LOT 1 – EURO-DENOMINATED INVESTMENT GRADE CORPORATE BONDS
- AXA Investment Managers Paris
- BFT Investment Managers – M&G Investments
- BFT Investment Managers – Union Investment Institutional GmbH
- Blackrock Netherlands B.V.
- DWS International GmbH

2020FRR01
RESPONSIBLE ACTIVE MANAGEMENT MANDATES: CORPORATE BONDS – LOT 2 – EURO-DENOMINATED HIGH YIELD CORPORATE BONDS
- Blackrock Netherlands B.V.
- Candriam Luxembourg
- Degroof Petercam Asset Management SA
- DWS International GmbH

Other providers

2018FRR06
THE FRR'S WRITTEN COMMUNICATIONS
- Luciole

2019FRR03
EXTRA-FINANCIAL RISK AND OPPORTUNITY ANALYSIS SERVICE FOR THE FRR PORTFOLIO – LOT 1 – PORTFOLIO ANALYSIS AND PROVISION OF EXTRA-FINANCIAL RISK DATABASE
- VIGEO EIRIS

EXTRA-FINANCIAL RISK AND OPPORTUNITY ANALYSIS SERVICE FOR THE FRR PORTFOLIO – LOT 2 – PORTFOLIO ANALYSIS AND PROVISION OF EXTRA-FINANCIAL RISK DATABASE
- ISS Europe

2019FRR04
PROVIDING MEASUREMENT AND ANALYSIS OF THE ENVIRONMENTAL IMPACT OF THE FRR PORTFOLIO – LOT 1 – CLIMATE RISK ASSESSMENT OF THE PORTFOLIO
- S&P Trucost

2019FRR04
MEASUREMENT AND ANALYSIS OF THE ENVIRONMENTAL IMPACT OF THE FRR PORTFOLIO – LOT 2 – CONTRIBUTION TO ENERGY TRANSITION

- S&P Trucost

2019FRR04
MEASUREMENT AND ANALYSIS OF THE ENVIRONMENTAL IMPACT OF THE FRR PORTFOLIO - LOT 3 – ANALYSIS OF ENVIRONMENTAL IMPACTS AND PHYSICAL RISKS

- S&P Trucost

2020FRR02
STATUTORY AUDITORS

- MAZARS SA
- GRANT THORNTON

Ongoing calls for tenders

2021FRR01
RESPONSIBLE ACTIVE MANAGEMENT MANDATES: REPLICATION OF EQUITY INDICES FOR MANAGEMENT CONSISTENT WITH THE PARIS AGREEMENT

2021FRR02
RESPONSIBLE ACTIVE MANAGEMENT MANDATES: INVESTMENT GRADE CORPORATE BONDS DENOMINATED IN USD

2021FRR03
PORTFOLIO MANAGEMENT MANDATE "MANAGEMENT OF TRANSITION OPERATIONS"

FINANCIAL INFORMATION

FINANCIAL AND ACCOUNTING SUMMARY

After recording a profit of EUR 722 million in 2020, a profit of EUR 1.564 billion was recorded in 2021.

Financial assets, transferable securities and available funds amounted to EUR 25.9 billion, on par with EUR 26 billion in 2020.

Valuation differences recognised in the balance sheet reflect the difference between the acquisition value of assets and their market value at 31 December. These positive differences of EUR 2.4 billion at 31 December 2020 increased by EUR 200 million to EUR 2.6 billion at the closing date.

The 2021 financial result showed a profit of EUR 813.8 million, following a profit of EUR 1.6487 billion in 2020.

An analysis of the financial result shows the contribution of each product or cost category to the overall result for the financial year.

Income on transferable securities amounted to EUR 451.3 million, versus EUR 489.6 million in 2020.

Foreign exchange transactions generated a negative result of EUR 231.6 million, compared with EUR 389.4 million year on year.

Forward financial instruments recorded a gain of EUR 267.8 million, compared with a loss of EUR 616.8 million in 2020.

Sales of financial instruments generated a surplus of EUR 1.3165 billion, compared with EUR 438.8 million in 2020.

Income from option hedging was negative at EUR 158.4 million, compared with a profit of EUR 37.9 million in 2020.

BALANCE SHEET AT 31 DECEMBER 2021

ASSETS

	2021			2020
	Gross	Depreciation and amortisation	Net	Net
FIXED ASSETS				
Intangible assets				
Other intangible assets	6,461,882.44	-5,490,426.17	971,456.27	867,274.27
Tangible fixed assets				
Plant and equipment	12,712.31	-12,712.31	0.00	0.00
Total I	**6,474,594.75**	**-5,503,138.48**	**971,456.27**	**867,274.27**
CURRENT ASSETS				
Receivables from operations	2,500.00		2,500.00	1,440.00
Sundry receivables				
Financial instruments	18,965,130.81		18,965,130.81	13,437,178.82
Foreign exchange transactions	7,339,457,255.04		7,339,457,255.04	8,024,076,022.42
Forward financial instruments	291,155,456.31		291,155,456.31	250,019,043.11
Financial instruments				
Equities and similar securities	7,528,255,634.93		7,528,255,634.93	7,805,680,241.96
Bonds and similar securities	11,184,599,372.66		11,184,599,372.66	10,452,298,310.79
Transferable debt securities	520,342,123.53		520,342,123.53	601,049,812.33
Undertakings for Collective Investment	6,119,129,430.36		6,119,129,430.36	6,482,074,592.68
Cash	576,576,539.44		576,576,539.44	739,152,632.07
Prepaid expenses	1,039,565.02		1,039,565.02	475,388.25
Total II	**33,579,523,008.10**	**0.00**	**33,579,523,008.10**	**34,368,264,662.43**
GRAND TOTAL (I + II)	**33,585,997,602.85**	**-5,503,138.48**	**33,580,494,464.37**	**34,369,131,936.70**

LIABILITIES

	2021	2020
EQUITY CAPITAL		
Allocations	1,742,655,311.70	1,742,655,311.70
Reserves	722,543,052.97	0.00
Valuation difference	2,655,746,352.59	2,426,125,791.43
Profit/(loss) for the financial year	1,563,780,179.09	722,543,052.97
Total I	**6,684,724,896.35**	**4,891,324,156.10**
PAYABLES		
Long-term borrowings		
CADES debt - 1 year	2,100,000,000.00	2,100,000,000.00
CADES debt + 1 year	17,250,000,000.00	19,350,000,000.00
Payables from operations	63,193,796.44	70,825,682.38
Sundry payables		
Financial instruments	8,888,670.88	58,105,716.05
Foreign exchange transactions	7,433,160,830.53	7,877,526,180.22
Forward financial instruments	40,526,270.17	21,350,201.95
Prepaid income	0.00	0.00
Total II	**26,895,769,568.02**	**29,477,807,780.60**
GRAND TOTAL (I + II)	**33,580,494,464.37**	**34,369,131,936.70**

