FONDS DE RESERVE
POUR LES RETRAITES

FRR, A COMMITTED PUBLIC PLAYER

2022
SUSTAINABILITY REPORT

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SUMMARY 2022

The 4 pillars of the SRI strategy for the period 2019-2023

1. Integration of new standards (derived from best practices and regulatory developments)
2. Extension of the responsible aspect of investment
3. **Acceleration of energy transition**
4. Action on the financial management ecosystem

FRR'S EXTRA-FINANCIAL RATING

INVESTMENT & STEWARDSHIP POLICY:
★★★★☆

INDIRECT - LISTED EQUITY:
★★★★☆

INDIRECT - FIXED INCOME:
★★★★★

ESG SCOPE

100%

(SHARE OF ASSETS UNDER MANAGEMENT INVESTED IN LISTED EQUITIES AND BONDS FACTORING IN ESG CRITERIA)

KEY DATES

2001
Integration of the extra-financial considerations specified in the law establishning the FRR

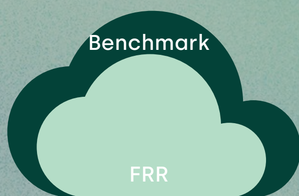
2006
Founding member of PRI

2014
Launch of the Low Carbon Leaders Index in partnership with MSCI and the swedish fund AP4

2019
Adhésion à la « Net zero asset owner initiative »

EQUITIES PORTFOLIO EMISSIONS

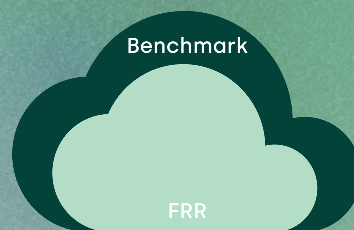
298 (TEQCO_2/M€ REV) WACI



207 (TEQCO_2/M€ REV) WACI

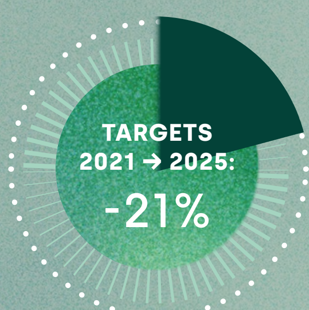
CORPORATE BONDS PORTFOLIO EMISSIONS

321 (TEQCO_2/M€ REV) WACI



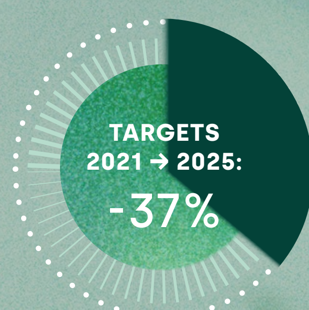
240 (TEQCO_2/M€ REV) WACI

CARBON FOOTPRINT OF EQUITIES PORTFOLIOS (WACI - TEQCO_2/M€ REV)



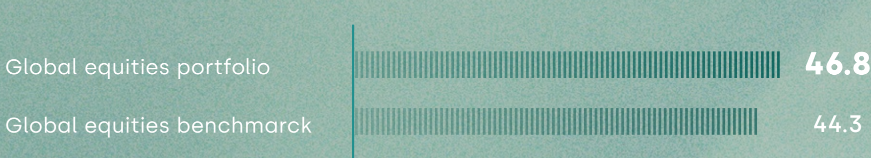
2013 → 2022: -45%

CARBON FOOTPRINT OF THE CORPORATE BONDS PORTFOLIO (WACI - TEQCO_2/M€ REV)



2016 → 2022: -8.5%

RATING OF FRR's PORTFOLIO ESG
SCORE EN OF 2022



NATURAL COST OF CAPITAL

2.8%

FOR THE DEVELOPED MARKETS EQUITIES PORTFOLIO

3.4%

INDEX

The FRR support

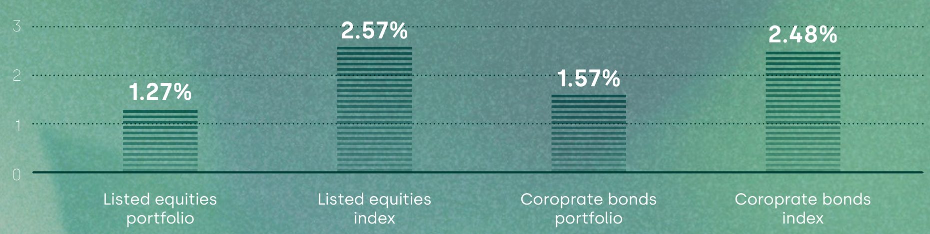
1. Climate Action 100+
2. Net Zero Asset Owner Alliance

NET ZERO ASSET OWNER ALLIANCE

-20%

EMISSIONS BY 2025

EXPOSURE OF PORTFOLIO TO FOSSIL FUELS
% ASSETS



1,511
ATTENDANCE AT GENERAL MEETING

20,000
RESOLUTIONS

21.3%
OBJECTIONS TO RESOLUTIONS PROPOSED BY MANAGEMENT

PART 1

THE FRR'S OVERALL APPROACH

SUSTAINABILITY POLICY

Factoring sustainability criteria into its management decisions is in the FRR's DNA. Indeed, since 2001, the FRR's constitutional documents state that *"The Executive Board regularly reports to the Supervisory Board and describes how the general investment policy guidelines have factored in social, environmental and ethical considerations"*. The Supervisory Board demands from the Fonds de Réserve pour les Retraites a strong commitment towards responsible investment: as a public investor, and inter-generational vector of solidarity, the FRR must set the example by factoring Environmental, Social and Governance (ESG) considerations into its management process.

This preoccupation is reflected through a SRI strategy and the desire to exert influence over the businesses in which the FRR invests through numerous engagement initiatives and adopting voting guidelines for shareholders' general meetings.

During 2023, the FRR will engage reflections in order to update its responsible investment strategy. The objective is to adopt on a proactive basis the evolution of various standards and to remain a leader in the promotion of best practices.

RESPONSIBLE INVESTMENT STRATEGY

To implement its commitment as a responsible investor, the FRR laid the groundwork in 2003, then formalised it via five-year strategies demonstrating its growing ambition in terms of responsibility and the desire to advance and support the participants in its ecosystem (management companies, businesses, index suppliers, extra-financial research providers). These strategies, bringing together the general principles, concrete objectives, stages and resources, are presented by the Executive Board to the Supervisory Board which approves them having sought the opinion of the Responsible Investment Committee whose role is to implement the guidelines defined by the Board to prevent and control the extra-financial risks in the FRR's portfolios.

The FRR has therefore gradually laid the foundations upon which to have regard throughout its portfolio to Environmental, Social and Governance responsibility criteria in selecting its asset managers and the issuers in which they invest. It has also introduced an overall policy for the exercise of voting rights.

IMPLEMENTATION OF RESPONSIBLE INVESTMENT STRATEGY

FACTORING ESG CRITERIA INTO THE DECISION-MAKING PROCESS FOR AWARDING NEW MANAGEMENT MANDATES

Management of the FRR's portfolio is entirely delegated. Implementation of the FRR's responsible investment strategy essentially relies upon managers selected through requests for proposals. Bid selection questionnaires systematically include a section concerning the human and technical resources devoted to ESG/Climate aspects. They include questions in particular on the experience of the ESG management and research teams, the information sources relied upon, the ability to adapt engagement and voting policy to the FRR's specific requirements. The more specifically climate-related questions concern, for example, how the manager implements the TCFD's recommendations, the scope for which the following information is available: GHG emissions, GHG emission reserves, companies contributing to energy and ecological transition, physical risks, transition risks, 1.5 °C/2 °C alignment of the portfolio, companies exposed to the coal sector, companies developing new thermal coal capacity.

Since 2020 the FRR has launched requests for proposals for credit mandates which, in addition to ESG criteria, include decarbonisation targets. By the end of 2022, optimised management and credit mandates, representing 32% in total of the FRR's assets, included decarbonisation targets. In order to monitor a mandate's ESG criteria, the FRR's managers are required to submit half-yearly ESG reports. These reports cover the items listed above with a commentary provided at least once per year, at a management committee meeting.

OVERALL SHARE OF ASSETS UNDER MANAGEMENT FACTORING IN ESG CONSIDERATIONS, AS A PERCENTAGE OF TOTAL ASSETS MANAGED BY THE ENTITY

The FRR's management mandates require managers to have regard to its responsible investment strategy in their management process, by in particular systematically incorporating ESG analysis into the issuer selection process across all asset classes.

TABLE OF ASSETS FACTORING IN ESG CRITERIA (END OF 2022)

Asset class (mandates)	AUM (M€)	% of total assets
Listed equities	6,824	32.0%
Corporate bonds	6,562	30.8%
Sovereign bonds	3,409	16.0%
Unlisted assets	3,145	14.8%
Total	**19,940**	**93.6%**

Regarding treasury management and certain open-ended UCI (OPC) (around 1.8% of AUM at end of 2022), where it is not possible to fix ESG criteria at management level, the FRR integrates this aspect into the process for the selection of the manager and its proposed mandate. For the purpose of implementing the SFDR regulation, the FRR produces an inventory categorising these open-ended UCI: of 63 UCI, 22 fell under SFDR article 8, 8 under article 9 and 33 under article 6. Compared to the previous year, the percentage of UCI falling under articles 8 or 9 has increased by 41% to 48%. As for mandates, 60% fall under article 8 and 2% under article 9.

EXTRA-FINANCIAL PORTFOLIO ANALYSIS

Extra-financial analysis of the portfolio is a two-stage process:

- upstream: managers conduct extra-financial analysis when selecting issuers and whilst they are held in the portfolio;
- downstream: the FRR arranges extra-financial, and also Climate, analysis to be performed by two service providers selected periodically by invitation to tender (Moody's ESG Solutions and S&P Global Sustainable 1).

UPSTREAM EXTRA-FINANCIAL ANALYSIS

This extra-financial analysis employs various methodologies and resources deployed by the managers. The main extra-financial criteria assessed as part of the tender process include:

- ESG analysis: the information resources and sources, a detailed description of the analysis and rating methodology and its implementation in the investment process, the indicators used, the data quality control process as well as the dialogue and engagement policy;
- a focus on the topic of climate change, for which additional information is requested on the following matters:

- GHG emissions;
- GHG emission reserves;
- companies contributing to energy and ecological transition;
- physical risks;
- transition risks;
- 1.5 °C/2 °C alignment of the portfolio;
- companies exposed to the coal sector;
- companies developing new thermal coal capacity;
- green share.

The managers also have regard to the exclusion criteria put in place by the FRR, concerning:

- corporate practices that fail to respect universally recognized principles, such as those of the United Nations Global Compact, the Principles of 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 the France, in particular those on non-conventional weapons and tobacco (see pages 18 et 19), or companies whose registered office is in a country appearing on the French and European lists of non-cooperative States and territories for tax purposes;
- coal-related activities, which are particularly damaging to the climate (see page 68).

ESG analysis reporting requirements

For the purpose of monitoring portfolios invested in different asset classes and different geographical zones, further information requested by the FRR as from the end of 2021 has been added. Indeed, additional reporting information, both quantitative and qualitative, on ESG actions undertaken is now required.

Firstly, managers must supply monthly reports confirming their compliance with the FRR's various exclusions.

Since 2020, the FRR requires qualitative reporting on ESG aspects that must include at least the following items:

- reporting on the commitments made by the manager in terms of socially responsible investment indicating on what Environmental, Social and good Governance (ESG) aspects it focuses its attention within the investment universe; how it takes these non-financial aspects into account in its company research and analysis, and whether they are considered to have an impact on stock selection or portfolio construction; how the commitments made under the management mandates are followed-up, including in terms of resources and organisation (team development, technical resources…) ;
- qualitative reporting highlighting in particular investments in the eco-technologies sector ("clean technology") or those contributing to energy transition, dialogue or engagement with issuers on extra-financial aspects, participation in think tanks or international initiatives relating to ESG, carbon, energy transition, etc.;
- reporting on the ESG ratings of companies in the portfolio with summary information on the ESG ratings attributed by extra-financial research analysts, external or internal, for each security under the management mandates.

Finally, the various managers must exercise voting rights in compliance with the "Voting Guidelines" published on its website by the FRR. Regular reporting on voting is also required.

In addition to the above, other information may be required to be incorporated as part of ESG reporting during the life of the Mandate following regular discussions held between the Manager and the FRR.

DOWNSTREAM EXTRA-FINANCIAL ANALYSIS

The extra-financial analysis carried out for the FRR by Moody's ESG Solutions (MESG) includes several components:

- ESG performance analysis;
- assessment of controversies;
- identification of issuers potentially falling within the FRR's exclusion criteria.

Analysis of ESG performance[1]

Companies are assessed with reference to 6 areas:

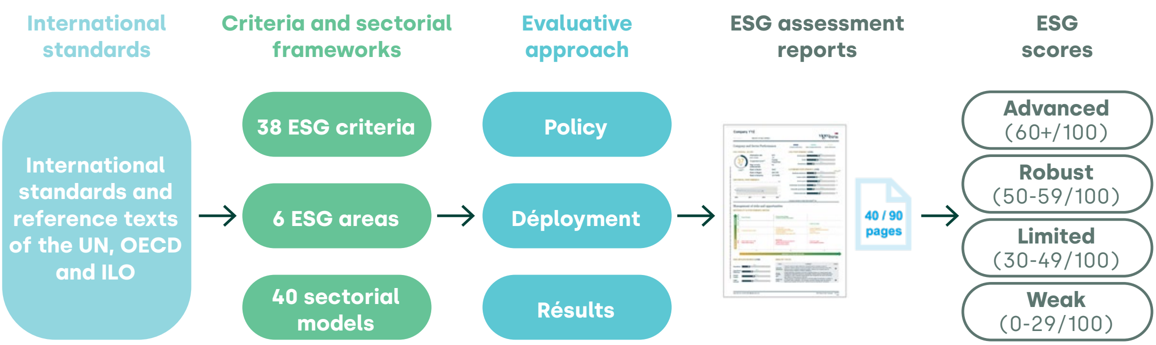
- Environment;
- Human resources;
- Human rights;
- Societal engagement;
- Market behaviour ;
- Corporate governance.

Each assessment is based upon both:

- 38 sustainable performance criteria, derived from international standards, reflected and distributed within MESG's 6 areas of analysis ;
- the company's sectorial environment.

Each company is rated on a scale from 0 to 100 which reflects management's commitment to assessing sustainability issues (policies, measurements and results) and to report on them from a risk control perspective.

ESG MÉTHODOLOGY



An ESG assessment methodology developed on the basis of international standards and reference texts. ISO 9001 certified research methodologies and processes

1. Summary of analysis produced by Moody's ESG Solutions

THE ESG CRITERIA USED ARE AS FOLLOWS:

Environment	Market behaviour	Human Resources
Environmental strategy	Products safety	Social dialogue
Pollution prevention and control	Consumer information	Employee participation
Sustainable goods and services	Customer relations	Reorganisations
Biodiversity	Long-term relationship with suppliers	Career development
Water	Supply chain environmental standards	Compensation systems
Energy	Supply chain labour standards	Health and safety
Atmospheric emissions	Corruption	Working hours
Waste management	Anti-competition	
Local pollution (noise/vibration)	Lobbying	
Transport		
Impact of product use and disposal		

Human rights	Corporate governance	Social engagement
Fundamental human rights	Board of Directors	Socio-economic development
Fundamental labour rights	Audit and internal controls	Social impact of goods and services
Non discrimination and diversity	Share holders	Philanthropy
Child labour and slavery	Executive pay	

At the end of 2022 ESG analysis covered 88.2% of listed assets, with: 86.7% of the assets in the global equities portfolio, 84.3% of the assets in the corporate bonds portfolio and 98.7% of the assets in the Sovereign bonds portfolio. Assets not analysed included unlisted assets and cash assets (23% of the assets), and issuers for which the provider does not yet produce analysis, such as unlisted assets.

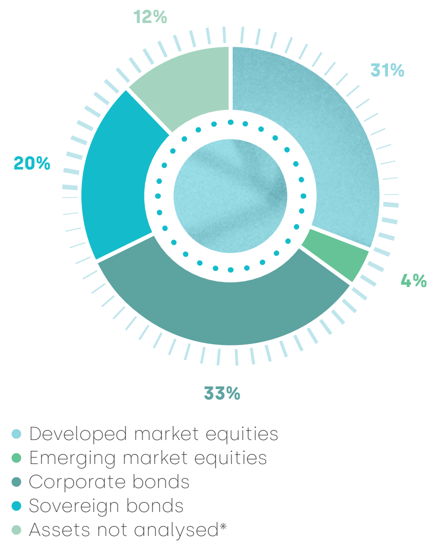
Portfolio ESG score

Analysis of the FRR's global equities portfolio at the end of 2022 highlights an average ESG score of 46.8/100, a slight improvement compared to the end of 2021 (48) and 2.5 points above its benchmark index. This performance can be ascribed to the implementation of its responsible investment policy in the FRR's mandates.

This progress is the result of an increase in the ESG Score across almost the entire range of portfolios, except for the sovereign bonds portfolio which fell slightly (73 vs 74). The most improved portfolio is the emerging market equities portfolio, which has increased from 33.6 to 38.1.

Regarding the corporate bonds portfolio, the average ESG score has risen by 2.7, increasing from 45.5 to 48.2, whereas the improvement is less marked for its benchmark index (from 47.3 to 48.3).

PROPORTION OF ASSETS COVERED BY ESG ANALYSIS AT END OF 2022



* Listed equities and bonds not covered by Moody's ESG Solutions' analysis.

Beyond this analysis carried out each year by Moody's ESG Solutions, the FRR's teams have at their disposal an ESG research database enabling them to analyse portfolios periodically. These are used at management committee meetings and form the basis for discussion with the managers on potential divergence and/or areas for improvement.

