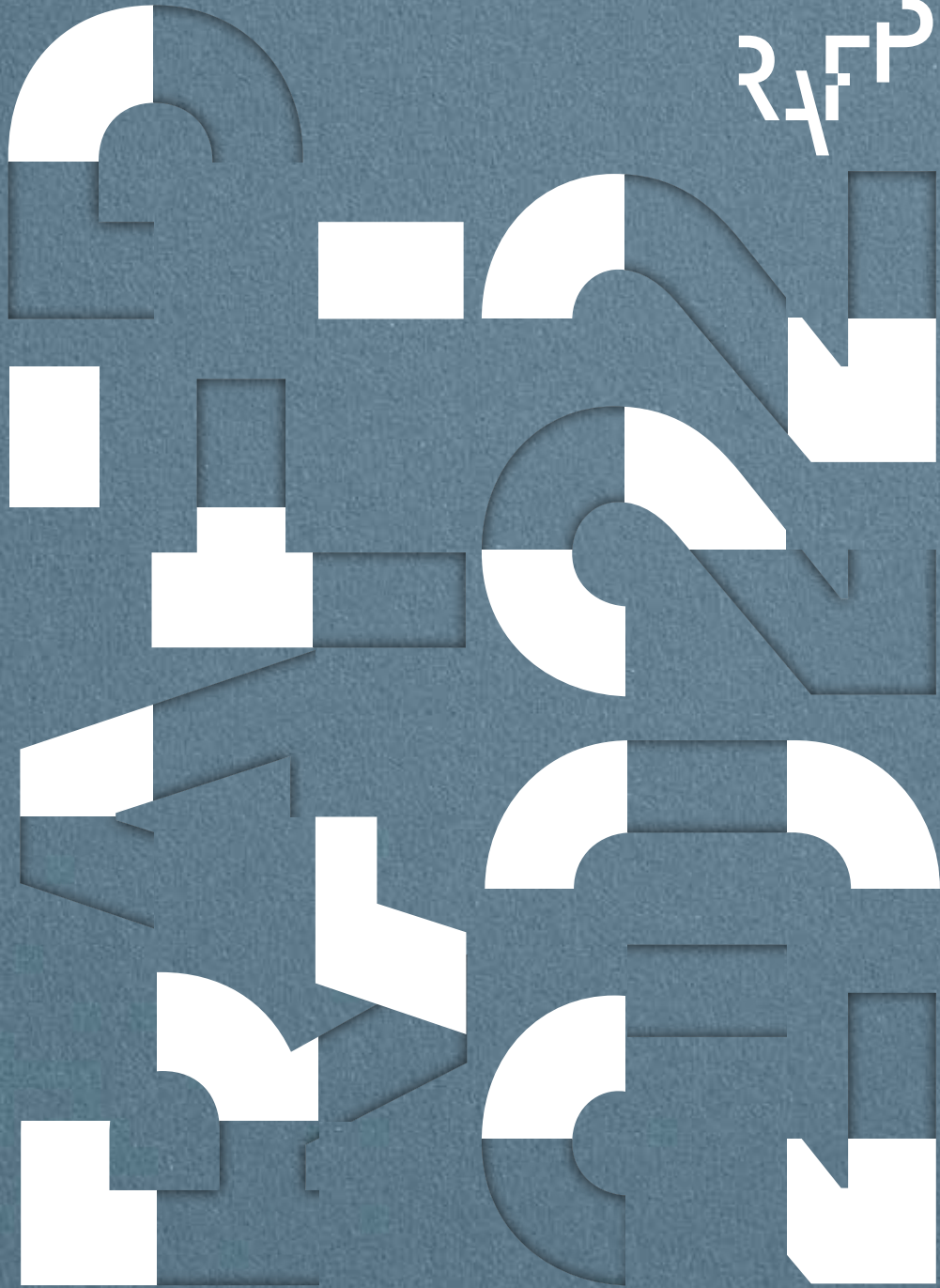


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PUBLIC REPORT



**THE PUBLIC SERVICE ADDITIONAL
PENSION SCHEME, A SUSTAINABLE
PUBLIC PENSION FUND WITH FINANCIAL
RESPONSIBLE MANAGEMENT**



KEY FIGURES

Market value of net assets

€38.2 billion
at 31 December

Annualised internal rate
of return on investment of

3.7% since the Scheme's
inception (-12.5% in 2022)

€428 million
in benefit payments

€2.06 billion
in contributions

4.5 million
active contributors

44,000
contributing employers

Economic coverage ratio
after revaluation of

121.1%

CROSS

“I regularly highlight the robustness of the French Public Service Additional Pension Scheme. In this regard, 2022 is a good example of RAFP’s resilience in the turmoil of an economy rocked by multiple crises”

DOMINIQUE LAMIOT,
CHAIRMAN OF ERAFP

PERSPECTIVE

I regularly highlight the robustness of the French Public Service Additional Pension Scheme. In this regard, 2022 is a good example of RAFP's resilience in the turmoil of an economy rocked by multiple crises, including the Ukraine war and its impact on global stability, which remains impossible to gauge, the persistence of the Covid epidemic in China, inflation alarmingly reminiscent of the 1970s and central banks forced to dampen price rises, at the risk of causing a recession through overly harsh monetary policies. In the bond markets, while investors were relieved to see that the long run of falling rates seemed well and truly over, real rates remained negative in 2022. As for the equity markets, which were marked by sharp falls but above all by high volatility, lows also provided opportunities for new investment.

Ultimately, while we were careful not to be complacent about our excellent financial management results for 2021 and despite the distinct shock that ERAFP's portfolio experienced in 2022, the impact of this should not be exaggerated given the length of the Scheme's commitments and the scale of its unrealised gains. In December, therefore, without endangering the Scheme's balance, the board of directors voted in favour of a 5.7% increase

in the service value of a point – the largest of all French pension schemes as at 1 January 2023. Admittedly, as has often been the case, there was heated debate on this and other subjects, but once again I would like to stress some of the Scheme's specific features: its governance now seems to me to have reached a remarkable state of balance between a well-informed board of directors interested in developing expertise in all the subjects discussed (from delegated management and the institution's internal control to real estate and the sustainability report – all of which we dealt with in 2022), an ERAFP management and staff keen to supply comprehensive, relevant and transparent information, and lastly a supervisory body that in recent years has enabled the portfolio to diversify as it needed and supported the expansion of this original, entirely self-funded scheme that grows its beneficiaries' pensions through the fully reserve-backed profits that it generates.



The slow exit from the Covid years did not result in a “back to normal” period but in the emergence of new imbalances. However, the robustness of our ERAFP model – as unique as it is innovative in the French pension scheme landscape – was highlighted once again. Thank you to everyone (ERAFP employees, directors, etc.) who make that possible on a daily basis!

Based on a snapshot of the Scheme's asset portfolio at the end of 2022, the year's macroeconomic and financial context appears to be marked by the strong resurgence of inflation and the sharp fall in the valuation of both debt and listed equities. The geopolitical context, the price of energy and the health situation in China were reflected in far less headline-grabbing figures than in the previous year, which was characterised by a certain post-Covid euphoria. As a result, the market value of the Scheme's assets stood at €38.2 billion at the end of 2022 compared with €41.9 billion a year earlier.

Annualised IRR since the Scheme's inception had held up very well in past years despite falling interest rates, reaching 5.6% at the end of 2021. The stock market shock of 2022 reduced this annualised IRR to 3.7%.

However, the Scheme's characteristics and financial strength enabled it to withstand the pressures and shocks that upset bond and equity markets in 2022. The asset duration of a scheme that has not yet reached full capacity, the changes to its regulatory framework since 2019 and the adjustments made since then enable us to build an asset allocation that is

sufficiently diversified both geographically and in terms of asset classes to ensure that RAFP has the best possible risk-return profile.

For its part, the board of directors has strengthened this framework by acquiring tools such as the SRI Charter and the technical parameter management guidelines, which it has successfully enhanced and upgraded to support the Scheme's development for the benefit of its members.

Thus, despite this difficult year, the board of directors decided to vote for an inflation-beating 5.7% increase in the service value of a point, the largest increase of all mandatory pension schemes in France.

Taking this decision into account, the Scheme's ratio of liability coverage to asset market value remains extremely solid at 121%, enabling us to approach the three-yearly management guideline review scheduled for 2023 in excellent conditions.

I see that as confirmation of the relevance of an asset allocation strategy applied with rigour, prudence and an increasingly stringent SRI commitment.

“Despite this difficult year, the board of directors decided to vote for an inflation-beating 5.7% increase in the service value of a point, the largest increase of all mandatory pension schemes in France”

LAURENT GALZY,
CHIEF EXECUTIVE OFFICER OF ERAFP



RAFP'S MAIN ROLES

Operational since 2005, the French Public Service Additional Pension Scheme (RAFP) is a unique scheme.

PROVIDING AN ADDITIONAL PENSION TO PUBLIC SECTOR EMPLOYEES

Thanks to the Scheme, close to 4.5 million contributors will receive additional pension benefits. Their contributions are based largely on bonuses and are topped up by some 44,000 public sector employers. Contributions collected totalled €2.06 billion in 2022.

PROMOTING PUBLIC SERVICE VALUES THROUGH SOCIALLY RESPONSIBLE INVESTMENT

As a public institution that manages a retirement scheme for public sector employees, ERAFP is dedicated to the common good and imbued with a strong sense of social priorities.

Accordingly, since its inception it has developed an ambitious programme to institute a socially responsible investment (SRI) policy founded on public service values. This policy takes environmental, social and governance criteria into account in all of the Scheme's investment decisions.

RECONCILING FINANCIAL RETURNS AND IMPACT INVESTING

As France's only public sector pension fund, ERAFP aims to show that an investor can play a role serving the public interest without forgoing the financial return on its investments.

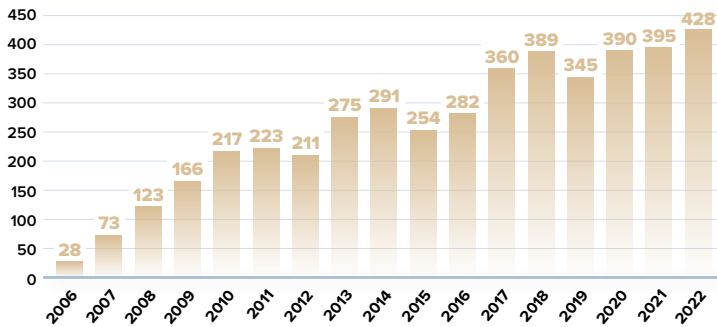
It has thus targeted three specific action areas: contributing to the transition to a low-carbon economy, supporting economic activity and employment and financing affordable housing for public sector workers.

ADDITIONAL PENSIONS IN BRIEF

→ Steady expansion

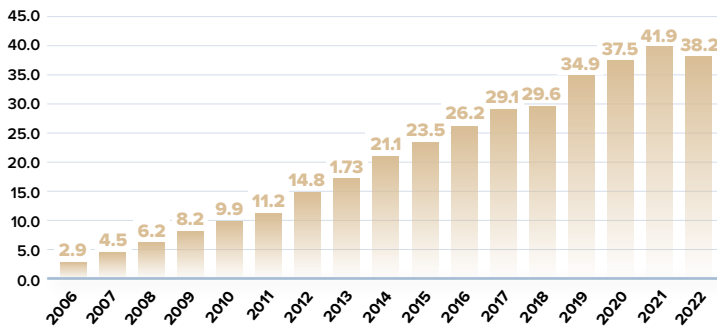
BENEFITS PAID SINCE THE SCHEME'S CREATION (IN € MILLIONS)¹

Source — ERAFP



NET ASSETS AT MARKET VALUE SINCE THE SCHEME'S CREATION (IN € BILLIONS)

Source — ERAFP



RAFP OR ERAFP?

Article 76 of the 21 August 2003 pension reform law created a mandatory public service additional pension scheme – known as “*Retraite additionnelle de la fonction publique*” or RAFP – under Decree no. 2004-569 of 18 June 2004.

RAFP therefore generically describes the Scheme created through this law, but not the legal entity itself.

ERAFP, or “*Établissement de retraite additionnelle de la fonction publique*”, is the public sector administrative entity tasked with the Scheme’s management.

→ Legal basis

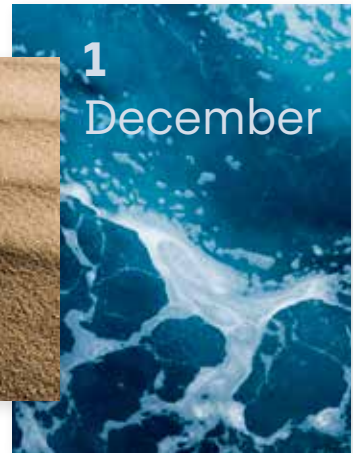
Article 76 of the French Pension Reform Law 2003-775 of 21 August 2003

Decree no. 2004-569 of 18 June 2004 on the French Public Service Additional Pension Scheme

Order of 26 November 2004, as amended, implementing Decree no. 2004-569 of 18 June 2004 on the French Public Service Additional Pension Scheme

1. Accounting value.

HIGHLIGHTS 2022



ERAFP PUBLISHES ITS FIRST SUSTAINABILITY REPORT

In accordance with the decree implementing Article 29 of the Energy and Climate Act of 8 November 2019, ERAFP publishes the first edition of its sustainability report.



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ERAFP LAUNCHES A CALL FOR TENDERS TO SELECT PORTFOLIO MANAGERS FOR EURO-ZONE, EUROPEAN AND JAPANESE SRI LISTED EQUITIES

In connection with the renewal of its mandates, ERAFP launches a call for tenders to award 21 portfolio management mandates (11 active and 10 stand-by) for euro-zone, European and Japanese listed equities.



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ERAFP WINS THE AWARD FOR BEST ESG STRATEGY AT THE IPE AWARDS

This award recognises ERAFP's active consideration of non-financial criteria, which have been at the very heart of its investment and portfolio management decision-making process since the Scheme's creation.



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HIGHLIGHTS 2022



ERAFP SIGNS THE FINANCIAL SECTOR'S POST-2020 GLOBAL BIODIVERSITY FRAMEWORK STATEMENT

By signing this statement, ERAFP highlights its commitment to helping to protect and restore biodiversity and calls for the adoption of an ambitious global biodiversity framework at COP 15.

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ERAFP'S BOARD OF DIRECTORS INCREASES THE SERVICE VALUE OF A POINT BY 5.7% FOR 2023

Pursuant to a decision of 15 December 2022, the board of directors raises the RAFP point service value by 5.7% for 2023. This is the largest increase of all French mandatory pension schemes.

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ERAFP STRENGTHENS ITS COMMITMENT TO REDUCING THE GREENHOUSE GAS EMISSIONS OF ITS REAL ESTATE PORTFOLIO

ERAFP announces in a press release that it will extend the scope of real estate assets covered by climate targets and adopt a target for reducing the surface intensity of its AOA real estate portfolio.

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PART 1

Management of RAFP in 2022

SCHEME GOVERNANCE

→ Board of directors' structure and duties

The Scheme's governance involves three actors: ERAFP's board of directors, its chief executive officer and its external supervisors².

The board of directors is the Scheme's governing body. Through its deliberations, it resolves matters that concern ERAFP and examines all general issues relevant to the Scheme's management.

To carry out its missions, the board of directors is assisted by four specialised committees, set up within it:

- The asset and liability management committee (CSAP) oversees the Scheme's technical management and, in this capacity, prepares the board of directors' decisions concerning the assessment of commitments towards Scheme beneficiaries, the determination of purchase and service values of a point and general aspects of the investment policy.
- The audit committee (CSA) verifies that the Scheme's management rules are correctly applied and proposes measures to improve its management. It has unlimited investigative powers, which it delegates to members of the administrative management body.
- The collections committee (CSR) prepares collection statements and reports to the board of directors.
- The investment policy monitoring committee (CSPP) prepares the board of directors' decisions on the general guidelines for the Scheme's socially responsible investment policy and monitors their implementation. It assesses their impact on the Scheme, in accordance with the general guidelines for the investment policy decided by the board of directors. It ensures compliance with the principles of the socially responsible investment charter, which it updates as necessary.

In addition, in 2011, the board of directors set up an Executive Board tasked with monitoring ERAFP's affairs between board meetings and coordinating the work of the specialised committees.



Find out more
Scheme governance

SUBJECTS DISCUSSED BY THE BOARD

The main topics discussed by the board are:

- the annual valuation of the Scheme's obligations and the determination of the amount of the reserve required to cover them;
- the conditions for achieving the Scheme's long-term equilibrium;
- the purchase and service values of a point;
- the general guidelines for the Scheme's investment policy and socially responsible investment policy;
- ERAFP's budget;
- the financial statements;
- the objectives and management agreement with Caisse des dépôts et consignations.

² Four ministers exercise joint supervision over ERAFP: the Minister for Public Service, the Minister for the Budget, the Minister for Social Security and the Minister for the Economy. The French state is represented on ERAFP's board of directors by a government commissioner, appointed by joint order of these ministers.

→ Composition of the board of directors

ERAFP's board of directors operates on an equal representation principle and is composed of 19 members, including eight members representing the Scheme's active contributors, three members (including one member of the military) representing French public servant employers, three members representing French local and regional authorities employers, two members representing French public hospital employers and three qualified persons. The representatives of contributors and employers each have a deputy.

ERAFP's Chairman and Vice-Chairman are appointed by decree from among the members of the board.

THE SPECIALISED COMMITTEES

The members of the specialised committees are appointed by the board of directors. ERAFP's four committees are made up as follows:

- The CSAP has twelve members, of which six are representatives of active contributors, four are employers' representatives and two are qualified persons.
- The CSA has ten members, of which at least six are representatives of active contributors.
- The CSR has six members, of which three are representatives of active contributors and three are employers' representatives.
- The CSPP has eight members, of which at least four are representatives of active contributors.

The board of directors appoints one of its members to chair each committee.

THE EXECUTIVE BOARD

The board of directors has a Executive Board composed of the board's chair, who also chairs the bureau, the board's vice-chair, the chairs of the specialised committees and two other members appointed by the board for the bureau's term of office.

QUALIFIED PERSONS

Vacant seat

Dominique Lamiot
Chairman

Vincent Lidsky

CENTRAL GOVERNMENT EMPLOYERS' REPRESENTATIVES

FINANCE

Christophe Landour
Primary

FINANCE

Valérie Georgeault
Deputy

DEFENCE

Thibaut de Vanssay de Blavous
Primary

DEFENCE

Laetitia Magnan
Deputy

EDUCATION

Emmanuelle Walraet
Primary

EDUCATION

Pierra Mery
Deputy

LOCAL AND REGIONAL AUTHORITIES EMPLOYERS' REPRESENTATIVES

AMF

Philippe Laurent
Primary

AMF³

Deputy

ADF

Martine Ouaknine
Primary

ADF

Arnaud Arfeuille
Deputy

Régions de France

Jean-Luc Gibelin
Primary

Régions de France

Laurent Burckel
Deputy

PUBLIC HOSPITAL EMPLOYERS' REPRESENTATIVES

FHF

Chantal Borne
Primary

FHF

Richard Tourisseau
Deputy

FHF

Gérard Vincent
Primary

FHF

Christiane Coudrier
Deputy

ACTIVE CONTRIBUTORS' REPRESENTATIVES

CGT

Hélène Guerra
Primary

CGT

Didier Louvet
Deputy

CFDT

Michel Argiewicz
Primary

CFDT

Chantal Gosselin
Deputy

FO

Jean-Christophe Lansac
Primary
Vice-chair

FO

Claudine Gautronneau
Deputy

UNSA

Frédéric Le Bruchec
Primary

UNSA

Angélique Noizette
Deputy

FSU

Olivier Kosc
Primary

FSU

Éric Duflos
Deputy

Solidaires

Christine Berne
Primary

Solidaires

Laurent Gathier
Deputy

FA-FP

Pascal Carrethey
Primary

FA-FP

Marie-Christine Ramon
Deputy

CFE-CGC

Jean-Pierre Costes
Primary

CFE-CGC

Claude Roussel
Deputy

**Find out more**

Appointments

3. The AMF deputy resigned in 2022.

→ Work of the board of directors in 2022

ERAFP’s board of directors met six times during the year, four times for ordinary meetings and twice for extraordinary meetings, to give an opinion on draft regulatory provisions referred to it.

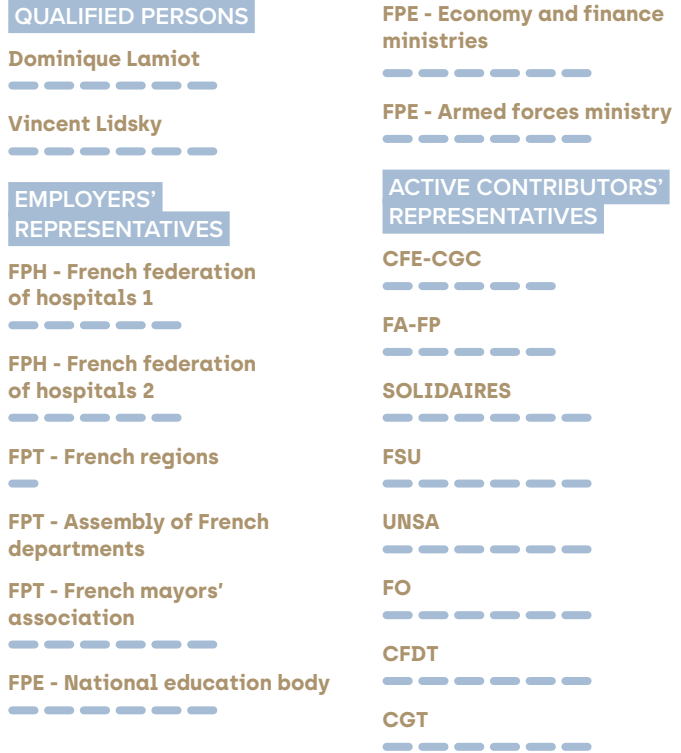
The board’s sub-committees met 27 times in all in 2022. Directors were also able to take part in three training days on the following topics: ERAFP’s risk management system, changes in the regulatory framework for the disclosure of non-financial information, and delegated management.

MAIN RESOLUTIONS ADOPTED

- At its meeting of 14 April 2022, the board of directors approved the financial statements for the 2021 financial year.
- At its meeting of 6 October 2022, the board of directors issued a favourable opinion on the draft order adapting the Scheme’s prudential framework.
- Pursuant to a decision dated 15 December 2022, the board of directors:
 - set the discount rate net of costs at 0.9%⁴;
 - increased both the purchase and the service value of a point by 5.7%⁴;
 - adopted ERAFP’s budget for 2023;
 - adopted the strategic asset allocation for 2023⁴.

ATTENDANCE AT BOARD MEETINGS IN 2022

Source — ERAFP



“In 2022, the board performed its duties in a macroeconomic and market context unseen since the Scheme’s creation”

4. The details and application procedures for these three decisions are detailed in the second part of this report, on pages 43, 45 and 48, respectively.

If I chose to speak this year for the first time in ERAFP's public report, it is with the benefit of the hindsight of almost two full four-year terms on the board of directors, as representative of active contributors on behalf of the Force Ouvrière trade union since the end of 2015 and as ERAFP vice-chairman since my appointment in March 2020.

And yet at its inception in 2005, most trade union organisations were not in favour of the creation of the French Public Service Additional Pension Scheme (RAFP), deeming it not least an inadequate response to the problem of the omission of public sector employees' "bonuses" from their pension calculation. Despite that, not one of the eight public sector representative bodies refused to cooperate, because as elsewhere, it was our responsibility to ensure that each euro contributed was used correctly.

A WORD FROM THE VICE- CHAIRMAN

Indeed, over the years and as the Scheme grew from strength to strength, as a group we agreed to be present and actively participate in the meetings of the four committees and the board, as RAFP now represents a secure asset for all public sector employees. As representatives of our colleagues, we still find it necessary and useful to question the assumptions of ERAFP's management – not to forget those of its four supervisory

ministers – and to discuss the pros and cons of the planned asset allocation with a view to investing in a socially responsible manner, drawing in particular on the social and governance strands of "ESG." Lastly, as the board does not operate on an equal representation basis, it is always crucial to seek the broadest possible agreement on all these subjects – often even unanimity among the other directors, employers and qualified persons, as experience has shown in recent years.

Thus far, together we have crafted an innovative and ultimately highly distinctive governance model – despite a good deal of wide-ranging points of view at the outset. I sincerely hope that our successors will continue to promote that model to sustain the sound financial management of a pension scheme that deserves to be better known by all its contributors.



→ JEAN-CHRISTOPHE LANSAC,
VICE-CHAIRMAN

In this year of strong turbulence in the equity markets, rising inflation and increasing interest rates, the committee monitored the situation of the Scheme's portfolio particularly closely. An independent economist helped us with this process, providing analyses that we compared with ERAFP's to give us the necessary detachment to be able to prepare the board of directors' decisions.

Our asset allocation was thus reviewed and prepared in minute detail, with a view to making long-term investments while monitoring the economic and financial movements currently at play. In recent years, for example, ERAFP had restricted its sovereign debt investments in favour of corporate debt, a market segment offering more attractive interest rates. In 2022, while the rise in government bond yields was too gradual for them to return to positive real levels, we identified certain investment opportunities, notably in euro-zone government and corporate bonds.