INCOME STATEMENT AT 31 DECEMBER 2021

EXPENSES

		2021	2020
OPERATING EXPENSES			
Outside services		84,041,643.06	93,068,807.45
Remuneration – management companies	60,528,798.53		
CDC Administrative management	20,340,270.00		
Others	3,172,574.53		
Taxes, duties and similar		89,484.55	84,035.47
Tax on wages	89,484.55		
Staff expenses		1,008,582.00	948,049.56
Wages and salaries	748,764.48		
Social security contributions	259,817.52		
Depreciation allowance		297,434.00	312,469.00
Depreciation allowance	297,434.00		
Total I	**85,437,143.61**	**85,437,143.61**	**94,413,361.48**
FINANCIAL EXPENSES			
Financial expenses		1,282,478,997.05	3,372,078,006.33
Forex losses	490,867,750.46		
Expenses on forward financial instruments	156,251,795.08		
Costs relating to sales of financial instruments	278,197,266.52		
Expenses on options	353,136,690.32		
Other financial expenses	4,025,494.67		
Total II	**1,282,478,997.05**	**1,282,478,997.05**	**3,372,078,006.33**
EXTRAORDINARY EXPENSES			
Extraordinary expenses		0.00	0.00
On management operations	0.00		
Total III	**0.00**	**0.00**	**0.00**
Profit/(loss) for the financial year		1,563,780,179.09	722,543,052.97
GRAND TOTAL		**2,931,696,319.75**	**4,189,034,420.78**

INCOME

		2021	2020
OPERATING INCOME			
Outside services		462,258.61	3,050,194.84
Others	462,258.61		
Total I	**462,258.61**	**462,258.61**	**3,050,194.84**
FINANCIAL INCOME			
Financial income		2,931,192,095.30	4,185,864,602.78
Income	451,346,821.53		
Forex gains	259,302,438.66		
Income from forward financial instruments	424,027,917.47		
Proceeds of sales of financial instruments	1,594,681,519.09		
Income on options	194,734,263.50		
Other financial income	7,099,135.05		
Total II	**2,931,192,095.30**	**2,931,192,095.30**	**4,185,864,602.78**
EXTRAORDINARY INCOME			
Extraordinary income		41,965.84	119,623.16
On management operations	41,965.84		
Total III	**41,965.84**	**41,965.84**	**119,623.16**
GRAND TOTAL		**2,931,696,319.75**	**4,189,034,420.78**

NOTES TO THE FINANCIAL STATEMENTS AT 31/12/2021

Accounting methods and rules used

The FRR's financial statements are prepared using generally applicable principles based on the single chart of accounts for social security organisations and opinion no. 2003-07 of 24 June 2003 of the CNC, as amended by opinion no. 2008-10 of 5 June 2008.

General accounting conventions have been applied in compliance with the principles of prudence, consistency, sincerity and fairness of view in accordance with the following underlying assumptions: going concern, consistency of accounting methods and independence of financial years.

As the FRR's accounts are stated in euro, the foreign currency positions of the FRR's mandates are valued using their equivalent value calculated using WM/Reuters closing spot rates.

Transactions are recorded on the trading date. Since 30 November 2006, transactions involving transferable securities have been booked with charges included, in accordance with the CNC's opinion of 31 March 2006.

The weighted average cost price rule (WACP) is applied for realised capital gains or losses on securities, and the FIFO (first in first out) rule is applied to futures.

Asset values are calculated on the basis of positions held on Friday evening or the last TARGET business day of the week, and on the last TARGET business day of the month. The default price is the closing price on the issuer's benchmark market, on a case by case basis on the principal market of listing.

If no price is available on the valuation day, the asset is valued using the last known price, or in accordance with a predetermined procedure if using an old price.

Bonds are valued on the principle of a BID quotation based on prices obtained from various financial services providers.

Interest accrued at the time of purchase or sale, as well as end of period interest, is expressed by reference to the value date. This accounting method is linked to the recognition of transactions from the trading date.

BTF and BTAN securities are valued using the interest rate published by the Banque de France on the valuation day.

Transferable debt securities and similar securities that are not traded in large volumes are valued using an actuarial method based on a zero coupon rate of the same maturity increased, where applicable, by an issuer spread.

UCITS are valued using the last known net asset value. ETFs are valued using the last price quoted.

Private equity funds are valued using the last valuations provided by the fund managers.

Unlisted fund assets are valued on the basis of the most recent valuations indicated by the managers if they are below their purchase cost, or at par if higher.

Forward financial instruments traded on regulated or similar markets and associated liabilities are valued using the settlement price.

Forward currency positions are valued both by linear discounting of the initial contango/backwardation amount and by valuing the currency position using WM/Reuters closing spot rates.

Swaps are valued using the prices provided by the counterparty, under the control of the fund manager, and are also subject to the various control levels put in place by the FRR.

Unrealised gains and losses and unrealised exchange differences are recognised in the balance sheet as valuation differences, and do not affect the Fund's result.

Withholding tax recovered is recognised as and when received.

Realised capital gains and losses and definitive exchange differences are recognised in the expenses and income accounts.

Tangible assets are depreciated on a straight-line basis over three years. Intangible assets, linked mainly to the right of use of the SPIRRIS software and related maintenance, are amortised on a straight-line basis over five years.

The fees paid to management companies are based on a fee scale that assigns a number of basis points per tranche of assets under management.

Some mandates receive variable performance fees in the case of outperformance, defined as the positive mathematical difference between the performance of the portfolio and that of its benchmark. These fees are paid at the end of the investment mandate provided that the outperformance is confirmed over the relevant periods and subject to the contractually defined limits.

Presentation of the financial statements

For ease of reading, the financial statements have been organised in a number of sections:

Balance sheet:

The various items are presented as net values, taking into account the depreciations applied for fixed assets and valuation differences for financial assets and liabilities.

- "Receivables" and "Payables on financial instruments" comprise transactions in financial instruments by investment companies for which settlement is pending (matured coupons, purchases and sales awaiting settlement).
- "Receivables" and "Payables on forex transactions" comprise current foreign exchange transactions, whether spot or forward.
- "Receivables" and "Payables on forward financial instruments" comprise current transactions related to futures (margins payable or receivable, security deposits), option premiums and swaps (payable or receivable flows).
- "Financial instruments" comprise four categories: equities and equity equivalents, bonds and bond equivalents, transferable debt securities, undertakings for collective investment, including private equity and unlisted fund assets. They are shown in the balance sheet at their market value, taking into account coupons accrued on bonds, transferable debt securities and unlisted UCIs.