CONTROVERSY ASSESSMENT[1]

Controversy risk management levels are categorised into 5 performance levels:

- advanced;
- robust ;
- limited ;
- weak ;
- Warning List.

The performance level is based on 3 factors:

- severity of the controversy (minor/significant/high/critical);
- handling by the company of the controversy (non-communicative/ reactive / preventive/proactive) ;
- frequency with which the company is confronted with controversies (isolated/occasional/frequent/persistent).

A company may be placed on the "Warning List" if it is involved in a controversy of critical severity and/or a controversy of high severity, frequently or persistently combined with a lack of reactivity (non-communicative).

Controversy analysis covers the 6 areas of ESG analysis:

1. Environment
2. Behavior on markets
3. Human resources
4. Human rights
5. Corporate governance
6. Social undertakings

Controversies relating specifically to Climate fall under "Environment".

As regards controversial practices, analysis covers 95.2% of the consolidated portfolio capitalisation (equities and bonds). Analysis was conducted on 3,295 of the 5,582 companies in the portfolio. Moody's ESG Solutions identified, in the FRR's equities and bonds portfolios, 139 companies involved in one or more controversies of critical or high severity, on a frequent or persistent basis combined with a lack of reactivity on their part. This figure remains fairly stable (137 in the previous year). As in 2021, United States companies and the financial and telecoms/media sectors remain over-represented at these controversy levels.

As a general rule, the most significant controversies are raised with managers at management committee meetings. However, if a particularly sensitive controversy comes to light, the FRR may immediately contact the relevant managers for their analysis of how the issuer in question is managing the controversy and, if appropriate, commence dialogue with that issuer.

2. Summary

IDENTIFICATION OF ISSUERS FALLING WITHIN THE FRR'S EXCLUSION CRITERIA

The FRR has established exclusion criteria relating to 3 types of activities:

- non-conventional weapons;
- tobacco;
- coal (see page 68).

NON-CONVENTIONAL WEAPONS[3]

Moody's ESG Solutions provides a report on the participation of companies in the development, production, maintenance, use, distribution, stockpiling, transportation of or trade in non-conventional weapons or their key components.

Excluded non-conventional weapons include anti-personnel mines (banned by the Ottawa Convention in 1997, signed by 164 countries[4]), cluster munitions (banned by the Oslo Convention in 2008, signed by 108 countries[5]), chemical weapons (1992 Chemical Weapons Convention) and biological weapons (Biological Weapons Convention 1972). These exclusions have been implemented since the FRR was established.

Each year, the FRR revises its exclusion list on approval by the Responsible Investment Committee of the Supervisory Board. This list is updated during the first half of each year and then published on the FRR's website. Today, it is based on a methodology whose aim is to identify companies involved in the development, production, maintenance, use, distribution, stockpiling, transport of or trade in cluster munitions, anti-personnel mines, chemical and bacteriological weapons or their key components.

3. Summary of analysis produced by Moody's ESG Solutions.
4. Except the United States, Russia, etc.
5. Except the United States, Russia, etc.

In 2022, 15 companies identified in the FRR's investment universe are placed on the exclusion list:

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

TOBACCO

The tobacco exclusion is based on the 2003 WHO Framework Convention on Tobacco Control, signed by France. This is the first treaty negotiated under the auspices of the World Health Organization. It is an evidence-based treaty that reaffirms the right of all people to the highest attainable standard of health. The Convention represents a fundamental development in that it develops a strategy to regulate addictive substances. Unlike previous drug control treaties, the Framework Convention affirms the importance of demand reduction strategies as well as supply reduction strategies. This exclusion has been implemented by the FRR since 2016.

CLIMATE ANALYSIS

Climate analysis, performed for the FRR by S&P Global Sustainable 1, includes several aspects, the elements of which are reprised in the various chapters of this report:

- green share, brown share and contribution to energy transition, cf. chapter 5;
- carbon footprint and 1.5° C alignment, cf. chapter 6;
- environmental footprint, cf. chapter 7;
- transition risk and physical risks cf. chapter 8.

Climate analysis of portfolio assets is performed as follows:

CLIMATE ANALYSIS TABLE

Asset class	Physical risks	Transition risks / Opportunities	Alignment
Listed equities and corporate bonds	Score / 7 climate hazards	Green share / Brown share	Carbon footprint and 2° C alignment
Sovereign bonds	_	_	Carbon footprint
Unlisted assets	_	_	_

THE FRR'S COMMITMENTS

One of the main ways for institutional investors to promote sustainable development is to exert their power of influence over the issuers they help finance but also vis-à-vis their ecosystem. From this standpoint, the FRR has been involved since its inception in numerous engagement initiatives, both internationally and nationally.

It has been among the founders of some of the most structural of these initiatives (PRI). Moreover, the FRR has chosen to support dialogue with companies through collaborative initiatives, in collaboration with its mandate and fund managers and also, when necessary, directly with the companies themselves.

Global initiatives	Environmental initiatives	Societal initiatives	Governance initiatives
PRI Principles for Responsible Investment	CDP DRIVING SUSTAINABLE ECONOMIES	WOMEN'S EMPOWERMENT PRINCIPLES	ICGN International Corporate Governance Network
French Public Investors Sustainable Development Goals (SDGs) Charter	Climate Action 100+ Global Investors Driving Business Transition	Investor statement on the Bangladesh accord	EITI Extractive Industries Transparency Initiative
FIR FORUM POUR L'INVESTISSEMENT RESPONSABLE	IIGCC Institutional Investors Group on Climate Change	Statement on tobacco	
	Net-Zero Asset Owner Alliance	Gender initiative	
	French public investors climate charter		

GLOBAL INITIATIVES

PRI – 2005

The FRR is one of the founding members of the UN's "principles for responsible investment".

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

The PRI are fundamental to the growth of responsible investment: at the end of 2022, there were more than 5,300 PRI signatories, representing a total of around 113,000 Bn€ in assets under management.

French public investors Sustainable Development Goals (SDGs) Charter – 2019

The French public financial institutions and operators, of which the FRR is a member, already committed since December 2017 to implementing six principles set forth in the Public Investors Climate Charter, henceforth commit to ensuring that their responsible investor approach and their activities are consistent with all aspects of sustainable development (environmental, social, economic prosperity and governance), as stated in the 17 Sustainable Development Goals (SDGs) adopted for 2030 by the Member States.

Forum for Responsible Investment (FRI) – 2018

The Forum for Responsible Investment was created in 2001 at the initiative of fund managers, specialists in social and environmental analysis, consultants, trade unionists, academics and citizens. Since then, they have been joined by investors, including the FRR in 2018.

The aims of the FRI are to promote Socially Responsible Investment (SRI), to ensure that more investments factor in social cohesion and sustainable development aspects.

INITIATIVES ADDRESSING ENVIRONMENTAL ISSUES

CDP – 2006

Supported by the United Nations Environment Programme (UNEP), CDP is one of the most important international initiatives on the environment and climate change. With the desire to improve information on corporate behaviour regarding the environment, their energy consumption and the effects of climate change, the FRR gave its support to the CDP in 2006, and subsequently to the CDP WATER and CDP FOREST.

The CDP has become a key player in the standardization and gathering of environmental information from companies. At the end of 2022, it was backed by 680 investors representing 121 000 Bn€ 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. This alliance brings together 84 global investors, representing 10,300 Bn€ in assets, which commit to moving their investment portfolios by 2050 towards net GHG (Greenhouse Gas) emissions compatible with a maximum temperature increase of 1.5°C above pre-industrial temperatures, having regard to the best available scientific knowledge, including the conclusions of the IPCC (Intergovernmental Panel on Climate Change). Members also undertake to report regularly on progress, including by setting interim targets every five years in accordance with Article 4.9 of the Paris Agreement.

In order for members to discharge their fiduciary duties, manage their risks and achieve their investment return targets, this commitment must be part of a holistic ESG approach including, but without limitation, climate change.

Members must aim to meet this commitment, in particular by advocating and engaging with businesses and industry, and also by seeking to influence public policy, for a low-carbon transition taking into account the associated social impacts.

IIGCC
Institutional Investors Group on Climate Change

Institutional Investors Group on Climate Change - IIGCC – 2015

The IIGCC is a forum for investors working together to combat climate change. The IIGCC offers its members a collaborative platform for engagement that encourages public policies, investment practices and corporate behaviours to have consideration for the long-term risks, and opportunities, associated with climate change.

By the end of 2022, this initiative had received the support of more than 375 investors, representing 56,000 Bn€ in assets under management.

Climate Action 100+
Global Investors Driving Business Transition

Climate action 100+ - 2017

Climate Action 100+ is the largest collaborative initiative on engagement in climate change. At the end of 2022, this initiative was supported by more than 700 signatories, representing more than 63,000 Bn€ in assets under management.

This initiative is at the heart of the battle against climate change of the Net-Zero Asset Owner Alliance, of which the FRR is a member. Indeed, Climate Action 100+ is an investor-led initiative aiming to mobilise more than 168 of the world's largest greenhouse gas emitters representing 80% of industrial emissions that are critical to meeting the goals of the Paris Agreement to reduce their emissions, expand climate-related financial information and improve their governance on climate risks.

French public investors climate charter - 2017

The FRR signed this charter in December 2017. All French public financial institutions and operators have decided to adopt an approach aimed at ensuring the compatibility of their activities with the objectives of the Paris Agreement.

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

- 2014: Signing of the PRI Montréal Pledge, Support for the Portfolio Decarbonization Coalition, Signing of the declaration on climate change within the framework of the UN Climate Summit;
- 2015: Support for the ACT – ASSESSING LOW-CARBON TRANSITION initiative;
- 2017: G7 governments' declaration on Climate Change.

Public Statement: Investor challenges and expectations on "Say on Climate" - 2022

The FRR cosigned this statement, an initiative of the Forum for Responsible Investment, which has three aims:

- to publish investors' expectations on "Say on Climate" and create a "Say on Climate Terms of Reference";
- to improve dialogue between investors and companies on climate issues through shareholder General Meetings;
- Finally, to improve corporate alignment with the goals of the Paris Agreement.

IIGCC Net Zero Engagement initiative – 2022

The Net Zero Engagement Initiative aims to develop and accelerate engagement in investment portfolios. It is designed to enable investors to meet the engagement targets they have set as part of their net-zero commitments.

Climate Action 100+ has increased the scale and significance of climate engagement, with 166 companies targeted. However many more companies will need to be engaged for portfolios to align with net zero.

This new engagement initiative will initially target a minimum of 100 significant GHG emitters with a primary focus on demand and small businesses in the supply chain that are critical to the overall transition to net zero. The IIGCC has drawn up an initial list, with investors who sign up for the initiative being able to propose others.

Letters will be sent to targeted companies in early January 2023, marking the public launch of the initiative.

Statement ahead of TotalEnergies' 2022 AGM as part of Climate Action 100+

The FRR co-signed a letter addressed to TotalEnergies prior to the presentation of its "Sustainable Development and Climate" progress report 2021. This letter was structured around three requests from investors to the company:

- publication of scope 3 upstream targets aligned with a 1.5°C scenario;
- alignment of the company's published targets with a 1.5°C scenario;
- publication of more granular CAPEX to better understand its alignment with a 1.5°C scenario.

INITIATIVES ADDRESSING SOCIETAL ISSUES

Anti-tobacco advocacy - 2017

53 investors, health systems, pension funds and insurers, representing 3.8 billion dollars in assets under management, signed a communiqué addressed to World Health Organization (WHO) representatives and national health ministers who openly support stronger tobacco control regulation.

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

The FRR is convinced that diversity is a decisive factor in companies' operational and financial performance. On 17 September 2019, with the support of UN Women, it signed a joint declaration promoting gender equality within companies. This initiative aims to bring together numerous investors to call upon a wide panel of listed companies around the world, to be more transparent in this area and to encourage them to sign the Women's Empowerment Principles. This is a set of 7 principles, the result of an alliance between UN Women and UN Global Compact, to which companies can sign-up to promote gender equality in their professional environment

Gender initiative – 2019

On 7 November 2019, the FRR signed the Gender initiative. This declaration, coordinated by Mirova and co-signed by 66 investors representing a total of 4,000 Bn€ in assets, is supported by UN Women and the United Nations Global Compact and aims to promote gender equality in companies.

INITIATIVES ADDRESSING GOVERNANCE ISSUES

ICGN
International Corporate Governance Network

International Corporate Governance Network (ICGN) – 2014

The ICGN is an international organization of governance professionals whose goal is to inspire and promote international standards of corporate governance. These improvements help companies perform more sustainably and increase transparency.

For this purpose, the ICGN has various committees which reflect upon adopting best corporate governance practices. Having for 6 years sat on the Board of Directors of ICGN, the FRR has been involved in defining rules of good conduct, the practical implementation of which is evident in the request-for-proposal mandate contracts.

Extractive Industries Transparency Initiative (EITI) – 2009

This initiative aims to increase the transparency and accountability of operators in the extractive industries sector through verification and publication in full of payments made by companies and income received by governments in connection with the exploitation of mineral, oil and gas resources. By supporting the EITI, the FRR invites all companies in the sectors directly or indirectly concerned, of which it is a shareholder, to join, and encourages those that have already committed to support the initiative to play an active role in its implementation.

Key Milestones

2001
Factoring in of extra-financial considerations under the law establishing the FRR

2003
1st RFP to select managers : incorporating ESG criteria

2005
SRI Strategy - period 2005-2008
Publication of Voting Guidelines

2006
Founding member of PRI
CDP membership
Approach to assessing the entire portfolio having regard to extra-financial criteria

2007
Funding the "Sustainable Finance and Responsible Investment" Chair Support for the PRI-FIR Academic Research Prize

2008
SRI strategy - period 2008-2012

2009
Joined CDP water
Support for the Extractive Industries Transparency Initiative (EITI)

2013
SRI Strategy - period 2013-2017

2014
Membership of the International Corporate Governance Network (ICGN)
Support for an initiative on supply chain risk management in the textiles sector

2014
Signing of PRI Montréal Pledge
Signing of the UN Summit Declaration on Climate Change

2017
Signing of French public investors climate charter loined CDP FOREST CA100+ and lIGCC

2017
Joined CA100+
Joined IIGCC

2017
Signing of declaration addressed to WHO members and health ministers supporting stronger tobacco control regulation

2018
Support for the United Nations Environment Programme Finance Initiative (UNEPFI)
Commitment to follow TCFD recommendations*
Membership of the Forum for Responsible Investment (FRI)

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

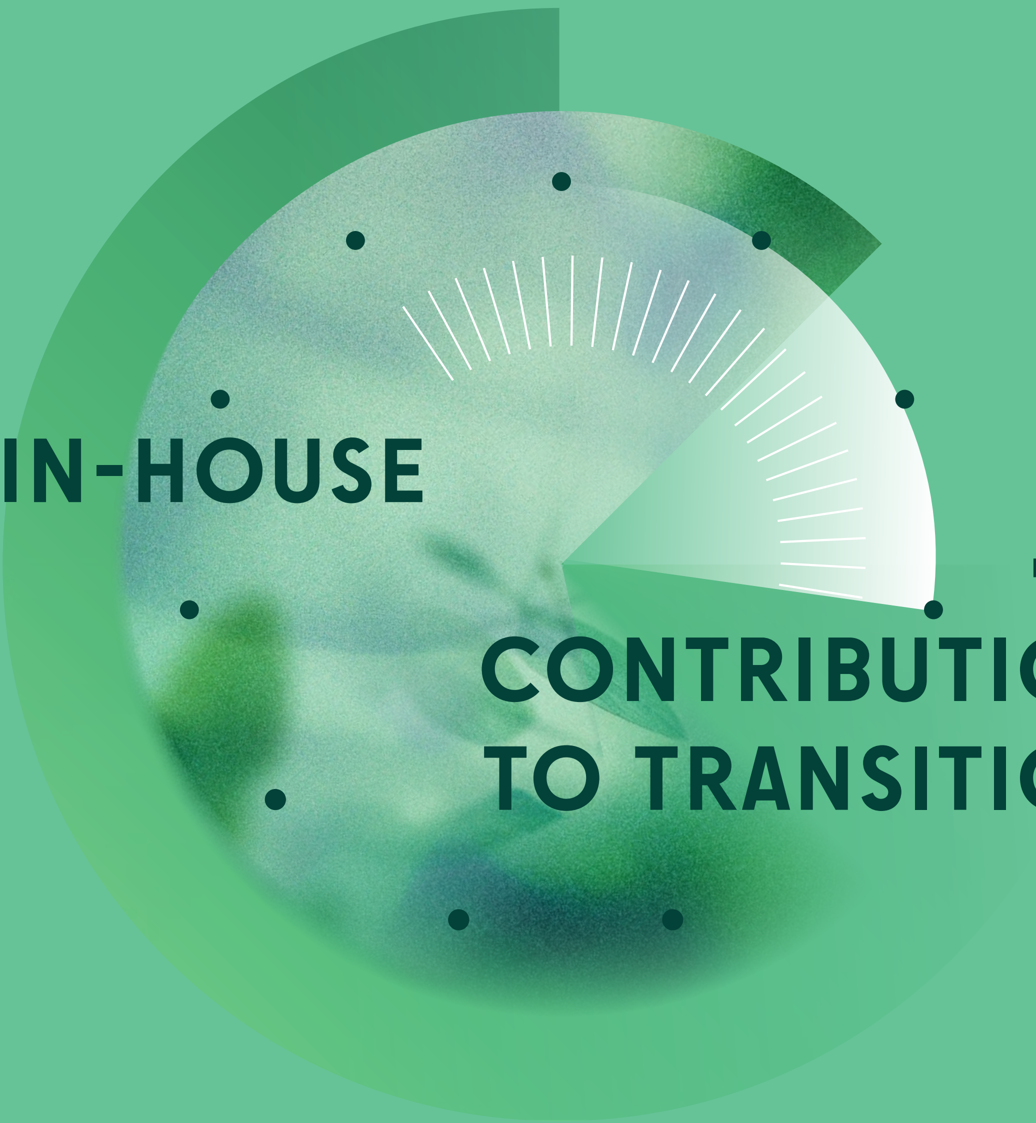
2019
Signing of French public investors SDG charter
"Women's Empowerment Principles" collaborative initiative
Signing of "Gender Initiative* declaration

2019
Membership of "Net zero asset owner initiative"

2021
Signing of "Bangladesh Accord" declaration
Support for engagement action on TotalEnergies' presence in Myanmar

2022
Support for IIGCC Net Zero Commitment initiative

* SDG: Sustainable Development Goals.
* TCFD (Task Force on Climate-related Financial Disclosures): working group on financial transparency of climate-related risks.
* Fair transition: having regard to social aspects in decisions related to energy transition.