WORK OF THE CSAP

A detailed review of the performance of each asset class during this difficult year naturally led to a strategic allocation towards the bottom of the range for the equity, convertible bond and real estate portfolios, without calling

into question the trajectory of the allocation approved in December 2021.

At the CSAP's instigation, ERAFP also began to reflect on the level of prudence of the Scheme's technical parameters. It accordingly carried out tests on the robustness of the Scheme's financial equilibrium, but also modelled stochastic and deterministic scenarios for 2023 involving an additional equity shock that would compound the already unfavourable trend of 2022. These analyses confirmed that the Scheme was in a position to cover its commitments over the entire period spanned by the various projections. So while the persistence of negative real interest rates continues to call for prudence, the committee remains confident in the solidity of the Scheme's asset-liability balance. In the short term, our modelling and analysis of the level of prudence led to constructive discussions at CSAP level on the revaluation of the value of a point, which the board took up and concluded by voting for an above-inflation increase. In 2023, the CSAP intends to continue its work on the Scheme's technical parameters and premium rate.



→ **EMMANUELLE WALRAET,**
CHAIR OF THE ASSET AND
LIABILITY MANAGEMENT COMMITTEE

In 2022, the audit committee was particularly active in monitoring and controlling the systems in place at ERAFP and, in its assigned role as the Scheme's administrative manager, Caisse des dépôts (CDC).

Following the presentation of the financial risk management system, the review of the regulatory compliance control system enabled committee members to quiz ERAFP in greater detail about its investment policy in the context of equity market risk and to prepare a unanimous board of directors opinion in favour of a draft order to raise the ceiling on non-euro-denominated variable-income assets from 30% to 35%. In this regard, the committee noted that increasing diversification into variable-income assets would generate a much higher return than the associated costs, and was thus in beneficiaries' interests.

Purely financial matters aside, the committee updated its risk mapping, the last update going back to 2018. It was pleased to note CDC's increased involvement in this update for the risks that affect it.

In particular, as provided for in the objectives and management agreement, a study was launched to modernise the IS tools that CDC uses to manage Scheme members'

WORK OF THE CSA

accounts. This study was also part of the action plan drawn up by ERAFP to improve member administration error risk management. The committee will closely monitor its conclusions and implementation in 2023.

Given the volumes of contributions collected and benefits paid, it is not surprising that operational incidents occur; keen that such issues be dealt with as early as possible, the committee welcomes CDC's commitment to transparency, which in 2022 enabled it to detect and resolve a number of incidents with the aim of minimising their impact for members and beneficiaries. At the same time, work still needs to be done to provide more information to the Scheme's members. The measures taken will also make it possible to prevent other potential incidents, and the committee has therefore systematised this review work. It has also put in place similar procedures for the processes supporting CDC's financial management. Regarding the implementation of ex-post checks on the contribution basis, the committee strongly supported ERAFP's request to the *Modernisation des déclarations sociales* public interest group to supplement the technical specifications for DSN employment data filing processes with the specific remuneration data (bonuses and allowances) included in the base for central government employees. The administrative manager is due to launch the pilot phase for the other two public service sectors in 2023.

Regarding ERAFP's resources, the committee welcomed the fact that given the diversification of its assets and the improvement of its risk management, ERAFP was able to raise its hiring capacity and create three additional jobs in 2023.

Lastly, the audit committee took particular care to ensure that ERAFP was involved upstream in projects affecting its activity. This was in particular the case for the proposal to transfer the collection of contributions from CDC to URSSAF.



→ MICHEL ARGIEWICZ,
CHAIR OF THE AUDIT COMMITTEE

As usual, the collections committee reviewed the reports provided by the administrative manager throughout the year, checking in particular that it was providing a high quality of service to employers and beneficiaries.

The committee's members welcomed the transparency in the reporting of incidents encountered and the solutions implemented to resolve them. They were particularly pleased to note that the Scheme's expansion and employers' experience were leading year after year to increased accuracy in filings and contribution payments. However, the switch to DSN filing has generated difficulties for some employers. While the DSN filing rate rose from 23% at the end of 2021 to 91% from the end of February 2022 before gradually reducing the gap with respect to the target even more over the course of the year, it appeared that for a limited number of employers – mainly small local or regional authorities identified and contacted by CDC's Bordeaux office – the purchase of new software or restructuring-related problems has delayed their transition to the new reporting standard.

WORK OF THE CSR

Another subject that fuelled the committee's discussions in 2022 was the plan to transfer the collection of contributions from CDC to URSSAF. URSSAF CN and CDC held talks and carried out preliminary scoping work for this complex

project, which had initially been postponed to January 2025 and was then deferred under the 2023 amended social security funding act. However, abandoning the old system leaves the problem of keeping tabs on the contribution basis unresolved, with CDC proposing to deploy an ex-post checking solution for hospital and local authorities, due to be trialled in 2023. At the same time, it will resubmit a request to include the missing central government employee remuneration data in the 2025 DSN technical specifications. The committee will closely monitor these developments to check that they are appropriate, particularly with regard to the costs incurred by ERAFP, and will of course go over the results with a fine-toothed comb.



→ **FRÉDÉRIC LE BRUCHEC,**
CHAIR OF THE
COLLECTIONS COMMITTEE

2022 was a highly eventful year, full of discussion and reflection on the SRI question, just as that of the impact of investors on what are now called “sustainability factors”, in particular the climate, is coming increasingly to the fore. As SRI is central to the Scheme’s investment policy, the CSPP’s work naturally reflected the high level of discussion and activity in this area.

General meetings, the best place for exercising shareholder responsibilities, were once again closely monitored by the committee, in particular for climate resolution votes, which offer a chance to dialogue constructively with companies to progress towards a more carbon-neutral world. While these meetings see investor engagement at its peak, they do not detract from the important work of monitoring engagement initiatives that once again kept the CSPP busy throughout the past year

WORK OF THE CSPP

Another equally important recurring theme is the monitoring of the proper implementation of the Scheme’s various SRI provisions for all ERAFP’s investments, which the CSPP worked on extensively and rigorously with the aim of ensuring that the way in which the portfolio is built is always consistent with the Scheme’s socially responsible approach.

Also of significance, 2022 was the first year of implementing ERAFP’s climate roadmap for 2024, which was adopted by the board of directors in October 2021. The CSPP noted that it is operationally fit for purpose, with no changes needed to make it fully actionable. But the committee’s main source of satisfaction was ultimately the results obtained in 2022, which are very encouraging. ERAFP was even able to take its approach further by increasing its real estate portfolio commitments.

Meanwhile, new projects were defined over the course of the year, as detailed in ERAFP’s new sustainability report, with preserving biodiversity being the most important. There is no doubt that this new area will soon be first in line when it comes to deciding the committee’s topics for discussion.



→ PHILIPPE LAURENT,
CHAIR OF THE INVESTMENT
POLICY MONITORING COMMITTEE

ADDITIONAL RETIREMENT INCOME

→ An additional retirement benefit

A mandatory, points-based scheme created for public servants working in French central government (civilians and military), local and regional authorities and the public hospitals sector, and members of the judiciary.

An additional retirement benefit that takes into account bonuses and ancillary remuneration.

A contribution basis made up of all types of remuneration not included in the calculation of the basic pension – bonuses, overtime hours, allowances and in-kind benefits, capped at 20% of gross basic salary.

An overall contribution rate set at 10% of the basis amount, split evenly between the employer (5%) and the public servant (5%).

→ Scheme governance

ERAFP manages the public service additional pension scheme. As such, it governs and guides the Scheme, manages the capitalised assets used to finance future pensions, centralises the Scheme's income and expenses in its accounts and pays the benefits to its beneficiaries (Article 16 of the Decree of 18 June 2004 relating to the Public sector additional pension scheme).

The Scheme's administrative management has been entrusted to Caisse des dépôts et consignations (CDC), under the authority and control of the board of directors. An objectives and management agreement, entered into for a minimum period of five years, lays down the multi-year administrative management objectives, the resources available to the manager to achieve them and the related actions to be implemented for these purposes by the signatories (Article 32 of the Decree of 18 June 2004 relating to the Public sector additional pension scheme). The agreement currently in force covers the period 2022-2026. It lays down objectives aimed at consolidating the achievements of the previous objectives and management agreements by continuing to improve the quality of the service provided to beneficiaries and employers, within the framework of a stable financial trajectory.

In addition to collecting contributions and recording rights, on ERAFP's behalf under a mandate agreement, CDC liquidates and pays out the Scheme's benefits for employees of public hospitals and local and regional authorities. While CDC is also responsible for liquidating benefits for central government employees, the Public Finances Directorate General (DGFIP) deducts the related social security and tax contributions and pays out the benefits. The activities that the DGFIP carries out for the Scheme are also covered by a mandate agreement.

→ Contributions and benefits

CHANGES TO THE RAFP BENEFIT RIGHTS VESTING SYSTEM

→ Parameters set by the board of directors

Pursuant to a decision of 16 December 2021, the board of directors raised the RAFP point value by 1.9% for 2022.

€1.2740
purchase value of a point in 2022

€0.04764
service value of a point in 2022

→ Major legal and regulatory developments

Article 162 of the 2023 Finance Act no. 2022-1726 of 30 December 2022, which excludes from the Scheme's contribution basis the contribution of public sector employers to the funding of their employees' supplementary health insurance from 1 January 2022. The following are therefore excluded from the Scheme's basis:

- the public sector employer's contribution, where an agreement provides for mandatory subscription to a supplementary health insurance contract;
- the provisional lump sum reimbursement payable by central government employers to their employees.

Decree no. 2022-1101 of 1 August 2022, which renews the individual purchasing power guarantee (GIPA) for 2022. A particularity of GIPA is that it is fully subject to RAFP contributions and therefore exempt from application of the 20% gross basic salary ceiling.



Find out more

How are your contributions calculated?

Around

44,000
contributing employers

4.5
million active contributors

€2.06 billion
in contributions collected

€428 million
in benefits paid, including
€156.6 million
in annuities and
€271.6 million
in lump sums

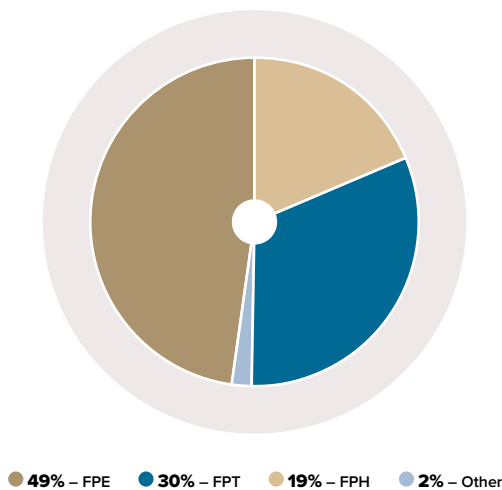
431,000
annuities in payment

€2.06 BILLION IN CONTRIBUTIONS COLLECTED

The RAFP contribution is split equally between the employer and the beneficiary, with the employer responsible for paying both parties' shares to ERAFP. Around 44,000 employers and 4.5 million public servants paid contributions into the Scheme in 2022. RAFP employers, which belong to the three public sector functions (ministries, national public institutions, local and regional authorities, public health institutions, etc.), employ highly variable numbers of members, ranging from a handful for small municipalities to more than a million for the Ministry of National Education. The total amount⁵ collected by the Scheme in 2022 was €2.06 billion, of which €2.04 billion was in respect of contributions for 2022. Almost half of these contributions (49%) were paid by central government employers. The other half was paid by local and regional authority employers (30%) and public hospital employers (19%).

BREAKDOWN BY PUBLIC SECTOR FUNCTION OF CONTRIBUTIONS RECEIVED IN 2022⁶

Source – ERAFP



5. Collections represent amounts received between 1 January and 31 December 2022. They include current year contributions, prior year contribution adjustments and late payment surcharges.
6. Contributions received correspond, for this graph, to the contributions received for the 2022 financial year. The "Other" category corresponds to private sector employers that employ public servants on secondment.
7. This amount includes reversionary benefits paid out to deceased beneficiaries' spouses and children under 21.

BENEFITS PAID

€428 million in benefits was paid out to beneficiaries last year⁷, a 5.7% increase from 2021. Annuity payments continued to rise in 2022. Nearly 431,000 beneficiaries received an annuity (up 22%). By contrast, the Scheme's number of lump-sum payments plateaued, with around 120,000 lump-sums paid out in 2022, compared to 118,000 in 2021 (+1.6%).

Annuity payments in 2022 represented 58% of lump-sum payments (€271.6 million versus €156.6 million), a proportion that continues to grow every year.

The average annuity in 2022 was €397, up 5.6% compared with 2021 (€376). By definition, as contributions did not start until 2005, annuity recipients have only been able to contribute to the Scheme for a maximum of 17 years. Excluding split lump-sum liquidations and indirect rights, the average lump-sum payment in 2022 was €3,776, up 13.8% from December 2021 (€3,318).

"Average lump sum of €3,776 and average annuity of €397"

CHANGES TO ANNUITY TO LUMP SUM CONVERSION FACTORS

Following discussions on 16 December 2021, the board of directors decided to change the actuarial rates for converting annuities into lump sums on the basis of the discount rate for commitments, net of costs, applicable in 2021, and the historical life expectancy tables currently in force. Adjusting these parameters resulted in an approximately 10% increase in the amount of lump-sum payments at 1 January 2022.

TYPICAL BENEFITS PAYMENT SIMULATIONS⁸

LUMP SUM PAYMENT	SPLIT LUMP SUM PAYMENT	ANNUITY PAYMENT	ANNUITY PAYMENT	ANNUITY PAYMENT
Sylvie, a secretary in the children's social service (regional administrative assistant), retires in 2022 aged 62.	Alain, a hospital care assistant (ASH), retires in 2020 aged 60.	Christine, an administrative and logistics assistant (central government administrative assistant), retires in 2022 aged 62.	Éric, a management control and budget manager (regional attaché), retires in 2022 aged 62.	Patricia, a public procurement manager (central government administrative attaché), retires in 2022 aged 64.
She has 4,557 points in her individual RAFF account (< 4,600 points).	On his RAFF benefit's effective date ⁹ , he has 4,834 points in his individual RAFF account (between 4,600 and 5,124 points).	She has 4,971 points in her individual RAFF account (between 4,600 and 5,124 points).	He has 7,246 points in his individual RAFF account (> 5,125 points).	She has 7,896 points in her individual RAFF account (> 5,125 points).
4,557 x 0.04764 ¹⁰ x 2711 ¹¹ x 1.00 ¹²	4,834 x 0.04764 ¹⁰ x 2711 ¹¹ x 1.00 ¹²	4,971 x 0.04764 ¹⁰ x 1.00 ¹² ÷ 12 x 15	7,246 x 0.04764 ¹⁰ x 1.00 ¹²	7,896 x 0.04764 ¹⁰ x 1.08 ¹²
5,885.46 € gross.	6,243.21 € gross.	296.02 € gross.	345.20 € gross.	406.26 € gross.
SYLVIE WILL RECEIVE A GROSS LUMP SUM OF €5,885.46.	<i>Having retired 15 months before his RAFF benefit's effective date, Alain is not concerned by the lump-sum splitting mechanism.</i> HE WILL THEREFORE RECEIVE A GROSS LUMP SUM OF €6,243.21.	CHRISTINE WILL RECEIVE A FRACTION OF HER LUMP SUM CORRESPONDING TO 15 MONTHS OF ANNUITY EQUIVALENT, I.E. €296.02 GROSS. <i>She will receive the rest of her lump sum at the end of these 15 months, after the inclusion of any points earned during her final year of contribution, provided that her final number of points is still less than 5,125. If she has 5,125 points or more, her benefit will be paid as an annuity.</i>	ERIC WILL RECEIVE A GROSS ANNUITY OF €345.20 PER YEAR, I.E. €28.77 PER MONTH. <i>This amount will be revalued each year in line with the service value of a point.</i>	PATRICIA WILL RECEIVE A GROSS ANNUITY OF €406.26 PER YEAR, I.E. €33.85 PER MONTH. <i>This amount will be revalued each year in line with the service value of a point.</i>

8. Illustrative examples: not contractually binding and given for indicative purposes only.

9. i.e. when he reaches the age of 62.

10. Service value of a point in 2022.

11. Lump-sum conversion factor corresponding to life expectancy at the age when the pension is paid.

12. Premium factor: after age 62, the higher the retirement age, the greater the factor.

161,565
Pension liquidations

99.5%
requests to liquidate
direct rights on time

110,145
benefits revisions

Update rate for
individual retirement
accounts of

99.7%

Settlement rate for
employers' financial
accounts of

98.4%

→ RAFP's administrative management

MANAGING BENEFICIARIES' RIGHTS

Data is fed into each beneficiary's individual retirement account (CIR) in the Scheme on the basis of statements submitted by his or her employer, now via the DSN employment data filing system.

Introduced by Article 43 of Law no. 2018-727 of 10 August 2018 for service and trust-based government, the DSN system – which enables declarants to file employee protection management information electronically in a single monthly return – has gradually replaced the previous reporting methods.

2022 saw the third and final major wave of DSN adoption by public sector employers, based on the timetable set by Decree no. 2018-1048 of 28 November 2018.

At 31 December 2022, the CIR update rate for 2021 was 99.7%¹³, a level similar to that achieved in 2021. 97.4% of employers used DSN to update their employees' CIRs in 2022, compared with 22.6% in 2021.

Employers that did not switch to DSN in 2022 were granted the possibility of continuing to use their existing reporting method until 1 January 2023, as switching to DSN during the year is prohibited.

COLLECTING CONTRIBUTIONS

→ **€2.02 billion in contributions collected via DSN**

In 2022, the collection of the Scheme's contributions took place against the backdrop of the continued roll-out of the DSN system.

The total amount collected via DSN in 2022 was €2.02 billion (out of a total of €2.04 billion), compared with €714 million in 2021 (out of a total of €1.96 billion).

→ **A payment incident rate of less than 5%**

The average annual rate of employer contribution payment incidents was 4.33% in 2022, compared with 3.86% in 2021, an increase due to configuration errors in the software purchased by public sector employers for the DSN filing roll-out.

¹³. During the transition period, the expected target consists of data input through both DADS and DSN. The percentage of CIRs updated for 2021 was nearing 100% following corrections made by CDC and late employers filings.

These incidents (generally involving a lack of information preventing the automatic allocation of the amount received to the right employer) are reviewed together by CDC and the employers concerned, and thus gradually corrected (95.77% of incidents in 2022 were corrected as at 31 December 2022, compared with 98.96% in 2021).

In 2022, Caisse des dépôts continued its communication initiatives targeting public sector employers via several channels, in particular the PEP's platform and the "Carrés employeurs" forum, to raise managers' awareness of this issue. Employers also benefited from assistance from the Modernisation des déclarations sociales public interest group, in particular through its "Net-entreprises" website, which offers step-by-step guidance on implementing DSN.

→ **A settled CFE rate of 98.4%**

An employer financial account (CFE) is considered settled when the amounts paid match the amounts reported. Because prior to the introduction of DSN annual statements were sent out in the year following the payment of contributions, until now the figures for account updating concerned the previous year's figures. At 31 December 2022, 98.41% of employers' financial accounts for 2021 had been settled, a higher rate than that achieved for 2020 (96.73%).

"In 2022, for the first time since the Scheme's creation, the number of annuity liquidations exceeded the number of lump sum liquidations"

As part of its management, Caisse des dépôts sends reminders to employers that have not settled their CFE, with a view to resolving their situation. At the end of the year, if an employer's financial account continues to show a discrepancy, CDC launches a collection process with the employer.

RAFP PENSION LIQUIDATION

In 2022, 161,565 beneficiaries liquidated their RAFP pension as either an annuity or a lump sum. As the Scheme is still in its infancy, direct rights liquidations (150,406 liquidations) represented 93% of the total number of liquidations, compared with 7% for liquidations of indirect rights (i.e. reversionary benefits).

The overall number of pension liquidations was stable (162,495 liquidations in 2021).

86,195 direct rights pensions were liquidated as an annuity (57.3% of the total), compared to 64,211 liquidated as a lump sum (42.7%).

For the first time since the Scheme's creation, the number of annuity liquidations exceeded the number of lump sum liquidations. This trend, which is the result of the Scheme's gradual expansion, is expected to increase in the coming years: as member contribution periods are now longer, their number of vested points should exceed the threshold set for payment of a monthly annuity more frequently.

The time required to process liquidation requests is a priority focus for the Scheme. In 2022, it processed all requests within the allotted time. The rate of direct rights liquidation requests processed on time was 99.45%, and that for indirect rights requests 87.70%.

The number of revisions, meanwhile, increased by 33% in 2022 (110,145 revisions versus 83,103). This increase is mainly due to the inclusion of existing rights in the new annuity to lump sum conversion factor for liquidations with an effective date between 1 January and 30 March 2022. Most of these revisions result from updates to employees' individual retirement accounts based on individual corrective or additional declarations, linked in particular to the beneficiaries' contributions for their last year of activity. Thanks to the public sector DSN process, which allows statements to be filed monthly, the number of revisions should fall permanently, thus allowing beneficiaries to receive an amount when they draw their pension that is very close to the amount due to them.

INITIATIVES FOR EMPLOYERS AND BENEFICIARIES AND INFORMATION ABOUT THE SCHEME

ERAFP's communications strategy is aimed at enhancing the Scheme's effectiveness by providing all stakeholders (beneficiaries, employers and institutional players) with the information required to participate fully in its activities. It also aims to promote and show the relevance of ERAFP's SRI approach, since social responsibility only becomes effective once it is shared.

ERAFP's communications strategy has two focuses:

- institutional communications, mainly with public sector bodies, which are ERAFP's responsibility;
- operational communication to inform employers and beneficiaries of their rights and obligations, which is the responsibility of the administrative manager, CDC.

→ More detailed information for public sector employers

In its early years, the Scheme essentially assisted public sector employers with the practical aspects of fulfilling their responsibilities. Now, it aims to form a closer understanding of their needs and enhance their awareness of the Scheme's specific capitalisation and long-term socially responsible investment features.

ERAFP thus holds quarterly "Meetings with employers on additional pensions" in France's various regions. These "meetings" are a good opportunity to share ideas and experience face to face with the Scheme's main contacts, enabling ERAFP and its administrative manager to take on board their needs in terms of information and systems, particularly regarding:

- day-to-day administration procedures for individual employee records;
- informing contributors about their rights;
- regulatory developments, especially as regards the new 'split lump sum' method for paying out Scheme benefits.

Having had to put these meetings on hold during the health crisis, ERAFP started them up again in the second half of 2021. In 2022, nearly 150 employers from the Bourgogne-Franche-Comté, Occitanie and Auvergne-Rhône-Alpes regions were able to attend.

Caisse des dépôts also held a number of employer training and information sessions, of two types:

- training sessions on pension procedures and systems for employees dealing with pensions in local and regional authorities and hospitals;
- information sessions for decision-makers in local and regional authorities and hospitals.

ERAFP's tutorial videos – particularly appreciated by meeting participants for their educational value – are regularly presented at these sessions. Lastly, employers can obtain information via the PEP's platform, through which they clocked up more than 310,000 account viewings over the year.

→ Responding better to the needs of active contributors is a Scheme priority

The RAFP website is a vital tool for communicating with beneficiaries and an important complement to information provided by the employer¹⁴.

To best meet beneficiaries' needs, the Scheme's website has been completely redesigned and its new version, incorporating new sections such as the "Retirees" section, previously included in the "Beneficiaries" section, went live at the end of 2021.

An essential task in 2022 was checking that this new interface made it possible to achieve the revamp's main objective, i.e. to give beneficiaries access to more detailed specific information on the Scheme, through a reorganisation of the various sections and an optimised user pathway. A satisfaction survey was thus put online during the year, which nearly 1,000 beneficiaries responded to. The results, currently being analysed, will thus make it possible to optimise the specific sections and content for beneficiaries.

INFORMING RETIRED BENEFICIARIES

Nearly 138,000 telephone calls from retired beneficiaries were handled in 2022 (91.8% of calls received), which represents an increase of 24.6% from the 111,000 calls handled in 2021. An annual survey conducted by Caisse des dépôts shows that 90% of retirees who contacted the call centre were satisfied with the way their request was handled.

In addition, some 24,200 items of correspondence (letters and emails) were processed over the year, down 9.2% on the 26,650 items processed in 2021.

The number of people enrolled on the "My state pension" platform reached 1,823,498 in 2022, an increase of 10% compared to 2021 (1,657,343). This portal is complemented by a telephone appointment system operated via the Scheme's website, in which beneficiaries ask for an appointment and are called back on the day and at the time requested.

The administrative manager also continuously measures user satisfaction with its information services in order to improve the quality of its responses and case monitoring.

INFORMING ACTIVE CONTRIBUTORS

In compliance with the rights of active contributors to information, mandatory schemes as a whole sent out 347,642 documents relating to RAFP (individual statements and general indicative estimates¹⁵). Note that since 2011 RAFP has been responsible for providing beneficiaries with information if the primary scheme is unable to produce the required documents¹⁶. Accordingly, RAFP sent out 10,640 of the 347,642 documents directly (including 10,355 individual statements and 285 general indicative estimates). It also sent its beneficiaries 329,124 emails for paperless consultation of 235,562 individual statements and 93,562 general indicative estimates.