- "Cash" comprises all the FRR's cash accounts in euro and foreign currencies (valued at their price on the last day of the financial year), and interest accrued on these interest-bearing current and deposit accounts.
- "Equity capital" comprises:
  - "Allocations" corresponding to the balance of employers' contributions received by the FRR since its inception in 1999, less the sums allocated to the CADES,
  - "Reserves" representing the accumulated income generated by the Fund since its inception, less the sums allocated to the CADES debt,
  - "Valuation difference" representing unrealised capital gains and losses recognised on all assets at the closing date,
  - Profit/(loss) for the financial year.

Major events

As a reminder, the extraordinary, flat-rate, full-discharge contribution mentioned in Article 19 of Law no. 2004-803 of 9 August 2004 and paid to the CNIEG by the FRR in accordance with a decision of the Haut Conseil Interministériel de la comptabilité des organismes de sécurité sociale dated 20 April 2005, recognised in the FRR's accounts as a debt, was settled and reimbursed on 31 July 2020, pursuant to Law No. 2020-992 dated 7 August 2020 on social debt and autonomy.

The "CADES debt" is shown as "debt - 1 year" and "debt + 1 year". Law no. 2020-992 of 7 August 2020 on social debt and autonomy also stipulates that from 2025 onwards, the FRR will pay EUR 1.45 billion annually to CADES to finance the amortisation of the social debt.

The additional debt of EUR 13,050 million is recorded in the balance sheet of the FRR as "debt + 1 year" by clearing the "reserves" and "allocations" equity items.

The FRR's accounts were drawn up and established on the basis of available information, against the backdrop of a changing COVID-19 pandemic. These circumstances did not lead to a change in the valuation methods for the 31 December 2021 closing and did not impact the internal control system.

Additional information relating to the assets

Fixed assets

TABLE OF FIXED ASSETS AND DEPRECIATION

Headings and items	FIXED ASSETS			
	Gross book value – opening balance	Increase	Decrease	Gross book value – closing balance
Intangible assets	6,060,266.44	400,616.00	0.00	6,460,882.44
Stake held	0.00	1,000.00	0.00	1,000.00
Total I	**6,060,266.44**	**401,616.00**	**0.00**	**6,461,882.44**
Tangible fixed assets	12,712.31	0.00	0.00	12,712.31
Total II	**12,712.31**	**0.00**	**0.00**	**12,712.31**
Grand Total	**6,072,978.75**	**401,616.00**	**0.00**	**6,474,594.75**

Headings and items	DEPRECIATION AND AMORTISATION				
	Accumulated values – opening balance	Depreciation/ amortisation charges	Decrease	Accumulated values – closing balance	Net book value
Intangible assets	-5,192,992.17	-297,434.00	0.00	-5,490,426.17	970,456.27
Stake held	0.00	0.00	0.00	0.00	1,000.00
Total I	**-5,192,992.17**	**-297,434.00**	**0.00**	**-5,490,426.17**	**971,456.27**
Tangible fixed assets	-12,712.31	0.00	0.00	-12,712.31	0.00
Total II	**-12,712.31**	**0.00**	**0.00**	**-12,712.31**	**0.00**
Grand Total	**-5,205,704.48**	**-297,434.00**	**0.00**	**-5,503,138.48**	**971,456.27**

Receivables linked to financial management

Receivables	31/12/2021
Related to financial instruments	
Matured coupons for payment	4,289,099.22
Sales pending settlement	13,422,668.31
Fees/rebates receivable	1,253,363.28
Total	**18,965,130.81**
Related to forex transactions	
Forward purchases	127,797,725.20
Forex forward receivables	7,190,448,879.95
Forex spot receivables	9,557,153.42
Backwardation	11,653,496.47
Total	**7,339,457,255.04**
Related to forward financial instruments	
Security deposits	256,030,328.73
Margin receivable	1,194,220.06
Premiums on options	33,930,907.52
Total	**291,155,456.31**

Financial instruments

CHANGES IN THE VALUE OF THE PORTFOLIO OF TRANSFERABLE SECURITIES

PORTFOLIO AT 31 DECEMBER 2020

	Value on acquisition	Valuation differences	Accrued coupons	Balance sheet value
Equities	6,732,122,643.24	1,073,557,598.72		7,805,680,241.96
Bonds	10,262,674,988.01	102,828,314.97	86,795,007.81	10,452,298,310.79
Transferable Debt Securities	604,613,399.30	-3,567,551.41	3,964.44	601,049,812.33
Undertakings for Collective Investment	5,506,903,787.00	975,170,805.68		6,482,074,592.68
UCITS	4,855,572,871.56	919,306,976.47		5,774,879,848.03
Other UCIs	651,330,915.44	55,863,829.21		707,194,744.65
Private equity funds		*66,188,086.47*		*66,188,086.47*
UCI comprising unlisted assets	*651,330,915.44*	*-10,324,257.26*		*641,006,658.18*
Total	**23,106,314,817.55**	**2,147,989,167.96**	**86,798,972.25**	**25,341,102,957.76**

PORTFOLIO AT 31 DECEMBER 2020

	Value on acquisition	Valuation differences	Accrued coupons	Balance sheet value
Equities	6,001,524,761.09	1,526,730,873.84		7,528,255,634.93
Bonds	11,210,111,698.90	-123,733,735.31	98,221,409.07	11,184,599,372.66
Transferable Debt Securities	520,550,000.00	-207,876.47		520,342,123.53
Undertakings for Collective Investment	4,930,323,321.93	1,188,806,108.43		6,119,129,430.36
UCITS	4,340,268,012.84	1,138,982,898.72		5,479,250,911.56
Other UCIs	590,055,309.09	49,823,209.71		639,878,518.80
Private equity funds	*0.00*	*60,250,127.52*		*60,250,127.52*
UCI comprising unlisted assets	*590,055,309.09*	*-10,426,917.81*		*579,628,391.28*
Total	**22,662,509,781.92**	**2,591,595,370.49**	**98,221,409.07**	**25,352,326,561.48**

	31/12/2020	31/12/2021
Equities	7,805,680,241.96	7,528,255,634.93
Bonds	10,452,298,310.79	11,184,599,372.66
Transferable Debt Securities	601,049,812.33	520,342,123.53
Undertakings for Collective Investment	6,482,074,592.68	6,119,129,430.36
UCITS	5,774,879,848.03	5,479,250,911.56
Other UCIs	707,194,744.65	639,878,518.80
Private equity funds	*66,188,086.47*	*60,250,127.52*
UCI comprising unlisted assets	*641,006,658.18*	*579,628,391.28*
Total	**25,341,102,957.76**	**25,352,326,561.48**