PART 2

IN-HOUSE CONTRIBUTION TO TRANSITION

All assets are managed by delegation. Most of the resources used to deploy the FRR's RI strategy are at manager level. As indicated on page 34, the manager selection process includes a very significant component dealing with their resources dedicated to ESG in general, and Climate in particular. Investment Directors are involved at all stages during the life of a mandate (defining ESG objectives, selection, monitoring...) and report yearly to the manager selection Committee on ESG indicators within their scope. Furthermore, a Responsible Investment monitoring Committee is responsible for implementing the guidelines laid down by the Supervisory Board for the prevention and control of extra-financial risks in the FRR's portfolios.

Monitoring of the effective implementation of the RI strategy, originally performed by the Executive Board, is now integrated into the Delegated Management and Responsible Investment Department, within the FRR's Finance Department. The aim of this organisational change is to strengthen ESG integration at operational level. This Department employs a Responsible Investment Officer, who is an expert in ESG analysis (20 years of experience). A junior analyst has also been recruited, to improve exploitation of ESG data. The FRR relies on the resources of a number of specialist agencies:

- analysis of extra-financial risks and opportunities of the FRR's portfolio: portfolio analysis and supply of an extra financial risk database – lot 1 Moody's ESG Solutions (ex Vigeo Eiris) and lot 2 ISS Europe ;
- measurement and analysis of the environmental footprint of the FRR's portfolio: lot 1 – assessment of portfolio climate risks, lot 2 – contribution to energy transition and lot 3 – analysis of environmental impacts and physical risks: S&P Global Sustainable 1.

In 2022, the budget earmarked by the FRR towards ESG/Climate data and analysis totalled more than 211 k€.

CONTRIBUTION TO FINANCING RESPONSIBLE INVESTMENT RESEARCH

The FRR supports the FRI (Forum for Responsible Investment) and sponsors its annual Award organised in collaboration with the PRI (Principles for Responsible Investment). Since 2007, it has also financed academic research on sustainable finance and responsible investment at the Toulouse School of Economics and the École Polytechnique.

In 2022, the FRR supported in particular the work of Uli Hege on "The value of green innovation" in collaboration with Sébastien Pouget (co-director of FDIR Toulouse School of Economics) and Yifei Zhang. Uli Hege studies the ESG and financial performance of companies that file "green" patents. He found that companies that file climate-related patents subsequently posted higher positive cumulative stock market returns thereby enjoying a lower cost of capital, compared to equally innovative companies.

In 2022, the budget allocated by the FRR to all organisations and bodies supporting ESG/Climate initiatives totalled more than 144 k€.

COLLABORATION WITH EXTRA-FINANCIAL DATA PROVIDERS

For several years, the FRR has been working with index providers to ensure that they incorporate extra-financial criteria when constructing the indices. This work led in 2014 to the creation of the Low Carbon Leaders indices with MSCI and the Swedish fund AP4. The FRR continues this work with the various index providers and, since 2021, most of the customized smart beta indices used by the FRR incorporate into their construction methodology a carbon emission control mechanism to ensure that they remain at a level close to the capitalization-weighted index.

The FRR also works with management companies and extra-financial data suppliers to improve ESG data calculation methods and practices. With regard to ESG optimised mandates in particular, ESG data quality is key. Indeed, in recent years, the FRR has opened a dialogue between management companies and index providers with a view to harmonising coal share calculation methodologies in relation to a number of major players in the local authority services sector. These various engagement initiatives have led to greater consistency on the part of data providers in terms of methodology to better take into account the operations of the companies analysed. For example, the methodologies for consolidating the results of a subsidiary with those of its parent company, or considering inter-company payment flows, are today better understood by a number of coal data suppliers. This results in responsible management more consistent with companies' economic reality.

ESG CLIMATE GOVERNANCE

PART 3

GOVERNING BODIES

Factoring sustainability criteria into its management decisions is at the heart of the FRR's identity. Indeed, since 2001, the founding texts of the FRR (Article L.135-8 of the Social Security Code) specify that *"The Executive Board regularly reports to the Supervisory Board and describes how the general investment policy guidelines have factored in social, environmental and ethical considerations"*.

● SUPERVISORY BOARD

The FRR's Supervisory Board approves the Responsible Investment strategies, Voting Policy and "Climate" objectives presented to it by the Executive Board. It also oversees their implementation and the achievement of the "Climate" objectives".

● RESPONSIBLE INVESTMENT COMMITTEE (RIC)

This committee, established in 2008, is formed by the President of the Supervisory Board, a member of the panel representing employee trade union organisations, and a member of the panel representing employer trade union organisations. It may in addition be supported by two qualified external persons and, where necessary, service providers. As at today's date, there are two expert members:

- Jean-Claude Javillier, aggregate professor in the Faculty of Law. He has taught Labour Law and comparative industrial relations at the International Labour Office (International Labour Organization, Geneva) and has held the posts of Director of the international labour standards Department, then chief Adviser at the International Institute for Labour Studies. He has published various books and articles in the fields of labour and professional relations, and global governance;
- Jean-Pierre Hellebuyck was vice-chairman of AXA Investment Managers and Chief Investment Officer of AXA Investment Managers. He was also chairman of the corporate governance committee at the Association française de la gestion financière (AFG). He is the author of several reports on governance and financial management.

This Committee is responsible for ensuring that the guidelines established by the Board for the control and prevention of extra-financial risks in the FRR's portfolios are implemented. In particular, it verifies annually the list of issuers excluded due to their involvement in non-conventional weapons (cf. page 18). This Committee reports on its work at least once each year to the Supervisory Board.

● EXECUTIVE BOARD

The Executive Board prepares the Responsible Investment strategies, Voting Policy and "Climate" objectives, seeks the opinion of the Responsible Investment Committee on its plans and presents them to the Supervisory Board.

The Executive Board reports, at least once per year, to the Responsible Investment Committee and to the Supervisory Board, on the implementation of the Responsible Investment strategy, the Voting Policy and the "Climate" objectives.

The reports provided to the RIC and the Supervisory Board cover extra-financial analysis of the portfolio, assessment of controversies, monitoring of issuers to which the exclusion criteria may be relevant, climate analysis and indicators for monitoring climate objectives, as well as engagement initiatives conducted and the exercise of voting rights.

FINANCE DEPARTMENT

The Finance Department establishes the ESG criteria for selection of managers and their management proposals, with a special emphasis on climate.

The Finance Department then ensures that the managers properly implement the Responsible Investment strategy, the Voting Policy and the defined ESG/ Climate criteria. It conducts a two-level verification:

- 1st level analyses based on ESG/Climate reports supplied by the managers, at least twice per year, and examined at Management Committee meetings;
- 2nd level analyses, based on the assessment reports supplied by two service providers: Moody's ESG Solutions for extra-financial portfolio analysis and S&P Global Sustainable 1 for the climate and environmental audit.

OPERATIONS AND RISKS DEPARTMENT

The operations and risks Department is responsible for monitoring compliance with the various exclusions.

ESG COMMITTEE

An ESG Committee, led by the chief ESG officer, meets on a monthly basis. The Executive Board members and all of the FRR's various Departments attend this ESG Committee, which forms the backbone of the FRR's ESG activities. It ensures that all Departments are involved in reflecting on ESG matters, in preparing the various documents, including those intended for the RIC.

MANAGERS

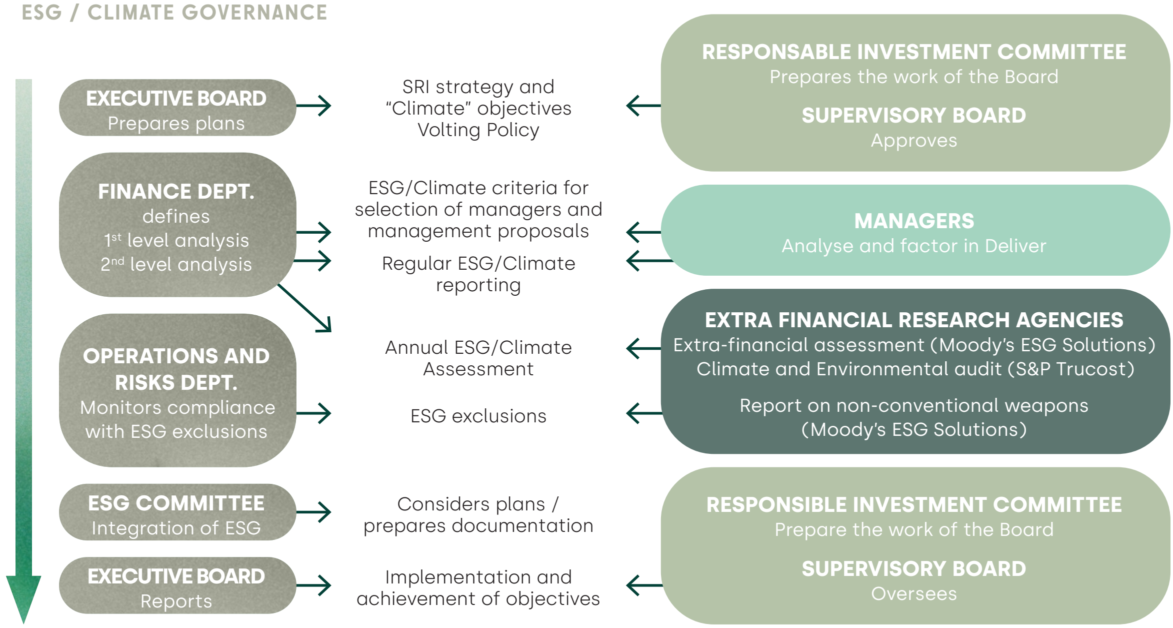
The managers must take the FRR's Responsible Investment Strategy into consideration in their management by, in particular, systematically incorporating ESG analysis into the issuer selection process, across all asset classes. They also exercise all voting rights at shareholder general meetings for equities held in the portfolio, in accordance with the FRR's Voting Policy guidelines. They submit regular reports on these matters, which are discussed at all half-yearly management committee meetings.

EXTRA-FINANCIAL RESEARCH AGENCIES

As mentioned on page 27, two extra-financial research agencies selected periodically by invitation-to-tender carry out on behalf of the FRR a full annual analysis of the portfolio:

- Moody's ESG Solutions conducts an ESG performance analysis, an ESG-related controversies assessment and identifies issuers that may fall within the FRR's exclusion criteria;
- S&P Global Sustainable 1 conducts a Climate analysis, which involves several elements: Green share, brown share and contribution to energy transition, carbon footprint and 2°C alignment, environmental footprint, assessment of transition risks and physical risks.

ESG / CLIMATE GOVERNANCE



INTEGRATION OF SUSTAINABILITY CRITERIA WITHIN REMUNERATION POLICIES

The members of the Supervisory Board and the Responsible Investment Committee do not receive any remuneration. Members of the Executive Board and the Finance Department are given annual targets with respect to implementation of the responsible investment strategy.

Regarding the integration of sustainability criteria within remuneration policy, two Executive Board members are given specific responsible investment targets in their annual mission letter. As for the FRR's personnel, part of their remuneration is conditional on achieving annual targets. Indeed, 20% of the finance director's target bonus is conditional upon implementation of the FRR's responsible investment policy. These targets are set at Finance Department team leader level. Indeed, 30% of the target bonus of the Head of the Delegated Management and Responsible Investment Department is based upon investing in accordance with the responsible investment strategy and 25% of the target bonus of the Head of Asset Allocation is based upon integration of responsible investment at strategic allocation level. At team level, in addition to the Responsible Investment Head of Mission 80% of whose target bonus is conditional on specific ESG targets, the ESG-related target bonus weightings of Investment Directors are set between 10 and 20% depending on their scope.

ENGAGEMENT STRATEGY, VOTING POLICY AND REPORTING

PART 4

The FRR's engagement strategy is based upon four main pillars:

1. shareholder dialogue conducted at shareholder general meetings and based upon the FRR's Voting Guidelines;
2. dialogue targeted at portfolio issuers, identified as posing a risk with respect to their ESG/Climate practices. These issuers enter into a Dialogue Programme conducted by managers at the FRR's request;
3. a priority topic: energy and ecological transition. For reasons of greater efficiency, this topic is addressed essentially through collaborative initiatives, in cooperation with other investors and market bodies;
4. a financial management ecosystem initiative, directly led by the FRR.

VOTING GUIDELINES

THE VOTING GUIDELINES HAVE BEEN UPDATED IN 2022

The FRR's responsible investor approach involves adopting a shareholder position at all general meetings. Given the global and international nature of the FRR's investments, the guidelines with regard to the exercise of voting rights involve three aspects:

- The FRR's interest in actively contributing towards improving governance in the companies in which it invests. Indeed, the aim here is to promote clarity and a balance of power between the governing bodies as well as quality in terms of the information supplied to shareholders, respect for their rights and voting integrity. This aspect is, therefore, one of the factors that contributes strongly to the sustainability of the business community, to the continuity of the strategy they conduct, to the manner in which they exercise their responsibilities vis-à-vis all of their stakeholders. All of these elements contribute directly to their future worth.
- The fact that the FRR is a long-term investor. It has elected to prioritise in structuring its portfolios and in its management mandates, in accordance with the asset allocation strategy adopted by the Supervisory Board, an active approach based upon an analysis of the fundamental valuation prospects of the equity and debt securities issued by the various categories of issuers. It is therefore logical that this approach is also taken into account by the managers in their case-by-case implementation of the voting guideline principles, in particular when considering the appropriateness of transactions affecting a company's share capital.

- Finally, efforts to improve corporate governance, whether by the companies themselves, by the legislator or the regulatory bodies, have increased in recent years. These must continue. The active exercise of the FRR's voting rights must, however, take a pragmatic view of the actual conditions on the ground in each market, having regard in particular to issuer capitalisations, the significant differences in company law and practice in terms of corporate governance in the relevant countries.

At the end of 2022, the Voting Guidelines were updated to provide clarity on a number of topics and to reflect recent regulatory developments. The following in particular were highlighted:

- The need to analyse dividend distribution by portfolio companies:
  - having regard to changes in the company's wage bill to ensure fairness between employees and shareholders over the long-term,
  - in line with the challenges of energy transition and associated investments.
- The importance of establishing within the FRR's Boards a Committee dedicated to Corporate Social Responsibility (CSR) matters.
- Encouraging companies to publish a fairness ratio, including in countries where this is not mandatory. This refers to the ratio between the company's highest remuneration and the average and median remuneration of employees. Moreover, in order to maintain corporate cohesion within the company, the FRR proposes that the overall annual remuneration of senior executives be capped at 100 times the minimum salary in the country where the head office is located, or where there is no minimum salary, 50 times the median remuneration calculated at Group level.
- The desire to introduce a regular vote at General Meetings on climate goals and climate reporting.

In accordance with its founding documents, the FRR's voting rights are exercised by the asset managers it has selected and in the FRR's sole interests.

The guidelines on the exercise of voting rights incorporate all of these elements and must therefore be sufficiently wide to account for jurisdictional particularities (both in France and internationally). The FRR's aim is to capitalise on managers' knowledge and ability to respect the practices prevalent in the various financial markets. Managers may also have regard to these local practices on matters that are not covered by the FRR's voting guidelines.

RESULTS OF THE EXERCISE OF VOTING RIGHTS

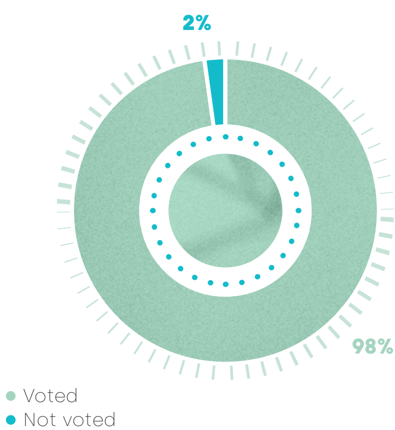
To assist monitoring, the FRR is in the process of rating the quality of governance of its developed market equities portfolio. This new and analytical approach enables the FRR to better understand the essential components of governance of this portfolio. This process conducted through its active managers, has in 2022 enabled it to participate in 1,511 shareholder general meetings and to vote on more than 20,000 resolutions in the countries comprised in its developed markets equities portfolio. Its managers took part in 98% of voting general meetings.

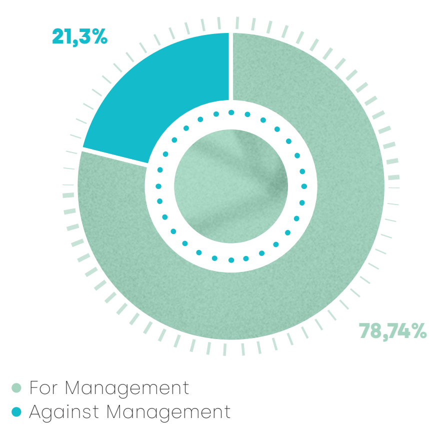
The FRR's Managers voted on resolutions proposed by management at general meetings at a ratio of 78.7% FOR and 21.3% AGAINST.

