



PRESS RELEASE

OVERVIEW OF FRR'S FINANCIAL PERFORMANCE AT 31 DECEMBER 2021

NET PERFORMANCE OF 6.95% IN 2021

Paris, 28 February 2022

In 2021, the FRR achieved a net-of-costs performance of 6.95%.

The annualised performance of the portfolio, since 1 January 2011, is +4.73% net of all costs, a level much higher than the cost of the public debt borne by CADES. The FRR has contributed to amortizing the social security debt by paying 2.1 billion euros to CADES, as it has done every year since 2011.

Since 1st January 2011, the quality performance and bond assets have increased in value respectively by 114.6% (89.1% at end of 2020) and 32% (33.7% at end of 2020). Against the background of the crisis, the FRR has played its role in relaunching the French economy by investing more than 4 billion euros in unlisted securities.

With ESG criteria being incorporated into all its management mandates, the FRR in 2021 has continued to enhance the requirements placed on its asset managers with the aim of accelerating the decarbonization of its assets in line with its climate objectives. This acceleration materializes the commitments made by the FRR, as a member of the Net Zero Asset Owner Alliance, to continue reducing its portfolio's carbon emissions.

2021, a year of solid performance against a background of strong economic recovery

Asset management results, derived solely from performance assets (equities, high yield bonds and unlisted assets) reached + 6.95%.

Bond interest rates were volatile, rising markedly by the end of the year, especially in the United States. This upward trend impacted negatively on the hedging portfolio's performance (-0.53%) with all gains deriving from the performance portfolio (+7.57%). Administrative management expenses were contained at the very low rate of 0.09%.

2021's performance was reflected by an increase of 1.785 billion euros in the value of FRR's assets which, taking into account the annual payment of 2.1 billion euros to CADES, meant that the decrease in total assets was limited to 315 million euros.

A significant contribution towards paying down social security debt

The contribution made by the FRR's sustainable performance towards pension financing can be measured by the following two points:

- Since 1st January 2011, performance assets have recorded a cumulative performance of +114.6% (+ 89.1% by the end of 2020) and the hedging assets achieved + 32% (+ 33.7% by the end of 2020). Since that same date, annualized performance has been + 4.73% by the end of 2021 (+ 4.5% at the end of 2020);
- the FRR has therefore been able to generate value by reference to the average cost of the CADES' 14.1 Bn€ debt, an increase of 1.8 Bn€ in 2021, thanks to a performance outstripping the cost of its debt.

These results will enable the FRR to pay the liabilities defined initially in the 2010 pension reforms and secondly in the law of 7th August 2020, by continuing to invest for the long term:

- 2.1 billion euros per year until 2024;
- 1.45 billion euros per year between 2025 and 2033.

Financing French businesses: a priority for FRR

Through its investments, the FRR makes a significant contribution towards the financing of the French economy. In 2021, its cumulative investments since 2013 in unlisted assets have increased to 4.1 billion euros, of which 70% have been in France. The amounts effectively called and held in the portfolio totalled 2.6 billion euros at the end of 2021.

The efforts made during the past year essentially concerned equity and quasi-equity financing through four selected funds, two of which focus on developing future leaders in technology (as part of the Tibi initiative), and a further injection into an existing mandate for a total amount of 265 million euros. 30 million euros were also committed to innovative infrastructure projects involved in energy and ecological transition.

Deeper commitment to climate change

The FRR is pursuing a proactive policy in terms of alignment with the Paris Agreement (*Accord de Paris*).

In line with its commitments as a member of the Net Zero Asset Owner Alliance (NZAOA), the FRR has requested that its euro bond mandate asset managers steer their portfolio carbon emissions towards a reduction of 30% by 2024. As part of this process, it has granted 6 billion euros' worth of euro bond mandates with enhanced ESG requirements particularly in terms of decarbonization and engagement.

A similar approach is being taken in connection with the renewal of US dollar bond mandates for a total value of more than 3 billion euros.

The FRR has also awarded responsibly managed equity index mandates in line with the Paris Agreement, for an amount of 4.4 billion euros.

As of today, the FRR has already reduced the emissions of its equity portfolios by 53% since 2013. In terms of CO2 equivalent per million of revenue, it emits 39% less than its benchmark peers.

Above and beyond controlling CO2 emissions and the policy of engaging with issuers with a view to adapting their growth models, the FRR also contributes towards the financing of green infrastructure, with 485 million euros committed, covering nine funds, or 1.85% of its portfolio. 72% of these commitments have now been called, half of which in France.

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

Press contact: 01 58 50 99 12