In addition to the information sent out, active contributors can go to the ERAFP website for permanent access to details of their RAFP pension through their individual retirement account (CIR). At 31 December 2022, 4,516,180 RAFP CIRs were under management (figure for 2021), of which 348,643 had been consulted during the year (compared to 470,434 in 2021).

Furthermore, in 2022 Caisse des dépôts handled more than 33,925 telephone calls from active contributors under their right to information (92.7% of calls received), a 17% increase from the 28,900 calls handled in 2021. The annual survey conducted by Caisse des dépôts shows that 91% of active contributors who contacted the call centre were satisfied with the way their request was handled. 1,981 letters and emails were also processed in addition to these phone calls.

14. Results of the survey on the RAFP's image and recognition conducted by BVA in 2018.

15. In 2022, general indicative estimates were produced only for the year group born in 1957. Due to the upcoming pension reform, the sending of general indicative estimates to the 1962 and 1967 year groups was postponed until the 2023 annual campaign. The decrease in the number of general indicative estimates sent compared to the 2021 campaign is attributable to this decision.

16. Such as in the case of invalid affiliation agreements, known career contributions below the requisite minimum amount, ongoing re-employment procedures or employees changing status from manager, defined by the Union Retraite GIP (retirement information public interest group).

“In 2022, site traffic was up by nearly 20% compared to 2021”

→ Communication to the public

VIA THE PRESS

ERAFP’s investments and strategy account for most of its press mentions. Its communiqués on the award of mandates and its socially responsible engagement also continue to be widely reported. ERAFP’s image is growing, particularly in the sphere of socially responsible investment, an area in which it is naturally seen as a major player in France.

In 2022, a wealth of press and online articles referred to RAFP and ERAFP, mainly in connection with the institution’s energy transition commitments (strengthening of the objectives of its climate roadmap to achieve carbon neutrality by 2050) and investment commitments (launch and award of calls for tender).

VIA SOCIAL MEDIA

ERAFP is present on three social media platforms: Twitter, LinkedIn and YouTube.

These three accounts, managed by ERAFP’s communications department, are real channels of communication that help strengthen the Scheme’s identity, raise its visibility and highlight its initiatives, particularly in areas such as the energy transition.

ERAFP uses these platforms to inform audiences already familiar with ERAFP/RAFP of its actions, commitments and news. But more importantly, they enable it to reach out more easily and on a much wider scale to those who know little or nothing about the Scheme.

VIA THE WEBSITE: A CENTRAL COMMUNICATION TOOL FOR THE SCHEME

In 2022, site visits were up by nearly 20% compared to 2021, with approximately 78,000 visits per month (compared to 55,000 in 2021). The benefits simulator is no longer the most viewed page but remains one of the ten most popular sections. It has yielded the top spot to the “Consult your personal space” page and the new “Retirees” section, created when the website was redesigned. Lastly, fact sheets, in particular those relating to the calculation and payment of RAFP benefits, were site users’ most downloaded items.

A presentation of how ERAFP reports to active contributors on its ESG and climate approach is included in its 2022 sustainability report.

MANAGEMENT COSTS

A scheme managed by a public sector management entity operating under the oversight of the French State.

Administrative management provided by Caisse des dépôts et consignations, under the authority and supervision of the board of directors.

Management of financial assets partially delegated to asset management companies.

Direct management by ERAFP of government bonds, government-backed securities and investment funds.

Management costs in 2022: €32.2 million.

Management costs in 2022:

€32.2 million

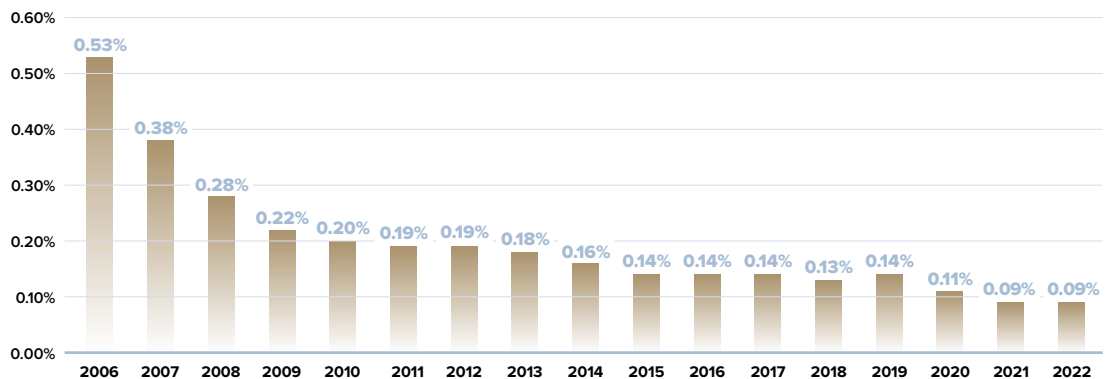
→ Controlled management costs

The operating budget for the Scheme and ERAFP is financed directly from amounts deducted from contributions, and is approved annually by the board of directors.

In 2022, the Scheme's management costs totalled €32.2 million, the equivalent of 0.09% of the Scheme's net assets or 1.56% of contributions collected in 2022.

CHANGES IN SCHEME MANAGEMENT COSTS SINCE 2005 AS A PERCENTAGE OF NET ASSETS (AT AMORTISED COST)

Source — ERAFP



ERAFP'S 2022 FINANCIAL STATEMENTS

The Scheme's financial statements illustrate both its steady expansion and its financial strength.

ERAFP has a specific chart of accounts that reflects the comprehensive provisioning of its commitments and the characteristics of its financial investments. It requires, *inter alia*:

- the recognition of assets at their historical value, less any amortisation and impairment; and
- a very conservatively set discounting rate for the Scheme's commitments. The resulting rate for 2022 was 0.9% (net of costs).

→ A solid balance sheet

In 2022, total assets came to €35.8 billion, up by 7.8% from the previous year. On the liabilities side, technical reserves, which reflect the present value of future commitments corresponding to rights being accumulated or paid – discounted at the very conservative rate of 0.9% – came to €32.4 billion (up 9.2% from 2021). On the assets side, investments totalled €35.4 billion (up 7.9% year-on-year).

A long-term impairment provision of €17.2 million was set aside for financial assets deemed subject to a permanent unrealised loss, while, pursuant to the principle of prudence, the overall unrealised gain of €2.6 billion at 31 December 2022 was not recognised. The market value of the Scheme's assets, which totalled €38.2 billion at year-end, was equivalent to 121.1% of the value of its commitments. On the accounting front, the commitments coverage ratio came to 110.5%, resulting in the recognition of non-technical reserves of €3.4 billion.

As for the other asset items, cash and cash equivalents amounted to €204 million, while receivables from contributors and beneficiaries totalled €117.7 million, reflecting accrued income in respect of contributions for 2021 and previous years not paid at the end of the financial year but due for subsequent collection (€46.9 million), as well as overpayments to beneficiaries (€70.7 million), mainly in respect of beneficiaries switched from lump sum to annuity payments.

On the liabilities side, given that the Scheme was only recently established, the largest item (€28.4 billion) is the reserve for rights currently being accumulated.

The shortening of the preparation period for the financial statements has led to a change in the method used to calculate the Scheme's commitments. Before 2019, they were estimated on the basis of the individual data available at the end of March following the annual employer declaration collection period. Since 2019, individual employers' declarations for the financial year are no longer taken into account. The reserve for the Scheme is calculated on the basis of contributions received.

The reserve for rights being paid increases in line with the number of annuity payments; it represented €4.0 billion at the end of the year, up 29.6% from 2021.

"A financial coverage ratio of 110.5% at 31 December"

BALANCE SHEET OVERVIEW

Source — ERAFP

→ **ASSETS (net)**

	2021	2022	CHANGE
Financial investments	32,782	35,373	+7.9%
Receivables	185	211	+14.1%
Cash and cash equivalents	242	204	-15.7%
Total	33,209	35,788	+7.8%

→ **LIABILITIES (net)**

	2021	2022	CHANGE
Technical reserves	29,669	32,393	+9.2%
Non-technical reserves	3,533	3,387	-4.1%
Payables	6	9	+50.0%
Total	33,209	35,788	+7.8%

→ €2.6 billion in funds invested in 2022

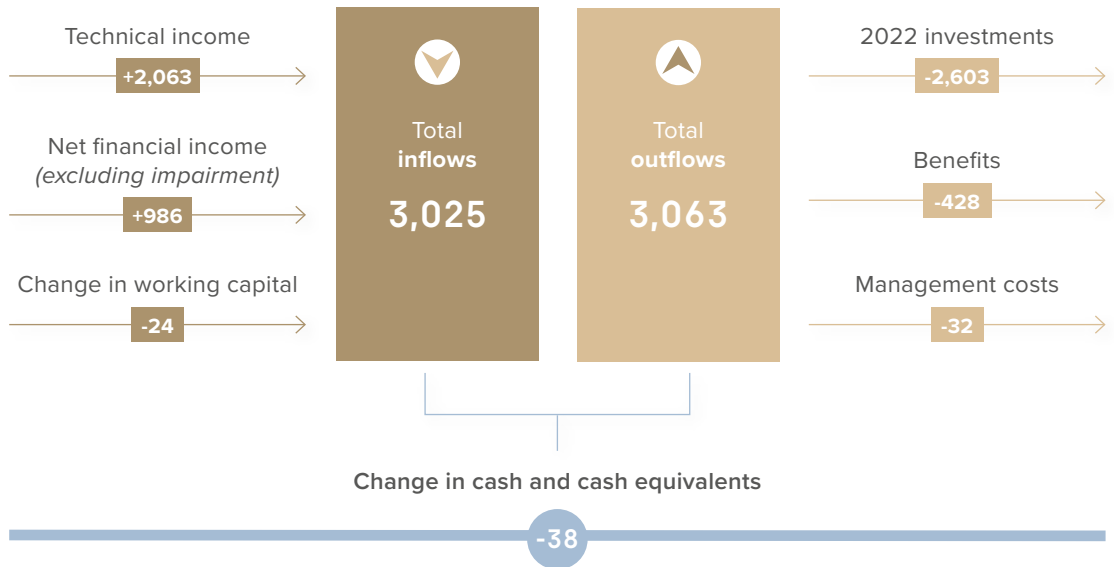
As regards financial flows, contributions and financial income for the year came to €3.2 billion. Of these inflows, €2.6 billion was invested¹⁷

and €428 million was used to pay benefits. There was consequently a net decrease of €38 million in cash and cash equivalents.

€428 million
in benefits paid
in 2022

CASH FLOW OVERVIEW (IN € MILLIONS)

Source – ERAFP



17. According to the accounting approach.

→ 2022 income statement

In 2022, technical income, mainly comprising contributions to the Scheme, totalled €2.06 billion, up 4.5% from 2021. There was a €2.7 billion increase in technical reserves (excluding non-technical reserves). This change was mainly due to the revaluation of the service value of a point (+€1.6 billion) and to technical flows (+€1.6 billion). Net financial income came to €974 million, down 6.0% compared with 2021. There was a technical loss of €145 million, reflecting an 8.3% increase in benefits and operating expenses of €32.2 million¹⁸. Pursuant to Decree no. 2010-1742 of 30 December 2010, the accounting result was brought to zero through a reversal of the provision for non-technical reserves, the amount of which consequently came to €3.4 billion, a similar level to the €3.5 billion of 2021.

INCOME STATEMENT OVERVIEW (IN € MILLIONS)

Source — ERAFP

	2021	2022
Technical income	1,966	2,063
Net financial income	1,037	974
Change in Scheme reserves	-2,931	-2,723
Benefits	-395	-427
Operating expenses	-30	-32
Non-recurring income	0	0
Income before allocation to non-technical reserves	-353	-145
Change in non-technical reserves	+353	+145
Total	0	0

The cover letter to the statutory auditors' report appears in the appendix to this report.

“In 2022, technical income, mainly comprising contributions to the Scheme, totalled €2.06 billion”

¹⁸. See page 35 of this report.

PART 2

**Scheme
strategy and
performance**

A LONG-TERM INVESTOR

Aware that it is a long-term investor managing a still expanding scheme that must constantly cover its commitments to active contributors, ERAFP has adopted an approach based on two principles:

- a particularly conservative approach for setting the Scheme's technical parameters, in particular the discount rate for liabilities;
- a diversified asset allocation, characterised by a decrease in the share of fixed-income assets and a growing shift towards variable-income assets, consistent with ERAFP's status as a long-term investor.

In 2022, this approach was reflected in a Scheme that once again demonstrated its financial solidity by successfully coping with both the rise in interest rates and the fall in equity markets. Equally telling in this regard is its internal rate of return since inception, which stands at 3.7% despite the adverse market situation of 2022.

→ Technical steering mechanisms

GUIDELINES FOR MANAGING TECHNICAL PARAMETERS

RAFP is subject to strict prudential regulations stipulating that:

- The Scheme’s commitments to its beneficiaries must always be fully covered by its assets.
- The estimated present value of these commitments must be calculated using a conservative discount rate (i.e. consistent with the conservatively estimated return on the Scheme’s assets).

The board of directors is responsible for ensuring this financial equilibrium.

Conscious of its regulatory and prudential responsibilities, the board of directors has adopted written guidelines for managing the Scheme’s technical parameters with a view to maintaining the purchasing power of beneficiaries’ vested pension rights over the long term.

Ever since the Scheme was formed, the board of directors has carefully monitored changes in the following parameters:

- the coverage ratio of the Scheme’s commitments;
- the purchase and service values of points;
- the discount rate applied to reserves;
- the technical interest rate, or ‘premium rate’.

The management guidelines recognise the existence of the link between the Scheme’s ability to increase the value of vested rights and its assets, and also set out the conditions in which the premium rate may be revised.

COMFORTABLE COVERAGE OF THE SCHEME’S COMMITMENTS BY ITS ASSETS

The obligation to cover the commitments of the Scheme, which has no capital, necessitates a particularly conservative approach. Mindful of its regulatory obligations, the Scheme therefore maintains the necessary reserves and provides comfortable coverage of its commitments. At the end of 2022, its financial coverage ratio stood at 110.5%, for example.

To round out this first approach, ERAFP has sought to better define its capacity to increase the value of members’ rights over the long-term horizon in which it operates. Accordingly, it has defined an ‘economic’ coverage ratio, which takes into account the latent value of the Scheme’s assets¹⁹ as well as the risks for which a margin of prudence should be recognised. This margin is defined as the “excess economic coverage requirement”. If this requirement is not met, regardless of the financial coverage ratio, the service value of a point may not be increased.

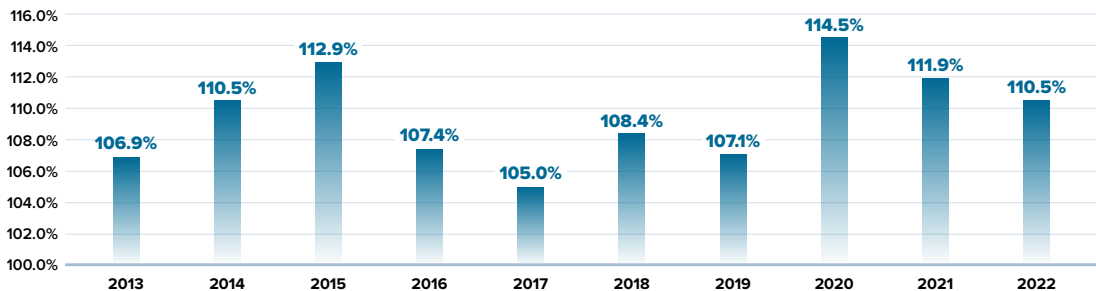
The Scheme’s must therefore have excess economic coverage, above the specified minimum requirement, for members’ rights to be revalued.

At the end of 2022, the excess economic coverage requirement stood at 17.2%.

At 31 December 2022, the Scheme’s economic coverage ratio after revaluation was 121.1%.

FINANCIAL COVERAGE RATIO SINCE IMPLEMENTATION OF THE MANAGEMENT GUIDELINES (%)

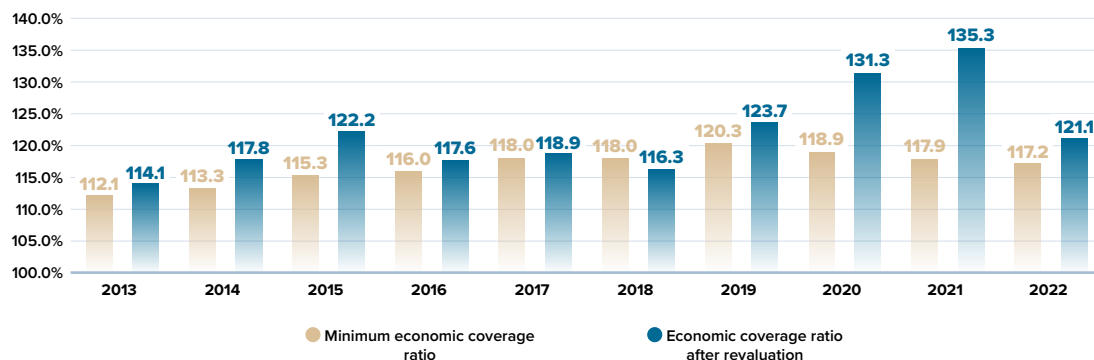
Source — ERAFP



19. The economic coverage ratio represents the relationship between, on the one hand, bonds valued at amortised cost and all other assets at market value and, on the other hand, the technical and investment management reserves.

MINIMUM ECONOMIC COVERAGE RATIO²⁰ AND ECONOMIC COVERAGE AFTER REVALUATION SINCE IMPLEMENTATION OF THE MANAGEMENT GUIDELINES²¹ (%)

Source — ERAFP



PURCHASE AND SERVICE VALUES OF POINTS

Each year, the board of directors sets the purchase and service values of points. In order to maintain the purchasing power of benefits, the Scheme's management guidelines, adopted in 2013, set the objective of increasing the service value of a point in line with inflation.

The mechanism set out in the guidelines links the revaluation of the service value of a point to the economic coverage ratio. If the point's revaluation is lower than the inflation rate, particularly if the coverage ratio is inadequate, a mechanism is implemented in subsequent years to allow increases in the purchase and service values of points to catch up with inflation.

At the end of 2022, the board of directors increased both the service value and the purchase value of a point by 5.7% for 2022, making the level of revaluation of the service value of a point 0.3 percentage points higher than the inflation benchmark.

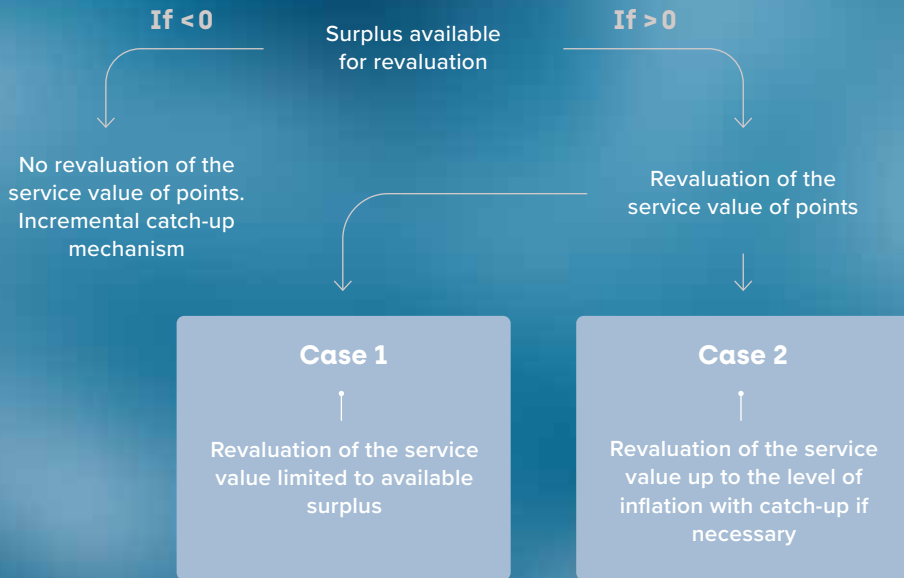
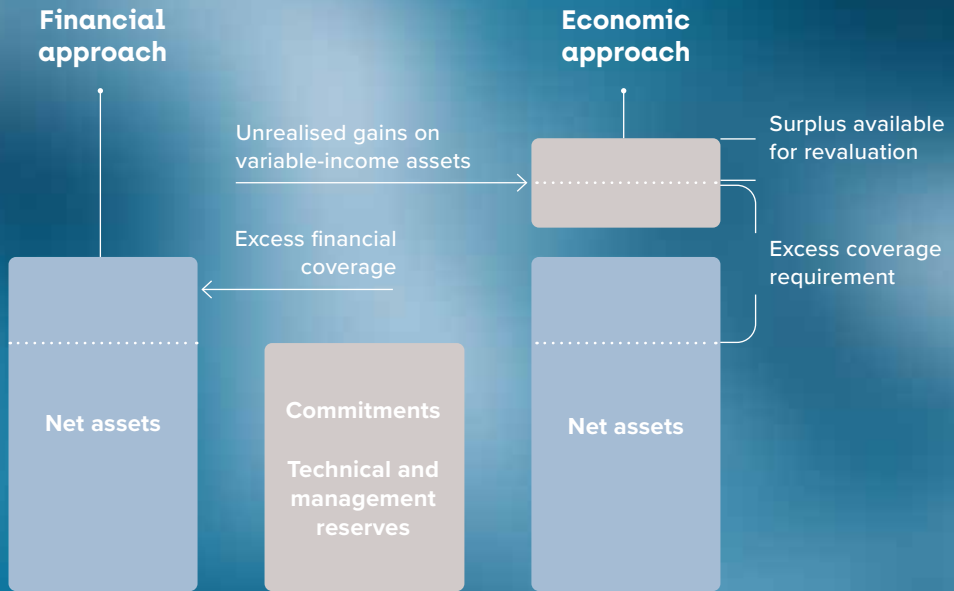
POINT PURCHASE AND SERVICE VALUES SINCE 2015

Source — ERAFP

YEAR	2015	2016	2017	2018	2019	2020	2021	2022	2023
Purchase value (in €)	1.1452	1.1967	1.2003	1.2123	1.2317	1.2452	1.2502	1.2740	1.3466
Change	+4.5%	+4.5%	+0.3%	+1%	+1.6%	+1.1%	+0.4%	+1.9%	+5.7%
Service value (in €)	0.04465	0.04474	0.04487	0.04532	0.04605	0.04656	0.04675	0.04764	0.05036
Change	0%	+0.2%	+0.3%	+1%	+1.6%	+1.1%	+0.4%	+1.9%	+5.7%

20. Forecast ratio at year-end, estimated using snapshot market data at end-November of the year in question, in accordance with the Scheme's technical management guidelines.

21. Ratio at year-end, calculated using snapshot market data at end-December of the year in question, in accordance with the Scheme's technical management guidelines.



RESERVE DISCOUNT RATE

The discount rate applied to the Scheme's reserves is set at a very conservative level, particularly compared with the practices of other European pension funds.

The parameters of the discount rate formula are regularly updated. The adjustments are based on a prudent view of the level of return of the various asset classes.

The last update, which dates back to 2020, concerned in particular equity and real estate returns.

In accordance with the discount rate formula, the discount rate net of fees used to value the technical reserves at 31 December 2022 was set at 0.9%, 10

basis points higher than in 2021 and 20 basis points higher than the low of 2019. This increase is attributable to the rise in both bond yields and the portfolio's equity holdings.

The regulatory minimum level of management fees is 0.20%, in accordance with the order published on 26 November 2018. This minimum level, which is higher than the Scheme's actual costs²², is used by way of prudence in the discount rate formula. The resulting discount rate gross of fees came to 1.1%.

TECHNICAL INTEREST RATE OR "PREMIUM RATE"

On the Scheme's inception, the initial annuity was calculated on the basis

of a technical interest rate (premium rate) net of inflation set at 1.34%, reflecting a return on benchmark assets of 3.34%. The real return of 1.34% was determined based on a long-term inflation rate of 2%, corresponding to the ECB's maximum target rate.

As these parameters fell out of sync with prevailing economic and financial conditions, the Scheme's premium rate was revised to make it consistent with market rates, by increasing the purchase value in 2015 and 2016 and raising the pivotal age for applying the premium²³. These changes reduced the premium rate to 0.65% (excluding costs).

IMPORTANT

The RAFP management guidelines will be reviewed in 2023, in accordance with the rule instituting a three-year review of their content. In accordance with the guidelines discussed by the board of directors on 15 December 2022, this review will be used to assess the possibility of changing the Scheme's premium rate.

²² The Scheme's management costs are presented on page 35.

²³ The management guidelines provide for an immediate revision of the Scheme's premium rate if, at the end of a financial year, the discount rate is lower than the premium rate.

ERAFP

KEY FIGURES*

FINANCIAL DATA

Balance sheet assets of
€35.4 billion

Estimated financial coverage ratio of
110.5%

Technical reserves of
€32.4 billion

Non-technical reserves of
€3.4 billion

Discount rate set at
0.9%**

ECONOMIC DATA

Net assets at market value of
€38.2 billion

Economic coverage ratio after revaluation of
121.1%

Annualised internal rate of return on investments of
3.7% since 1 January 2006

* Valuation at end-2022.

** Discount rate net of management costs, set using a method that takes re-investment risk into account.

→ Asset allocation: general orientations and investment decisions

ERAFP, A LONG-TERM INVESTOR IN THE ECONOMY

ERAFP's financial commitments have a duration of around 20 years. As a result, RAFP naturally has very long-term resources. Because it is still in its expansion phase, the additional pension scheme will also generate a net inflow of around €2 billion a year over the next few years.