In 2022, disagreements over director appointments increased significantly, from 12% of votes against resolutions presented by management to 31%. Note, however, that there were significant geographical disparities: in France and Germany such disagreements represented 15% of votes against management, but no less than 54% in the United States.

Resolutions on compensation accounted for 23%, down from 27% in 2021.

NUMBER OF AG VOTED IN 2022





Resolutions on “Say on climate” were even more prevalent: 55 companies put forward resolutions on this topic (vs 11 in 2021). These votes for the most part concerned the company’s energy transition plans. Although undoubtedly a step forward, the substance of these plans often remains short of investors’ expectations. In more than half of cases (58%), these resolutions were voted against.

The FRR pays close attention to the factoring in of extra-financial aspects, particularly social, societal and environmental, by boards of directors, to consideration of the recommendations of the TCFD and diversity not only on boards of directors, but also within the executive committees of the companies of which it is a shareholder.

EXERCISE OF VOTING RIGHTS UNDER EQUITY INDEX MANAGEMENT MANDATES CONSISTENT WITH THE PARIS AGREEMENT

Equity index replication strategies for management consistent with the Paris Agreement optimize portfolios based on advanced extra-financial criteria, dialogue with companies on various sustainability topics and implement the FRR's responsible voting rights policy.

The managers of these mandates took part in nearly 700 general meetings and voted on more than 12,000 resolutions, including around 300 shareholder resolutions in 2022. On average, managers voted against 25% of the resolutions reviewed, a level similar to 2021. The votes against mainly concerned compensation, the appointment of directors deemed not sufficiently independent or accepting too many corporate officer positions or authorising changes to share capital.

One of the major themes also in 2022, as in previous years, was energy transition and emitters’ decarbonisation trajectories. All of the managers highlighted the increasing number of so-called "Say on Climate" (SOC) resolutions. This new vote on corporate climate strategy expanded in 2022 to numerous companies and the inclusion of "Say on Climate" on general meeting agendas meant that managers were able to express themselves more clearly on this issue. Management companies nevertheless stress that the increasing importance of SOC at general meetings requires that they be more demanding on such resolutions by strengthening their analytical framework. This approach has led to variable, case-by-case voting on climate strategies submitted to shareholders. Indeed, managers’ high expectations on this topic explain why they supported on average only 30% of SOC resolutions.

SELECTION OF ISSUERS FOR THE FRR'S DIALOGUE PROGRAMME

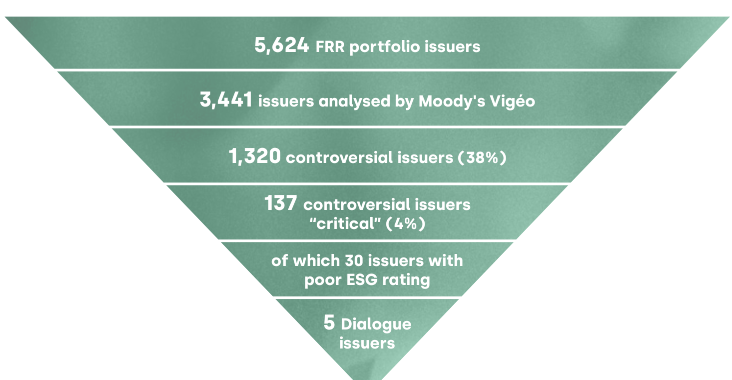
The process for selection of issuers to enter FRR's Dialogue Programme is based upon identifying companies posing the highest level of ESG risk. The assessment of this risk level relies upon Moody's ESG Solutions' analysis. The aim of this analysis is to identify companies accused of failing to comply with international standards, and to assess the degree of risk posed by such allegations and the quality of the relevant companies' responses. The companies selected are those that present both a poor ESG score and a "Critical" controversy severity level. The ESG assessment requires a score 1.2 times below the regional sectorial average (US, Europe, Asia-Pacific). Indeed, the FRR's view is that it is not necessary to focus its attention on companies that have already made significant progress. Finally a qualitative analysis is used to choose issuers from amongst them to participate in the Dialogue Programme. The scope, which was initially limited to equities mandates, has now been extended to the new bonds mandates.

For efficiency reasons, finance companies and public enterprises are not included in this programme, given the complexity of the challenge and the anticipated lack of results deliverable by a dialogue programme.

Moody's ESG Solutions has identified, in the FRR's equities and bonds portfolios, 139 companies involved in one or more controversies of critical or high severity. This number remains stable compared to 2021 (137).

At the end of 2021, the process for selection of issuers to enter the Dialogue Programme for 2022 resulted as follows:

Based on Moody's ESG Solutions's report received at the end of 2021, the FRR selected, for its 2022 dialogue plan via its managers, the following list of companies: BUNGE LTD, CHARTER COMMUNICATION, EASTMAN CHEMICAL CO, INDIVIOR PLC and JUST EAT TAKEAWAY.COM NV. The FRR has engaged in dialogue with 6 of its managers on these 5 controversial companies.



RESULTS OF ENGAGEMENT INITIATIVES IN 2022

This 2022 dialogue campaign has demonstrated that managers' levels of involvement are increasingly uniform, of good quality and improving year-on-year. The following points characterize the 2022 dialogue campaign: Managers have clearly identified the controversies and are in dialogue with companies on one in three cases. In the other cases, they took the view that dialogue was unnecessary given the types of controversies involved. This increased selectivity may, however, be perceived as a high degree of maturity on the part of asset managers in their dialogue activities rather than a withdrawal from these matters. Indeed, they are engaging with an increasing number of companies and teams are strengthening their engagement activities.

At mandate level

Improving metrics is one aspect of the FRR's responsible investor policy, but it also highlights the need to encourage companies through dialogue to achieve a more virtuous trajectory. These commitments are supported by the management companies and contribute to the sustainable approach promoted by the FRR.

1) The euro-denominated high yield corporate bonds mandates, launched at the end of 2021, have throughout 2022 demonstrated results that are extremely encouraging for a bonds asset class. Indeed, managers have taken numerous steps to engage with the issuers in their portfolio or universe, whether directly or through collaborative initiatives resulting in managers dialoguing on topics such as the transparency of a company's ESG indicators, policies to promote a zero carbon economy, the issuer's sustainable governance or indeed the provenance of commodities. Overall, there is a significant level of climate engagement, a theme highlighted in these mandates, notwithstanding the managers having a good grasp on the other social and governance aspects. Certain managers have in 2022 also signed collaborative initiatives promoting sustainable investment policy.

2) The equities index management mandates consistent with the Paris Agreement also incorporate to a significant extent the theme of engagement with the companies in the portfolio. Indeed, the 3 managers have taken steps to engage with almost all of the companies forming their investment universe. This engagement takes the form of direct dialogue or taking part in collaborative initiatives and the topics highlighted often cover environmental issues. Indeed, amongst others, the topics discussed include protection of biodiversity, transition towards a low carbon economy, validation of SBTi commitments or the adoption of good practices from a tax perspective.

3) The European and US investment grade credit mandates currently managed on behalf of the FRR also include a specific half-yearly reporting requirement on various matters including, in particular, engagement initiatives undertaken with certain issuers in the portfolio. As part of the information required by the FRR, management companies must specify the number of issuers in the portfolio with which it has engaged, specifying the topics covered and indicating whether the engagement was direct or part of a collective initiative.

FOCUS ON CLIMATE-RELATED ENGAGEMENT INITIATIVES

At FRR level

Collective engagement initiatives

The FRR had pursued is participation to the actions undertaken by the Climate Action 100+, which engages in dialogue with 166 of the world's largest listed private issuers and drive corporate climate action in line with the global goal of 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 corporates.

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 leaders of the investor networks. The strategy is deployed by the staff of the investor network which supports the investors in their engagement initiatives with the target companies. Investor engagement through this initiative has resulted in the target companies expanding their climate ambitions. This engagement relies upon an assessment that is carried out each year, based on ten indicators combined within the Net-Zero Company Benchmark. These indicators concern in particular the company's "Net Zero" ambition, its short, medium and long-term emission reduction targets, its decarbonisation strategy and the investment allocated thereto, climate governance, fair transition and adoption of the TCFD's recommendations.

The 2022 report of the Net-Zero Company Benchmark shows contrasting results:

- the targeted companies continue to make progress on setting net neutrality targets for 2050 or earlier. These are now 75% compared to 50% a year previously,
- 91% of the companies now follow the TCFD recommendations compared to 72% the previous year.

However, these positive developments on the stated objectives and transparency should not obscure the need to translate this into concrete steps to reduce emissions. Significant progress remains to be made: the Benchmark identifies persistent weaknesses in forming a decarbonisation strategy: only 19% of targeted companies communicate quantified plans. Publishing emission reduction targets in the short and medium term remains in the minority (21% and 12% of companies respectively).

Finally, the alignment of investments with the stated ambitions remains marginal: 1% of companies fully meet this criterion and 9% only partially.

Engagement actions undertaken at the FRR's initiative

As part of the NZAOA, the FRR has requested two managers to engage with a selection of portfolio companies. The 27 targeted companies were selected in accordance with the NZAOA's "Target Setting Protocol" rules. This provides for the selection of at least 20 portfolio companies, with a focus on those responsible for emissions "generated by companies held in the portfolio" or those responsible for a total of 65% of the emissions generated by portfolio companies. The desired outcome of these engagement initiatives is alignment with trajectories tending towards not exceeding, or not significantly exceeding, the 1.5°C threshold.

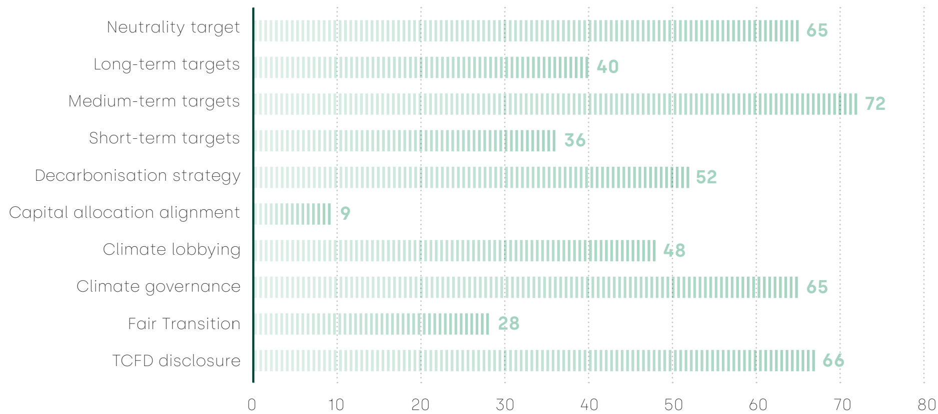
The FRR has decided to request two managers to use the analysis matrix developed by the CA 100+ initiative (the "Climate Action 100+ Net-Zero Company Benchmark"), to perform their own analysis. By using this analysis matrix, it is possible to measure as objectively as possible the positioning of the target companies, and the progress made over the duration of the engagement (planned until the end of 2024). It can also be used to compare companies' levels of progress on various matters: neutrality targets, decarbonisation strategy, alignment of capital allocation, climate lobbying, climate governance, fair transition and compliance of disclosure with TCFD recommendations.

An assessment of the initial situation has been produced for 26 of the planned 27 (the last having in the meantime been withdrawn from the list). When interpreting these results, note that half of the companies targeted by the FRR fall within the scope of the CA100+ initiative.

The results reflect an overall lower level of maturity than for the CA100+ benchmark companies, which was fairly predictable. Indeed these companies are challenged to a much lesser extent by their investors. Of the selected companies, 65% satisfy the neutrality target criteria compared to 75% for those in the scope of the CA100+ benchmark, and 66% in terms of compliance of their disclosure with TCFD recommendations compared to 91%.

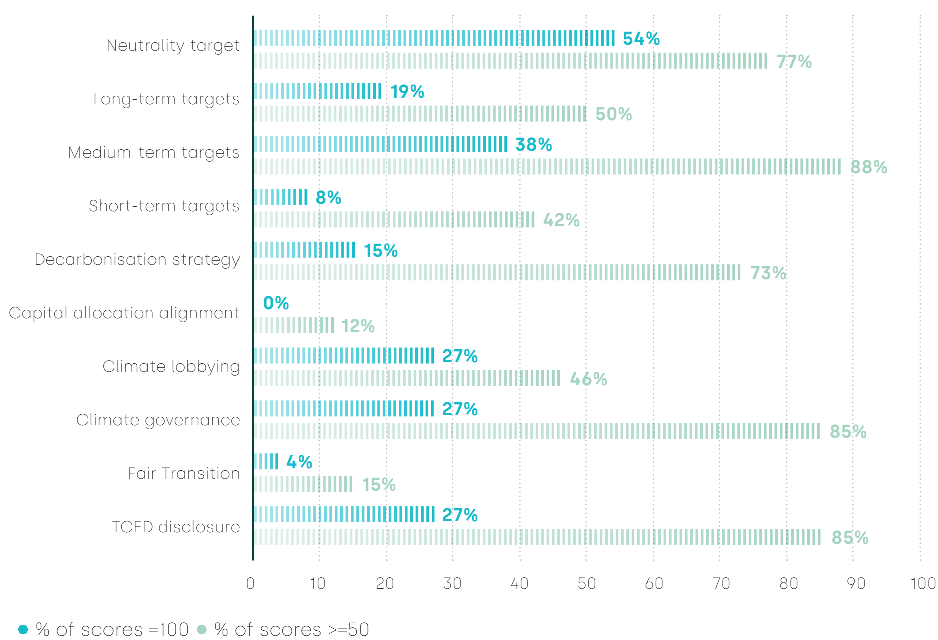
The table below gives details of the average score of 26 of the companies engaged with, for each criterion. The two criteria where the highest level of progress has been made are, like the CA100+ benchmark, determination of short-term targets and capital allocation alignment. Since scores for the fair transition criterion, which has recently been included on a trial basis in the benchmark, have only been attributed to around half of the panel, the results in this regard are less significant.

AVERAGE SCORES/100



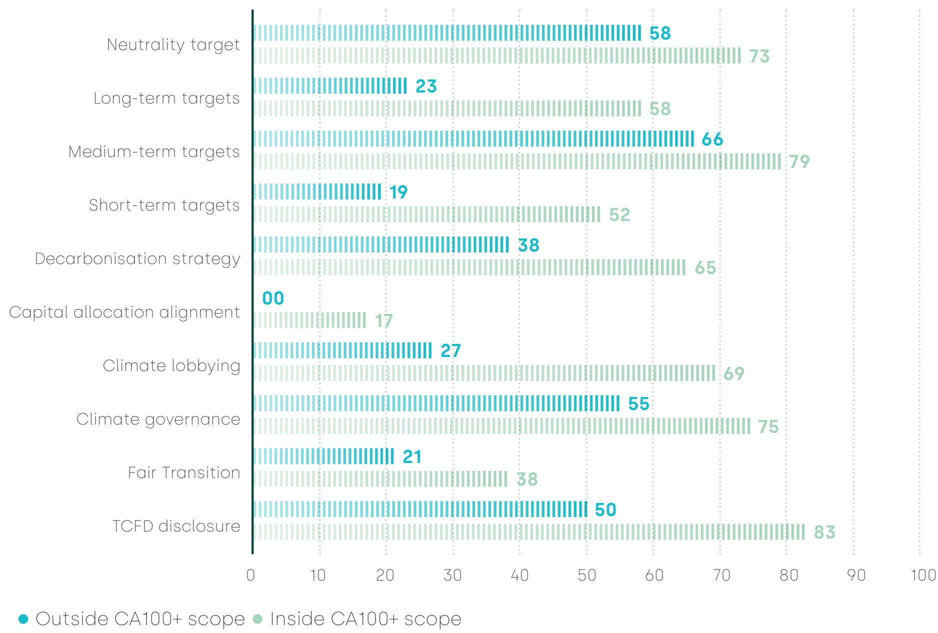
The table below gives a more accurate picture of the level of maturity of the panel companies for each of the criteria:

COMPANIES' MATURITY LEVEL BY CRITERIA



Finally, considering the average scores for the companies included within the scope of both the FRR's panel for engagement and also the CA100+ benchmark, there is a significant divergence compared to those companies outside the scope. The overall average score for the first group was 62, compared to 37. This result confirms the importance of extending dialogue to these companies.

AVERAGE COMPANY SCORES



SUPPORTING COMPANIES THROUGH PRIVATE EQUITY

Since its first private equity mandates in 2007, the FRR has required comprehensive reporting from its managers, in particular by imposing a significant ESG component in order to develop, measure and verify the impact of its investments on companies and their ecosystem. In practice, the FRR strives to ensure that its managers conduct a pre-acquisition ESG assessment, draw executives' attention to ESG issues, define areas for improvement in forthcoming years to promote a company's development and prepare it for the highest possible level of ESG requirements and thereby facilitate its disposal. The FRR's requirements have been a driving force for management companies, which have increasingly developed and boosted the monitoring of ESG aspects, with the support of the executive teams in portfolio companies. With the implementation of the SFDR regulation, management companies have been very active in deploying their ESG policies, which is recognized as a central issue for all of the FRR's managers.

One of the leading managers in the adoption of ESG matters, Swen Capital Partners has produced a best practices guide geared to the unlisted sector and has for the past 8 years bestowed an annual award to reward organisations on the steps they have taken and the progress they have made. Several of the FRR's managers have already been nominated or rewarded in recent years and, in 2022, the jury included an FRR team member.

"SUSTAINABLE" INVESTMENTS

PART 5

AND INVESTMENTS IN FOSSILS

"SUSTAINABLE" INVESTMENTS

The idea of "sustainable" investments, or financing of "green" activities, has been the subject of lengthy debate. At European level, this has led to the development of a classification of economic activities with a favourable impact on the environment, referred to as the "Green taxonomy". This harmonisation was made necessary by the desire to nudge investments towards these "green" activities.