BREAKDOWN OF PORTFOLIO BY REMAINING TERM TO MATURITY

	31/12/2020	31/12/2021
< 3 months	4.46%	2.15%
> 3 months < 1 year	2.97%	4.22%
1 to 3 years	14.59%	16.69%
3 to 5 years	22.07%	25.00%
5 to 7 years	20.43%	19.96%
7 to 10 years	19.21%	18.16%
10 to 15 years	10.88%	7.31%
> 15 years	5.38%	6.50%
	100.00%	**100.00%**

BREAKDOWN OF PORTFOLIO BY COUPON TYPE

	31/12/2020	31/12/2021
Fixed rate	91.63%	93.46%
Index-linked rate	0.04%	0.01%
Variable rate	8.33%	6.53%
	100.00%	**100.00%**

BREAKDOWN OF THE FINANCIAL INSTRUMENTS PORTFOLIO BY LISTING CURRENCY

Currency	Equities	Bonds	Transferable debt securities	Undertakings for Collective Investment			Total
					Other UCIs		
				UCITS[1]	UCI COMPRISING UNLISTED ASSETS[2]	LP[3] and PEF	
AUD	99,374,547.83						99,374,547.83
CAD							0.00
CHF	71,540,556.91						71,540,556.91
DKK	18,501,746.14						18,501,746.14
EUR	4,135,649,427.26	8,079,603,673.34	521,381,688.55	2,980,898,655.77	579,628,391.28	54,764,831.95	16,351,926,668.15
GBP	326,025,316.12						326,025,316.12
HKD	59,878,122.90						59,878,122.90
JPY	754,187,859.53						754,187,859.53
NOK	36,847,866.21						36,847,866.21
NZD	14,419,514.64						14,419,514.64
SEK	117,694,804.59						117,694,804.59
SGD	28,576,152.20						28,576,152.20
USD	1,865,559,720.60	3,104,995,699.32		2,498,352,255.79		5,485,295.57	7,474,392,971.28
					579,628,391.28	**60,250,127.52**	
NET TOTAL OF INTEREST RECEIVED IN ADVANCE[4]	**7,528,255,634.93**	**11,184,599,372.66**	**521,381,688.55**	**5,479,250,911.56**	**639,878,518.80**		**25,353,366,126.50**
	Interest received in advance on French Treasury Bills		-133,954.02				
	Interest received in advance on foreign Treasury Bills		0.00				
	Interest received in advance on certificates of deposit		-905,611.00				
	Total interest received in advance:		**-1,039,565.02**				
TOTAL	7,528,255,634.93	11,184,599,372.66	520,342,123.53			6,119,129,430.36	25,352,326,561.48

1. O/w Exchange Traded Funds.
2. Undertakings for collective investment comprising unlisted assets.
3. Limited Partnership: Private equity funds.
4. IRA: Interest received in advance.

DETAILED STATEMENT OF FINANCIAL INSTRUMENTS AT 31 DECEMBER 2021

Financial instruments	Net total of interest received in advance	IRA	Portfolio total
Equities			
Eurozone European	4,135,649,427.26		4,135,649,427.26
Non-eurozone European	570,610,289.97		570,610,289.97
North America	1,865,559,720.60		1,865,559,720.60
Asia ex Japan	202,248,337.57		202,248,337.57
Japan	754,187,859.53		754,187,859.53
	7,528,255,634.93		**7,528,255,634.93**
Bonds			
Eurozone European	8,079,603,673.34		8,079,603,673.34
North America	3,104,995,699.32		3,104,995,699.32
	11,184,599,372.66		**11,184,599,372.66**
Transferable debt securities			
Eurozone European	521,381,688.55	-1,039,565.02	520,342,123.53
North America			
	521,381,688.55	**-1,039,565.02**	**520,342,123.53**
Undertakings for Collective Investment			
UCITS			
Eurozone European	2,980,898,655.77		2,980,898,655.77
Non-eurozone European	0.00		0.00
North America	2,498,352,255.79		2,498,352,255.79
	5,479,250,911.56		**5,479,250,911.56**
Other UCIs			
Private equity funds			
Europe	54,764,831.95		54,764,831.95
North America	5,485,295.57		5,485,295.57
	60,250,127.52		**60,250,127.52**
UCI comprising unlisted assets			
Europe	579,628,391.28		579,628,391.28
	579,628,391.28		**579,628,391.28**
	639,878,518.80		**639,878,518.80**
	6,119,129,430.36		**6,119,129,430.36**
GRAND TOTAL	**25,353,366,126.50**	**-1,039,565.02**	**25,352,326,561.48**

PRIVATE EQUITY FUNDS

		Panthéon Ventures	Access Capital Partners	Antin Infrastructures	Total
Liabilities at inception	EUR				
Liabilities on closing date	EUR				
Balance for previous financial year	EUR				
Payments over the period (calls for funds)	EUR				
Asset distribution	EUR				
Balance on closing date	EUR				
Valuation on closing date	EUR	35,235,247	19,489,162	40,423	54,764,832

		NBEL[1]	Axa IM Private Equity Europe	Total
Liabilities at inception	USD			
Liabilities on closing date	USD			
Balance for previous financial year	USD			
Payments over the period (calls for funds)	USD			
Distribution of assets	USD			
Balance on closing date	USD			
Valuation on closing date	USD	4,921,905	1,315,973	6,237,878

		NBEL	Axa IM Private Equity Europe	Total
Liabilities at inception	EUR			
Liabilities on closing date	EUR[2]			
Balance for previous financial year	EUR[2]			
Payments over the period (calls for funds)	EUR[3]			
Distribution of assets	EUR[3]			
Balance on closing date[7]	EUR			
Valuation on closing date	EUR	4,328,091	1,157,205	5,485,296
			Total initial liabilities (EUR)	**1,617,578,486**
			Total net payments over the period (EUR)	**-23,619,723**
			Total valued on closing date (EUR)	**60,250,128**

1. Neuberger Berman Europe Limited ex Lehman Brother Int. Europe.
2. On the basis of a $/€ exchange rate on the transaction date
3. Dividends are attributed to the value of the fund under balance sheet assets until the amounts invested are repaid. Capital gains are recognised when the dividends paid exceed the total amount invested (see Article 2.2.2 of CNC notice no. 2008-10 of 5 June 2008)