This high level of long-term liquidity is a strategic plus when it comes to financing long-term investment projects such as real estate, private equity and infrastructure.

→ Regulation of the Scheme's investments

ERAFP's investment framework is defined by the Order of 26 November 2004 implementing Decree no. 2004-569 of 18 June 2004 on the French Public Service Additional Pension Scheme. Originally designed for a scheme mainly invested in bonds (at least 75% at the outset), this framework has been reformed several times to make more room for asset diversification. In line with the Scheme's long-term objectives, these changes have enhanced its ability to ensure that its portfolio is balanced over time and to respond to a changing economic environment.

Since 9 August 2019, RAFP's investments have been subject to the following regulatory requirements:

- 45% (maximum) invested in equities and unlisted equity funds, of which no more than 5% in funds;
- 40% (minimum) invested in fixed-income assets, of which no more than 3% in loan securitisation funds;
- 15% (maximum) invested in real estate assets.

“The investment framework has been recast to make more room for asset diversification”

CHANGES TO THE INVESTMENT REGULATORY FRAMEWORK IN 2022

The order of 22 November 2022 adapting the prudential framework for the Scheme's assets raised the holding ceiling for variable-income assets not denominated in euros from 30% to 35%. This modification allowed the Scheme to continue using the leeway introduced by changes to the investment regulations in 2019, which enabled it to diversify its investments more widely.

**ASSET ALLOCATION
FACED WITH A TESTING
NEW ENVIRONMENT**

→ **Strategic asset
allocation for 2022**

Adopted by the board of directors at its meeting of 16 December 2021, RAFP's asset allocation for 2022 continued the portfolio diversification already under way for several years, within the framework of the possibilities offered by the Scheme's investment regulations.

Based on these considerations and in light of the actuarial work carried out, the board decided to adopt general guidelines for the investment policy, which include:

- continuing to invest in and hold variable-income assets, with a target of between 37.9% and 39.7% of assets by the end of 2022 (+3 points);
- continuing to reduce the weighting in bonds (-2.2 points) and to target better diversification within this asset class;

- continuing to invest in real estate, with a target of between 13% and 14.2% of assets by the end of 2022²⁴ and still a marked preference for housing (residential real estate could account for more than half of new investments).

STRATEGIC ASSET ALLOCATION ADOPTED AT THE BOARD OF DIRECTORS' MEETING OF 16 DECEMBER 2021

Source – ERAFP

ASSET CLASS	MANDATE	THEORETICAL MINIMUM	MAXIMUM
Cash			
	Public sector bonds	42.2%	
	Euro-denominated corporate bonds		
Bonds	International corporate bonds	4.1%	4.7%
	Convertible bonds	2.8%	3.0%
	Total bonds	49.1%	
Equities		32.3%	33.4%
Multi-asset		3.3%	3.7%
Private equity and infrastructure		2.3%	2.6%
Real estate		13.0%	14.2%

²⁴ In a decision dated 8 October 2020, the board of directors raised the maximum share of real estate assets from 12% to 12.5%.

→ Implementation of strategic allocation

2022 was marked by the impact of the Ukraine war on financial markets and by an acceleration of interest rate hikes, in a context of rising inflation. Set against this new macroeconomic and financial context and not requiring any adjustment over the course of the year, the asset allocation approved by the board of directors at the end of 2021 proved the resilience of ERAFP's chosen strategy. At year-end, the allocation reflected the specific context in which it was initially deployed, with the following main characteristics:

- The year-end equity allocation (32.2% of assets at amortised cost) was slightly below the lower

end of the range stipulated by the board (32.3%). As was that of the international corporate bond and convertible bond portfolio (3.9% and 2.7%, respectively, at amortised cost, compared with a lower limit of 4.1% and 2.8%, respectively).

- For the multi-asset and real estate portfolios (respectively 3.3% and 13.1% of assets at amortised cost), the year-end allocation was also very close to but slightly above the lower end of the target range (3.2% and 13.0%, respectively).
- The only asset class whose allocation reached the upper end of the range set by the board was unlisted assets (2.6% of assets at amortised cost).

The factors behind these specific year-end allocations were new investment opportunities linked to the rise in interest rates, the concern to exercise caution given the specific risks for certain asset classes and the scarcity of opportunities, in particular for convertible bonds and real estate.

In line with the portfolio diversification already under way for several years, the share of variable-income assets in the portfolio grew in 2022 compared with 2021, rising (at amortised cost) from 36.2% to 38%. That of real estate assets, meanwhile, increased from 12.6% to 13.1%, while the share of fixed-income assets decreased from 49.5% to 47.5%.

GLOBAL AGGREGATE PORTFOLIO BY ASSET CLASS AT 31 DECEMBER 2017, 31 DECEMBER 2021 AND 31 DECEMBER 2022 (AT AMORTISED COST)

Source — ERAFP

	2022	2021	2017
Public sector bonds	18.9%	21.4%	37.1%
Corporate bonds	25.9%	25.3%	19.9%
Convertible bonds	2.7%	2.7%	2.7%
Equities	32.2%	31.1%	27.5%
Multi-asset	3.2%	2.8%	2.5%
Private equity and infrastructure	2.6%	2.3%	0.9%
Real estate	13.1%	12.6%	8.7%
Cash²⁵	1.4%	1.87%	0.5%
Total	100%	100%	100%

25. Balances of cash accounts for money market mandates and funds excluding euro corporate bond mandates and cash related to the management of the currency hedging mandate.

→ Investment flows by asset class

New investments of more than €2.5 billion were made across all asset classes in 2022.

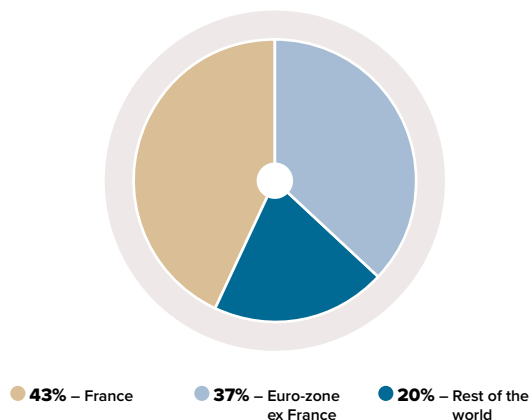
This amount corresponds mainly to investments in variable-income assets: 43% of ERAFP's net annual cash flows were in the equity portfolio, 8% in private equity and infrastructure assets and 8% in the multi-asset mandate, representing nearly €1.5 billion in total. Fixed-income investments (including in convertible bonds) accounted for 20% of cash flows, or €499.8 million. There was an 18% net withdrawal of investments in government and similar bonds, due to the higher amortisation and repayments on existing government debt than on new purchases, which nevertheless picked up again in 2022.

The real estate asset class continued to grow in 2022, with investments representing nearly 20% of annual flows.

In 2022, ERAFP provided €15.2 billion of financing to the French economy, in the broad sense, representing nearly 43% of its total assets at amortised cost.

INVESTMENTS IN FRANCE, THE EU AND GLOBALLY AT 31 DECEMBER 2022 (AT AMORTISED COST)

Source — ERAFP



NET INVESTMENT FLOWS BY ASSET CLASS IN 2022 (IN € MILLIONS)²⁶

Source — ERAFP

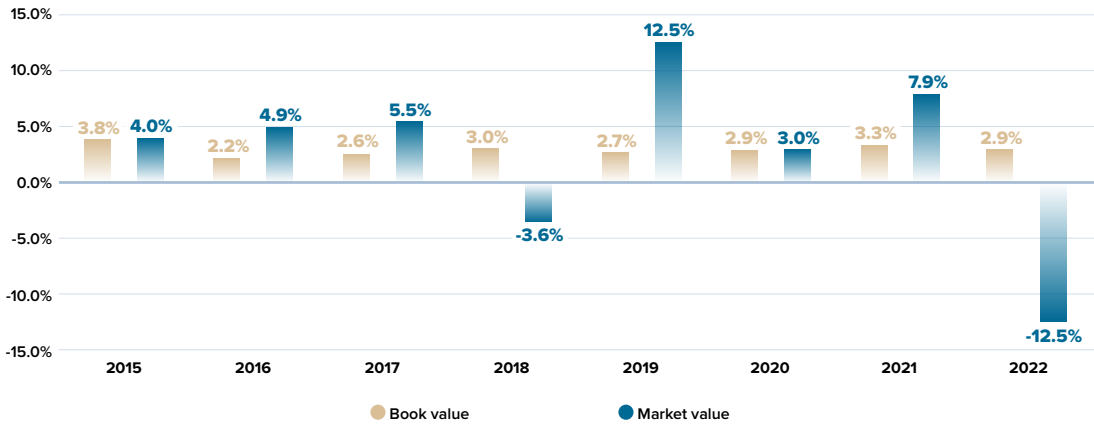
ASSET CLASS	IN € MILLIONS	AS A PERCENTAGE
Money market	0.00	0%
Total bonds	499.8	20%
Government and similar bonds	-463.0	-18%
Corporate bonds	902.8	35%
Convertible bonds	60.0	2%
Equities	1,086.7	43%
Multi-asset	200.0	8%
Private equity and infrastructure	202.5	8%
Real estate	495.3	19%
Foreign exchange hedging	59.1	2%
Total	2,543.5	100%

²⁶ For assets managed directly: purchases less sales and redemptions. For assets under delegated management: amounts entrusted to the managers less amounts withdrawn. For private equity, infrastructure and real estate: capital calls less redemptions.

→ Overall financial performance of investments

ONE-YEAR INTERNAL RATES OF RETURN SINCE 2015 (IN BOOK VALUE AND MARKET VALUE TERMS)

Source — ERAFP



As a long-term investor, ERAFP seeks to invest its annual cash flows to maximise the returns on its portfolio while keeping risk at an acceptable level for the Scheme, which must at all times cover its liabilities with assets of at least an equivalent amount. The internal rate of return is the benchmark used to assess the appropriateness of portfolio allocation choices over time²⁷.

In a context unprecedented in the Scheme's history, of a simultaneous fall in value of the portfolio's fixed-income assets and an equity market slide, the

one-year market value IRR of ERAFP's aggregate portfolio was negative (-12.5%). However, this performance level did not affect the Scheme's ability to cover its commitments, as at end-2022 the economic coverage ratio stood at 121.1%. Nor did it impact its ability to revalue beneficiaries' benefits, as it raised the service value of a point by 5.7% at 1 January 2023.

The book IRR, which excludes unrealised gains and losses, was close to the level reached at the end of 2021 (2.9% versus 3.3%).

"The 2022 performance level did not affect the Scheme's ability to cover its commitments or revalue beneficiaries' benefits"

²⁷ It differs from performance in that it takes into account the timing of investment and divestment flows or, in the case of delegated asset management, additions and withdrawals.

ANNUALISED INTERNAL RATE OF RETURN FOR EACH PORTFOLIO SEGMENT BETWEEN ITS YEAR OF CREATION AND 31 DECEMBER 2022 (IN BOOK VALUE AND MARKET VALUE TERMS)

Source – ERAFP

	BOOK VALUE	MARKET VALUE	SEGMENT CREATED
Cash	0.1%	0.1%	2006
Government and similar bonds	3.8%	3.8%	2006
Euro-denominated corporate bonds	2.6%	0.7%	2009
International corporate bonds	2.4%	-0.5%	2014
Convertible bonds	0.3%	0.8%	2012
Euro-zone and European equities	1.6%	4.6%	2007
International equities	6.8%	8.8%	2009
Multi-asset	0.1%	2.4%	2013
Private equity and infrastructure	1.2%	12.6%	2015
Real estate	2.4%	3.3%	2012
Foreign exchange hedging	-9.4%	-10.7%	2018
Global aggregate portfolio	2.9%	3.7%	

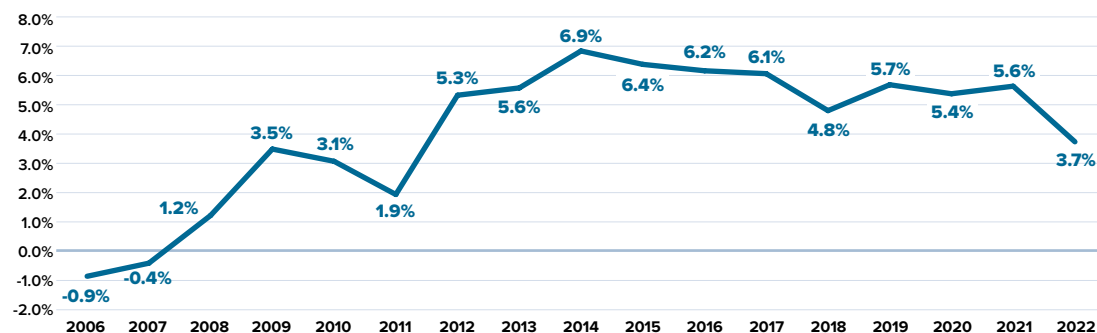
While annual performance is a useful monitoring indicator, for ERAFP, as a long-term investor in its expansion phase, it seems more appropriate to measure performance over a long period.

The IRR since 2006 stood at 3.7% at end-2022, down from its level at the end of 2021 (5.6%). This aggregate IRR level is attributable to a portfolio-wide dip in performance. At end-2022, the IRR since inception was down for all segments except for private equity and infrastructure (12.7% at the end of 2022, versus 12.0% at the end of 2021).

**“The Scheme has returned
3.7% since its creation”**

ANNUALISED INTERNAL RATE OF RETURN SINCE 2006 (IN MARKET VALUE TERMS)²⁸

Source – ERAFP



Complementing the view as at end-2022, the graph above shows that the level reached by the annualised market value IRR continues to remain significantly higher than the low of 2011.

ANNUALISED FIVE-YEAR INTERNAL RATE OF RETURN IN BOOK VALUE AND MARKET VALUE TERMS AT 31 DECEMBER 2022

Source – ERAFP

	BOOK VALUE	MARKET VALUE
Cash	-0.4%	-0.4%
Government and similar bonds	4.2%	-0.6%
Euro-denominated corporate bonds	2.3%	-1.7%
International corporate bonds	3.0%	-1.4%
Convertible bonds	0.4%	-0.7%
Euro-zone and European equities	2.6%	2.1%
International equities	6.0%	4.1%
Multi-asset	0.0%	0.8%
Private equity and infrastructure	1.6%	13.5%
Real estate	2.9%	3.4%
Foreign exchange hedging	-9.4%	-10.7%
Global aggregate portfolio	3.0%	0.9%

28. At 1 January of each year.

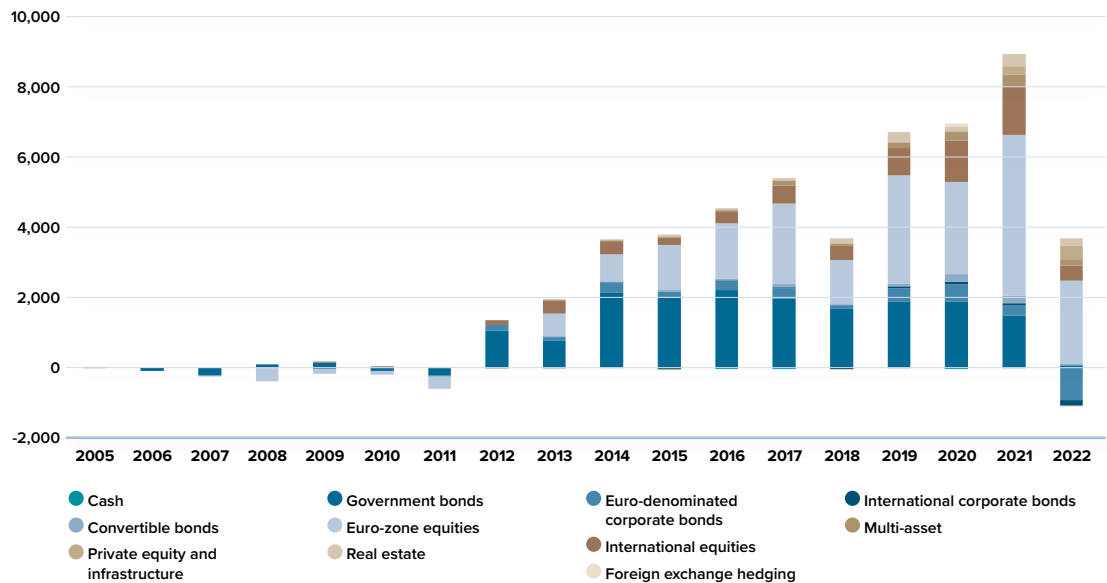
By comparing the IRR since 2006 with the five-year IRR for 2017 to 2022 (see table on page 53), we can see more clearly how the contribution of each segment's return to the portfolio's overall return has evolved over time. It shows that the level of IRR since 2006 has been supported in recent years by the profitability of variable-income assets. While the five-year IRR on bond holdings was negative at end-2022, the IRR on variable-income asset holdings was positive. This trend, which has already been in place for several years, was accentuated in 2022 by the effect of the rise in interest rates, whereas previously, in periods of low interest rates it was attributable to bond investments that were less profitable than those made in the Scheme's early years.

After reaching a high at the end of 2021, in a very favourable market context, the portfolio's unrealised gains were lower at end-2022. At 31 December, they came to €2.6 billion, or 7.4% of assets at amortised cost, compared with more than €8.9 billion at 31 December 2021, or 27.0% of assets at amortised cost.

This dip in unrealised gains reflects the combined effect of the rise in interest rates, which resulted in a fall in the value of bonds held in the portfolio, and the fall in equity markets, despite the catch-up initiated at the end of the year. The bond portfolio consequently showed a 5.5% unrealised loss at end-2022, compared with an unrealised gain of 12.6% at end-2021. The equity portfolio's unrealised gain was also down year-on-year at the end of 2022, from 58.0% to 24.5%, while remaining at a very high level.

BREAKDOWN OF UNREALISED GAINS AND LOSSES ON ERAFP'S ASSETS SINCE THE SCHEME'S CREATION

Source – ERAFP



A SOCIALLY RESPONSIBLE INVESTOR

As well as being responsible for the Scheme's technical and financial management, ERAFP assumes the stewardship of the environmental, social and governance (ESG) components of its investments, and accordingly on its creation in 2006 adopted an SRI charter covering its entire portfolio.

Far from being fixed, ERAFP's SRI strategy has evolved over time, with the aim of constantly improving. This sub-section of the report describes the strategy's content and the changes it underwent 2022.

Moreover, as the policy's worth lies essentially in it being actually implemented, it also sets out the key ESG performance indicators relating to ERAFP's investments.

While this sub-section refers to them as they are part of the Scheme's SRI policy, the more specific questions of ERAFP's consideration of climate-related issues and its engagement approach are presented separately below, on pages 65 to 75 and 76 to 84, respectively.

→ ERAFP's ESG approach

VISION AND VALUES

As a public institution established for the benefit of public servants employed by the State, local and regional authorities, hospitals and the judiciary, ERAFP's role is to serve the common good. As a pension scheme with a capitalisation-based business model, it acts over the long term to ensure equity and intergenerational solidarity.

And, as the Brundtland report pointed out, focus on the long term and future generations is the cornerstone of the sustainable development concept: *"Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs."*

ERAFP's very nature and the values it supports are fundamentally aligned with this concept, which is why its board of directors has placed socially responsible investment (SRI) squarely at the heart of its strategy. This is why ERAFP chose to adopt an SRI charter back in 2006, when SRI had yet to gain traction in France, stating that *"investments based solely on the criterion of maximum financial return fail to account for their social, economic and environmental consequences"*.

ERAFP has therefore played a pioneering role in the field of SRI. As well as being an early adopter, it has an authentic approach based on values set out in its Charter, which its board of directors has consistently promoted.

The values laid down in ERAFP's Charter provide answers to the challenges that we face as a society.

Environmental and climate change challenges - According to the latest report of the Intergovernmental Panel on Climate Change (IPCC), published on 20 March 2023²⁹, the 1.5°C warming threshold, below which climate change would be relatively containable, will be reached as soon as 2030. Extreme temperatures, intense rainfall or rising sea levels – long-identified climate risks have already materialised, in a particularly intense form, pushing biodiversity and human populations to and even beyond their limits. While some of the consequences of global warming are already irreversible, any further delay in implementing global concerted action will erase any hope of ensuring a liveable future.

As an investor keenly aware of the urgency of this situation, ERAFP endeavours to encourage companies to pay attention to the environmental impact of their products and services, to control the risks associated with climate change, to adopt a 1.5°C warming alignment strategy and to contribute to the energy transition. To this end, it engages at various stages of the investment decision-making process: from the pre-investment selection process (by applying specific analysis criteria) to post-investment dialogue with companies as part of a structured engagement approach.

Governance challenges – ERAFP considers it essential to assess a company's governance, because it sheds light on the entity's accountability to its stakeholders. ERAFP seeks to promote companies with governance that ensures a balance of power, effective control mechanisms, a responsible remuneration policy

and gender equality. High quality governance enables companies to meet challenges such as the fight against corruption and money laundering, the respect and protection of customers' rights, and tax transparency and responsibility.

Social challenges - The very identity and composition of ERAFP's board of directors make the social dimension a fundamental one: it has eight seats allocated to representatives of active contributors, filled by the representative trade unions, eight allocated to representatives of employers and three to qualified persons. As a French public institution, ERAFP seeks to protect social benefits by promoting labour-management dialogue and the respect of union rights.

It is committed to upholding the rule of law and human rights through both its sovereign and its private investments,

ERAFP expects companies to pay particular attention to respect for human and labour rights in their supply chain and at their subcontractors.

Similarly, the challenges that companies will have to take on for a successful energy transition involve major transformations in some business areas that will have an impact on employees and civil society. ERAFP expects companies to incorporate principles of just transition into their transition strategies.

29. https://report.ipcc.ch/ar6syr/pdf/IPCC_AR6_SYR_SPM.pdf.

→ Progress made in 2022

In terms of SRI, a highlight for ERAFP in 2022 was its implementation of the new regulatory framework applicable to French investors for disclosing non-financial information, which led to the publication in June of ERAFP's first sustainability report. In addition to the new reporting format, a significant step forward was made with the publication, for the first time since the Scheme's creation, of the portfolio's exposure to companies active in the fossil fuel sector, as well as the amount of its investments in companies that have set a temperature alignment target of 1.5°C or less.

Against this backdrop and with the aim of responding as effectively as possible to the new regulatory requirements, ERAFP launched a call for tenders during the year to select one or more consulting firms specialising in climate and biodiversity strategy. In addition to the strictly regulatory aspect, ERAFP's concern to extend the analysis of its portfolios to exposure to biodiversity-related issues was part of a more general approach of strengthening its engagement on this

issue, in a year that saw COP 15 take place in Kunming and Montreal on the theme of biodiversity. Ahead of the conference, ERAFP joined other investors to sign a financial sector statement on biodiversity, which included a commitment to helping to protect and restore biodiversity and ecosystems through its financing and investment activities.

ERAFP was also able to make progress in 2022 on another engagement topic, different but closely linked to biodiversity: consideration of climate issues. Whereas in 2021, per its climate roadmap it had set the objective of aligning its non-residential real estate portfolio³⁰ with a temperature increase scenario of 1.5°C, increased availability of data in 2022 enabled it to extend this target's scope to residential assets. In addition, thanks to the improved visibility on the carbon performance of its real estate portfolio made possible by expanding its climate analysis scope, ERAFP was also able to announce that in drawing up its roadmap it had set a target of reducing the surface intensity of its AOA real estate portfolio by 15% over the period 2019-2024.

³⁰. Excluding assets held by mutual funds or over which the managers have no operational control.

SRI TRAINING FOR THE SCHEME'S DIRECTORS

Every year, the Scheme's directors are trained on a specific ESG or climate-related issue.

In June 2021, the decree implementing Article 29 of the Energy and Climate Act amended the regulatory framework applicable to French investors, including ERAFP, for disclosing non-financial information. In 2022, ahead of the presentation to the CSPP and the board of directors of ERAFP's first sustainability report, published in accordance with the provisions of this decree, directors were offered training to help them take on board the amendment's implications.

A representative of the Ministry of Ecological Transition who had helped draft the new regulatory framework presented it to the directors at this training session. S&P Global and La Française then gave presentations explaining the challenges they faced in implementing the decree's provisions from a methodological and data collection perspective. The day ended with a presentation by the SRI team on the impact of the new regulations on ERAFP's non-financial reporting.