An activity is classified as sustainable if it meets at least one of the following six objectives:

- climate change mitigation;
- adaptation to climate change;
- sustainable use and protection of aquatic and marine resources;
- transition towards a circular economy;
- pollution control;
- protection and restoration of biodiversity and ecosystems.

The activity must contribute substantially to one or more of the six objectives, without significantly prejudicing the other objectives (principle of "Do no significant harm"[6]). It is also required to comply with social standards and to comply with the technical assessment criteria set forth in delegated acts.

For example, the generation of electricity by a hydroelectric powerplant can be "sustainable" if it is a "run-of-the-river" installation, with no artificial reservoir, and if its power output is greater than 5 W/m^2, in particular.

At the end of 2022, only the activities in the first two above-mentioned objectives have been defined (climate change mitigation and climate change adaptation).

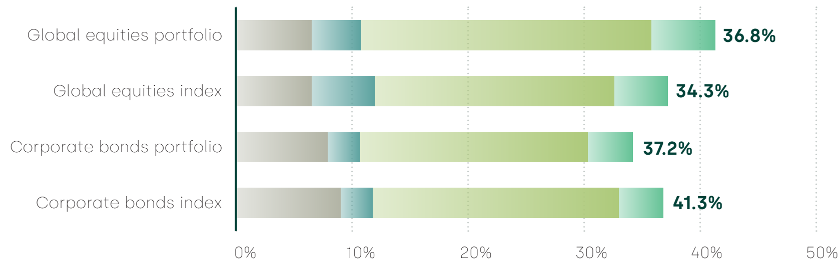
ELIGIBLE REVENUES BY POTENTIAL OBJECTIVE AND ACTIVITY TYPE

The taxonomy defines 96 commercial activities within the 13 macro sectors of the Nomenclature of Economic Activities (which may be categorised as General, Transitional or Enabling). The General activities are those that have a direct potential to mitigate carbon emissions (e.g. renewable energies). Transitional activities are those that may be of relatively high carbon intensity but which have a significant potential to reduce their carbon emissions over time (e.g. steel production). Enabling activities are those that may promote reductions in carbon emissions in other sectors (e.g. wind turbine manufacturing).

The table below shows the eligible revenues of the various portfolios and indices, broken down by objective (i.e. mitigation or adaptation) and by the type of activity they would fall under if they were categorised as aligned.

6. Source: Carbon neutrality: the European taxonomy in six questions| Vie publique.fr (vie-publique.fr)

ELIGIBLE REVENUES PER POTENTIEL OBJECTIVE AND ACTIVITY TYPE
(Source: S&P Global Sustainable1)



● Mitigation - General ● Mitigation - Transitional ● Mitigation - Enabling
● Adaptation - Enabling

INVESTMENTS IN ACTIVITIES SUPPORTING ENERGY TRANSITION

In order to complete this analysis, the FRR identifies its investments in activities supporting energy transition, with reference to the following categories:

- "Equities" management strategies consistent with the Paris Agreement;
- Credit mandates with decarbonisation goals;
- "Green" bonds ;
- Infrastructure investment contributing to energy transition.

Asset class	Amount	As total % of assets
Equities consistent with the Paris Agreement	2,405	11.1%
Credit mandates with decarbonisation goals	6,561	30.3%
Of which "green bonds"	464	2.1%
Infrastructure contributing to energy transition	560	2.5%
Total	**7,584**	**35.6%**

PROGRESS IN SUSTAINABLE INVESTMENT DURING 2022

Energy transition is one of the FRR's major commitments. Its express incorporation into all mandates has encouraged asset management companies to further integrate this issue into their management processes.

Equity index replication mandates for management consistent with the Paris Agreement thus promote companies that contribute to energy transition from different angles and via innovative metrics. As such, portfolios may favour companies with a temperature scenario aligned with the Paris Agreement, and a number of portfolios indeed reflect temperatures of below 1.8°C, a marked improvement compared to their benchmark index. A number of portfolios overweight companies whose energy transition policy has been validated by the Science Based Target Initiative. Various mandates direct their investments primarily towards companies for which Greentech represents a significant proportion of their revenue. In addition, certain mandates also incorporate targets for improving transition scores based on a methodology specific to the management company. The results of these portfolios in promoting energy transition are very positive, without nevertheless distorting index replication-type management.

Green bonds

The bonds mandates also incorporate an approach favourable to energy transition. The FRR has requested its management companies to factor these matters into their analysis of the securities and construction of the portfolio and one of the clearest results favouring energy transition is the ever greater representation of green bonds both in the investment universe and also in the portfolios.

The FRR's financing of energy transition is also reflected in practical terms by investment in Green bonds in dedicated Investment Grade Credit and High Yield Euro and US Investment Grade mandates.

At the end of 2022, Green Bonds represented an amount of 464 M€ which is equivalent to 2.17% of the FRR's total assets and 7.76% of credit mandate assets (vs 6.2% at the end of 2021).

More specifically, 12.2% of the assets of the Euro Investment Grade Credit mandates falls within this bonds category compared to 8.9% in 2021 and 11.5% for their benchmark index. The weighting is 1.50% for US Investment Grade Credit mandates, whereas the index has 1.69%. Finally, the Euro High Yield mandates hold 5.83% of green bonds compared to 5.4% in 2021 and 6.21% for their index. The FRR's green bonds portfolio mainly finances projects related to green buildings and renewable energy.

INFRASTRUCTURE INVESTMENT CONTRIBUTING TO ENERGY TRANSITION

The FRR has committed a total amount of 485 M€ to infrastructure aimed mainly towards financing energy transition. 426 M€ has been called of which 85 M€ in 2022 for a total infrastructure asset value of 560 M€.

In 2022, the FRR began researching a potential investment in a small nuclear modular reactor (SMR), designed to generate heat for industry: Jimmy Energy. It is one of the very rare producers of carbon-free heat, which uses proven technology, with significant lessons learned through experience and a soundly managed roadmap.

Nuclear and gas: energy forms needed for transition

In 2022, after lengthy discussions, the European Commission included nuclear and gas energy in the European taxonomy on sustainable activities.

Gas has been admitted but only in substitution as an energy source in power stations that were previously coal-fired. The maximum emission thresholds will gradually be reduced: from 270g of CO_2e/kWh to 100g for power stations built as from 2030. These figures are to be compared with current averages (418g CO_2e / kWh in 2021).

Generation of electricity using nuclear energy has also been included in the list of transitional activities, which contribute in mitigating climate change. For this form of energy, the discussions clearly did not concern the carbon intensity of power generation, but rather the risks that nuclear energy may pose to the other objectives of the taxonomy. This is why the taxonomy imposes conditions relating to waste management and security measures, and sets 2045 as the cut-off for it to qualify as "transitional energy". Furthermore, the carrying-out of works to extend the life of existing nuclear installations must be approved before 2040.

The inclusion of these two activities therefore falls within the framework of the target to achieve carbon neutrality by 2050 adopted by the European Union: gas to enable coal to be wound-down, nuclear to ensure continuity of electricity generation whilst the renewable energy phase continues ramping up.

Aside from this taxonomy, the European backdrop in 2022 of ongoing war in Ukraine has brought into sharp focus the challenges of energy independence, and choosing low-carbon energy – an alternative that is far less harmful to the climate than the forced reopening of coal-fired power stations.

PRIVATE EQUITY: INVESTMENTS IN INNOVATIVE BIOTECHNOLOGIES CONTRIBUTING TO ENERGY AND ECOLOGICAL TRANSITION

The FRR's selected funds and innovation capital mandates finance breakthrough innovations, a number of which combat climate change and contribute to preserving the environment such as:

- Seacure, established by Truffle Capital, which designs and markets innovative solutions to combat coastal erosion and protect coastal marine structures and offshore structures. These solutions are based on a patented electrochemical process that respects the environment to produce in situ Geocoral, an artificial rock made from minerals present in marine environments and therefore has excellent compatibility with aquatic life forms, thus preserving the biological diversity of marine environments.
- Ynsect, a company founded in 2011, whose aim is to revolutionize human, plant and animal food by transforming insects into ingredients, against a background where global consumption of animal protein is expected to increase sharply by 2030. The company is in the process of finalizing the construction of a 45,000 m² vertical farm near Amiens.

INVESTMENT IN REAL ESTATE WITH SOCIAL AND ENERGY IMPACT

The investment made in FLI, intermediate housing fund, has a positive impact on the environment, by building low energy housing in, or as an extension of, city centres thereby avoiding urban sprawl. Indeed, 96% of residences are located in the city centre or as extension of the existing city, thus limiting urban sprawl. More than 70% of the built properties have an energy consumption of 13 to 30% under the regulatory requirements. More than 68% of these projects are certified (NF Habitat – NF Habitat HQE™ or equivalent).

Given the aim of achieving sustainable investment through building intermediate housing, the FLI fund was classified as a product meeting the requirements of Article 9 of the SDFR Regulation.

The aim of this investment is also to align its real estate assets with the environmental "Climate Change Mitigation" and "Climate Change Adaptation" goals for the FLI fund's eligible operations, namely "Acquisition and management of buildings".

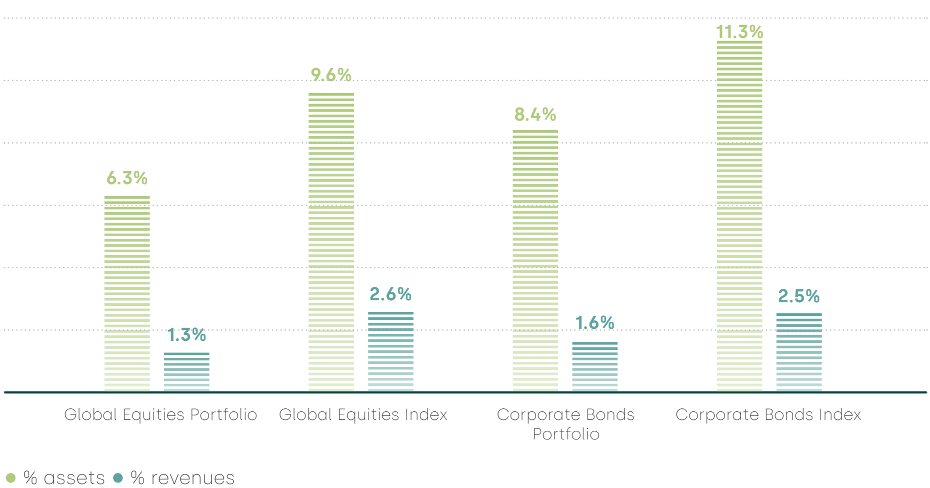
EXPOSURE OF THE PORTFOLIO TO FOSSIL FUELS

The portfolio's exposure to the assets of companies whose business relies on fossil fuels is analysed to assess the proportion of assets invested in "stranded assets" or "blocked assets". These activities pose a potential risk of impairment as a result of regulatory developments associated with governmental commitments to limit global warming to between 1.5 and 2 °C. In the analysis, conducted by S&P Global Sustainable 1, account is taken not only of the fossil fuel exploitation activities, but also the associated support operations (exploration, drilling…), and the electricity generation activities derived from these fossil fuels. This exposure is determined with reference to:

- the proportion of assets exposed to these activities;
- the proportion of the companies' revenues derived from these activities.

At the end of 2022, portfolio exposure to fossil fuels remains well below that of their indices.

EXPOSURE TO ASSETS OF COMPANIES WHOSE BUSINESS RELIES ON FOSSIL FUELS
– source: S&P Global Sustainable1



In order to better understand risk of blocked assets, S&P Global Sustainable 1 also measures future carbon emissions derived from fossil reserves and also capital expenditure (CAPEX) associated with fossil fuel operations, such as exploration and extraction. For these two indicators, S&P Global Sustainable 1 takes into consideration only reported (not estimated) data. The intensity of future emissions derived from reserves is also reported. It is calculated by dividing the emissions allocated to the portfolio by the value invested.

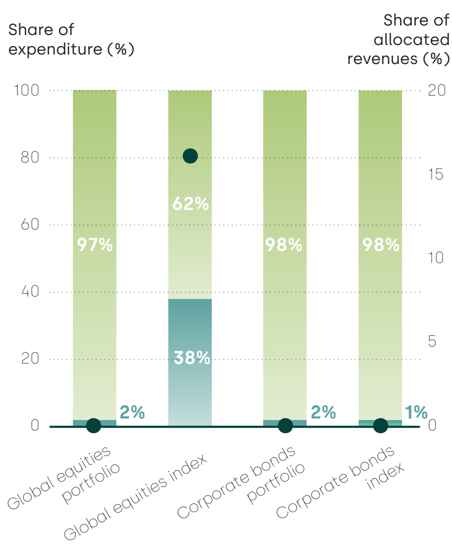
Regarding the world equity portfolio, the consideration of climate challenges is well reflected in the chart below; whereas the index performs 38% of its expenses in investments in fossil coal activities, the portfolio is at a 2% level. Regarding corporate bonds, the difference is not significant and the absolute level remains moderate (2% for the portfolio and 1% for the index).

It is to be noted that this measurement and the one that appears in the chart are only based on information published by corporates and the investment expenses do not generally detail the breakdown between gas and fuel.

Future carbon emission intensity coming from fossil reserves is significantly lower for the world equity portfolio than its benchmark index (908 tCO_2e/mEUR invested vs 2108). Regarding the corporate bond portfolio, this intensity is also lower (803 tCO_2e/mEUR invested vs 1 120 for the index).

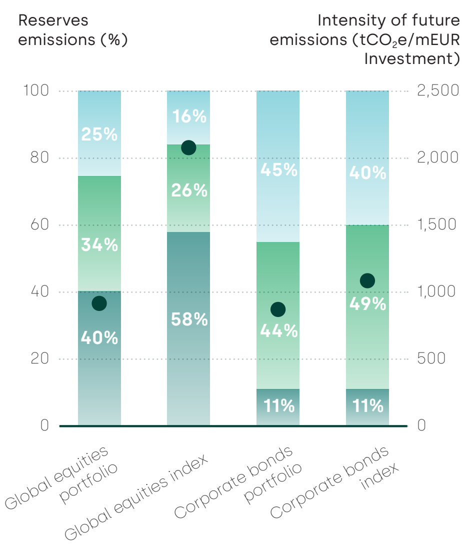
CAPITAL EXPENDITURE IN FOSSIL FUEL ACTIVITIES

Source: S&P Global Sustainable1



FUTURE CARBON EMISSIONS DERIVED FROM FOSSIL RESERVES

Source: S&P Global Sustainable1



● Coal ● Oil ● Gas ● Oil and/or Gas ● Intensity (tCO_2e/mEUR Invested)

PART 6

STRATEGY OF ALIGNMENT WITH THE PARIS AGREEMENT

Since the FRR was established, the Supervisory Board and the Executive Board have expressed the Fonds de Réserve pour les Retraites' strong commitment to responsible investment which it has implemented through 5-year strategies. These strategies are defined by growing ambition in terms of responsibility and the desire to advance and support the progress of operators in its ecosystem.

In November 2019, the FRR joined the Net-Zero Asset Owner Alliance (NZAOA), an initiative bringing together the principal investors undertaking, in line with the Paris Agreement, to deploy the resources necessary to achieve carbon neutrality in their investments and in the economy by 2050 and to report regularly on their achievements at various stages.

The FRR's responsible investor policy is based on a holistic vision of ESG and is deployed in a realistic and pragmatic manner as part of a process of constant improvement based on regular feedback. Participation in the actions and commitments of the NZAOA is thus part of a global process encompassing all other aspects of Responsible Investment.

Paris Agreement

At COP21 in Paris on 12 December 2015, Parties to the United Nations Framework Convention on Climate Change (UNFCCC) reached a historic agreement to combat climate change and accelerate and scale up actions and investments needed for a sustainable, low-carbon future. The Paris Agreement builds on 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 increased support to help developing countries achieve this. Indeed, it charts a new course in the global effort on climate.

The central goal of the Paris Agreement is to strengthen the global response to the threat of climate change by keeping global temperature rises well below 2°C higher than pre-industrial levels and pursue efforts to further limit the temperature increase to 1.5°C. The Agreement also aims to boost the ability of countries to cope with the impacts of climate change and to make financial flows compatible with low GHG emissions and a pathway resilient to climate. To achieve these ambitious goals, together with appropriate mobilization and allocation of financial resources, a new technological framework and increased capacity must be put in place, thereby supporting the efforts of developing, and the most vulnerable, countries in accordance with their own national goals.

Membership of the Net Zero Asset Owners Alliance commits FRR to alignment with the Paris Agreement, employing three levers:

- adopting ambitious greenhouse gas emission reduction targets for portfolios;
- carrying out engagement initiatives to encourage companies to adopt strategies of alignment with the Paris Agreement, via its managers but also through collaborative initiatives such as the Climate Action 100+ (cf. pages 43-46);
- continuing to contribute to the long-term financing of energy transition (cf. pages 50-53).

PORTFOLIO GREENHOUSE GAS EMISSION REDUCTION TARGETS

While maintaining an essential level of vigilance on all other ESG issues, responding to the climate emergency is one of the FRR's priorities. Membership of the Net Zero Asset Owners Alliance commits the FRR to alignment with the Paris Agreement, using three levers:

- Adopting ambitious targets for reducing portfolio greenhouse gas emissions
- Pursuing engagement initiatives to encourage companies to adopt strategies for alignment with the Paris Agreement, via its managers but also through collaborative initiatives such as the Climate 100+
- Contributing towards the financing of energy transition, by continuing to make a long-term contribution to creating of a net zero economy through "financing the transition".