UNDERTAKINGS FOR COLLECTIVE INVESTMENT IN UNLISTED ASSETS

Funds	Liabilities at inception	Liabilities on closing date	Balance for previous financial year	Balance sheet value Year n-1	Payments over the period		Balance sheet value Year n	Balance on closing date	Valuation on closing date
					Calls for funds	Distribution of assets			
Idinvest Dette Sénior "IDS"									
FCT NOVO 1									
FCT NOVO 2									
Idinvest Dette Senior 2 "IDS 2"									
Tikehau Corporate Leveraged Loan Fund									
CM-CIC-DEBT FUND 1									
Idinvest Dette Senior 3 "IDS3"									
CEREA DETTE COMPARTIMENT A									
FCT SP EUROCREANCES 2016									
CM-CIC DEBT FUND 2									
LYXOR FRR DETTE PRIVEE France									
TIKEHAU DIRECT LENDING IV									
CEREA DETTE II									
ACTOMEZZ IV									
CIC Mezzanine Unitranche Financing 5									
Sub-total (505,300)	**1,075,000,000**	**1,151,000,000**	**126,488,879**	**651,330,915**	**81,052,034**	**-142,327,640**	**590,055,309**	**63,313,426**	**579,628,391**

Funds	Liabilities at inception	Liabilities on closing date	Balance from the previous year	Balance sheet value Year n-1	Payments over the period		Balance sheet value Year n	Balance on closing date	Valuation on closing date
					Calls for funds	Asset distribution			
FPS Immo Durable									
Nouvel investissement fund 1 NOVI 1									
Nouvel investissement fund 2 NOVI 2									
BNP PARIBAS FPS FPE									
MERIDIAM TRANSITION FIPS									
CAPENERGIE 3									
Quaero European Infrastructure Fund									
FCT SPG FRR Dette Privée France									
BNPP AM FRR Dette Privée France									
SLP Idinvest FRR Dette Privée France									
FPS SWEN FOF FRR CI France									
SLP FPS Ardian fund of funds FRR CI France									
FPS LGT FOF FRR CI FR S.L.P									
Truffle Innov FRR									
FCPI IDINVEST INNOV FRR France									
OMNES INNOV FRR France									
BROWNFIELDS 3									
LBO France CAPDEV FRR France FCPI									
ISATIS CAPDEV FRR France									
InfraGreen III									
MIROVA EUROFIDEME 4									
Idinvest SME Industrial Assets									
Crown European Private Debt. II S.C.Sp									
Sub-total	**2,155,690,000**	**2,287,400,000**	**678,707,019**	**1,340,439,121**	**243,547,972**	**-172,221,497**	**1,411,765,602**	**631,618,519**	**1,664,470,340**

Funds	Liabilities at inception	Liabilities on closing date	Balance from the previous year	Balance sheet value Year n-1	Payments over the period: Calls for funds	Payments over the period: Asset distribution	Balance sheet value Year n	Balance on closing date	Valuation on closing date
Sub-total report previous page	**2,155,690,000**	**2,287,400,000**	**678,707,019**	**1,340,439,121**	**243,547,972**	**-172,221,497**	**1,411,765,602**	**631,618,519**	**1,664,470,340**
Infragreen IV									
Indigo Capital II									
QUAERO EUROPEAN INFRASTRUCTURE									
Swen Impact Fund For Transition									
Nov Tourisme									
Jeito SLP									
SERENA III									
PARTECH GROWTH II									
Middle Market Fund 6									
Nov santé									
Jolt Capital IV									
Sofinnova Crossover I									
Capza 5 Flexequity									
Eurazeo Growth Fund III									
Acto Heritage									
Sub-total (508,100)	**2,740,190,000**	**2,931,900,000**	**914,531,409**	**1,414,138,997**	**438,101,206**	**-181,104,867**	**1,671,135,342**	**1,017,921,174**	**1,948,610,463**
Total	**3,815,190,000**	**4,082,900,000**	**1,041,020,288**	**2,065,449,912**	**519,153,240**	**-323,432,507**	**2,261,190,651**	**1,081,234,600**	**2,528,238,854**

Cash

Currencies	Total
AUD	609,693.84
CAD	86.96
CHF	457,068.91
DKK	494,742.94
EUR	392,666,919.28
GBP	1,707,558.16
HKD	211,728.52
JPY	10,189,107.45
NOK	423,475.69
NZD	71,821.67
SEK	1,115,656.94
SGD	304,874.38
USD	168,323,804.70
Total	**576,576,539.44**

Additional information relating to liabilities

Changes to permanent capital

Equity capital	31/12/2020	Allocation of 2020 profit/(loss)	2021 profit/(loss)	[+]	[-]	31/12/2021
Allocations	1,742,655,311.70					
Reserves	0.00	722,543,052.97				
Valuation differences	2,426,125,791.43			229,620,561.16		
Profit/(loss) for the financial year	722,543,052.97	-722,543,052.97	1,563,780,179.09			
Sub-total	**4,891,324,156.10**	**0.00**	**1,563,780,179.09**	**229,620,561.16**	**0.00**	**6,684,724,896.35**

Long-term debts	31/12/2020					31/12/2021
CADES + 1 year	19,350,000,000.00				2,100,000,000.00	17,250,000,000.00
Sub-total	**19,350,000,000.00**	**0.00**	**0.00**	**0.00**	**2,100,000,000.00**	**17,250,000,000.00**
Total permanent capital	**24,241,324,156.10**	**0.00**	**1,563,780,179.09**	**229,620,561.16**	**2,100,000,000.00**	**23,934,724,896.35**

Profit/loss for the past five financial years

	2018	2019	2020	2021
Profit/(loss) for the financial year	945,248,881.15	841,482,768.05	722,543,052.97	1,563,780,179.09

Profits/losses for the financial years preceding the closing date are allocated to reserves.

Payables

Debt repayment schedule

Payables	Total	- 1 year	+ 1 year	of which 1–5 years	Of which more than 5 years
CADES debt	19,350,000,000.00	2,100,000,000.00	17,250,000,000.00	8,550,000,000.00	8,700,000,000.00
Payables from operations	63,193,796.44	63,193,796.44			
Payables on financial instruments	8,888,670.88	8,888,670.88			
Payables on forex transactions	7,433,160,830.53	7,433,160,830.53			
Payables on forward financial instruments	40,526,270.17	40,526,270.17			
	26,895,769,568.02	**9,645,769,568.02**	**17,250,000,000.00**	**8,550,000,000.00**	**8,700,000,000.00**

PAYABLES RELATED TO FINANCIAL MANAGEMENT

Payables	31/12/2021
Related to financial instruments	
Purchases pending settlement	8,888,670.88
Total	**8,888,670.88**
Related to forex transactions	
Forward sales	7,295,280,157.71
Currencies for forward delivery	128,092,713.21
Currencies for spot delivery	9,591,828.36
Contango	196,131.25
Total	**7,433,160,830.53**
Related to forward financial instruments	
Margin payable	2,113,821.86
Premiums on options	38,412,448.31
Total	**40,526,270.17**

Deferred income

Prepaid income came to EUR **1,039,565.02**. It corresponds to interest prepaid on certain transferable debt securities on which rates are negative. It is presented in the "Prepaid expenses" item of the balance sheet.