THE SCHEME'S SRI APPROACH

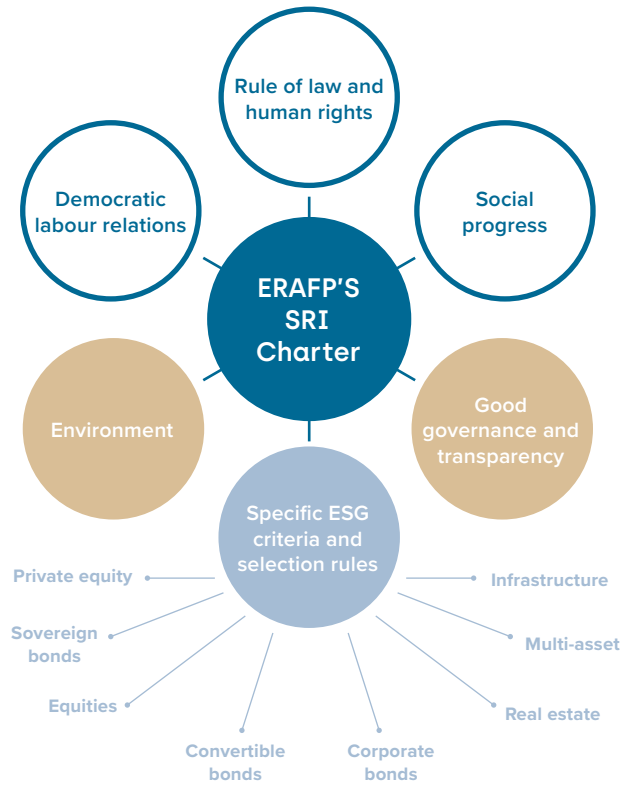
→ **An original SRI approach**

The Scheme's SRI approach is original in a number of respects:

- The board of directors oversees the SRI approach internally: while the board and management naturally rely on outside service providers such as consultants and rating agencies, on management's proposal the board itself laid down an approach that satisfies the demands and values of its members, and permanently monitors its application on the basis of the comprehensive and continuous information provided by regular meetings of its investment policy monitoring committee (CSPP).
- The policy's content is "100% SRI". In other words, the SRI Charter applies to all of the Scheme's investments and takes into account the specific features of each asset class



AN SRI CHARTER BROKEN DOWN INTO EVALUATION CRITERIA FOR THE VARIOUS ASSET CLASSES



→ **An overarching SRI approach**

- Not only does it concern all of the Scheme's investments but it also applies to all investment phases, from the first stage of asset allocation to the post-investment stage of monitoring the companies whose securities are included in the portfolio.

- It is based on a broad range of values applied across all investments, instead of on an array of theme-specific criteria
- focuses on the links between the various considerations and issuers rather than tackling each in isolation.

For an investor of ERAFP's size that wishes to adopt a uniform approach for all of the asset classes in which it invests, the best in class approach seems the most appropriate, as it

The best in class principle is applied to the investment process by using quantitative rules to define the eligible investment universe. These rules are defined for each asset class with the aim of fostering improvements across all of them.

Generally speaking, this means:

- Not excluding any individual business sector, but promoting the issuers with the best ESG practices within each sector and, more generally, within groups of comparable issuers. However, given their particularly negative impact on health and the environment, respectively, in 2019 ERAFP exited the tobacco industry and sold its shares in companies whose thermal coal-related activities exceed 10% of their revenue.
- Showcasing progress made.
- Monitoring and supporting issuers that have adopted a continuous improvement approach.

The collaborative initiatives in which ERAFP participates are listed on page 77, while the sub-section of ERAFP's 2022 sustainability report entitled "Adherence to and involvement in collaborative initiatives" describes them in greater depth.

“ERAFP’s 2022 sustainability report offers a comprehensive description of the collaborative initiatives in which it participates”

SRI GOVERNANCE AT ERAFP

→ The board of directors

The board of directors:

- sets the general orientation of the SRI policy;
- and ensures that it is effectively applied.

To enable it to be truly thorough, the board is kept permanently and fully informed, notably through regular meetings of its investment policy monitoring committee (CSPP).

→ ERAFP’S management

ERAFP’s management plays a number of roles:

- it drafts proposed changes to the SRI policy for submission to the board of directors;
- it directly implements the SRI guidelines in relation to internal bond management, which under the Scheme’s current regulations concerns sovereign and similar bonds;
- it ensures that the external asset managers apply the SRI policy, whether in terms of using the best in class principle for securities selection or following ERAFP’s voting policy at general meetings of shareholders;

- it ensures that contracts entered into with SRI rating agencies are correctly performed;
- it reports to the board of directors and the CSPP on implementation of the SRI policy, and assists directors with the preparation of their work.

→ Non-financial rating agency

The non-financial rating agency – Moody’s ESG Solutions until end-2022 – is responsible for analysing the asset portfolio and providing half-yearly reports on the bond and equity portfolios for submission to ERAFP.

It also assesses the SRI compliance of sovereign and similar bonds managed directly by ERAFP.

→ Asset managers

The asset managers monitor issuers’ SRI ratings for as long as they are held in the portfolio. ERAFP holds a management committee meeting every six months with each of its delegated asset managers.

The topics discussed include SRI aspects of the respective mandates, particularly changes in issuers’ SRI ratings. The ratings assigned by the asset managers to each issuer in the portfolio are compared to those assigned by Moody’s ESG Solutions. In the event of a discrepancy, discussions are held with the manager to identify the root causes.

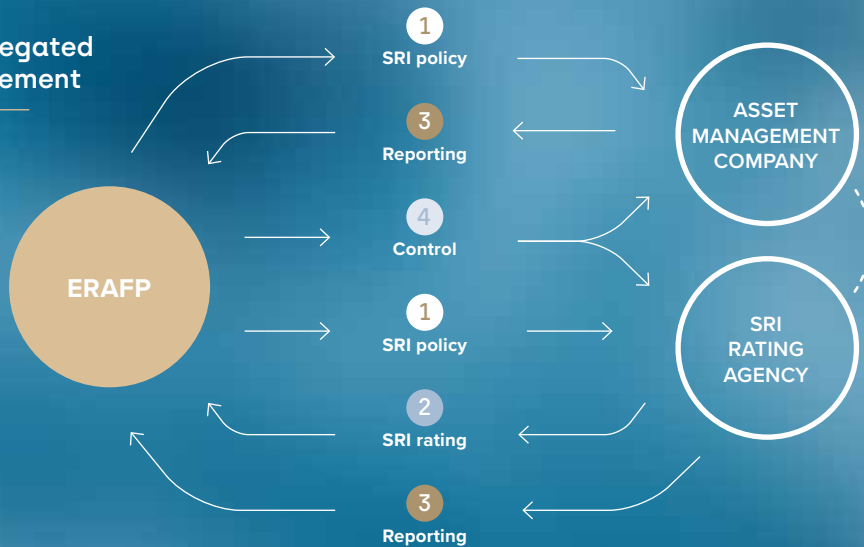
If an issuer’s SRI rating is downgraded, ERAFP may ask the management company to take corrective action at the level of its investments.

ROLES OF THE VARIOUS ENTITIES AND CONTROL PROCEDURES

For direct bond management



For delegated management



1 SRI policy

- Definition of the investment policy
- Settlement of any differences in interpretation
- Decisions on changes to the Charter and guidelines

2 SRI rating

- Pre-investment SRI data for the manager
- ----- Alerts

3 Reporting

- Half-yearly reporting
- Regular updates

4 Control

- Monitoring the application of SRI procedures, controls and any requests to adjust investments
- Review of annual reports (asset managers, agencies, committees, etc.)

SELECTION OF THE MAIN CRITERIA

ERAFP's SRI Charter, which was drawn up at the instigation of its board of directors, is based on French public service values. It is applied to all of the Scheme's investments and broken down into more than 18 evaluation criteria adapted to the specific features of each category of issuer. While each issuer's individual context systematically dictates the analysis of these criteria, the Scheme considers some to be key and therefore assigns more weight to them, regardless of the issuer's geographic location or activity. The most important criteria (in bold in the table on page 62) must therefore always be assigned the same value.

All asset classes are subject to an ESG and climate analysis, except for foreign exchange hedging instruments, for which such an analysis has little relevance and which represented less than 1% of assets under management at end-2022.

BEST IN CLASS AND ENGAGEMENT

As mentioned above, ERAFP has selected a best in class approach to take into consideration the ESG criteria underlying its SRI Charter for all its investments. In practice, this principle translates into detailed rules that make it possible to determine, based on the scores that issuers obtain for ERAFP's SRI criteria, the issuers that can be considered as the best in their category.

For large listed companies, for example, the best in class principle is applied by performing two successive screenings.

If this SRI approach were limited to the application of quantitative rules established to define an eligible investment universe, it would preclude part of ERAFP's responsibility as well as an important lever available to it as shareholder or creditor.

This is because ERAFP intends to be an active investor and, to that end, maintain dialogue or engage with the issuers that it invests in and with the authorities that define its investment framework. Accordingly, in 2012 ERAFP adopted shareholder engagement guidelines, which it updates yearly. They establish priority engagement themes for the year as well as the voting policy that ERAFP's delegated asset managers must apply at general meetings.

ERAFP's SRI strategy is summarised in the chart on page 63.

GOVERNANCE OF CLIMATE ISSUES

ERAFP has implemented specific governance for climate-related risks and opportunities. While not fundamentally different from SRI governance, it does differ in the following areas:

- at governance level, the CSPP and the board define climate guidelines and carry out dedicated monitoring together;
- at management level, in addition to carrying out targeted checks on the asset managers' correct application of the climate approach, a steering committee composed of the chief executive officer, the deputy chief executive officer in charge of technical and financial management, managers of different asset classes and the SRI manager monitors the implementation of the climate roadmap;
- at service provider level, S&P Global Trucost and Carbone 4 carry out a specific assessment of the portfolio's exposure to climate-related issues.

See ERAFP's 2022 sustainability report for an exhaustive presentation of the governance of climate-related issues.

The Charter's **5** values and **18** criteria

1

Rule of law and human rights

- **Non-discrimination and promotion of equal opportunities**
- Freedom of opinion and expression and other fundamental rights
- **Responsible supply chain management**

2

Social progress

- **Responsible career management and forward-looking job strategy**
- Fair sharing of added value
- Improvement of working conditions
- Impact and social added value of the product or service

3

Democratic labour relations

- **Respect for union rights and promotion of labour-management dialogue**
- Improvement of health and safety

4

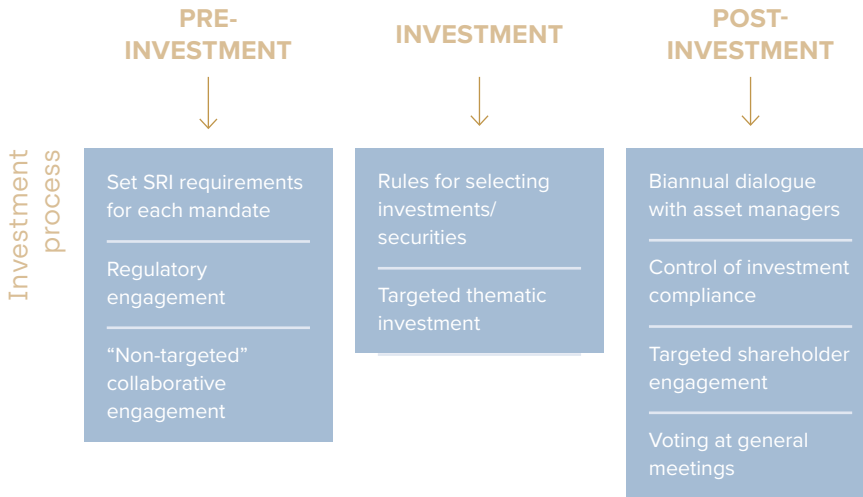
Environment

- **Environmental strategy**
- Environmental impact of the product or service
- Control of environmental impacts
- **Control of risks associated with climate change and contribution to the energy transition**

5

Good governance and transparency

- **Management/corporate governance**
- Protection of and respect for customer/consumer rights
- **Fight against corruption and money laundering**
- Responsible lobbying practices
- Tax transparency and accountability



Examples



KEY ASPECTS OF ESG PERFORMANCE

The selectivity rate compared with the potential investment universe – i.e. the percentage of companies excluded under ERAFP’s ESG methodology – is around 30%. In other words, nearly a third of the companies in which ERAFP could potentially invest are ruled out as a result of SRI screening. This very high rate reflects both the stringency and the effectiveness of the screening methodology.

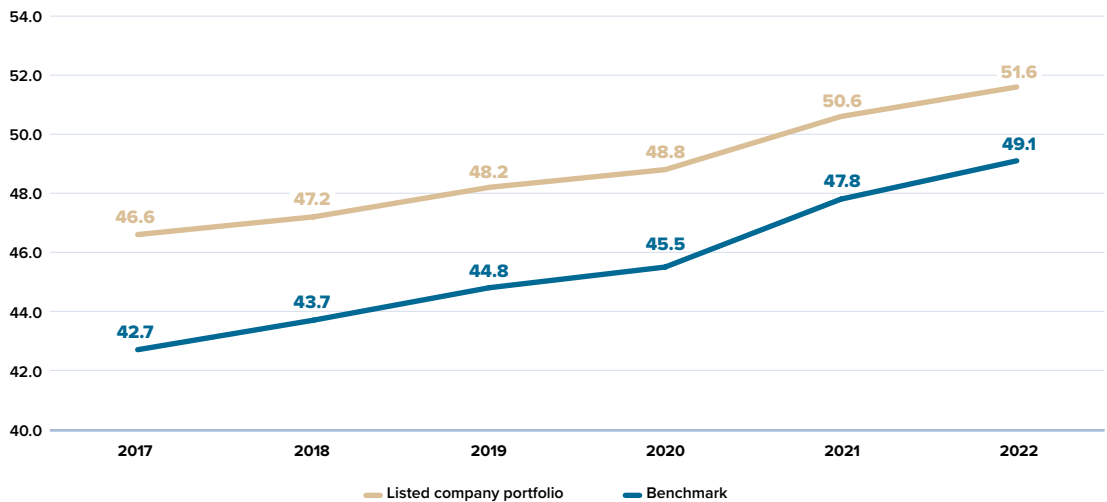
As a result, the SRI rating of ERAFP’s listed company portfolio was 2.5 points higher than that of its benchmark index (see chart below). This is far from being a cyclical phenomenon: ERAFP has

achieved this level of performance in relation to the benchmark every year since 2017³¹.

“A detailed analysis of the SRI profile of ERAFP’s various asset classes is provided in part 3 of this report”

SRI RATING OF THE ERAFP LISTED COMPANY PORTFOLIO COMPARED WITH BENCHMARK SINCE 2017

Source — Moody’s ESG Solutions, 31 December 2022



31. For the purposes of this public report, the monitoring of the SRI rating of each portfolio segment began in 2017, when a methodological change took place.

AN INVESTOR ACTIVELY TACKLING CLIMATE CHANGE

By joining the Net-Zero Asset Owner Alliance (AOA) in 2020, ERAFP marked a decisive turning point in its investment policy by choosing to set a target of carbon neutrality for its asset portfolio by 2050. In a first step towards achieving this objective, ERAFP's climate roadmap for the period 2019-2024, adopted in October 2021 by the board of directors, was implemented in 2022.

→ The latest on the climate roadmap's implementation

REDUCTION IN GREENHOUSE GAS EMISSIONS

→ [AOA real estate portfolio](#)

In 2021, ERAFP set itself the target of aligning its AOA real estate portfolio³² with the 2025 transition point of the Carbon Risk Real Estate Monitor (CRREM) scenario, i.e. limiting the increase in the portfolio's temperature to 1.5°C. While the scope used did not include residential real estate assets as there was insufficient climate data to assess them, ERAFP committed to integrating them as soon as possible, duly doing so in 2022 when the related

climate data improved. At 31 December 2021, 61% of real estate portfolio assets were therefore covered by the alignment target, compared with 47% at 31 December 2019.

In addition, thanks to the improved visibility on the carbon performance of its real estate portfolio made possible by expanding its climate analysis scope, ERAFP was also able to announce in 2022 that in drawing up its roadmap it had set a target of reducing the surface intensity of its AOA real estate portfolio by 15% over the period 2019-2024. This objective includes some scope 3 emissions (relating to the energy consumption of tenants³³), in addition to scopes 1 and 2 emissions³⁴.

³². Excluding assets held by mutual funds or over which the managers have no operational control.

³³. Data is estimated if not known.

³⁴. A definition of the three emissions scopes is provided on page 68.

AOA TARGET SETTING PROTOCOL

ERAFP has designed its roadmap in accordance with the AOA's 2025 Target Setting Protocol, developed jointly with the other Alliance members. This version of the Protocol requires each member to reduce its greenhouse gas emissions by between 16% and 29% compared to their end-2019 level.

To achieve this, the Alliance asked its members to set targets for at least three of the four pillars identified, each of which will enable them to have a particular impact on issuers and the reduction of emissions. ERAFP has decided to set targets for the following pillars: reducing greenhouse gas emissions, engaging with companies and financing the transition to a low-carbon economy.

→ **AOA listed corporate and real estate portfolios**

As ERAFP sets the greenhouse gas emissions reduction targets, rather than the asset managers to which it delegates the management of a large part of its assets, it has decided to evaluate bidders in its tenders for the award of new equity, corporate bond and real estate management mandates³⁵ on their ability to implement innovative approaches and tools to support it in its approach. To that end, in 2022 it decided to use the following levers:

- Details on the contribution to meeting the target in the specifications of the management mandates concerning assets covered by the greenhouse gas emissions reduction targets. The US corporate bond mandate, which was renewed in 2022, was subject to this requirement, for example. It will also apply to the mandates for euro-zone equities, European equities and Japanese equities once the tender launched in 2022 to renew them is complete.
- Modification of the SRI guidelines for the asset classes concerned, with a clarification for the environment pillar on the contribution to limiting greenhouse gas emissions and the addition of a paragraph similar to that included in the mandate's specifications on the contribution to meeting the target.

“ERAFP was able to include residential real estate assets in its roadmap in 2022”

→ **AOA listed company portfolio**

In 2022, ERAFP awarded Amundi a mid and large cap equity management mandate to replicate one or more “Paris Agreement” indices (Paris-Aligned Benchmarks - PAB), for an indicative amount allocated over the course of the contract of €300 million. It also launched a call for tenders for a euro-zone equity management mandate based on a “Carbon Transition Benchmark” (CTB) approach.

Created by Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 (the so-called Benchmark Regulation), the PAB and CTB European climate indices help ERAFP meet its greenhouse gas emissions reduction target for the AOA listed company portfolio insofar as they both provide for an annual decarbonisation trajectory of the index's carbon intensity of 7%, in line with the IPCC's 1.5°C scenario. They also factor in a requirement to reduce the carbon intensity relative to the investment universe, by 50% (PAB) and 30% (CTB).

ENGAGEMENT

→ **Listed company portfolio**

For the engagement pillar of its roadmap, in 2021 ERAFP set itself the objective of developing shareholder dialogue with 30 companies in its listed company portfolio³⁶ to promote an energy transition in line with the Paris Climate Agreement.

To assess the progress made by these companies and guide its engagement initiatives with them, ERAFP has chosen to use the Net Zero Company Benchmark assessment developed by the Climate Action 100+ initiative. Launched in March 2021, it consists in analysing the positioning of 166 companies on the main climate transition challenges. If a company with which ERAFP is engaging is not included in the scope of the assessment carried out by Climate Action 100+, the manager must carry out the assessment itself, based on the scale used by the initiative.

³⁵. The greenhouse gas emissions reduction target for listed assets applies to the equity and corporate bond portfolios, referred to collectively as the “AOA listed company portfolio”.

³⁶. This refers to the equity, corporate bond and convertible bond portfolios collectively.

TARGETS SET BY ERAFP UNDER ITS CLIMATE ROADMAP

TYPE OF TARGET	SCOPE COVERED	TERM USED IN THE REPORT	TARGET
Reduction of greenhouse gas emissions	Equities / Bonds ³⁷	AOA listed company portfolio	Reduce carbon intensity by 25% between 2019 and 2024 (scopes 1 and 2).
	Real estate	AOA real estate portfolio	Align with the CRREM 1.5°C scenario 2025 transition point (scopes 1 and 2 and part of scope 3 emissions).
	Real estate	AOA real estate portfolio	Reduce surface intensity by 15% between 2019 and 2024.
Engagement	Equities / Bonds / Convertible bonds	Listed company portfolio	Develop shareholder dialogue with around 30 of the companies with the highest GHG emissions in ERAFP's portfolio in order to promote the energy transition in accordance with the Paris Agreement targets.
Transition financing	Global aggregate portfolio	---	Increase the amounts invested in assets that contribute to the energy transition and decarbonisation of the economy.
Temperature alignment	Equities / Bonds / Convertible bonds	Listed company portfolio	Achieve a proportion of 50% of companies (as a percentage of the carbon footprint) having set a temperature alignment target of 1.5°C or lower, as validated by the SBTi.

37. i.e. corporate bonds.

Methodology note

A company’s carbon intensity is a measure of its energy efficiency. It corresponds to the volume of the company’s greenhouse gas emissions relative to its revenue. At the portfolio level, it corresponds to the weighted average carbon intensity of the portfolio’s constituent companies.

Carbon intensity is measured for one or several scopes:

Scope 1 (direct emissions), which includes emissions physically produced by an activity, through the combustion of fossil fuels (gas, oil or coal), for example.

Scope 2 (indirect emissions), which corresponds to emissions related to the consumption of the electricity, heat or steam consumed by a company’s activities.

Scope 3 (indirect emissions), which refers to emissions generated before or after the production stage. “Upstream scope 3 emissions” relate to the supply chain (the extraction and transportation of the materials a company buys to make its products, for example), and “downstream scope 3 emissions” relate in particular to the transportation, use and ultimate disposal of finished products.

→ **Results obtained in 2022**

TARGETS FOR REDUCING GREENHOUSE GAS EMISSIONS

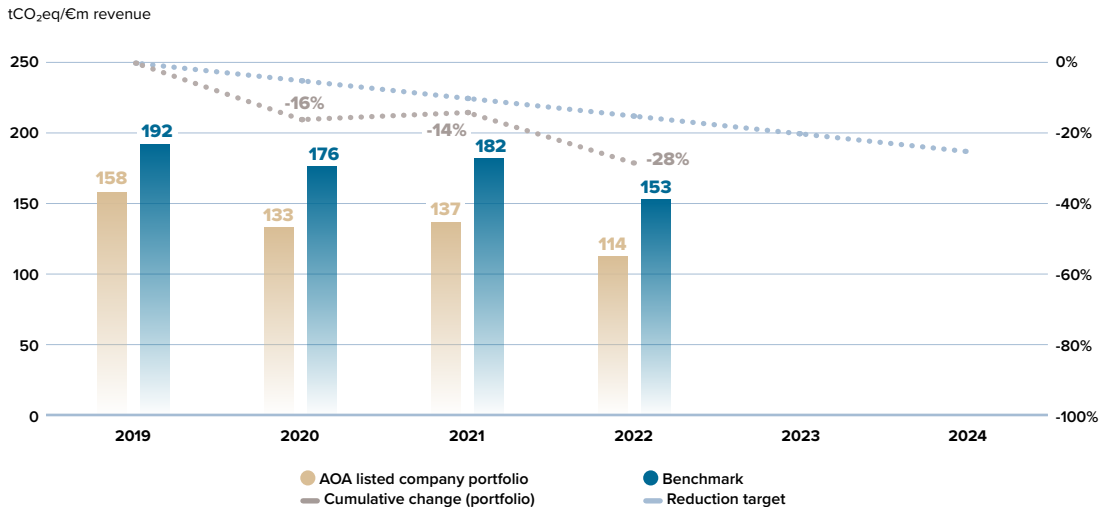
→ **AOA listed company portfolio**

At end-2022, there had been a 28% cumulative decrease in carbon intensity since the beginning of the 2019-2022 period. This result places ERAFP on a very encouraging trajectory with regard to its target for 2025.

In 2022, the carbon intensity per €1 million of revenue of ERAFP’s AOA listed company portfolio fell compared with 2021, from 137 tonnes CO₂ equivalent (tCO₂eq) to 114 tCO₂eq, i.e. a 16.8% decrease. This change is mainly attributable to the increase in corporate revenues in 2021, in a

CARBON INTENSITY OF THE AOA LISTED COMPANY PORTFOLIO RELATIVE TO THE BENCHMARK (SCOPE 1 AND 2 EMISSIONS, PER €1 MILLION OF REVENUE, AS A WEIGHTED AVERAGE)

Source — S&P Global Trucost, 30 November 2022



context of post-Covid catch-up, over a period when absolute emissions increased only very slightly³⁸. The benchmark saw a similar fall (-15.7%) over the same period. The portfolio continues to outperform the index, with the difference between the portfolio's emissions and those of the index remaining very substantial (-25.9% in 2022 versus -24.9% in 2021).

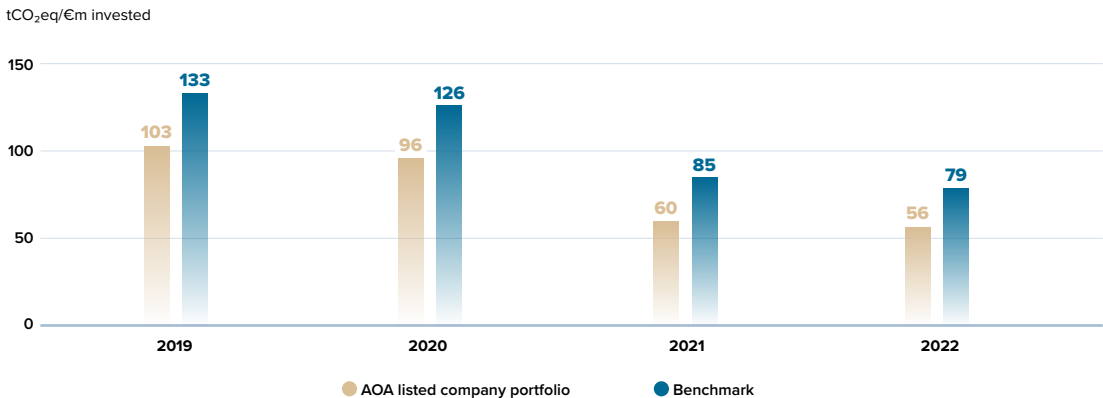
If we consider another measure of carbon intensity – that per €1 million invested (tCO₂eq/€m invested) – again at the level of the AOA listed company portfolio, it also fell over the period 2021-2022 (-6.9%). The benchmark saw a similar fall too (-6.9%). The difference between the portfolio and the index remains significant (-29%). After an exceptional decrease between 2020 and 2021 (-38% for the portfolio and -34% for the index), the

“At end-2022, there had been a 28% cumulative decrease in carbon intensity since the beginning of the period”

fall in carbon intensity in 2022 was less spectacular. Companies' stock market value at end-2022, which is used to calculate this indicator, fell significantly last year following the shocks experienced by the equity markets. At the same time, absolute emissions, also used to calculate the indicator, remained at a similar level in 2021 to 2020. Over the entire period under review (2019-2022), the portfolio's carbon intensity per €1 million invested was down by 45.7%.