● REDUCING EMISSIONS

As a member of the Net Zero Asset Owners Alliance, the FRR has adopted new targets for reducing portfolio emissions. To achieve a trajectory limiting global warming to 1.5°C, the Alliance has identified a range of asset class emission reduction targets of between -20% and -32% by the end of 2024.

At the beginning of 2021, the FRR finalized the research necessary to set its targets, which it published on 30 September 2021. This is the continuation of a long-standing process that **has already reduced emissions by 40% between 2013 and 2019.**

The FRR has decided to pursue its ambitions and set itself the target of **a further 20% reduction, by the end of 2024 compared to 2019, in the emissions of its developed markets equity and corporate bond portfolios.** The target set is absolute and not relative to benchmark index, it is therefore a significant reduction to which the FRR is pleased to contribute.

As part of the Net Zero Asset Owners Alliance, these targets will be reviewed by period of five years. In 2022, the FRR began to calibrate its next target for 2029 and with this in mind, ongoing requests-for-proposals will include more ambitious targets.

AWARD OF MANDATES WITH DECARBONISATION TARGETS FOR CREDIT AND EQUITIES MANDATES

In 2022, the FRR awarded three responsible management equities index replication mandates to be managed in a manner consistent with the Paris Agreement and a further three in US dollar-denominated good quality corporate bonds. The FRR is pursuing its commitment to integrate into its management a responsible dimension, regardless of the asset class. The FRR has explicitly stated in these mandates that the selected candidates must, amongst other things, factor climate change issues into their management, including reducing CO_2 emissions, contributing to ecological and energy transition and alignment of portfolios with a 1.5°C trajectory. These mandates, managed by 6 managers, launched in January and May 2022 with the target of reducing emissions, compared to their respective benchmark indices, by 50% for equities mandates and 40% for bonds mandates.

SETTING INCREASINGLY AMBITIOUS DECARBONISATION TARGETS AS MANAGEMENT MANDATES ARE RENEWED

In connection with requests-for-proposals launched by the FRR, the new mandates now systematically include quantified decarbonisation targets.

Initially set only for equities index replication **mandates at -50% compared to the relevant benchmark index, the FRR now seeks decarbonisation in absolute terms.**

The "US dollar high yield corporate bonds" mandate launched at the beginning of 2022 has a two-fold objective: resume the efforts made by the FRR in terms of decarbonization from the launch of the mandates, and pursue the decarbonization approach by continuing to reduce the carbon emissions of portfolios with ever more ambitious carbon footprint reduction targets **(-35% at the launch of the mandate and -60% by December 2028).**

The implementation of this decarbonization approach was not new for bonds portfolios, however it now had to be applied to a specific asset class with its own challenges such as the composition of the highly energy sector-focused investment universe or the transparency and quality of data that still need to be improved.

During the RFP procedure, the FRR noted significant developments occurring in terms of decarbonisation in the target asset class. The asset management companies have shown great and often true expertise on this crucial topic of the FRR's responsible investment policy.

The aim is to select in early 2023 between three and four managers for this asset class with mandates to be activated in the first quarter of 2023.

The 3 mandates selected under the RFP to renew the strategy of equity index replication for management consistent with the Paris Agreement were activated in the first semester 2022. The initial results sought such as overweighting of the green share, increasing the number of companies with validated Science Based Target Initiative (SBTi) commitments, reduced physical and transition risks and indeed overweighting of companies with 1.5° C scenario trajectories, are conclusive. The portfolios are delivering a financial performance close to that of their benchmark index, whilst at the same time controlling risks and considerably improving the ESG characteristics of the portfolios.

The mandates devoted to the Investment Grade credit market also include decarbonisation requirements. The European good quality credit contract, the mandates for which were activated in October 2021, requires decarbonisation of -30% by mid-2024, whereas their US equivalents activated in July 2022 have a target set at -40% from the outset.

The euro denominated high yield corporate bond mandates also activated in the last quarter of 2021 include, for the first time, a responsible dimension. The five managers selected for this mandate have achieved very positive results in terms of responsibility and all are meeting the ambitious decarbonisation target set by the FRR.

METHODOLOGY USED TO ESTIMATE PORTFOLIO GREENHOUSE GAS EMISSIONS

CARBON FOOTPRINT

In 2022, the FRR has made its carbon footprint calculation method evolved by switching to WACI.

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

The FRR regularly studies developments in methodology and data reliability: S&P Global Sustainable 1 provides it with an estimate of the carbon footprint of its portfolio using a variety of calculation methods: per million in revenues generated, per million in euros invested and by Weight Average Carbon Intensity (WACI). **The decision to use WACI is the culmination of a thought process and studying market developments. The FRR began by using the intensity by market capitalisation method, then the intensity by enterprise value method, before opting, in 2022, for the WACI measurement to determine its portfolio emission reduction targets. Moreover this measurement is the preferred method in the TCFD recommendations and the workings of the Net Zero Asset Owner Alliance.**

Carbon footprints are calculated within the scope of direct emissions and direct suppliers, and standardised using a financing rate calculated with reference to EVIC (Enterprise Value Including Cash).

Global Scope 3, although highly suitable being the only one to take emissions throughout the entire value chain into account, is not yet in use. Indeed, the FRR regularly studies developments in the quality of this data. As of today, the lack of standardisation in corporate disclosure and in the reliability of estimates means that it is not possible to obtain a level of quality sufficient for use in relation to a portfolio.

Scope 1, 2 and 3: ADEME definitions

- Direct GHG emissions (SCOPE 1): Direct emissions emanating from stationary or mobile installations situated within the organizational boundary, i.e.: emissions from sources owned or controlled by the organization, such as combustion from stationary and mobile sources, industrial processes excluding combustion, emissions from ruminants, biogas from landfill centres, refrigerant leakages, nitrogenous fertilizers, biomass, etc.
- Indirect energy emissions (SCOPE 2): Indirect emissions associated with the production of electricity, heat or steam imported for the activities of the organization.
- Other indirect emissions (SCOPE 3): The other emissions indirectly produced by the activities of the organization which are not accounted for under Scope 2 but which are linked to the overall value chain, such as: the purchasing of raw materials, services or other products; employee travel; upstream and downstream transportation of goods; the management of waste generated by the activities of the organization; the use and end-of-life of sold products and services; the amortization of production goods and equipment, etc.

ESTIMATED PORTFOLIO GREENHOUSE GAS EMISSIONS AT END OF 2022

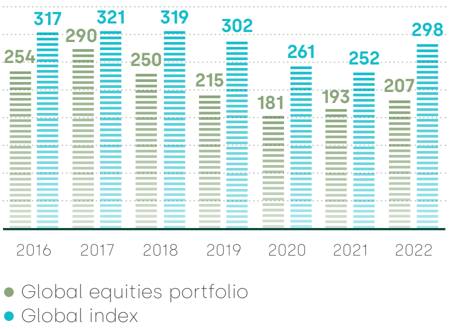
At the end of 2022, the carbon footprint was available for 72% of assets, with: 100% of overall portfolio assets invested in equities, 78% of overall portfolio assets invested in corporate bonds and 99.3% in government bonds. The assets for which no carbon footprint is currently available are: unlisted assets and cash (23%).

Carbon footprint of the equities portfolio

The table below shows the change in the carbon footprint of the Global Equities portfolio in tonnes of CO_2 equivalent per million euros in revenue.

WEIGHTED AVERAGE CARBON INTENSITY ($TEQCO_2$/M€ REV) DIRECT EMISSIONS AND DIRECT SUPPLIERS

Source : S&P Global Sustainable 1



At the end of 2022, the weighted average carbon intensity (WACI method) of the companies within the FRR's global equities portfolio totalled 207 tonnes equivalent CO_2 per million euros in revenue. This was 31% below the FRR's benchmark index. From 2016 to 2022, the carbon footprint of the FRR's portfolio's representative index had fallen by 6% compared to the FRR's portfolio which had fallen by 18% (or around 3% per year).

The table below compares the total decarbonisation of the FRR's equities portfolios between 2016 and 2022. There is a strong trend in the decarbonization of the Developed Equities portfolio compared to the Emerging Equities portfolio. Note, however, the significant decrease in the latter between 2021 and 2022: -12% for the Emerging Equities portfolio and its index whilst, over the entire period, the decarbonization of this portfolio was -6% with its index still increasing by +13%.

Portfolio / Index	Decrease in intensity (C/R method) 2016-2022
Global Equities Portfolio	-23%
Composite Equities Index	-8%
Developed Markets Equities Portfolio	-23%
Developed Markets Equities Index	-10%
Emerging Markets Equities Portfolio	-6%
Emerging Markets Equities Index	+13%

Carbon footprint of the corporate bonds portfolio

The table opposite shows changes in the carbon footprint of the Weighted Corporate Bonds portfolio in tonnes equivalent CO_2 per million euros in revenue.

At the end of 2022, the carbon footprint of the FRR's Corporate Bonds portfolio totalled 240 tonnes equivalent CO_2 per million euros in revenue. This was 25% below the benchmark index. From 2018 to 2022, the carbon footprint of the index fell by 2.5% compared to the portfolio's, which increased by 7.6 %. This effect is mainly due to an allocation effect within the bond portfolio. In 2022, as part of its strategic allocation, the FRR rebalanced its Investment Grade and High Yield corporate bond holdings, moving from a position of 88% Investment Grade / 12% High Yield in 2019 to 66% Investment Grade / 34% High Yield at the end of 2022. These two bond categories have seen their issuance fall sharply since 2019 within the FRR portfolio (-18% for Investment Grade Euro and -15% for High Yield euro bonds in particular), but since issuance in the High Yield segment is much higher than that of Investment Grade bonds (by +75% on the euro and +280% on the dollar), the allocation effect was the main contributor to the final result.

WEIGHTED AVERAGE CARBON INTENSITY (TEQCO_2/M€ REV) DIRECT EMISSIONS AND DIRECT SUPPLIERS

Source : S&P Global Sustainable 1

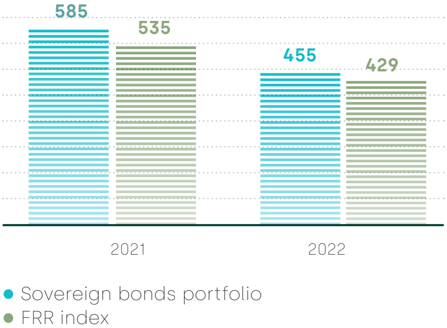
Carbon footprint of the sovereign bonds portfolio

The portfolio carbon footprint analysis methodology used by S&P Global Sustainable 1 for a portfolio of 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 legislator having an influence on carbon footprint. The scope covers:

- domestic emissions: emissions generated by goods and services produced and consumed in a given territory;
- direct imports: emissions generated by goods and services directly imported by a country;
- direct exports: emissions generated by goods and services produced in a country and exported to a foreign economy.

The following table shows the weighted average carbon intensities of the portfolio and its benchmark index: this indicator quantifies the average intensity of the portfolio by reference to the weighting of each country within it. It measures the allocation of the portfolio to more or less carbon-intensive economies. The difference in the carbon intensity level of the portfolio compared to that of its benchmark index can be explained by the overweighting of emerging countries in the FRR's portfolio (40.4% for the portfolio compared to 37.2% for the index). This is the result of asset allocation decisions within the hedging portfolio.

WEIGHTED AVERAGE CARBON INTENSITY ($TEQCO_2$/M€ GDP)



In 2022, the FRR decided to change its carbon footprint calculation method in order to get closer to the TCFD recommendations. Whereas it used a calculation method based on the sum of its portfolio emissions by millions in euros of turnover, it now calculates through its provider on a WACI basis. Each method, based on the same carbon emissions amounts in volume, allows a reading through a different angle (the ownership of emissions or the efficiency of companies or the efficiency of the portfolio). Due to this change, the FRR has observed that, contrary to what could be intuitively anticipated, these various metrics were evolving differently in volume (potentially in opposite directions) from one year to the other, which on a short term basis has had the effect of perturbing the reading of the indicators regarding the decarbonation quantitative targets based on another metric. However, on a middle term basis, alongside the global volume decrease of the emissions, the evolution of these indicators should lead to a decrease.

1.5°C ALIGNMENT

Beyond portfolio carbon footprint, climate analysis includes an assessment of the portfolio's alignment with the objective of limiting global warming to less than 1.5°C above pre-industrial levels (or "**1.5°C Alignment**"). This involves assessing the transition trajectory of the companies in the portfolio. The analysis, carried out by S&P Global Sustainable 1, takes into account past data (since 2012), as well as an estimate of future carbon footprint (up to 2030). S&P Global Sustainable 1 has adapted two approaches implemented by the Science Based Target Initiative (SBTI):

The first methodology (SDA-Sectoral Decarbonization Approach) applies to companies in homogeneous, energy intensive sectors. It is based on the idea that all portfolio companies, regardless of sector, must converge towards 2°C emission intensities by 2050. The method uses 2°C transition scenarios that are industry-specific, and measures a company's performance by the intensity of its emissions and levels of production (e.g., tCO_2e per GWh or per tonne of steel). Indeed, trajectories vary from one sector to another (they are for example, faster for energy and slower for cement), depending on available technologies, reduction potential, and reduction costs.

The second methodology (GEVA - Greenhouse Gas Emissions per Value Added) applies to companies in heterogeneous, less energy intensive sectors. This approach is based on the principle that many companies have diverse business activities with no specific trajectory. For these companies, the GEVA method assumes that a reduction in carbon intensity similar to that of the economy as a whole is necessary. This intensity reduction is determined with reference to the transition year emissions intensity of each company and then measured in terms of carbon per unit of added value, adjusted for inflation, which represents their contribution to total global emissions (intensity). These results are then compared to global decarbonisation trajectories that maintain warming below 2°C.

55% of overall assets, 98% of global equities portfolio assets and 76% of corporate bonds portfolio assets are aligned with a 1.5°C scenario. These rates have clearly improved, having been 51% and 53% respectively at the end of 2021.

7. La SBTI est un projet conjoint du Carbon Disclosure Project, du Pacte Mondial des Nations Unies, du World Ressources Institute et du World Wide Fund.

The scenarios used for assessment purposes are as follows:

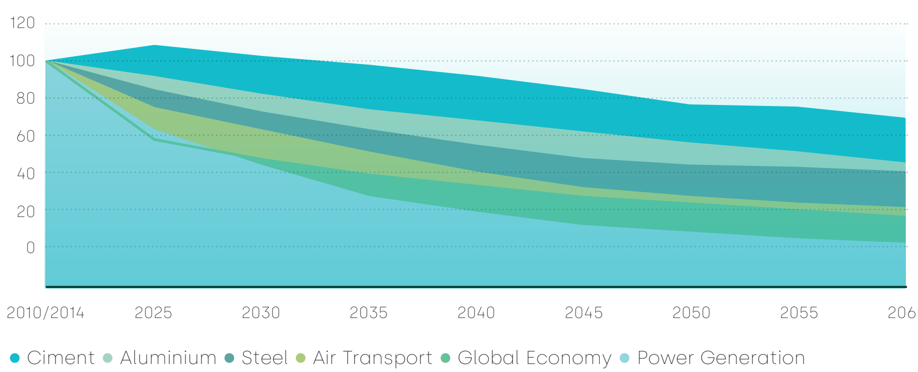
1. International Energy Agency (IEA) scenarios derived from the Energy Technology Perspectives (ETP) 2017 providing SDA assessment parameters consistent with 1.75°, 2° and 2.7°C global warming;
2. RCP (Representative Concentration Pathways) scenarios as used in the IPCC AR5 report, providing GEVA assessment parameters consistent with 1.5°, 2°, 3°, 4° and 5 °C global warming.

The assessed decarbonisation trajectories incorporate historical and forward-looking data to provide a medium and long-term outlook assessment. Historical data on greenhouse gas emissions and business activities have been compiled since 2012.

Forward-looking data sources are used to track likely future transition trajectories up to 2023. The forward-looking data used in the analysis depends on the availability of the sources specified below. They are listed in order of use:

1. emission reduction targets reported by companies;
2. data by asset for certain sectors;
3. the historical emissions of a group of companies in homogeneous sectors;
4. average historical emissions trends within a sub-industry.

SECTORIAL DECARBONISATION TRAJECTORIES – Source : S&P Trucost



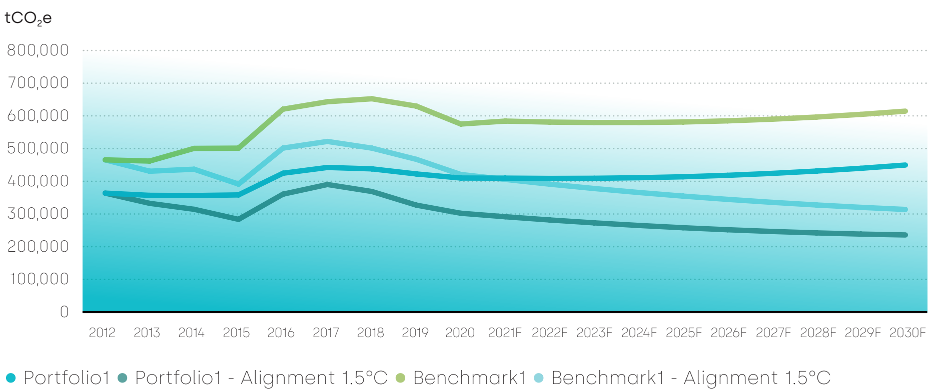
SUMMARY OF RESULTS

The graphs below show the emissions trajectory of the portfolios over the period 2012-2030 and compare it with one that would meet a 1.5°C carbon outcome. The portfolio and benchmark temperatures are also indicated.

Equities portfolio

Companies in the global Equities portfolio have a more favourable average trajectory than the benchmark, but improvements are still needed to reach a below 1.5°C trajectory.

