



## **PRESS RELEASE**

# **LAUNCH OF A CALL FOR TENDERS "RESPONSIBLE MANAGEMENT MANDATES: REPLICATION OF EQUITY INDEXES FOR MANAGEMENT IN LINE WITH PARIS ACCORD" CONTRACT 2021FRR01**

Paris, 2 March 2021

On 1 March 2021, the FRR launched a restricted call for tenders with a view to selecting investment services providers to responsibly manage mandates in line with the Paris Accord.

This is a renewal of the experimental call for tenders issued in 2015 by the FRR entitled "Equities optimised management mandate with ESG approach".

In the 2015 call for tenders, the FRR highlighted above all its willingness to consider all possible methods of reducing the carbon footprint and fossil reserves associated with a developed market equities portfolio. It also indicated that it was seeking ways of incorporating ESG criteria into this same type of portfolio. Finally, non-financial targets were set for each of the managers. At the time of the launch of the call for tenders, some of these non-financial targets were innovative, but these have since become widespread.

In connection with these management mandates, the FRR amongst other things:

- engaged in dialogue with the management companies with the aim of improving their process for incorporating external supplier ESG data. Indeed ESG data is key in this type of management, and having up-to-date data has averted a number of difficulties.
- engaged in dialogue with the management companies to ensure that they monitor the data supplied by data providers.
- worked with the index providers to ensure that they take CO2 emissions into consideration when constructing their indexes. Indeed, value premium indexes are very often overweight in the energy, commodities and utilities sectors. This has the effect of increasing the emissions level of

the index to a level much higher than the capitalisation weighted index. Following this work led by the FRR, a number of indexes restricting CO2 emission rates were established.

- engaged in dialogue with the ESG data suppliers, in particular with a view to understanding the methodology for calculating the coal-derived proportion of the relevant companies' turnover.

Today, the FRR wishes to go even further by launching this new call for tenders in direct line with its demanding and pragmatic approach. This call for tenders will enable us to test the methodologies most suited to constructing portfolios consistent with the Paris Accord's recommendations.

The public procurement procedure selected for this new contract is a restricted call for tenders. The contract is for the selection of a maximum of four Managers capable of optimising the replication of equities indexes (capitalisation weighted or otherwise) with a responsible approach whilst minimising the risk associated with, and preserving the characteristics of, the indexes used.

What the FRR is seeking to achieve is to align the managed portfolios with a trajectory compatible with the Paris Accord, whose aim is to avoid dangerous climate change by restricting planetary warming to a level well below 2°C and continuing efforts to limit it to 1.5°C.

The methods each Manager uses to achieve these objectives may evolve over the course of the mandate and depending on the indexes, however they must in all instances integrate at least:

- gradual reduction in carbon footprint and fossil reserves in absolute terms;
- a reduction in carbon footprint and fossil reserves relative to the benchmark;
- over-weighting of the "green share" of the investments;
- measurement of physical and transitional risks;
- ESG rating higher than that of the benchmark;
- FRR's exclusions policy.

Before the mandate expires and in consultation with the FRR, each Manager shall, in order to align itself with the Paris Accord's objectives, use its best efforts to take into consideration:

- avoided emissions;
- greenhouse gas (GHG) emission reduction targets of companies belonging, as a minimum, to certain sectors identified by the FRR ;
- scope 3, for the purpose of calculating CO2 emissions;
- companies with the capacity to produce energy, heat or steam from coal in order to further reduce their share of the portfolio.

Furthermore, each Manager must engage in dialogue with the companies when it considers it necessary or at the express request of the FRR, in accordance with its engagement policy. Similarly, each Manager must implement the FRR's voting policy, as published on its website.

On a purely indicative basis, the FRR estimates that **the total amount of funds offered for management may be set at four billion euros.**

This contract will be entered into for a term of four years, potentially renewable for a period of one year.

Applicants have until **Friday 9th April 2021**, 12.00 (noon) Paris time, to respond to the FRR on the terms specified in the tender rules.

All documents relating to this tender process are available on the special platform: <http://www.fondsdereserve.fr/fr/appels-offres>

\*\*\*\*\*

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 02



[www.fondsdereserve.fr](http://www.fondsdereserve.fr)