CARBON INTENSITY OF THE AOA LISTED COMPANY PORTFOLIO COMPARED WITH THE BENCHMARK (SCOPE 1 AND 2 EMISSIONS, PER € MILLION INVESTED, AS A WEIGHTED AVERAGE)

Source – S&P Global Trucost, 30 November 2022



38. The carbon intensity for year Y is calculated on the basis of the revenue and emissions generated in Y-1.

→ **Real estate portfolio**

Methodology note

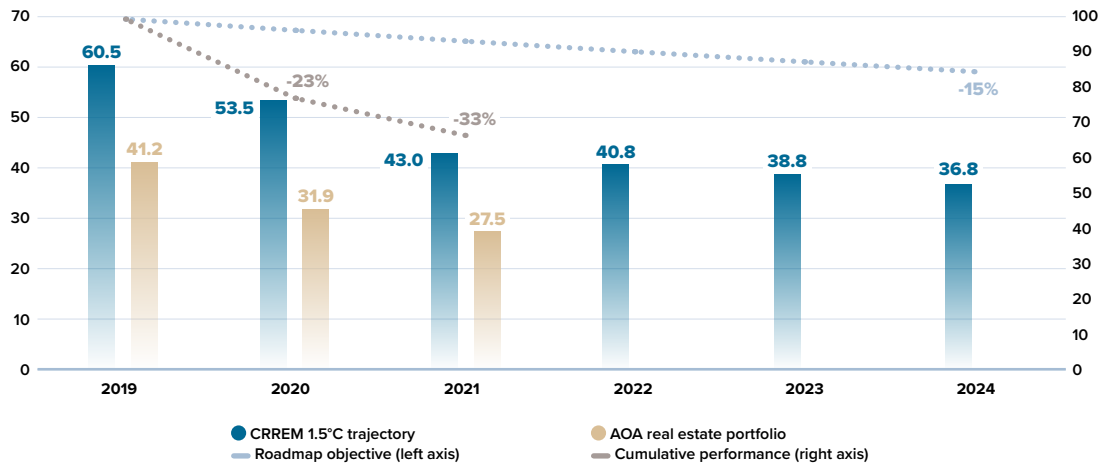
The Carbon Risk Real Estate Monitor (CRREM) methodology is used to assess a portfolio’s greenhouse gas emissions, expressed in “surface intensity” (kgCO₂/sq m), in light of the Paris Agreement’s climate change limitation targets. Each asset in the portfolio is assessed from a 1.5°C scenario perspective specific to its type and the country where it is located. Note that the indicator calculation basis includes, in addition to scopes 1 and 2, part of scope 3 emissions.

In 2021³⁹, the surface intensity of ERAFP’s AOA real estate portfolio⁴⁰ decreased compared with 2020, from 31.9 to 27.5 kgCO₂eq/sq m, i.e. a decrease of 13.8%. It is also significantly below CRREM’s surface intensity for that year required to achieve portfolio alignment with a 1.5°C scenario by 2025 (43.0 kgCO₂eq/sq m).

At end-2022, there had been a 33% cumulative decrease in surface intensity since the beginning of the 2019-2021 period. This is a very satisfactory trend given ERAFP’s target for 2025.

SURFACE INTENSITY OF THE AOA REAL ESTATE PORTFOLIO⁴¹ COMPARED TO THE SURFACE INTENSITY OF THE CRREM 1.5° TRAJECTORY (IN KGCO₂EQ/SQ M)⁴²

Source — Carbone 4, CRREM, ERAFP, 31 December 2021



39. Most recent known data.

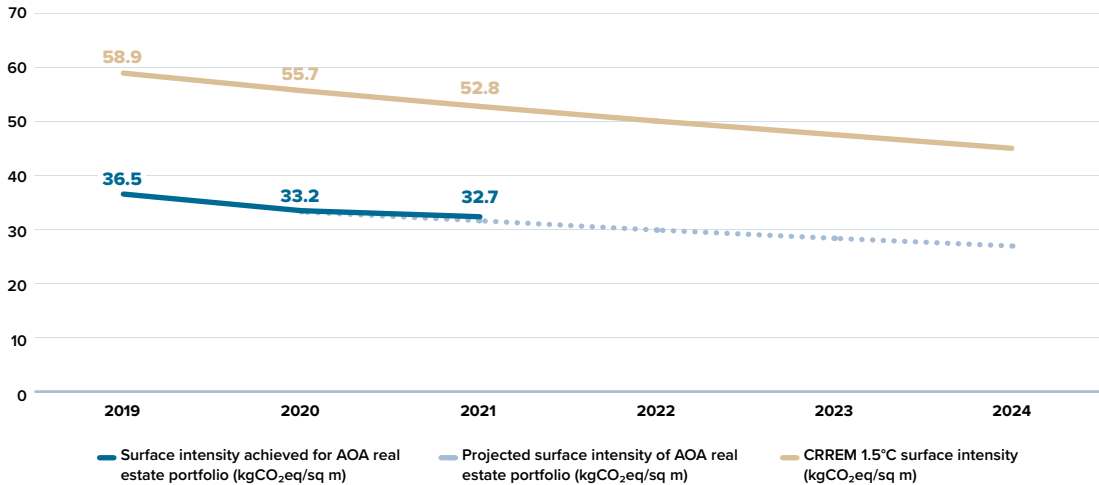
40. A more in-depth analysis of the indicator is shown on page 108 of this report.

41. Excluding funds and assets over which the asset manager does not have operational control.

42. The portfolio’s projected surface intensity was estimated by the various real estate managers for the period to 2025, taking into account any work and other improvements to be made on the buildings.

SURFACE INTENSITY OF THE AOA REAL ESTATE PORTFOLIO⁴³ EXCLUDING RESIDENTIAL ASSETS COMPARED TO THE SURFACE INTENSITY OF THE CRREM 1.5°C TRAJECTORY (IN KGCO₂EQ/SQ M)⁴⁴

Source — Carbone 4, CRREM, ERAFP, 31 December 2021



Excluding residential assets (i.e. on a like-for-like basis), the surface intensity of ERAFP’s AOA portfolio also decreased, from 33.2 to 32.7 kgCO₂eq/sq m, a decrease of 1.5%. Here again the portfolio was aligned with the 1.5°C scenario transition point for 2021. However, the change in the indicator was less marked than that including residential assets, showing that the widening of the scope contributed significantly to the sharp fall in surface intensity between 2020 and 2021 and reflecting the fact that ERAFP’s residential assets are mainly located in France, whose energy mix is one of the most decarbonised. Most of these assets have also been built recently.

“In 2021, the surface intensity of ERAFP’s AOA real estate portfolio decreased compared with 2020. It was also significantly lower than the surface intensity required by the CRREM for that year”

43. Excluding funds and assets over which the asset manager does not have operational control.

44. The portfolio’s projected surface intensity was estimated by the various real estate managers for the period to 2025, taking into account any work and other improvements to be made on the buildings.

ENGAGEMENT TARGETS

The table below shows the breakdown by business sector at end-2022 of the 30 companies selected by ERAFP under its engagement target. One third (10) of these companies are in the materials sector while the others are equally divided between utilities (6), energy (5), industrials (5) and consumer discretionary (4).

In total, at 30 November 2022, this engagement target covered 10.9% of ERAFP's assets under management and 52.9% of the portfolio's carbon footprint.

“At 30 November 2022, this engagement target covered 10.9% of ERAFP's assets under management and 52.9% of the portfolio's carbon footprint”

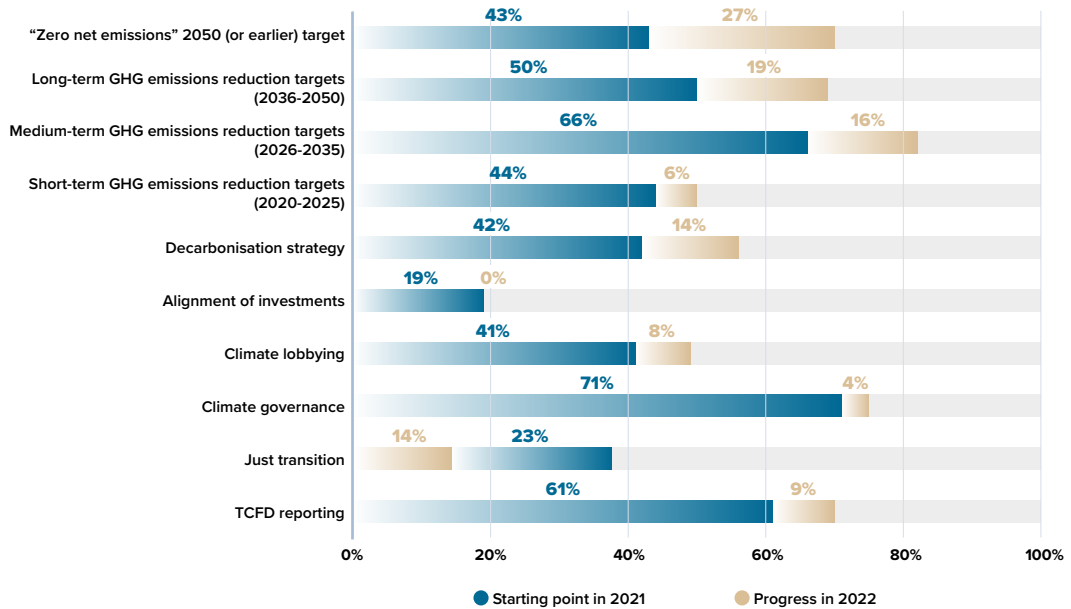
BREAKDOWN BY BUSINESS SECTOR AT END-2022 OF COMPANIES COVERED BY ERAFP'S ENGAGEMENT TARGETS

Source – ERAFP, 30 November 2022

BUSINESS SECTOR	NUMBER OF COMPANIES COVERED BY THE TARGET	% OF ASSETS	% OF CARBON FOOTPRINT (TCO ₂ EQ/€ MILLION INVESTED, SCOPES 1 AND 2)
Materials	10	2.6%	18.8%
Utilities	6	2.9%	16.8%
Energy	5	1.8%	9.8%
Industrials	5	1.7%	5.7%
Consumer discretionary	4	2.0%	1.8%
Total	30	10.9%	52.9%

RATE OF ACHIEVEMENT OF AOA ENGAGEMENT TARGETS BY THE 30 COMPANIES MONITORED

Sources — ERAFP, *Climate Action 100+*, 31 December 2022



Between 2021 and 2022, ERAFP made progress on all but the “just transition” AOA engagement indicator. The main indicators attained for the 30 companies monitored and with which ERAFP and the asset management companies engaged are the medium- and long-term greenhouse gas emissions reduction targets (2026-2050) as well as the climate governance and net zero by 2050 at the latest targets.

Specifically, with regard to the medium- and long-term greenhouse gas emissions reduction targets, the companies analysed have mainly implemented policies with specific targets linked to emissions scopes covering at least 95% of scopes 1 and 2 over these two periods (2026-2035 and 2036-2050). The climate governance indicator rose

slightly thanks to the inclusion of a criterion related to the company’s assessment of its board of directors’ climate risk management competencies. Lastly, the companies analysed made significant progress on the net zero by 2050 at the latest target as they stepped up their efforts on criteria covering at least 95% of their scopes 1 and 2 emissions, as well as on the criteria most relevant to their business sectors at scope 3 level.

By contrast, progress is to be expected in terms of aligning investments, an indicator that was virtually unchanged between 2021 and 2022, reflecting the fact that most companies analysed by ERAFP have not published any commitment to align their investments with greenhouse gas emissions reduction

targets or the Paris Agreement. Nor have they made public the methodology used to report on the aforementioned commitments. However, in terms of all the results published by Climate Action 100+, this indicator is the least aligned, says the organisation. Lastly, only one criterion fell between 2021 and 2022: companies’ alignment with the just transition. This result is attributable to the fact that this criterion is currently still in the development phase in the Climate Action 100+ framework but is nevertheless used by ERAFP, in accordance with its engagement policy, to measure the alignment of companies with climate criteria.

TARGET FOR FUNDING THE TRANSITION TO A LOW-CARBON ECONOMY

In 2022, ERAFP made €238.7 million of equity portfolio investments contributing to the transition to a low-carbon economy, broken down as follows: €105 million in the “Climate Transition Benchmark” mandate, €83.7 million in open-ended climate change-themed funds and €50 million in the “Paris-Aligned Benchmark” mandate. It also invested €180 million⁴⁵ in multi-investor private equity and infrastructure funds focused on the energy transition. Lastly, it invested €13 million in a “sustainable bond” issued by a French local authority.

In total, in 2022 ERAFP made €431.7 million of investments contributing to the transition to a low-carbon economy.

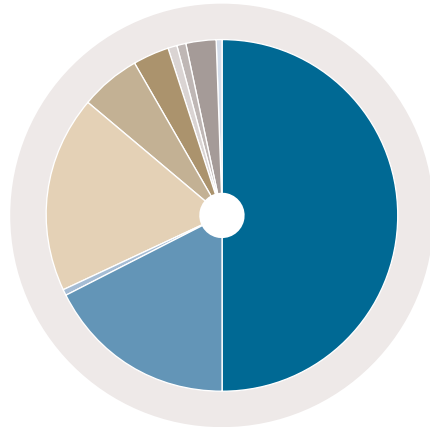
At 31 December 2022, ERAFP’s total investments in assets that contribute to the transition to a low-carbon economy, irrespective of the date on which they were made, amounted to €13.9286 billion, up 17.9% from 2021 (€11.3852 billion). As shown in the chart above, these investments can be broken down as follows:

- 50.4% in companies in the equity and convertible bond portfolios, covered by a target aligned with a temperature scenario of 1.5° or less, validated by the Science Based Targets Initiative (SBTi);
- 21.2% exclusively in the equity portfolio (of which 18.0% are held under the “Climate Transition Benchmark” and “Paris-Aligned Benchmark” mandates managed by Amundi and 3.2% through specialised climate-themed equity funds);
- 18.4% in the real estate portfolio (of which 18.2% are aligned with a 1.5°C scenario and 0.2% are forestry investments);
- 6.3% in the bond asset class (of which 5.7% are in green bonds and 0.6% in thematic bond funds);
- Lastly, 0.7% in private equity and 2.9% in infrastructure.

The change in the breakdown of these investments between 2021 and 2022 is shown on page 81.

BREAKDOWN OF ERAFP’S INVESTMENTS CONTRIBUTING TO THE TRANSITION TO A LOW-CARBON ECONOMY

Source — ERAFP, 31 December 2022



- **50,4%** – Issuers with a 1.5°C SBTi target
- **17,6%** – Climate Transition Benchmark mandate
- **0,4%** – Paris-Aligned Benchmark mandate (no change)
- **18,2%** – 1.5°C-aligned real estate assets
- **5,7%** – Green bonds
- **3,2%** – Climate-focused equity funds
- **0,7%** – Private equity - Energy transition
- **0,6%** – Climate-themed bond funds
- **2,9%** – Infrastructure - Energy transition
- **0,2%** – Forestry

“In 2022, ERAFP made €431.7 million of investments contributing to the transition to a low-carbon economy”

⁴⁵. Amount committed.

TEMPERATURE ALIGNMENT TARGET

Methodology note

The carbon intensity or carbon footprint gives a backward-looking view of changes in the portfolio’s greenhouse gas emissions. Companies’ emissions reduction or carbon neutrality targets, on the other hand, make it possible to better assess the portfolio’s proper alignment with the Paris Agreement’s climate trajectories.

The market-leading Science-Based Targets initiative (SBTi) aims to encourage companies to set science-based targets for reducing their greenhouse gas (GHG) emissions, within a common framework.

The share of the carbon footprint of companies having set a target of alignment with a temperature rise scenario lower than or equal to 1.5°C validated by the SBTi gives a useful indication of the future evolution of a portfolio’s emissions.

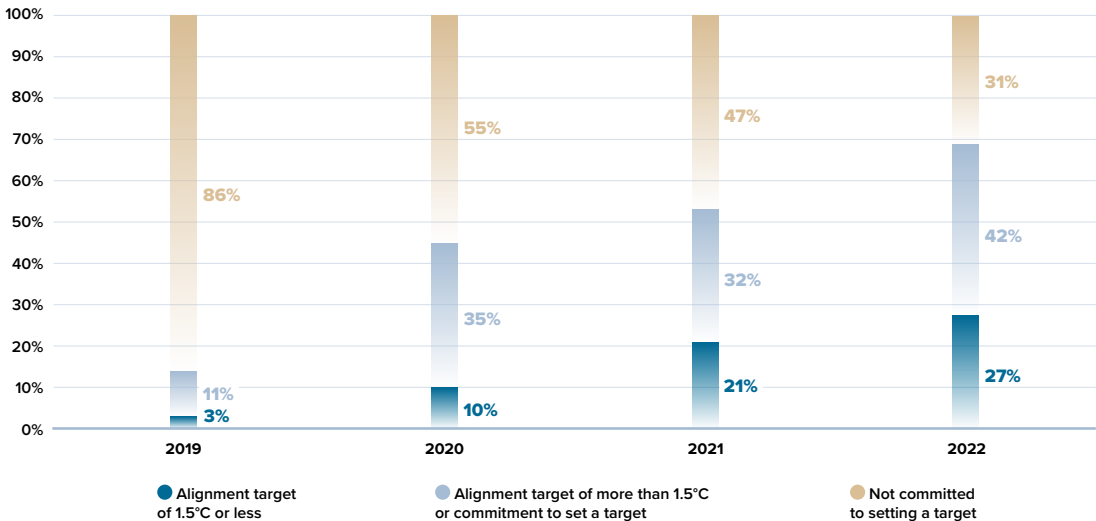
Note that since 2022, SBTi only validates targets for alignment with a trajectory of lower than or equal to 1.5°C.

ERAFP has set the target of achieving a situation by 2025 where companies representing 50% of the carbon footprint have set targets aligned with a temperature rise of 1.5°C or lower validated by the SBTi. At 31 December 2022, 27% of the listed company portfolio’s carbon footprint resulted from companies that had set targets consistent with global warming of 1.5°C or lower that have been validated by the Science-Based Targets initiative.

At the same time, the share of the portfolio’s carbon footprint attributable to companies with a validated warming target of more than 1.5°C or having undertaken to set a target rose from 11% to 40% between 2019 and 2022.

PERCENTAGE OF THE LISTED COMPANY PORTFOLIO CARBON FOOTPRINT COVERED BY SCIENCE-BASED TARGETS, BY TYPE OF APPROACH (% , SCOPES 1 AND 2)

Sources — S&P Global Trucost, SBTi, ERAFP, 30 November 2022



AN ENGAGED INVESTOR

In addition to the best in class mechanism, which applies to all parts of its portfolio, ERAFP's socially responsible investment approach is supplemented by more targeted initiatives related to engagement in the broad sense.

Right from the Scheme's beginnings, for example, ERAFP has used the leverage arising from its position within companies to promote its core values, as defined in the SRI Charter adopted by its board of directors in 2006.

Moreover, with a view to developing its approach to socially responsible investment, for some of its investments ERAFP has more recently adopted an impact investing approach aimed at attaining concrete social and environmental targets in addition to simply financial returns.

→ Engagement strategy

Engagement refers to all forms of dialogue between one or more investors and one or more issuers. It may be collaborative, in other words led by a group of investors, or limited to exchange between a single investor and a single investee. ERAFP tends to favour collaborative engagement insofar as:

- a group of investors can exert greater influence through a company's capital than a single investor acting alone;
- the resources needed for engagement (research, time, etc.) can be pooled between the participants;
- it facilitates the sharing of best practices between investors.

The general meeting is an important date in the company calendar, providing an opportunity for dialogue with shareholders as it requires them to give their opinion directly on a certain number of agenda items.

Since 2012, ERAFP has formalised its engagement approach by adopting guidelines that define both priority engagement themes and its general meeting voting policy.

Moreover, in updating its SRI Charter in 2016, ERAFP sought to formally strengthen its position as a committed investor. According to the updated SRI Charter, *“ERAFP is determined to provide long-term support to those organisations in which it has decided to invest, by exercising its responsibilities as shareholder or stakeholder in such a way as to sustainably promote practices within these entities that are aligned with the values it supports”*.

ERAFP practises shareholder engagement with issuers to influence their ESG practices through:

- its direct involvement in collaborative engagement initiatives or investor statements;
- engagement initiatives conducted by its delegated asset managers on its behalf;
- the exercise of its voting rights at general meetings of shareholders.



Find out more

ERAFP's shareholder engagement guidelines

COLLABORATIVE INITIATIVES SUPPORTED BY ERAFP BY PRIORITY ENGAGEMENT THEME

1.

Promoting strategies aligned with the targets of the Paris Agreement

- IIGCC/Climate Action 100+
- IDI⁴⁶/ShareAction
- CDP
- Net-Zero Asset Owner Alliance

2.

Promoting a clearly defined governance framework for climate change-related risks and opportunities

- IIGCC/Climate Action 100+
- IDI/ShareAction
- CDP
- Net-Zero Asset Owner Alliance

3.

Making a positive contribution to the SDGs

- Finance for Tomorrow

4.

Combating aggressive tax optimisation practices

- Principles for Responsible Investment

ENGAGEMENT CONDUCTED BY ERAFP

ERAFP's engagement strategy potentially covers all the companies held in its portfolio, regardless of asset class (equities or bonds) or company type (listed or unlisted).

Engagement initiatives are carried out:

- in accordance with the priority engagement themes;
- when a company is involved in an ESG-related controversy, or in order to improve a company's transparency and ESG performance.

→ **Collaborative initiatives**

In 2022, ERAFP pursued its engagement approach on a number of environmental, social and governance fronts, via both collaborative initiatives and various investor networks and platforms. These initiatives are consistent with ERAFP's priority engagement themes, which its board of directors defines every year on the basis of the shareholder engagement guidelines.

ERAFP participates in at least one collaborative engagement initiative for each priority engagement theme. In general, the aim of collaborative initiatives is to challenge companies on their practices, asking them to explain and improve them as necessary.

In addition to written correspondence, the engagement coordinators organise meetings with willing companies to explain the expected level of transparency and best practices in their sector and discuss the issuers' intended action plans for the coming years.

For a comprehensive presentation of the climate-related collaborative initiatives in which ERAFP is involved, see the sub-section of its 2022 sustainability report entitled "Adherence to and involvement in collaborative initiatives".

46. Investor Decarbonisation Initiative.



FOCUS ON THE CLIMATE ACTION 100+ INITIATIVE

Launched at the end of 2017, the Climate Action 100+ initiative is considered to be one of the most significant investor initiatives for tackling climate change. It aims to work with 166 companies identified as being not only the world's largest greenhouse gas emitters but also as having the greatest capacity to contribute to the energy transition through their emissions reduction strategy over a period of five years.

Led jointly by the PRI and the Global Investor Coalition on Climate Change (an association of four regional investor groups, one of which is IIGCC, the Institutional Investors Group on Climate Change), the initiative currently brings together 700 investors representing \$68 trillion in assets under management. ERAFP actively participates in Climate Action 100+ shareholder engagement in the utilities, energy, automotive, cement and chemicals sectors⁴⁷. Within these sectors, it leads the engagement with two companies, in one case in conjunction with two other investors, and acts as a 'support' investor for six other companies.

Of key importance in the energy transition, the utilities and automotive sectors – and more particularly the companies covered by an ERAFP engagement action – have started to take significant measures aimed at reducing their emissions and replacing fossil fuels and petrol vehicles with renewable energies and electric vehicles, but they still need to deploy considerable resources to achieve carbon neutrality by 2050.

Among the companies targeted by the Climate Action 100+ initiative, 75% have now set a target of achieving carbon neutrality by 2050, whereas only five had done so in 2018, when the initiative was launched.

47. "Investor Position Statement: A call for Corporate Net Zero Transition Plans". See https://www.iigcc.org/download/iigcc-investor-position-statement-voting-on-transition_/?wpdmid=5416&refresh=62064ff3344e61644580851

→ Investor statements

In 2022, ERAFP also endorsed several investor statements containing messages aimed at companies or governments.

ERAFP signed an opinion piece published by the Forum pour l'investissement responsable highlighting investors' main challenges and expectations with regard to climate resolutions ("Say on Climate"). This forum presents climate resolutions as a tool for shareholder democracy that enables ongoing dialogue on climate issues to be organised at general meetings through an annual advisory vote. It defines the minimum expected level of non-financial information needed for investors to rigorously assess companies' short, medium and long-term climate goals, and proposes institutionalising climate resolutions in company law in order to set a legal framework for these resolutions.