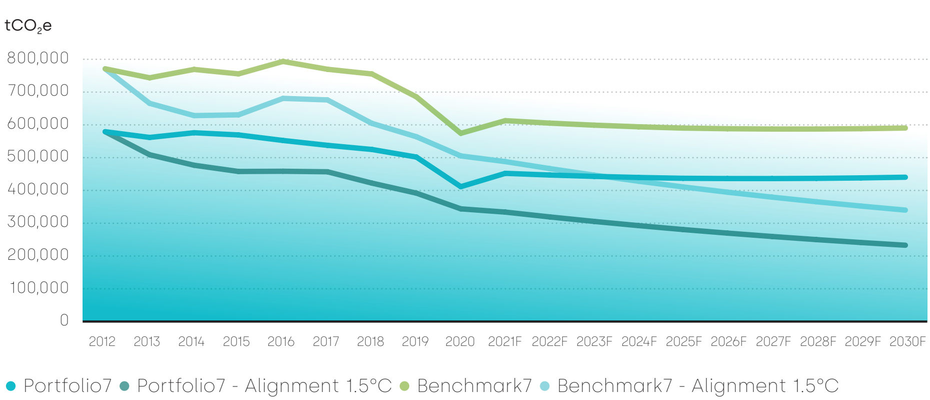
EMISSIONS TRAJECTORY, 2012-2030 – Source : S&P Global Sustainable 1 at end of 2022



Corporate bonds portfolio

Issuers in the Corporate Bonds portfolio, despite a lower level of greenhouse gas emissions than, the benchmark, are still on trajectories between 2°C and 3°C.

EMISSIONS TRAJECTORY, 2012-2030



CHANGES IN THE FRR'S INVESTMENT STRATEGY IN LINE WITH THE PARIS AGREEMENT PRINCIPLES

In addition to increased financing for companies that promote energy transition (cf. pages 50-53), the FRR has, since 2017, decided that companies, whose thermal coal extraction operations or electricity generation from coal sourced heat or steam exceed a threshold initially set at 20% of their revenues, shall be excluded from the portfolio.

In 2018, the FRR decided to commit yet further to a low carbon intensity economy by excluding companies whose thermal coal extraction operations or generation of electricity from coal sourced heat or steam exceeds 10% of their revenues, unless they use a carbon capture or storage process.

This exclusion extends to all asset classes. The managers are responsible for identifying the relevant issuers and excluding them from the investment universe.

However, managers may invest in companies whose thermal coal extraction operations or electricity generation from coal-sourced heat or steam exceeds 10% of their revenues if the purpose of this investment is to support these companies in adopting a new production model. In such case, the manager must justify its investment, in writing, within one month of its initial investment, and thereafter every 31 December.

The Operations and Risks Department verifies compliance with these exclusions on a monthly basis. The FRR conducts an additional verification annually via the Climate Report produced by S&P Global Sustainable 1. Since these exclusions were introduced in 2017/2018, no issuers, that may have met the thermal coal extraction exclusion criteria, formed part of the portfolio at the end of 2022.

MONITORING CLIMATE GOALS

At the end of December 2022, all portfolios are in line with the desired levels of decarbonisation, and a large majority have even handsomely exceeded the targets.

This reduction is generally achieved by underexposure to the most intensive sectors.

TABLE OF DECARBONISATION REQUIREMENTS BY ASSET CLASS

	Goal at start up	Final goal
Equity index replication for management consistent with the Paris agreement	-50%	-50%
Euro denominated good quality corporate bonds	-0%	-30% before June 2024
Dollar denominated good quality corporate bonds	-40%	-40%
Euro denominated high-yield corporate bonds	-0%	-30% before June 2024
Dollar denominated high-yield corporate bonds	-35%	-60% before December 2028
European small and mid-cap equities (in progress)	-40%	-75% before December 2028

Portfolio	Carbon footprint* end of 2019	Carbon footprint* end of 2022	Target carbon footprint* end of 2024	% 2024 goal achieved
Global equities	214.57	207	152	12%
Corporate bonds	208.5	240	158	-62%

* WACI (tecCO_2/M€ REV) Direct emissions and direct suppliers.

The Climate goals were set as part of the FRR's membership of the Net Zero Asset Owners Alliance, and in accordance with the principles of the "Inaugural 2025 Target Setting Protocol". The Alliance plans to review these goals every 5 years.

It is to be noted that the evolutions of the carbon footprint calculation method, reminded on page 61, have a significant consequence on the evolution of these footprints. For example, if we consider the different methods on the same period, we obtain :

Carbon* footprint - Equities	End 2019	End 2022	D
In revenue (tCO_2e / m€ of revenue)	233	185	-21%
In capital (tCO_2e / m€ invested)	156	107	-31%
In WACI (tCO_2e / m€ of revenue)	215	207	-4%

* Direct emissions and direct supplies

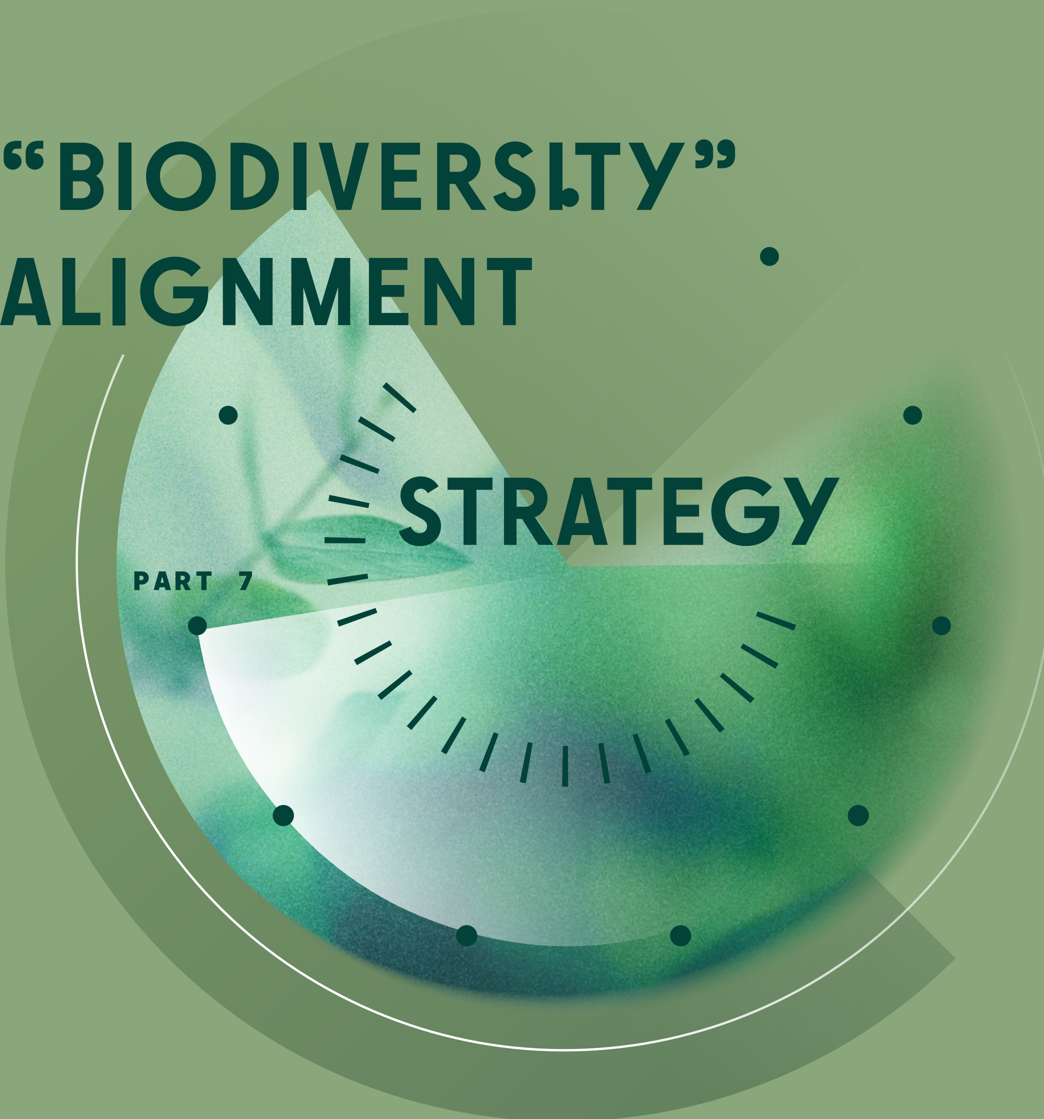
Carbon* footprint - Corporate bonds	End 2019	End 2022	D
In revenue (tCO_2e / m€ de of revenue)	215	204	-5%
In investment (tCO_2e / m€ invested)	123	132	7%
In WACI (tCO_2e / m€ of revenue)	209	240	15%

* Direct emissions and direct supplies

Finally, the increase of the corporate bonds carbon footprint is in particular related to a rebalancing occurred in 2022 between bonds in euros and bonds in dollars.

“BIODIVERSITY” ALIGNMENT STRATEGY

PART 7



Protecting biodiversity is one of the major challenges facing humanity, to the same degree as limiting global warming. However, up to now, lack of data has hindered the implementation of specific goals.

How companies, in the most impactful sectors, manage these issues forms part of overall extra-financial analysis. Beyond estimating the carbon footprint of the portfolios, S&P Global Sustainable 1 conducts an annual assessment of the overall environmental footprint of the portfolio companies and their supply chain. The scope of analysis includes the direct impacts of the company, those of its direct and indirect suppliers (including the extraction of raw materials).

The environmental variables analysed by S&P Global Sustainable 1 are as follows:

1. greenhouse gases: emissions of carbon dioxide (CO_2), methane (CH4), nitrous oxide (N2O), sulphur hexafluoride (SF6), fluorocarbons (FC), hydrofluorocarbons (HFCs) and nitrogen trifluoride (NF3);
2. water samples: purchased water (i.e. water purchased from public utilities), water from direct cooling processes, and treated water;
3. waste generation: incinerated, landfill and nuclear waste (product manufacturing, nuclear combustion, industrial and medical processes), and recycled waste;
4. atmospheric pollutants: pollutants from fossil fuel extraction, acid rain precursors (nitrogen oxide, sulphur dioxide, sulphuric acid, ammonia), ozone-depleting substances (HFCs and CFCs), dust and particulate matter, metal emissions, smog precursors and volatile organic compounds;
5. soil and water pollutants: fertilizers and pesticides, metal emissions to soil and water, acid emissions to water, and pollutants from nutrients and acidic substances;
6. natural resource use: extraction of minerals, metals, natural gas, oil, coal, and forestry and agricultural exploitation processes.

At the end of 2022, portfolio analysis found that every million euros of revenue generates a natural cost of capital of 2.8 to 5.1% (2.8% for the developed equities portfolio, stable with reference to the previous year, 5.1% for the emerging equities portfolio, vs 6.3% in 2021). The environmental impact of the portfolios is significantly lower than their indices (-9% to -22%), with the exception of the corporate bonds portfolio whose environmental impact is higher than that of its index (+10%). This is due to the inclusion in the portfolio of companies in the "non-cyclical consumer" sector whose environmental impact is greater.

This assessment provides an overview of the impact that portfolio company activities have on the environment, and therefore indirectly on biodiversity. In addition, S&P Global Sustainable 1 publishes in its report an assessment of the portfolios' and their indices' biodiversity scores. These scores reflect how companies factor in biodiversity-related risks, whether concerning the impact of their activities on biodiversity and/or that of biodiversity loss on their operations. Potential commitments towards biodiversity and, where applicable, non-deforestation are also assessed. At the end of 2022, the analysis coverage of these portfolios remains modest (58% for the global equities portfolio, and only 22% for the corporate bonds portfolio).

The FRR's teams are monitoring the emergence of impact analysis methodologies specifically targeted at biodiversity and have engaged in dialogue with mandate management companies on this topic. Moreover, in 2023 the FRR is launching a request for proposals to appoint new extra-financial analysis providers. This new request for proposal will include a will contain a section dedicated to biodiversity analysis.

Under the terms of this new request for proposals, the FRR will expect the service provider to produce:

- An analysis of its portfolios including quantitative data as well as a qualitative analysis, on trends in particular, prepared by an environmental analyst, on an annual basis.
- Access to a research database
- Establishment of an alert system based on criteria defined by the FRR.

INTEGRATING ESG RISKS INTO RISK MANAGEMENT

PART 8

The risks associated with climate change are twofold:

1. Transition risks, meaning the risks to which companies that are heavy greenhouse gas emitters are exposed, due to potential regulatory developments, carbon market pricing, technological advances and consumer expectations;
2. Physical risks related to climatic and meteorological events. These risks affect not only the direct activities of companies, but also their entire value chain.

To assess these risks, the FRR relies on the annual Climate Analysis conducted by S&P Global Sustainable 1.

TRANSITION RISKS

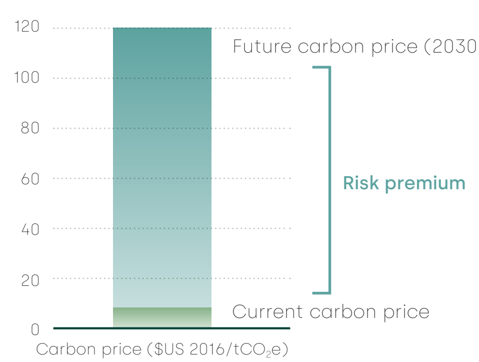
Regarding transition risks, this provider has compiled a dataset on potential future carbon pricing enabling investors to manage the risks associated with a rise in the price of carbon. The degree of exposure of a portfolio to carbon price risks is determined by the "total risk premium" – an indicator that quantifies the difference between the price a company pays today for a tonne of carbon emissions and the potential future price it may have to pay under various scenarios (see chart opposite).

The carbon price risk premium varies across geographic regions based on differences in government policy, depending on the year studied, and depending on the sector due to the differing treatment of each sector under the numerous policies for combating climate change. Its calculation helps determine the future carbon costs that companies may face. These future carbon costs are therefore determined by reference to a company's carbon footprint (tCO_2e) and their risk premium.

An increase in the carbon price would have direct financial consequences for high emission companies. Companies also face indirect financial risks from the pass-through of higher carbon prices to suppliers who, in turn, seek to absorb these costs, in whole or in part, by increasing their own prices. Factors have been developed to estimate the proportion of additional costs that may be passed on from suppliers to businesses.

RISK PREMIUM

Source: S&P Trucost Method



SCENARIOS

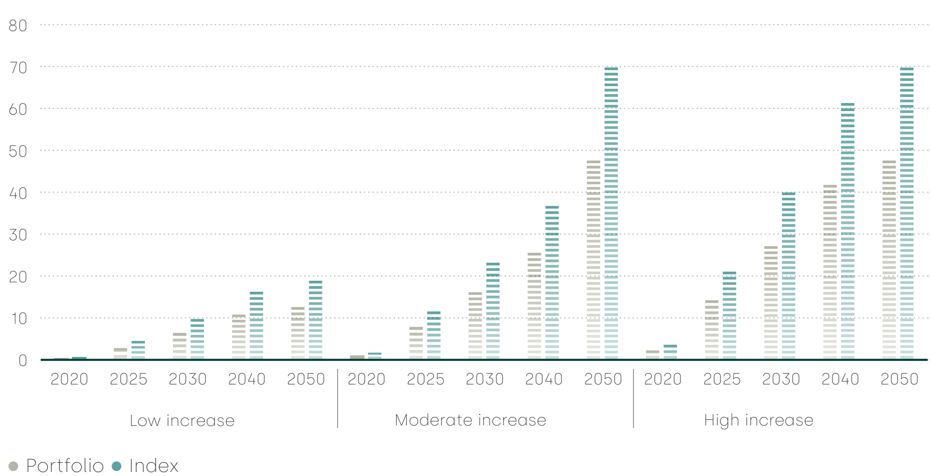
Three scenarios were used as a basis for estimating future costs:

1. Low carbon price increase: this scenario reflects the full implementation of countries' nationally determined contributions under the Paris Agreement (RCP 8.5), based on OECD and IEA research.
2. Intermediate carbon price increase: This scenario assumes that policies will be implemented to reduce greenhouse gas emissions and limit climate change to 2°C in the long term, but with delay in the implementation of measures in the short term (RCP 4.5). It also relies on OECD and IEA research as well as the viability assessments of nationally determined country contributions carried out by Ecofys, Climate Analytics and New Climate Team. It is assumed that countries whose national contributions are not aligned with the 2°C goal in the short term will boost their efforts to mitigate climate change in the medium and long term.
3. High carbon price increase: This scenario assumes that policies considered sufficient to reduce greenhouse gas emissions in line with the objective of limiting climate change to 2°C by 2100 (Paris Agreement) (RCP 2.6) will be implemented. This scenario is based on research by the OECD and IEA.

The results highlight the future carbon costs faced by companies, calculated at portfolio level: they therefore reflect the increase in risk premiums over the years studied under the various carbon price increase scenarios. Assuming a high carbon price by 2030, the analysis of transition risks reveals, as last year, that the overall at-risk EBITDA[8] of the FRR's portfolios is lower than that of its indices.