Additional information relating to the profit and loss account

OPERATING EXPENSES

	Amount
Outside services	**84,041,643.06**
Administrative Management (Caisse des dépôts et consignations)	20,340,270.00
Investment company fees	60,528,798.53
Other outside services	3,172,574.53
Including trading costs on forward financial instruments	*2,199,058.97*
Taxes and duties	**89,484.55**
Payroll	**1,008,582.00**
Depreciation and amortisation	**297,434.00**
Total	**85,437,143.61**

OPERATING INCOME

	Amount
Outside services	**462,258.61**
Other outside services	462,258.61

TABLE OF STAFF REMUNERATED DIRECTLY BY THE FRR

TABLE OF STAFF AND BREAKDOWN BY CATEGORY					
Category	**Permanent (CDI)**	**Temporary (CDD)**	**Interim**	**Others**	**Total**
Management	2				2
Executives	1	1			2
Employees	4				4
Total	**7**	**1**			**8**
Others[4]				2	

4. Accounting Officer and Chair of the Supervisory Board.

Off-balance sheet liabilities

FORWARD FOREIGN EXCHANGE CONTRACTS				
Currency codes	**Currency receivable**	**%**	**Currency to be delivered**	**%**
AUD	90,866,210.45	1.26%	1,355,047.88	1.06%
CAD	0.00	0.00%	0.00	0.00%
CHF	71,897,346.55	1.00%	8,233,837.68	6.43%
DKK	14,668,868.84	0.20%	35,204.32	0.03%
GBP	298,198,677.81	4.15%	12,229,983.29	9.55%
HKD	55,990,930.04	0.78%	1,777,093.20	1.39%
JPY	726,589,671.83	10.10%	34,254,453.77	26.74%
NOK	30,695,624.48	0.43%	0.00	0.00%
NZD	14,012,321.99	0.19%	462,653.91	0.36%
SEK	109,727,459.33	1.53%	2,505,382.15	1.96%
SGD	26,597,171.57	0.37%	1,099,544.96	0.86%
USD	5,751,204,597.06	79.98%	66,139,512.05	51.63%
Total	**7,190,448,879.95**	**100.00%**	**128,092,713.21**	**100.00%**

SECURITIES AND CASH ON DEPOSIT AT 31 DECEMBER 2021

Stock code	Name of stock	Quantity	Cost price	Market value
DG.AUD	DEPOSIT AUD	102,347.00	64,586.31	65,432.98
DG.EUR	DEPOSIT EUR	19,500.60	19,500.60	19,500.60
DG.EUR	DEPOSIT EUR	130,006.50	130,006.50	130,006.50
DG.EUR	DEPOSIT EUR	91,003.90	91,003.90	91,003.90
DG.EUR	DEPOSIT EUR	84,695,553.21	84,695,553.21	84,695,553.21
DG.EUR	DEPOSIT EUR	110,505.10	110,505.10	110,505.10
DG.EUR	DEPOSIT EUR	316,399.80	316,399.80	316,399.80
DG.EUR	DEPOSIT EUR	469,126.40	469,126.40	469,126.40
DG.EUR	DEPOSIT EUR	253,428.70	253,428.70	253,428.70
DG.EUR	DEPOSIT EUR	42,684.70	42,684.70	42,684.70
DG.EUR	DEPOSIT EUR	445,394.30	445,394.30	445,394.30
DG.HKD	DEPOSIT HKD	385,700.00	42,032.28	43,503.51
DG.JPY	DEPOSIT JPY	11,748,000.00	89,843.75	89,710.71
DG.SGD	DEPOSIT SGD	16,940.00	10,753.05	11,049.50
DG.USD	DEPOSIT USD	563,585.00	494,633.07	495,590.04
DG.USD	DEPOSIT USD	492,798.00	425,330.94	433,343.29
DG.USD	DEPOSIT USD	113,915,410.40	98,145,678.60	100,171,834.68
DG.USD	DEPOSIT USD	77,495,927.80	65,782,513.77	68,146,260.81
			251,628,974.98	**256,030,328.73**

OTHER LIABILITIES

Valuation of off-balance sheet commitments on derivatives

Currency futures

Long

Stock code	Name of stock	Curr.	Quantity	Price	OBS liabilities valued
EC0322	CHI FUTUR EUR/U 0322	USD	771.00	1.14	96,633,480.25
ECJPY0322	CHI EURO/JPY 0322	JPY	15.00	131.09	1,876,943.65
					98,510,423.91

Index futures

Long

Stock code	Name of stock	Curr.	Quantity	Price	OBS liabilities valued
AP0322	SYD FUTURE SPI2 0322	AUD	7.00	7,347.00	821,995.97
FCE0122	Mar CAC40 0122	EUR	5,308.00	7,143.00	379,150,440.00
FDAX0322	EUR FUTURE DAX 0322	EUR	481.00	15,856.00	190,668,400.00
FESX0322	EUR DJ EURO STO 0322	EUR	8,974.00	4,287.50	384,760,250.00
FESX0322	EUR DJ EURO STO 0322	EUR	6.00	4,287.50	257,250.00
FESX0322	EUR DJ EURO STO 0322	EUR	40.00	4,287.50	1,715,000.00
FESX0322	EUR DJ EURO STO 0322	EUR	28.00	4,287.50	1,200,500.00
FESX0322	EUR DJ EURO STO 0322	EUR	34.00	4,287.50	1,457,750.00
FMCE_FA0322	EUR EURO STOXX 0322	EUR	1,618.00	539.20	43,621,280.00
FTI0122	Mar FUTURE AEX 0122	EUR	1,899.00	797.69	302,962,662.00
HSI0122	HKF HANG SENG I 0122	HKD	4.00	23,451.00	529,012.68
IX0122	MEF IBEX 35 0122	EUR	348.00	8,684.40	30,221,712.00
SG_FQ0122	MSCI SINGAPORE	SGD	11.00	340.15	244,057.79
SPMIB0322	ITA SPMIB INDEX 0322	EUR	870.00	27,248.00	118,528,800.00
					1,456,139,110.45

Short

Stock code	Name of stock	Curr.	Quantity	Price	OBS liabilities valued
EMD0322	CHI FUTURE SPI4 0322	USD	-85.00	2,837.70	21,210,385.16
ES0322	CHI FUTUR SPMIN 0322	USD	-890.00	4,758.50	186,205,812.51
RTY_FG0322	CHI E MINI RUSS 0322	USD	-498.00	2,242.80	49,108,090.04
TP0322	OSA TOPIX 0322	JPY	-11.00	1,992.00	1,673,256.11
					258,197,543.82