In 2022, ERAFP also signed the financial sector statement on biodiversity initiated by the UNEP Finance Initiative, the Principles for Responsible Investment and the Finance for Biodiversity Foundation. This statement was signed by 150 financial institutions representing more than \$24 trillion in assets under management. It underscored signatories' commitment to helping to protect and restore biodiversity and called for the adoption at COP 15 of a global biodiversity framework (in the same way as the Paris Climate Agreement).

ENGAGEMENT BY ERAFP'S ASSET MANAGERS

ERAFP also encourages its asset managers to engage with issuers represented in the portfolios they manage on its behalf.

In implementing ERAFP's SRI Charter, which was updated in 2016, the delegated asset managers closely monitor controversies that companies may be exposed to. As part of a shareholder engagement approach, the managers initiate dialogue with companies that are involved in proven breaches of international standards or have weak environmental, social or governance practices.

In addition to their engagement in monitoring controversies, the managers may engage individually or collectively with issuers or companies on one or more ESG themes, with the aim of improving these companies' transparency and ESG performance.

As part of its climate roadmap, ERAFP has asked several managers to carry out actions with certain companies held via their respective mandates, in addition to any engagement work carried out by the management firms independently. This engagement by asset managers concerns 22 of the 30 companies that ERAFP has chosen to target.

A VOTING POLICY THAT IS CONSISTENT WITH PUBLIC SERVICE VALUES AND DEMANDING OF LISTED COMPANIES

ERAFP's policy for voting at general meetings (GM) is updated annually, in order to draw lessons from each general meeting season and so gradually improve the policy's consistency and comprehensiveness.

While its equity managers implement this policy on its behalf, ERAFP ensures that the positions expressed are correctly interpreted and consistent by coordinating the voting by its management firms for a number of companies.

In 2022, this sample comprised around 40 major French companies and 20 major international companies, representing approximately 50% of ERAFP's equity portfolio in terms of market capitalisation.

ERAFP made the following changes last year to take climate issues into account in its voting policy:

- For companies belonging to certain sectors, it introduced a vote against the chairman of the board of directors when climate issues appear insufficiently taken into account.
- For companies in sectors with a strong climate impact, ERAFP now expects climate-specific criteria to be included when the variable remuneration of key managers is set.
- It introduced case-by-case analysis for voting on climate resolutions, recommending a negative vote if the following conditions are not met:

- a goal to achieve carbon neutrality by 2050, covering all relevant emissions scopes;
- a medium-term 1.5°C alignment target for scopes 1 and 2 emissions, and scope 3 emissions if available and relevant;
- a quantified decarbonisation strategy.

A summary presentation of ERAFP's votes at the general meetings held in 2022 can be found in the sub-section of ERAFP's 2022 sustainability report entitled "Review of the 2022 general meeting season".

→ Impact investing

ERAFP'S IMPACT INVESTING APPROACH

Over the past decade, the question of the impact an investment can have on the environment or society has become increasingly important. Impact investing aims to extend the socially responsible investment approach by looking beyond the inclusion of ESG criteria in an investment decision to question the concrete impact it can have and thereby make it a tool for change, without forgoing financial returns.

As an investor committed to developing its SRI approach in a manner consistent with its fiduciary responsibility to its active contributors, ERAFP has chosen to include part of its investments in this approach.

Since the identification of targets is at the very heart of the concept of impact investing, ERAFP has chosen to prioritise, in the implementation of this approach, three areas of intervention that correspond to its profile as a long-term investor managing a pension scheme for public sector employees: contributing to the transition towards a decarbonised economy, supporting economic activity and employment, and facilitating access to housing for public sector employees.

→ **Contributing to the transition towards a low-carbon economy**

In 2021, ERAFP adopted a roadmap detailing the targets it has set itself for 2025 with a view to making its investment portfolio carbon neutral by 2050. This keystone of the Scheme’s investment policy is designed to contribute to the fight against climate change. In addition to reducing the impact of its investments on the climate, ERAFP has been investing for a number of years in the energy transition and initiatives designed to decarbonise the economy. These investments, which support the

transition towards a greener economy, directly help reduce greenhouse gas emissions and thus constitute impact investments.

→ **Supporting economic activity and employment**

Due to their ability to make long-term investments, institutional investors are able to help provide the capital required to finance economic activity - which indirectly contributes to job growth. Aware of its role in this area, ERAFP decided very early on to finance listed SMEs and mid caps by buying shares in small companies. Changes in its investment framework subsequently enabled it to broaden its range of instruments and finance SMEs and mid-tier companies by participating in loan securitisation funds and investing in private equity. SMEs and mid-tier companies have been particularly exposed to the two major crises that have shaken the global economy in recent years – that of 2008, and the Covid-19 pandemic – which has reinforced ERAFP’s conviction that it has a role to play with these firms.

→ **Facilitating access to housing for public sector employees**

Published in 2016, the Dorison/Chambellan Le Levier report observed that public sector employees moving to areas of high housing demand had major difficulties finding and renting suitable housing at an affordable cost. The authors of the report highlighted the role that institutional investors could play in financing so-called intermediate housing (i.e. with rents positioned between social housing and free market levels) for the benefit of public sector employees. In response to this observation, and directly in line with its SRI investment policy, ERAFP has been committed to financing this type of intermediate housing project since as early as 2014. The Scheme has also made a point of obtaining a priority information right with a one-month exclusivity period in favour of public sector employees. Since then, it has broadened its scope to finance other intermediate and affordable housing projects that are intended to be rented out primarily to such employees.

IMPACT PRIORITIES AND SDGS

By targeting these three priority action areas, ERAFP is also seeking to help achieve the Sustainable Development Goals (SDGs), in line with the commitment it made in signing the French public sector investors’ Sustainable Development Goals charter in 2019. Thus:

- by supporting the transition to a decarbonised economy, ERAFP is seeking to help achieve SDG 13, “Climate action”;
- by supporting economic activity, it is promoting SDG 8, “Decent work and economic growth” and SDG 9, “Industry, innovation and infrastructure”; and
- by seeking to facilitate access to housing for public sector employees, it is furthering SDG 11, “Sustainable cities and communities”⁴⁸.

⁴⁸ For an analysis of the concordance between the ESG criteria contained in ERAFP’s sovereign and corporate benchmarks and the SDGs, see ERAFP’s 2020 public report.

MONITORING IMPACT PRIORITIES

 → Contributing to the transition to a low-carbon economy

INVESTMENTS IN ENERGY TRANSITION OR CONTRIBUTING TO THE DECARBONISATION OF THE ECONOMY

Source — ERAFP

Asset class		2021 Amount invested (market value in €m) ⁴⁹	2022 Amount invested (market value in €m) ⁵⁰	Change 2021-2022
Equities	Climate Transition Benchmark mandate	2,741.0 ⁵¹	2,395.9	-12.6%
	Climate-focused equity funds	548.0	437.5	-20.2%
	Paris-Aligned Benchmark mandate	—	50.0	—
Bonds	Green bonds	649.2	776.8	19.7%
	Climate-focused bond funds	55.6	82.5	48.4%
Equity, bond and convertible mandates	Issuers with a 1.5°C SBTi target	4,600.7 ⁵²	6,868.0 ⁵³	49.3%
Real estate	Forestry	28.8	29.0	0.7%
	1.5°C-aligned real estate assets	2,459.7 ⁵⁴	2,486.8 ⁵⁵	1.1%
Infrastructure	Energy transition	252.1 ⁵⁶	400.0 ⁵⁶	59%
Private equity	Energy transition	50.0 ⁵⁶	100.0 ⁵⁶	100%
Total		11,385.1	13,928.6	22.3%

49. At 31 December 2021.

50. At 31 December 2022.

51. Amount invested at the end of 2020 in the “low-carbon” mandate managed by Amundi which, in 2021, was recast as a “Climate Transition Benchmark” mandate.

52. Includes all mandates except the low-carbon and green bond mandates.

53. Includes all mandates except the Climate Transition Benchmark and green bond mandates.

54. Real estate assets aligned with the CRREM 1.5°C trajectory. Data as at 31 December 2020.

55. Real estate assets aligned with the CRREM 1.5°C trajectory. Data as at 31 December 2021.

56. Amount committed.

As it has done since its 2019 public report, in this sub-section ERAFP presents the share of its investments that contribute to the decarbonisation of the economy. It broadened the scope used for this indicator compared with the previous year to include the “Paris-Aligned Benchmark” mandate, launched in 2022.

At the end of 2022, investments in the energy transition or contributing to the decarbonisation of the economy represented around 36.4% of ERAFP’s assets, compared with 27.1% in 2021, a 22.3% increase due to the following factors:

- the larger number of companies that have temperature targets of 1.5°C or less validated by the SBTi;
- increased investments in green bonds and, to a lesser extent, thematic bond funds;
- the launch of the “Paris-Aligned Benchmark” mandate;
- new investment flows, driven by higher contributions;
- new investments that contribute to the energy transition in the private equity and infrastructure portfolio.

The amount of equity portfolio investments that contribute to the decarbonisation of the economy fell in 2022 due to the fall in the valuation of the assets concerned.

“At the end of 2022, ERAFP had invested €651 million in listed equity funds and €123 million in unlisted funds accredited under the government’s Relance scheme”

Some private equity investment was also allocated to the installation of renewable energy capacity – a crucial contributor to the reduction of greenhouse gas emissions. At 31 December 2022, through investments made in its Ardian mandate ERAFP had thus contributed to the installation of renewable energy capacity generating nearly 15,177 MWh of electricity.

→ Supporting economic activity and employment

In 2022, ERAFP pressed ahead with the roll-out of an ambitious investment policy to support the real economy. In the past year, ERAFP thus:

- provided support to 153 SMEs and mid-tier companies through investments totalling €1,341 million in small cap management mandates entrusted to Tocqueville Finance, BFT IM - Montanaro AM and Sycomore AM (down compared with 2021⁵⁷ due to the fall in the valuation of the assets in question);

- contributed €749 million⁵⁸ to the financing of 370 unlisted SMEs and mid-tier companies through private debt funds and loan securitisation funds, in which it invests either directly or through the management mandates held by Amundi and Ostrum AM;
- provided a little over €600 million in financing to more than 700 mainly European unlisted companies (microenterprises, SMEs and mid-tier companies) through its private equity activity, through direct participation in open-ended funds and through a management mandate entrusted to Access Capital Partners.

As was the case last year, ERAFP contributed specifically to supporting the economic recovery by channelling some of its investments into Relance-accredited funds, investing €651 million in listed equity funds⁵⁹ and €123 million in unlisted equity funds⁶⁰.

By the end of 2022, ERAFP had invested a total of more than €2.6 billion⁶¹ in financing European SMEs and mid-tier companies.

57. This figure was €1,543 million in 2021.

58. At market value.

59. At market value.

60. Amount committed.

61. Includes both amounts committed and disbursed.

The other part of ERAFP's support for economic activity consists of its involvement in the funding of up-and-coming French technology companies. As highlighted by the Tibi report⁶² published in 2019, start-ups in France often face growth issues in the later stages of their development because they cannot obtain the necessary funding. ERAFP is conscious of its ability as a long-term investor to support long-term projects, and in response to this finding, at the end of 2019 it therefore pledged with other French institutional investors to help finance this type of business. Having originally committed to investing €250 million, by the end of the initiative's three-year roll-out period ERAFP had duly invested €239 million, including €123 million through investments in listed equity funds and €115 million through investments in unlisted tech funds⁶³.

→ Facilitating access to housing for public sector employees

In line with the real estate strategy set by the board of directors, the aim of which is to take greater account of economic and social issues, ERAFP's investments in the French residential sector (intermediate housing⁶⁴, affordable housing⁶⁵, open-market housing⁶⁶ and managed residences⁶⁷) accounted for 29.5% of its real estate portfolio in 2022.

At the end of 2022, ERAFP had invested more than €1,181 million in the French residential real estate sector. ERAFP's commitments in this sector amounted to €1,498 million, representing 6,670 identified homes (i.e. acquired or in the process of being acquired), of which 2,137 are

intermediate housing units, 1,454 affordable housing units, 1,284 open-market housing units and 1,795 managed residence units.

In direct application of its SRI investment policy, ERAFP has taken a role in financing intermediate housing projects partly earmarked for public sector employees. Designed to facilitate access to housing in high-pressure areas⁶⁸ where rents are high in relation to disposable incomes, intermediate housing consists of homes for rent at levels between social housing and open-market rates (10-15% below market prices). It thus represents a solution mid-way between private and social housing for people with incomes higher than the social housing threshold.

62. <https://www.economie.gouv.fr/rapport-philippe-tibi-financement-des-entreprises-technologiques-francaises>.

63. These funds are intended to hold investments of more than €1 billion in unlisted companies in a late-stage growth phase.

64. Intermediate housing is rental housing with a level of rent between that of social housing and open-market housing (10 to 15% lower than open-market prices). It thus represents a mid-way solution between private and social housing for people with incomes higher than the social housing threshold.

65. Affordable housing is open-market, non-intermediate rented housing with rent set below market levels to meet public housing policy requirements (source: CDC Habitat).

66. Open-market housing, or private housing, is a type of housing with rent that is freely set or controlled (but not regulated).

67. A managed residence is an accommodation managed not by the property's owner but by a separate business entity.

68. The areas eligible for the intermediate housing scheme are those where prices are highest, namely Paris, its neighbouring municipalities and outer suburbs, the Côte d'Azur and the Swiss border, Lyon, Marseille, Lille and Montpellier as well as other major regional cities.

FOCUS ON IMPACT INVESTING

With the European Union having decided to ban the marketing of cars with internal combustion engines from 2035, the deployment within Member States of a network of electric vehicle charging stations is becoming a crucial challenge.

Allego was set up in 2013 to help develop this infrastructure, and it currently has nearly 40,000 charging points installed in Europe.

By investing in Allego for several years now, ERAFP is both supporting the transition to a low-carbon economy and showing its ability, as a long-term investor, to finance innovative projects on a sustainable basis.

In 2018, CDC Habitat dedicated a specific area on its housing ads website to ERAFP's investments. Public sector employees can use the site to create their own account, view "partner" offers and apply for accommodation.

Account holders who have asked for updates on housing available in a given area receive related information seven months before the reserved housing units are delivered. Then, no later than three and a half months ahead of delivery, they can access the ads for the platform's reserved housing units. This exclusive access runs for a one-month period.

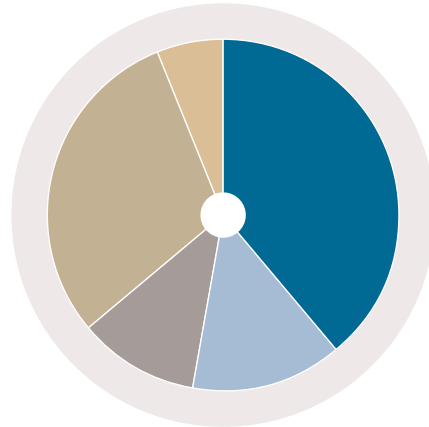
They also have exclusive seven-day access to advertisements for newly vacated reserved housing units.



Find out more
Intermediate housing

BREAKDOWN OF THE REAL ESTATE PORTFOLIO BY SECTOR AT 31 DECEMBER 2022 (AT AMORTISED COST)

Source – ERAFP



● 39.3% – Offices ● 11.3% – Logistics ● 5.6% – Other
● 14.3% – Retail ● 29.5% – Residential

At the end of 2022, ERAFP had committed more than €497.0 million to intermediate housing, of which at least 97% had already been allocated, and had 3,000 intermediate sector homes potentially available for reservation. It had also funded around 600 "affordable" homes that are potentially eligible for the public sector employee housing reservation, scheme.

This total committed amount derives from a number of separate investments made by ERAFP since 2014, as follows:

- In 2014, ERAFP invested €60 million in an initial trial conducted through the FLI intermediate housing fund.
- In February 2018, ERAFP activated a residential real estate mandate awarded to Ampère Gestion, the objective of which is to invest in residential assets in France, particularly in intermediate housing (market value of €1,024 million at the end of 2022).
- In early 2019, ERAFP invested €40 million in the FLI II fund managed by Ampère Gestion-CDC Habitat.
- By the end of 2022, ERAFP had invested €77.6 million in Hestia, a project set up to acquire a portfolio of intermediate housing properties from a French insurer in partnership with other institutional investors.

When making these investments in intermediate housing, ERAFP insists on obtaining a priority information right with a one-month exclusivity period in favour of public sector employees priced out of the housing market in and around Paris, on the Côte d'Azur or in the Gex region.

As well as channelling some of its investments into intermediate housing financing, ERAFP has chosen to invest in so-called affordable housing, again earmarked for reservation by public sector employees. At the end of 2018, alongside other institutional investors, ERAFP invested a total of €262 million in the acquisition of a housing portfolio held by Foncière Vesta and previously owned by ICF Habitat Novedis, a subsidiary of the SNCF group.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

ERAFP has put in place an internal control and risk management system alongside the Scheme's technical and financial management tools, notably to ensure permanent risk monitoring and compliance with the rules and procedures in force.

In view of ERAFP's activities, a significant part of the internal control and risk management system is dedicated, aside from the control of operational risks, to investments and the associated financial risks, as well as to technical risks. Its ability to fulfil its missions is thus assessed regularly and appropriately in view of its organisation and that of its delegated asset managers and representatives.

An overview of the 2022 internal control report appears in the appendix to this document. Applicable regulations provide that the board of directors deliberate each year on a detailed control report, which reviews the ongoing assessment of all risks over the past financial year⁶⁹.

⁶⁹. Article 22 of Decree no. 2004-569 of 18 June 2004 on the French Public Service Additional Pension Scheme.

PART 3

Financial and
non-financial
analysis of ERAFP's
portfolios

This part presents the results of the implementation of the Scheme's strategy in 2022, through an analysis of the financial and SRI characteristics of the portfolio's various sub-portfolios. Where available, the climate change analysis for each portfolio is shown after its ESG rating.

Detailed information on the SRI policy is provided for the largest asset classes.

In accordance with the decree implementing Article 29 of Act 2019-1147 of 8 November 2019 on energy and the climate, in 2022 ERAFP is publishing a sustainability report on the SRI aspect of its investment policy, in which it provides a more in-depth climate analysis of its portfolio.

This part reviews in detail the way that the Scheme's investment policy is implemented. ERAFP is required by regulations to delegate the management of its financial assets (except for government bonds and investments in mutual fund units or shares) to portfolio management companies selected through public tender procedures.

A large number of management mandates representing a significant portion of the Scheme's assets were renewed in 2022. The information presented in this part on the holders of the various mandates is supplemented by an appendix entitled "Asset management mandates awarded by ERAFP", which exhaustively lists the asset managers working on ERAFP's behalf.

THE EQUITY PORTFOLIO

→ Financial profile

At 31 December 2022, the equity portfolio totalled €11.5 billion at amortised cost, representing 32.2% of ERAFP’s total assets. It was split between European equities (25.0% of assets, or €8.9 billion) and international equities (7.2%, or €2.6 billion).

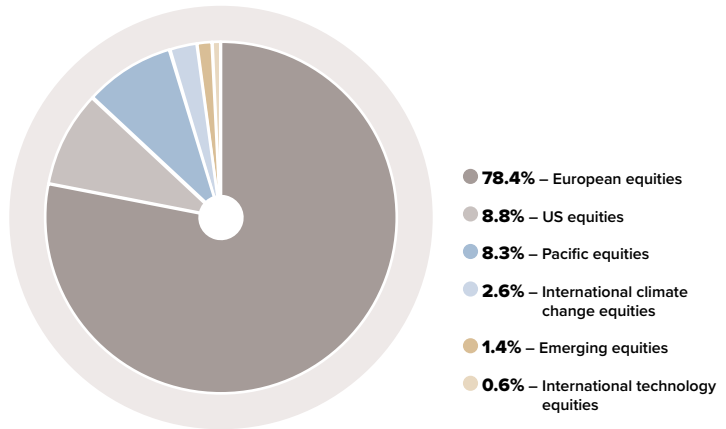
Alongside the direct investments in climate change reduction-themed funds (€437.5 million at market value), at the end of 2022, ERAFP had outsourced the management of its equity portfolio, including for emerging market equity funds (€195 million at market value) and funds invested in technology companies (€123 million at market value).

The two equity portfolios were split between 17 mandates, comprising 12 European equity mandates entrusted to Allianz, Amiral Gestion, Amundi (2 mandates), AXA IM, BFT IM - Montanaro AM, Candriam, EdRAM, Mirova, Ofi AM, Sycomore AM (2 mandates) and Tocqueville AM and five international equity mandates entrusted to BTF IM - Morgan Stanley AM, Ostrum AM and Oddo BHF AM - Wells Fargo for the North America region and to Comgest and Robeco Institutional AM for the Pacific region.

Note that in 2022, ERAFP launched a call for tenders to renew its euro-zone, European and Japanese (formerly Pacific region) SRI listed equity mandates. As part of this procedure, 11 “active” mandates will be awarded. It also awarded a mandate for managing mid and large caps in line with a Paris-Aligned Benchmark.

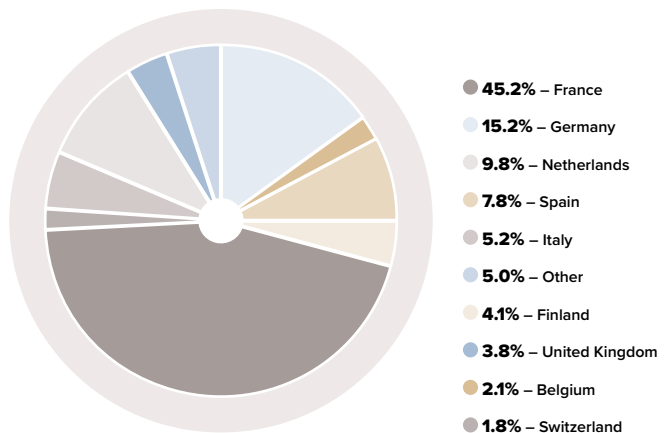
BREAKDOWN OF THE EQUITY PORTFOLIO BY GEOGRAPHIC SEGMENT AT 31 DECEMBER 2022 (AT MARKET VALUE)

Source — ERAFP



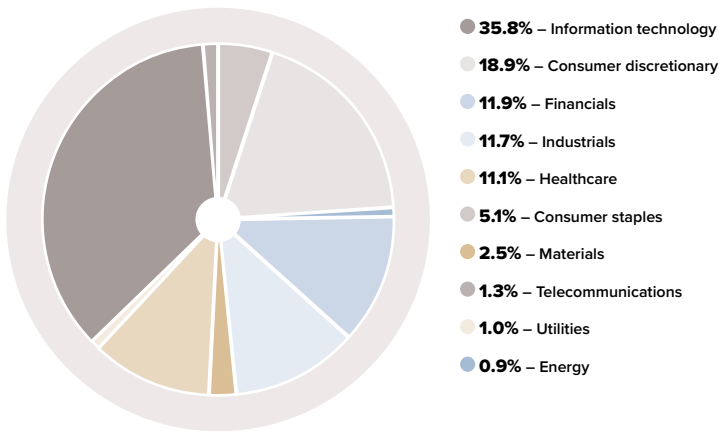
BREAKDOWN OF THE EUROPEAN EQUITY PORTFOLIO BY COUNTRY AT 31 DECEMBER 2022 (AT MARKET VALUE)

Source — ERAFP



BREAKDOWN OF THE EUROPEAN EQUITY PORTFOLIO BY SECTOR AT 31 DECEMBER 2022 (AT MARKET VALUE)

Source — ERAFP

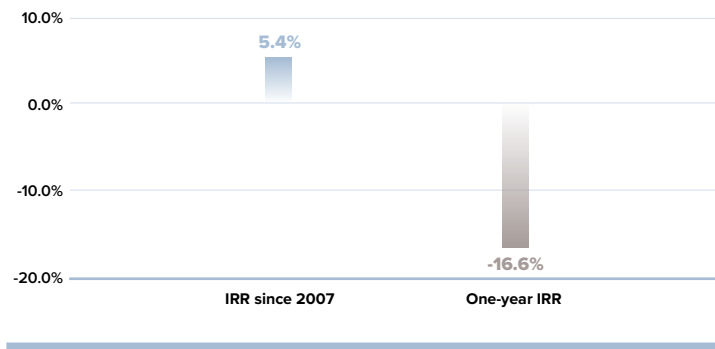


“In 2022, ERAFP launched a call for tenders to renew its euro-zone, European and Japanese SRI listed equity mandates”

In terms of risk dispersion, investments in euro-zone and non-euro-zone equities are highly diversified, with 18 countries and 10 sectors represented. The portfolio’s biggest geographic exposure is France, at 45.2%, followed by Germany (15.2%) and the Netherlands (9.8%), while its biggest sector exposure is information technology (35.8%) followed by consumer discretionary (18.9%), financials (11.9%) and industrials (11.7%).

IRR OF THE EQUITY PORTFOLIO SINCE 2007⁷⁰ AND ONE-YEAR IRR AT 31 DECEMBER 2022 (AT MARKET VALUE)

Source — ERAFP



At the end of 2022, the equity portfolio’s one-year IRR was -16.6% and the IRR since its first investment 5.4%. This broke down to a one-year market value IRR for the euro-zone/European equities portfolio of -15.2% and of -21.9% for the international equities portfolio, and IRRs since first investment of 4.7% and 8.9%, respectively.