"ALLOCATED" FUTURE CARBON COSTS (M€) - GLOBAL EQUITIES

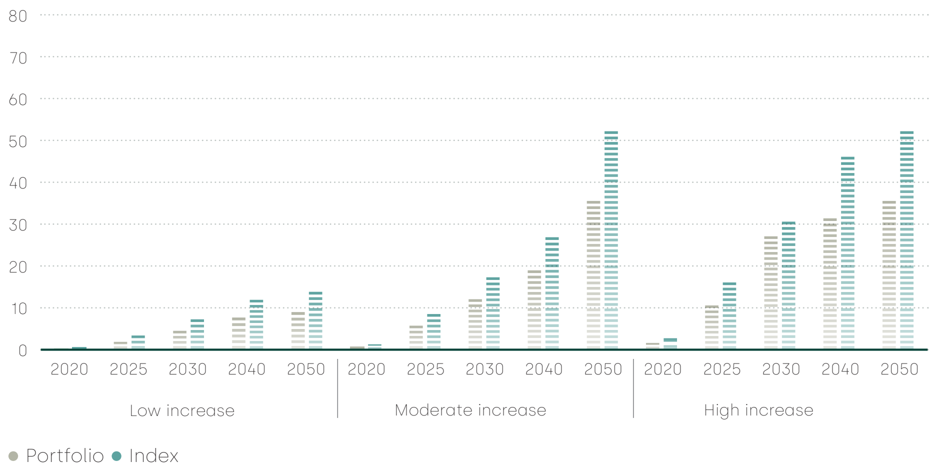
Source: S&P Global Sustainable 1 at end of 2022



8. EBITDA: earnings before interest, taxes, depreciation, and amortization.

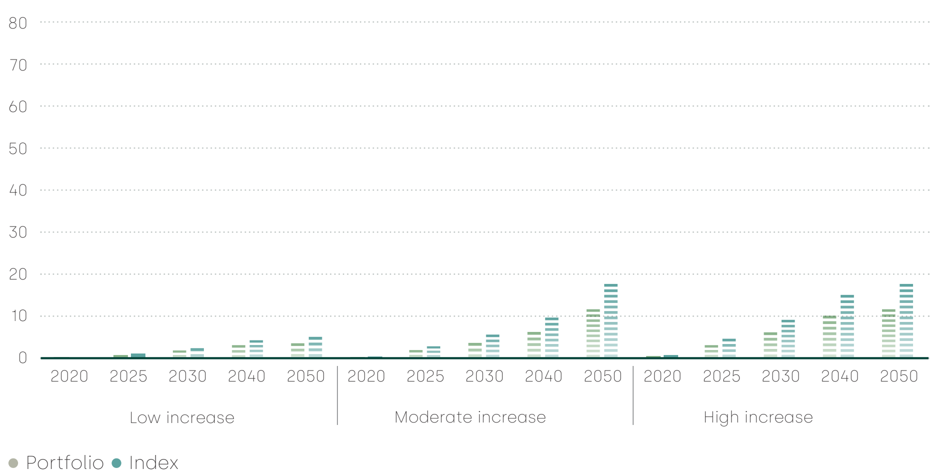
"ALLOCATED" FUTURE CARBON COSTS (M€) - DEVELOPED MARKET EQUITIES

Source: S&P Global Sustainable 1 at end of 2022



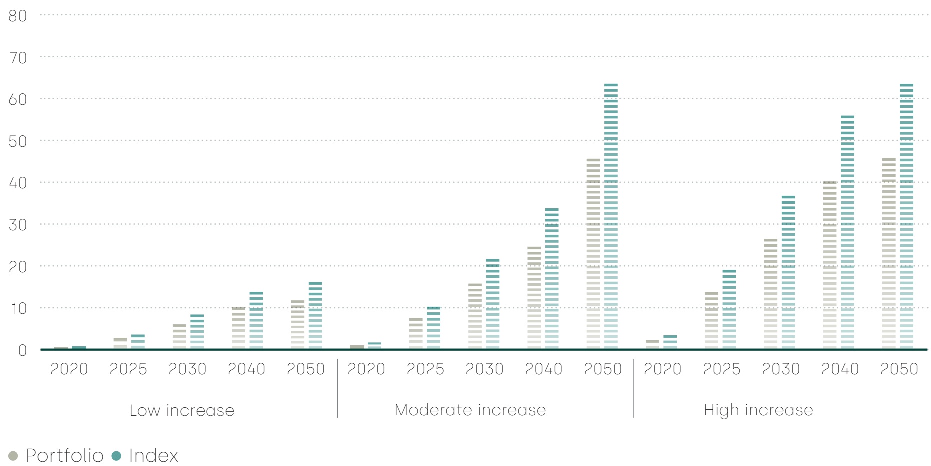
"ALLOCATED" FUTURE CARBON COSTS (M€) - EMERGING MARKET EQUITIES

Source: S&P Global Sustainable 1 at end of 2022



"ALLOCATED" FUTURE CARBON COSTS (M€) - CORPORATE BONDS

Source: S&P Global Sustainable 1 at end of 2022



ESTIMATED TRANSITION RISKS

	% at-risk EBITDA	EBITDA margin de-crease (% points)	% change in EV/EBITDA ratio	% assets where at-risk EBITDA >10%	% assets whose margins become nega-tive
Global equities portfolio	6.21%	-1.10%	10.47%	14.56%	0.66%
Global equities index	9.27%	-1.76%	25.58%	17.36%	1.72%
Corporate bonds portfolio	7.01%	-1.37%	17.83%	17.84%	0.73%
Corporate bonds index	9.95%	-1.91	28.14%	19.55%	1.99%

Source: S&P Global Sustainable 1 at end of 2022
At-risk EBITDA: proportion of portfolio profits exposed to higher carbon prices
EBITDA margin decrease: reflects the change in a portfolio's profit margins relative to portfolio margins, as a result of a carbon price increase.
Change in the EV/EBITDA ratio: assessment of the impact of a carbon price increase on a company's valuation

PHYSICAL RISKS

S&P Global Sustainable 1 values a company's assets based on their exposure and vulnerability to 7 climatic events: Water Stress, Fire, Flood, Heat Waves, Cold Spells, Hurricanes, and Rising Water Levels. Where asset-level data for a company are not available, the analysis is conducted with reference to the location of the head office, geographical breakdown, revenues and average physical risk levels in each country. Analysis coverage is progressing well: it now represents 98% for the global equities portfolio (vs 88% in 2021), 99% for its index (92% in 2021). For the corporate bonds portfolio, 81% (74% in 2021) and 99% for its index (78% in 2021).

Companies are scored on a scale of 1 to 100 for each of the seven physical risks (a score of 100 indicates the highest risk score). S&P Global Sustainable 1 calculates an adjusted physical risk score that takes into account three factors:

1. the ferocity of the climate event;

2. the location of the asset;

3. the vulnerability of the company.

The company's vulnerability factors taken into account are:

- water intensity of activities (direct or indirect) for water stress risks;
- capital intensity of companies, more likely to be affected (asset impairment, inventory loss, production disruptions, damage to infrastructure) for flood, rising water level, fire and hurricane risks;
- labour intensity, for loss of productivity due to deteriorating working conditions, associated with heat wave and cold spell risks.

The scores can be interpreted as follows:

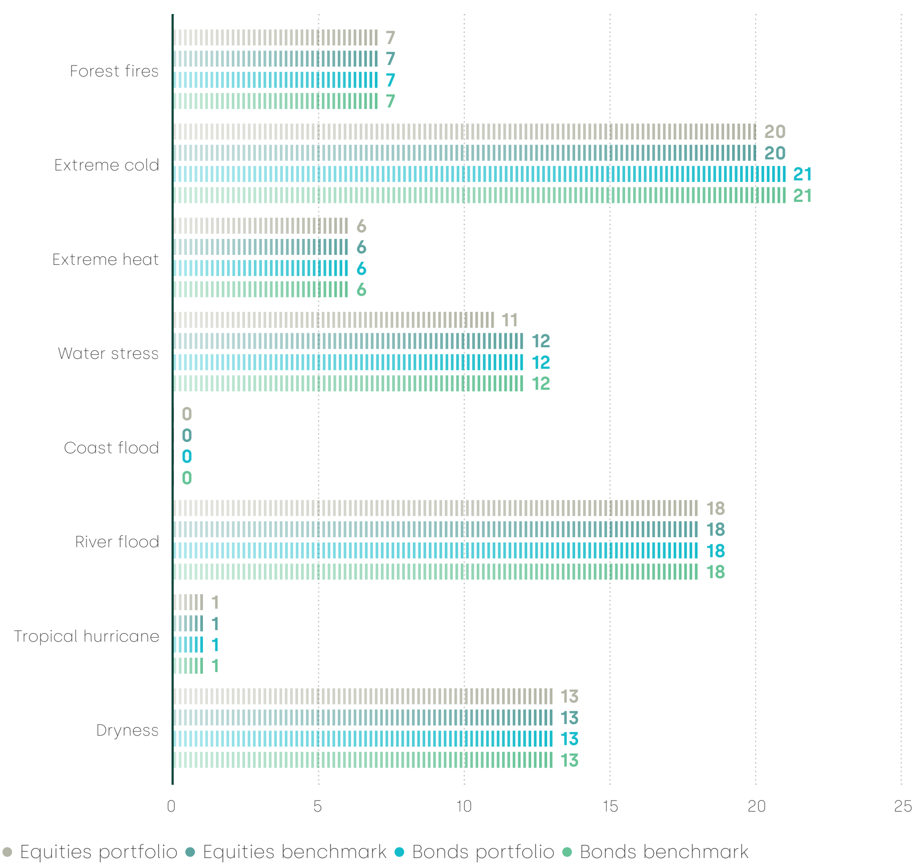
- score from 1 to 33: low risk;
- score from 34 to 66: medium risk;
- score from 67 to 100: high risk.

By 2050, in a scenario of increase of moderate to high temperatures, the levels of exposition are the same between the FRR's portfolio and their benchmark indexes: 76,9% for the world equity portfolio and 77,3% for the corporate bonds portfolio.

The potential financial consequences resulting from changing exposure to climate hazards compared to a baseline, are then assessed. The financial impacts are presented in the form of potential climate-related losses (i.e. for capital expenditure, operating expenditure or business interruption) as a percentage of asset value.

By 2050, under a moderate-to-high temperature increase scenario, the FRR's portfolio levels are slightly higher than for their respective indices: 3.51% for the global equities portfolio and 3.44% for its index, 2.46% for the corporate bonds portfolio and 2.36% for its index.

PHYSICAL RISK SCORE FOR MODERATE-HIGH SCENARIOS, 2050



PART 9

IMPROVEMENT MEASURES

THE FRR HAS IDENTIFIED SEVERAL AREAS FOR IMPROVEMENT, FOR WHICH ACTIONS ARE IN PROGRESS, PLANNED OR TO BE CARRIED OUT:

1. Updating of Responsible Investment Strategy

The FRR's Responsible Investment Strategy as determined for the period 2019-2023 is due to be updated during the course of 2023. Convinced that engagement constitutes an essential way to make the practices evolve, the FRR thinks about an increased formalization of its engagement strategy within the more global framework of its Responsible Investment Strategy.

2. Establishing a biodiversity protection strategy

It is beyond doubt that protecting biodiversity is one of the major environmental and societal challenges. This issue has always been factored into the extra-financial analysis of issuers. However, determining a strategy, trajectory and goals for 2030 still faces a number of stumbling blocks including:

- the availability of internationally recognised scenarios for the period 2020-2030,
- the quality and availability of data to objectively measure biodiversity protection.

In order to make progress on this issue, the FRR will build on the work performed by the various extra-financial analysis agencies, as well as the work carried out by the Science-Based Targets for Nature (SBTN).

3. Formalisation of an engagement strategy

The FRR contemplates to ask its asset managers that they report to the FRR in priority certain indicators set forth by the SFDR regulation:

- Extend the portfolio carbon footprint coverage to capital investment assets. As of today, non-listed companies only rarely publish their carbon footprint. The improvement of the knowledge and the management of impacts related to these financings is an important challenge – as pointed out by the NZAOA. The FRR therefore contemplates to ask from its asset managers that they reinforce the dialogue with companies on climatic topics, in particular regarding the set-up of a carbon assessment.
- Initiate the coverage of portfolios by using indicators relating to social and employee topics, compliance with human rights, the fight against corruption and bribery, as well as those regarding activities that negatively affect geographic zones that are fragile from a biodiversity perspective.

SCHEDULE

Cross-reference table for the information required under the implementing decree[9] relating to article 29 of the Energy Climate Law of 8 November 2019

Paragraph of the implementing decree	Page n° and link
1° Information on the entity's general approach	
a) Summary presentation of the entity's general approach to factoring-in environmental, social and governance quality criteria, including in investment policy and strategy.	p. 8
b) Content, frequency and means employed by the entity to inform subscribers, affiliates, contributors, beneficiaries or clients on the criteria relating to the environmental, social and governance quality objectives factored into investment policy and strategy.	N/a
c) List of financial products referred to under articles 8 and 9 of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019, and the overall share, as a percentage, of assets under management factoring-in environmental, social and governance quality criteria in the total assets managed by the entity.	p. 11
d) Factoring of environmental, social and governance quality criteria into the decision-making process for the award of new management mandates by the entities mentioned in articles L. 310-1-1-3 and L. 385-7-2 of the Insurance Code.	p. 11
e) Adherence of the entity, or of certain financial products, to a charter, code, or initiative or the award of label for factoring-in environmental, social and governance quality criteria, as well as a summary description thereof, consistent with Article 4(2)(d) of the above-mentioned Regulation.	p. 21
2° Information on the internal resources deployed by the entity	
a) Description of the financial, human and technical resources dedicated to factoring environmental, social and governance quality criteria into investment strategy by referencing them to total assets managed or held by the entity. The description should include some or all of the following indicators: share, as a percentage, of corresponding full-time equivalents; share, as a percentage and in amount, in euros, of budgets earmarked for environmental, social and governance quality data; amounts invested in research; use of external service providers and data providers.	p. 28
b) Actions taken to strengthen the entity's internal capabilities. The description should include some or all of the information on training, communication strategy, development of financial products and services associated with these actions.	p. 29

9. Article D533-16-1 of the monetary and financial Code

3° Information on the approach to factoring-in environmental, social and governance quality criteria at entity governance level	
a) Knowledge, skills and experience of governance bodies, including administrative, supervisory and management bodies, in decision-making relating to the integration of environmental, social and governance quality criteria into the investment strategy and policy of the entity and entities under its control, if any. The information may include, for example, the level of supervision and associated process, reporting of results, and specialist skills.	p. 33
b) Inclusion, in accordance with Article 5 of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019, in remuneration policies of information on how such policies are adapted for the purpose of integrating sustainability risks, including details on the criteria for linking remuneration policy to performance indicators.	p. 35
c) Integration of environmental, social and governance quality criteria in the internal regulations of the entity's Board of Directors or Supervisory Board.	p. 33
4° Information on the engagement strategy with issuers or management companies and its implementation	
a) Scope of companies included in the engagement strategy.	p. 41
b) Presentation of voting policy.	p. 37
c) Results of the engagement strategy implemented, which may include in particular the proportion of companies with which the entity has engaged in dialogue, the topics covered and the follow-up actions of this strategy.	p. 42
d) Results of the voting policy, relating in particular to the tabling of and voting on resolutions on environmental, social and governance matters at general meetings.	p. 39
e) Investment strategy decisions, in particular on sector divestments.	N/a
5° Information on European taxonomy and fossil fuels	
a) Share of assets concerning activities that meet the technical screening criteria defined in the delegated acts relating to articles 10 to 15 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (UE) 2019/2088, in accordance with the delegated act adopted pursuant to article 8 of that regulation.	p. 49
b) Share of assets in companies active in the fossil fuel sector, within the meaning of the delegated act pursuant to article 4 of that	p. 54

6° Information on the strategy of alignment with the international goals of limiting global warming specified in the Paris Agreement referred to above, consistent with the Article 4(2)(d) of the same regulation	
a) A quantitative target for 2030, reviewed every five years until 2050. This objective must be reviewed no later than five years before its expiry. The target includes emissions of direct and indirect greenhouse gases, in absolute value or intensity, relative to a base scenario and reference year. It can be expressed by measuring the implied temperature increase or by the volume of greenhouse gas emissions.	p. 58
b) Where the entity uses an internal methodology, information on it to assess the alignment of the investment strategy with the Paris Agreement or the national low-carbon strategy...	p. 61
c) Quantification of results using at least one indicator.	p. 62
d) For entities managing index funds, information on the use of the European Union's "climate transition" and Paris Agreement benchmarks as defined in Regulation (EU) 2019/2089 of the European Parliament and of the Council dated 27 November 2019.	N/a
e) The role and use of assessment in the investment strategy, and in particular the complementarity between the chosen assessment methodology and other indicators on environmental, social and governance quality criteria used more broadly in the investment strategy.	N/a
f) Changes in the investment strategy consistent with the strategy of alignment with the Paris Agreement, and in particular the policies established for the phase-out of coal and non-conventional hydrocarbons, specifying the adopted exit timetable and the share of total assets managed or held by the entity covered by these policies.	p. 68
g) Possible actions to monitor results and changes made.	p. 69
h) Frequency of assessment, the provisional update timetable and relevant factors of change selected.	p. 69
7° Information on the strategy for alignment with long-term biodiversity goals	p. 72
8° Information on steps to factor environmental, social and governance quality criteria into risk management	p. 76
9° Where the entity does not publish some of the information referred to in III- 1° to 8° bis, it shall, where appropriate, publish a continuous improvement plan.	p. 84

SCHEDULE

Cross-reference table linking the information contained in this report and the TCFD recommendations

TCFD recommendations	Page n° and link
Governance around climate related risks	
a) Supervision by the Supervisory Board and b) the Executive Board	p. 33
Strategy	
a) Climate related risks and opportunities	p. 57-68
b) Impact of climate-related risks and opportunities on investment strategy	p. 57-68
c) Resilience of the strategy and portfolio alignment with 2 °C scenarios	p. 57-68
Risk management	
a) Process for identifying and assessing climate-related risks	p. 77-82
b) Process for managing climate-related risks	p. 77-82
c) Integration into risk management	p. 77-82
Metrics and targets	
a) The measurement system used to assess climate-related risks and opportunities	p. 77
b) Scopes 1, 2 and if appropriate 3 greenhouse gas emissions and associated risks	p. 62-64
c) Objectives used to manage these risks and performance achieved	p. 69-70

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