Interest rate futures

Long

Stock code	Name of stock	Curr.	Quantity	Price	OBS liabilities valued
FBTP0322	EUR EURO BTP FU 0322	EUR	23.00	147.01	3,381,230.00
FGBL0322	EUR EURO BUND F 0322	EUR	72.00	171.37	12,338,640.00
FGBL0322	EUR EURO BUND F 0322	EUR	140.00	171.37	23,991,800.00
FGBM0322	EUR EURO BOBL F 0322	EUR	588.00	133.24	78,345,120.00
TN0322	CBO ULTRA NOTE 0322	USD	216.00	146.44	27,814,368.62
US0322	CBO FUTURE BOND 0322	USD	27.00	160.44	3,809,191.43
					149,680,350.06

Short

Stock code	Name of stock	Curr.	Quantity	Price	OBS liabilities valued
FGBL0322	EUR EURO BUND F 0322	EUR	-100.00	171.37	17,137,000.00
FGBL0322	EUR EURO BUND F 0322	EUR	-143.00	171.37	24,505,910.00
FGBS0322	EUR EURO SCHATZ 0322	EUR	-142.00	112.03	15,908,260.00
FGBS0322	EUR EURO SCHATZ 0322	EUR	-338.00	112.03	37,866,140.00
FGBX0322	EUR FUTURE EURO 0322	EUR	-97.00	206.74	20,053,780.00
FGBX0322	EUR FUTURE EURO 0322	EUR	-20.00	206.74	4,134,800.00
FV0322	CBO UST NOTE 5 0322	USD	-146.00	120.98	15,531,436.86
FV0322	CBO UST NOTE 5 0322	USD	-182.00	120.98	19,361,106.22
TN0322	CBO ULTRA NOTE 0322	USD	-154.00	146.44	19,830,614.67
TU0322	CBO 2 Y US TRES 0322	USD	-22.00	109.08	4,220,640.61
TY0322	CBO T NOTE US 1 0322	USD	-39.00	130.47	4,474,394.35
					183,024,082.71

INDEX CALL OPTIONS

Stock code	Name of stock Fininfo	Quantity	Strike price	Support price	Delta (Mid)	Delta (Last)	Commitment value (value of the underlying)
OESX0322C-1	EURO STOXX 50 C 2203 4450.00	-14,171.00	4,450.00	4,298.41	0.296	0.3	-180,301,793.61
OSPX0322C-1	S&P 500 C 2203 4875.00	-520.00	4,875.00	4,766.18	0.360	0.372	-78,458,397.79
OSPX0322C-2	S&P 500 C 2203 4825.00	-512.00	4,825.00	4,766.18	0.430	0.426	-92,272,440.48
OSPX0322C-3	S&P 500 C 2203 4850.00	-520.00	4,850.00	4,766.18	0.395	0.392	-86,086,297.58
OSPX0322C-4	S&P 500 C 2203 5010.00	-1,164.00	5,010.00	4,766.18	0.184	0.195	-89,764,454.09
Total, by absolute value							**526,883,383.55**

INDEX PUT OPTIONS

Stock code	Name of stock Fininfo	Quantity	Strike price	Support price	Delta (Mid)	Delta (Last)	Commitment value (value of the underlying)
OESX0322P-1	EURO STOXX 50 P 2203 4100.00	14,171.00	4,100.00	4,298.41	-0.297	-0.294	-180,910,921.29
OESX0322P-2	EURO STOXX 50 P 2203 3825.00	-14,171.00	3,825.00	4,298.41	-0.148	-0.149	90,150,896.80
OESX0322P-3	EURO STOXX 50 P 2203 3725.00	-14,176.00	3,725.00	4,298.41	-0.117	-0.228	71,293,084.39
OESX0322P-4	EURO STOXX 50 P 2203 4025.00	14,176.00	4,025.00	4,298.41	-0.244	-0.262	-148,679,594.79
OSPX0322P-1	S&P 500 P 2203 4050.00	-520.00	4,050.00	4,766.18	-0.089	-0.086	19,396,659.45
OSPX0322P-2	S&P 500 P 2203 4325.00	520.00	4,325.00	4,766.18	-0.167	-0.166	-36,395,978.98
OSPX0322P-3	S&P 500 P 2203 4025.00	-520.00	4,025.00	4,766.18	-0.084	-0.082	18,306,959.49
OSPX0322P-4	S&P 500 P 2203 4000.00	-512.00	4,000.00	4,766.18	-0.079	-0.079	16,952,378.60
OSPX0322P-5	S&P 500 P 2203 4275.00	512.00	4,275.00	4,766.18	-0.148	-0.151	-31,758,886.49
OSPX0322P-6	S&P 500 P 2203 4300.00	-1,164.00	4,300.00	4,766.18	-0.157	-0.16	76,592,496.15
OSPX0322P-6	S&P 500 P 2203 4300.00	520.00	4,300.00	4,766.18	-0.157	-0.16	-34,216,579.04
OSPX0322P-7	S&P 500 P 2203 4560.00	1,164.00	4,560.00	4,766.18	-0.294	-0.283	-143,427,986.43
Total, by absolute value							**868,082,421.90**

STATUTORY AUDITOR'S REPORT

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Fonds de Réserve pour les Retraites

56, rue de Lille – 75007 Paris

Rapport des Commissaires aux Comptes sur les comptes annuels

Exercice clos le 31 décembre 2021

Fonds de Réserve pour les Retraites

56, rue de Lille
75007 Paris

RAPPORT DES COMMISSAIRES AUX COMPTES SUR LES COMPTES ANNUELS

Exercice clos le 31 décembre 2021

Aux membres du Conseil de Surveillance,

Opinion

En exécution de la mission qui nous a été confiée par le Conseil de surveillance, nous avons effectué l'audit des comptes annuels du Fonds de Réserve pour les Retraites relatifs à l'exercice clos le 31 décembre 2021, tels qu'ils sont joints au présent rapport.

Nous certifions que les comptes annuels sont, au regard des règles et principes comptables français, réguliers et sincères et donnent une image fidèle du résultat des opérations de l'exercice écoulé ainsi que de la situation financière et du patrimoine du Fonds de Réserve pour les Retraites à la fin de cet exercice.

Fondement de l'opinion

Référentiel d'audit

Nous avons effectué notre audit selon les normes d'exercice professionnel applicables en France. Nous estimons que les éléments que nous avons collectés sont suffisants et appropriés pour fonder notre opinion.

Les responsabilités qui nous incombent en vertu de ces normes sont indiquées dans la partie « Responsabilités des Commissaires aux comptes relatives à l'audit des comptes annuels » du présent rapport.

Indépendance

Nous avons réalisé notre mission d'audit dans le respect des règles d'indépendance prévues par le code de commerce et par le code de déontologie de la profession de commissaire aux comptes, sur la période du 1er janvier 2021 à la date d'émission de notre rapport.

Justification des appréciations

La crise mondiale liée à la pandémie de COVID-19 crée des conditions particulières pour la préparation et l'audit des comptes de cet exercice. En effet, cette crise et les mesures exceptionnelles prises dans le cadre de l'état d'urgence sanitaire induisent de multiples conséquences pour les entreprises, particulièrement sur leur activité et leur financement, ainsi que des incertitudes accrues sur leurs perspectives d'avenir. Certaines de ces mesures, telles que les restrictions de déplacement et le travail à distance, ont également eu une incidence sur l'organisation interne des entreprises et sur les modalités de mise en œuvre des audits.

C'est dans ce contexte complexe et évolutif que, en application des dispositions des articles L.823-9 et R.823-7 du code de commerce relatives à la justification de nos appréciations, nous portons à votre connaissance les appréciations suivantes qui, selon notre jugement professionnel, ont été les plus importantes pour l'audit des comptes annuels de l'exercice.

Les appréciations ainsi portées s'inscrivent dans le contexte de l'audit des comptes annuels pris dans leur ensemble et de la formation de notre opinion exprimée ci-avant. Nous n'exprimons pas d'opinion sur des éléments de ces comptes annuels pris isolément.

Comme il est précisé à la note 1 de l'annexe des comptes « Règles et méthodes comptables utilisées », les comptes sont établis selon les principes et méthodes du plan comptable unique des organismes de sécurité sociale et l'avis CNC n°2003-07 du 24 juin 2003 modifié par l'avis n°2008-10 du 5 juin 2008 relatif à la comptabilisation des instruments financiers du Fonds de Réserve pour les Retraites.

Dans le cadre de notre appréciation des règles et méthodes comptables suivies par votre Etablissement, en particulier de celles relatives à l'évaluation des instruments financiers en portefeuille, nous avons vérifié le caractère approprié de ces règles et méthodes et des informations fournies dans les notes de l'annexe, et nous nous sommes assurés de leur correcte application.

Vérifications spécifiques

Nous avons également procédé, conformément aux normes d'exercice professionnel applicables en France, aux vérifications spécifiques prévues par les textes légaux et réglementaires.

Nous n'avons pas d'observation à formuler sur la sincérité et la concordance avec les comptes annuels des informations données dans le rapport de gestion du Directoire et dans les autres documents sur la situation financière et les comptes annuels adressés aux membres du Conseil de Surveillance.

Responsabilités de la direction et des personnes constituant le gouvernement d'entreprise relatives aux comptes annuels

Il appartient à la direction d'établir des comptes annuels présentant une image fidèle conformément aux règles et principes comptables français ainsi que de mettre en place le contrôle interne qu'elle estime nécessaire à l'établissement de comptes annuels ne comportant pas d'anomalies significatives, que celles-ci proviennent de fraudes ou résultent d'erreurs.

Lors de l'établissement des comptes annuels, il incombe à la direction d'évaluer la capacité du Fonds de Réserve pour les Retraites à poursuivre son exploitation, de présenter dans ces comptes, le cas échéant, les informations nécessaires relatives à la continuité d'exploitation et d'appliquer la convention comptable de continuité d'exploitation, sauf s'il est prévu de liquider le Fonds ou de cesser son activité.

Les comptes annuels ont été arrêtés par le Directoire.

Responsabilités des Commissaires aux comptes relatives à l'audit des comptes annuels

Il nous appartient d'établir un rapport sur les comptes annuels. Notre objectif est d'obtenir l'assurance raisonnable que les comptes annuels pris dans leur ensemble ne comportent pas d'anomalies significatives. L'assurance raisonnable correspond à un niveau élevé d'assurance, sans toutefois garantir qu'un audit réalisé conformément aux normes d'exercice professionnel permet de systématiquement détecter toute anomalie significative. Les anomalies peuvent provenir de fraudes ou résulter d'erreurs et sont considérées comme significatives lorsque l'on peut raisonnablement s'attendre à ce qu'elles puissent, prises individuellement ou en cumulé, influencer les décisions économiques que les utilisateurs des comptes prennent en se fondant sur ceux-ci.

Comme précisé par l'article L.823-10-1 du code de commerce, notre mission de certification des comptes ne consiste pas à garantir la viabilité ou la qualité de la gestion de l'Etablissement.

Dans le cadre d'un audit réalisé conformément aux normes d'exercice professionnel applicables en France, le commissaire aux comptes exerce son jugement professionnel tout au long de cet audit. En outre :

- il identifie et évalue les risques que les comptes annuels comportent des anomalies significatives, que celles-ci proviennent de fraudes ou résultent d'erreurs, définit et met en œuvre des procédures d'audit face à ces risques, et recueille des éléments qu'il estime suffisants et appropriés pour fonder son opinion. Le risque de non-détection d'une anomalie significative provenant d'une fraude est plus élevé que celui d'une anomalie significative résultant d'une erreur, car la fraude peut impliquer la collusion, la falsification, les omissions volontaires, les fausses déclarations ou le contournement du contrôle interne ;

- il prend connaissance du contrôle interne pertinent pour l'audit afin de définir des procédures d'audit appropriées en la circonstance, et non dans le but d'exprimer une opinion sur l'efficacité du contrôle interne ;

- il apprécie le caractère approprié des méthodes comptables retenues et le caractère raisonnable des estimations comptables faites par la direction, ainsi que les informations les concernant fournies dans les comptes annuels ;

- il apprécie le caractère approprié de l'application par la direction de la convention comptable de continuité d'exploitation et, selon les éléments collectés, l'existence ou non d'une incertitude significative liée à des événements ou à des circonstances susceptibles de mettre en cause la capacité de l'Etablissement à poursuivre son exploitation. Cette appréciation s'appuie sur les éléments collectés jusqu'à la date de son rapport, étant toutefois rappelé que des circonstances ou événements ultérieurs pourraient mettre en cause la continuité d'exploitation. S'il conclut à l'existence d'une incertitude significative, il attire l'attention des lecteurs de son rapport sur les informations fournies dans les comptes annuels au sujet de cette incertitude ou, si ces informations ne sont pas fournies ou ne sont pas pertinentes, il formule une certification avec réserve ou un refus de certifier ;

- il apprécie la présentation d'ensemble des comptes annuels et évalue si les comptes annuels reflètent les opérations et événements sous-jacents de manière à en donner une image fidèle.

Fait à Neuilly-sur-Seine et Courbevoie, le 9 mars 2022

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Printed on Print Speed Offset, FSC certified 150 paper • June 2022

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