At 31 December 2022, unrealised gains on the equity portfolio were equal to 24.5% of its amortised cost, down 33.5 points from 2021.

70. Date of first investment.

→ SRI profile

The equity portfolio's SRI rating has increased by more than 6.3 points since 2017⁷¹. The portfolio continued to outperform its benchmark, with a spread of +1.7 points between the two ratings. With the exception of the Pacific equity portfolio, all the portfolios continue to outperform their respective benchmarks in terms of SRI performance.

The underperformance of the Pacific equity portfolio is due in particular to the fact that one of the two mandates invests in smaller companies, for which less information is available for assessment purposes. Moreover, the portfolio is more exposed than the index to Japan, a country whose average SRI performance is weaker than that of the other countries included in the index. In this manager's case, the management process relies largely on dialogue with the portfolio companies aimed at increasing their transparency. For its part, ERAFP ensures through its regular meetings with managers that its expectations are duly taken into consideration.

→ Climate analysis

CARBON INTENSITY

In 2022, the equity portfolio's carbon intensity, calculated as a weighted average for scopes 1 and 2, was 26% lower than that of its benchmark index (103 tCO₂eq/€m of revenue versus 139 tCO₂eq/€m of revenue).

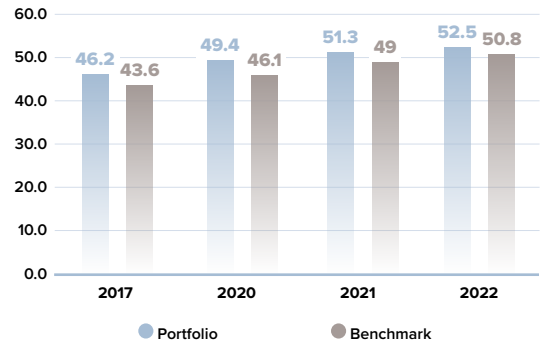
This performance gap was mainly attributable to an underweighting in energy, combined with the selection of less carbon intensive securities than the benchmark in that sector, but above in the materials and utilities sectors.

“In 2022, the equity portfolio's carbon intensity (scopes 1 and 2) was 26% lower than that of its benchmark index”

71. First year of the most recent equity mandate.

CHANGE IN THE SRI RATING OF ERAFP'S EQUITY PORTFOLIO COMPARED WITH THE BENCHMARK

Source — Moody's ESG Solutions, 31 December 2022



CARBON INTENSITY OF THE PORTFOLIO COMPARED WITH THE BENCHMARK

Source — S&P Global Trucost, 30 November 2022

	SCOPES 1 AND 2 (TCO ₂ EQ/€M REVENUE)	ALL SCOPES COMBINED (TCO ₂ EQ/€M REVENUE)
Equity portfolio	103	1,156
Benchmark	139	1,187
Relative performance	-26%	-3%

If we add scope 3, the equity portfolio still outperformed the benchmark, being 3% less carbon intensive. This is mainly due to an underweighting of the energy sector and a selection of less carbon intensive materials stocks. Note that while they provide an overview of the entire value chain, results including scope 3 should be interpreted with caution as there is an increased risk of double counting emissions.

The carbon intensity of the equity portfolio compared with the benchmark as regards direct emissions and direct suppliers is shown opposite.

ALIGNMENT WITH TEMPERATURE SCENARIOS

Carbon intensity measures a portfolio’s climate performance compared with that of a benchmark index. What it does not show is how the portfolio contributes to the transition to a decarbonised economy. ERAFP has therefore adopted a more forward-looking indicator: the share of the carbon footprint (scopes 1 and 2) covered by an SBTi-validated temperature alignment target.

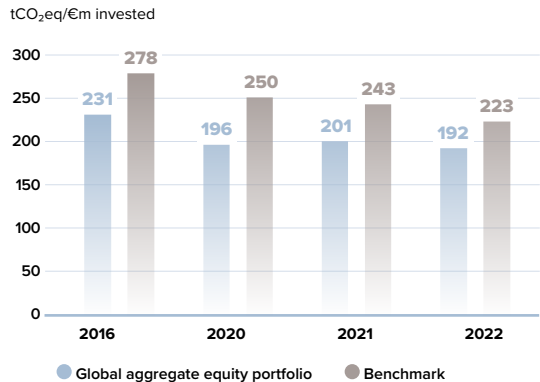
At 31 December 2022, 30% of the equity portfolio’s carbon footprint was attributable to companies whose GHG 1.5°C or less alignment target had been validated by the SBTi, compared with 18% for the index.

This percentage was six times lower (5%) in 2019, on account of:

- the ramping up of the initiative (created in 2015) at the same time as companies’ growing desire to set science-based targets, as shown by the fact that the share of the carbon footprint attributable to companies that have adopted a SBTi approach quadrupled between 2019 and 2022, from 15% to 76%;
- different stock selection from the benchmark, favouring companies that have set this type of target;
- the change of ERAFP’s SRI guidelines in 2019 to require companies in sectors with major energy transition challenges to adopt a strategy that conforms to the Paris Agreement targets.

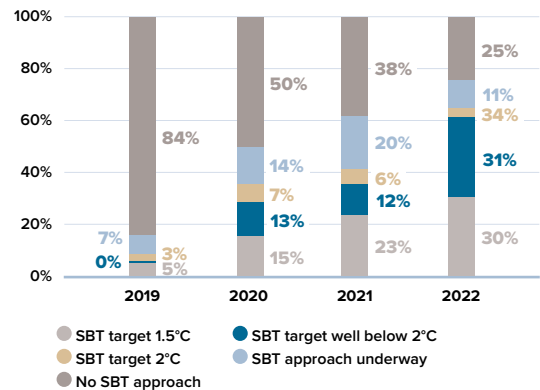
CARBON INTENSITY OF THE EQUITY PORTFOLIO COMPARED WITH THE BENCHMARK (DIRECT EMISSIONS AND DIRECT SUPPLIERS)

Source — S&P Global Trucost, 30 November 2022



PROPORTION OF ERAFP'S EQUITY PORTFOLIO CARBON FOOTPRINT COVERED BY SCIENCE-BASED TARGETS, BY TARGET TYPE (% , SCOPES 1 AND 2)

Source — S&P Global Trucost, 30 November 2022



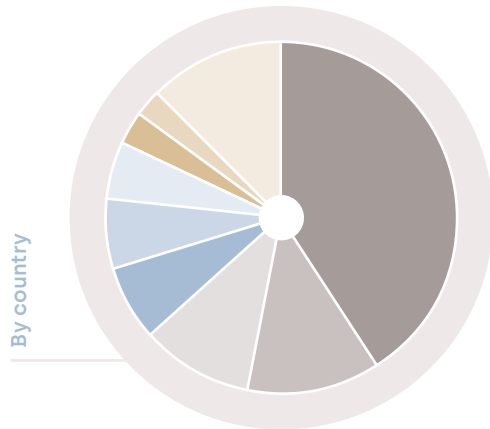
THE CORPORATE BOND PORTFOLIO

→ Financial profile

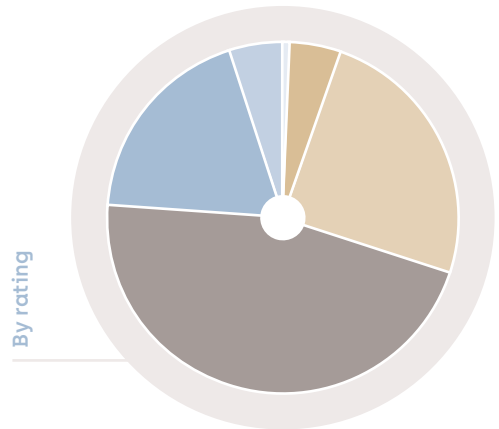
EURO-DENOMINATED CORPORATE BONDS

BREAKDOWN OF EURO-DENOMINATED CORPORATE BONDS HELD IN DELEGATED MANAGEMENT MANDATES BY COUNTRY, RATING AND SECTOR AT 31 DECEMBER 2022 (AT MARKET VALUE)

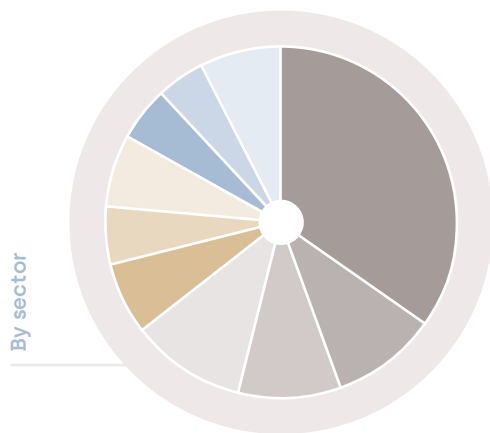
Source – ERAFP



- 40.9% – France
- 12.3% – Netherlands
- 10.3% – United States
- 6.9% – Italy
- 6.4% – Germany
- 5.3% – Spain
- 3.0% – United Kingdom
- 2.6% – Sweden
- 12.3% – Other



- 46.3% – BBB
- 24.6% – A
- 18.7% – BB
- 5.0% – Unrated
- 4.6% – AA
- 0.8% – AAA



- 35.0% – Financials
- 10.7% – Consumer discretionary
- 9.7% – Utilities
- 9.3% – Telecommunications
- 7.3% – Other
- 6.7% – Industrials
- 6.6% – Debt funds
- 5.1% – Materials
- 5.0% – Consumer staples
- 4.6% – Healthcare

At end-2022, the “euro debt” class, consisting of euro-denominated corporate bonds, totalled €7.8 billion at amortised cost, representing 22.0% of ERAFP’s total assets.

The euro-denominated corporate bond management mandates entrusted to Amundi and Ostrum AM notably include investments of €477 million in loan securitisation funds (out of a total commitment of €933 million).

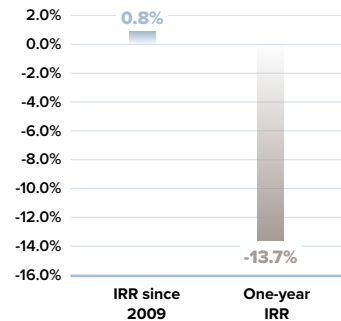
While most of the bond portfolio continues to be run by delegated managers, since 2015 ERAFP has also held investments in third-party subordinated debt funds, which had a market value at 31 December 2022 of €187 million. In order to diversify its bond holdings in the low interest rate environment, in 2019 ERAFP invested €74 million in high-yield bond funds (market value).

Note that in 2022, ERAFP launched a call for tenders to renew its euro-denominated corporate bond management mandates. This tender will lead to the award of three “active” mandates.

“In 2022, ERAFP launched a call for tenders to renew its euro-denominated corporate bond management mandates”

IRR OF THE EURO-DENOMINATED CORPORATE BOND PORTFOLIO SINCE 2009⁷² AND ONE-YEAR IRR AT 31 DECEMBER 2022 (AT MARKET VALUE)

Source — ERAFP



At 31 December 2022, the euro-denominated corporate bond portfolio had generated unrealised losses equivalent to -11.3% of its amortised cost. Its IRR (at market value) since the first investment in 2009 stood at 0.8% and its one-year IRR at -13.7%.

However, as a long-term investor ERAFP has the capacity to hold its bond assets until they mature – when it will receive their redemption value. Therefore, unless their issuers default, it has no sensitivity to any changes in value or unrealised losses that may arise before these bonds mature.

“In 2022, ERAFP awarded two US dollar-denominated corporate bond management mandates to AXA IM and FundLogic”

INTERNATIONAL CORPORATE BONDS

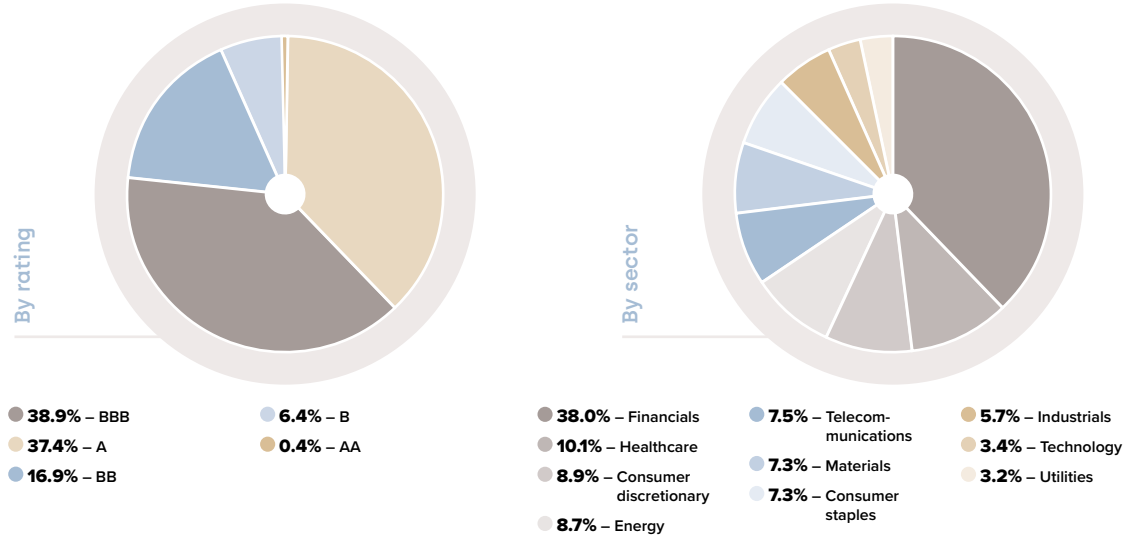
At 31 December 2022, the international corporate bond portfolio totalled €1.4 billion at amortised cost, representing 3.9% of ERAFP’s assets. At the end of 2022, this portfolio consisted of two US dollar-denominated SRI corporate bond mandates entrusted to AXA IM and FundLogic (Morgan Stanley group) and an emerging market corporate bond management mandate entrusted to Aberdeen Asset Management Limited.

In addition to delegated management, ERAFP has holdings of €152 million (market value) in third-party emerging market corporate bond funds and a €52 million holding in an emerging market green bond fund (see box on page 97).

72. Date of first investment.

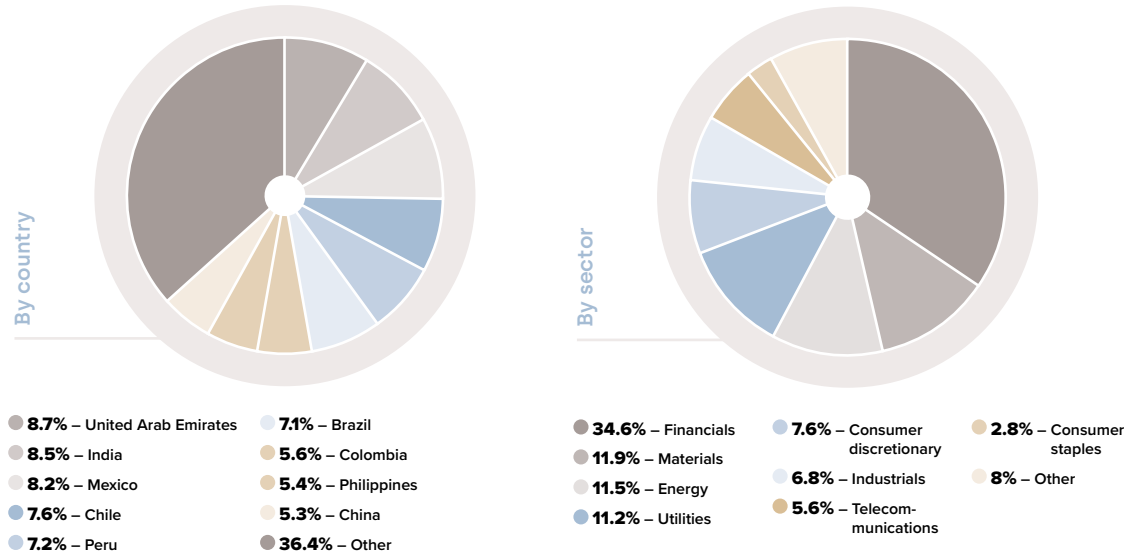
BREAKDOWN OF US DOLLAR-DENOMINATED CORPORATE BONDS HELD IN DELEGATED MANAGEMENT MANDATES BY SECTOR AND RATING AT 31 DECEMBER 2022 (AT MARKET VALUE)

Source – ERAFP



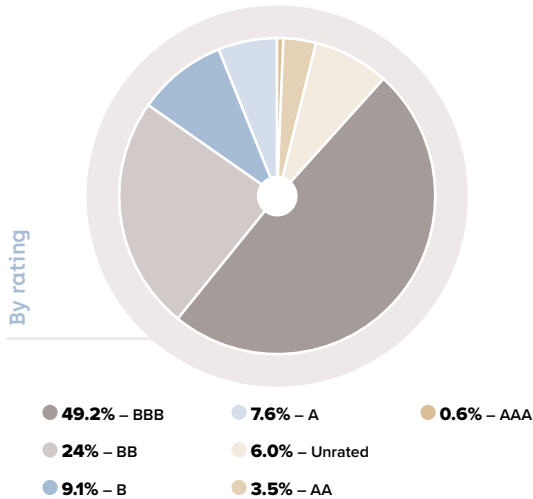
BREAKDOWN OF EMERGING MARKET CORPORATE BONDS HELD IN DELEGATED MANAGEMENT MANDATES BY COUNTRY AND SECTOR AT 31 DECEMBER 2022 (AT MARKET VALUE)

Source – ERAFP



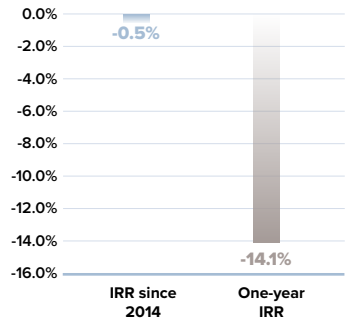
BREAKDOWN OF EMERGING MARKET CORPORATE BONDS HELD IN DELEGATED MANAGEMENT MANDATES BY RATING AT 31 DECEMBER 2022 (AT MARKET VALUE)

Source – ERAFP



IRR OF THE INTERNATIONAL CORPORATE BOND PORTFOLIO SINCE 2014⁷³ AND ONE-YEAR IRR AT 31 DECEMBER 2022 (AT MARKET VALUE)

Source – ERAFP



At 31 December 2022, unrealised gains on the international bond portfolio were equal to 17.3% of its amortised cost. Its one-year IRR at market value was -14.1%, and that since its first investment in 2014 -0.5%.

THE ISSUE OF ENERGY TRANSITION IN EMERGING COUNTRIES

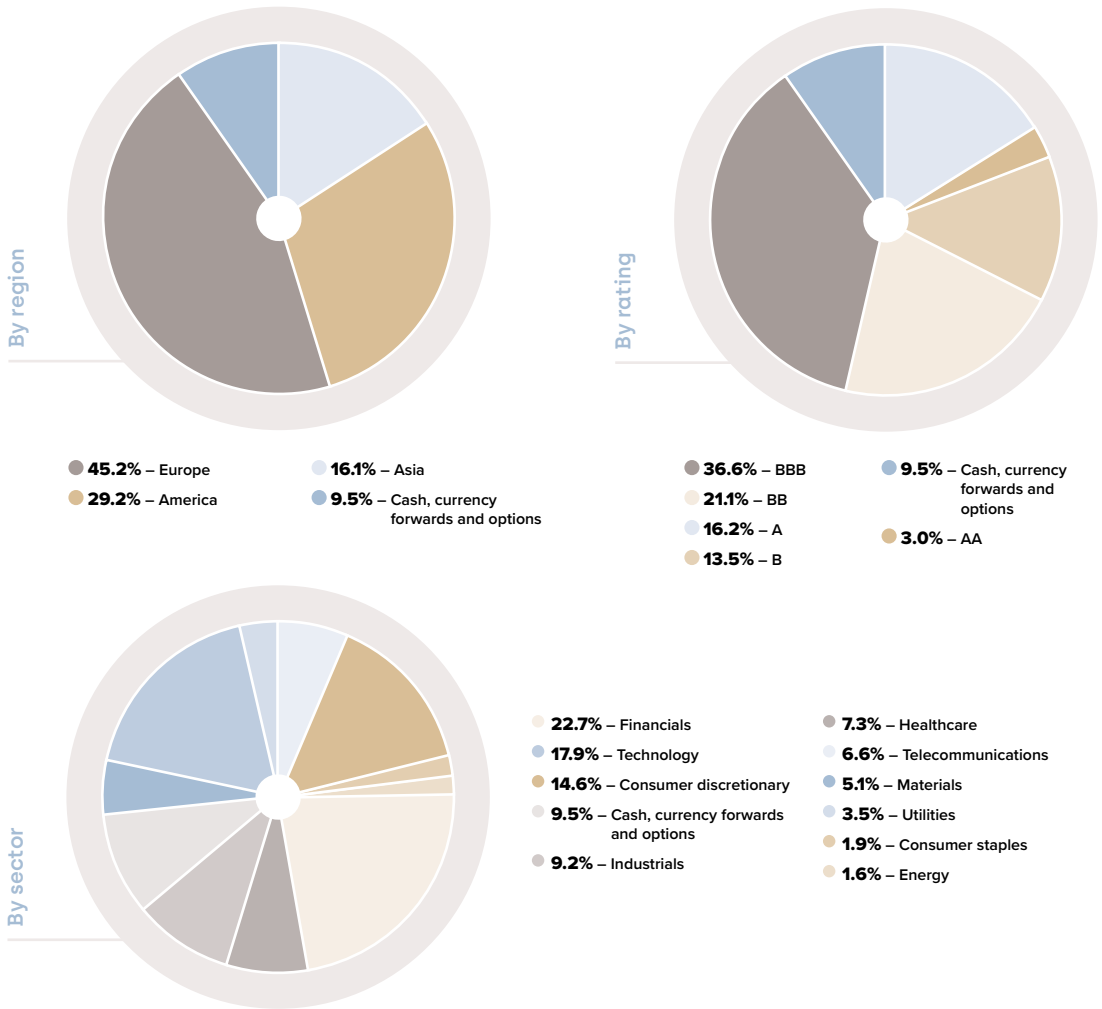
ERAFP has invested €52 million in Amundi Planet Emerging Green One, the largest emerging market green bond fund to be launched to date, with €1.4 billion under management. The fund results from a partnership between Amundi and IFC, a member of the World Bank group, aimed at encouraging the creation of a high-quality green bond market with support measures for issuers and attractive returns for institutional investors.

⁷³. Date of first investment.

CONVERTIBLE BONDS

BREAKDOWN OF CONVERTIBLE BONDS BY REGION, RATING AND SECTOR AT 31 DECEMBER 2022 (AT MARKET VALUE)

Source – ERAFP



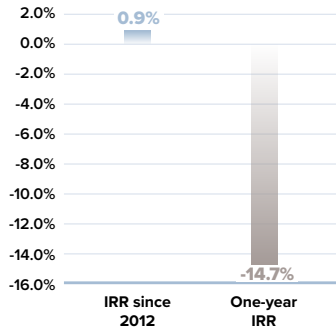
Put in place in 2012, the convertible bond mandates have been entrusted to BTF IM - CQS and Lombard Odier Gestion. At 31 December 2022, the convertible bond portfolio totalled €964 million at amortised cost, representing 2.7% of ERAFP's total assets.

At the end of 2022, it had generated unrealised gains equivalent to 3.7% of its amortised cost.

The one-year IRR of the convertible bond portfolio stood at -14.7% at 31 December 2022. The portfolio has returned 0.9% since its creation in 2012.

IRR OF THE CONVERTIBLE BOND PORTFOLIO SINCE 2012⁷⁴ AND ONE-YEAR IRR AT 31 DECEMBER 2022 (AT MARKET VALUE)

Source — ERAFP



→ SRI profile

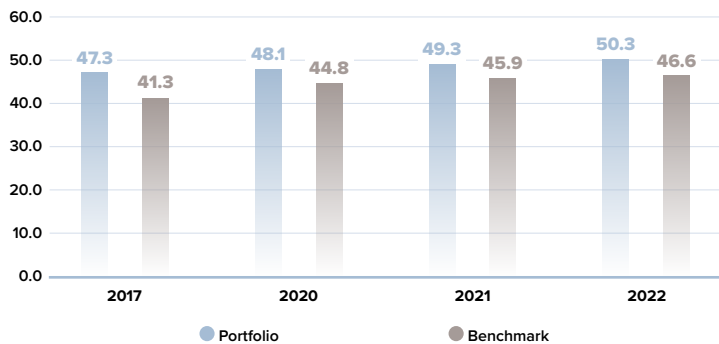
The aggregate SRI rating for ERAFP's corporate bond⁷⁵ and convertible bond portfolios has exceeded that of the benchmark since 2017⁷⁶. In 2022, the portfolio outperformed its benchmark by 3.7 points.

The portfolio's rating has increased by 3 points since 2017.

Note that ERAFP's US dollar corporate bond portfolio is at a disadvantage in relation to its benchmark index, which is composed wholly of investment grade securities, whereas around 25% of ERAFP's portfolio is made up of high-yield bonds. Issuers of high-yield bonds are generally less transparent on ESG themes than their investment-grade counterparts.

CHANGE IN THE AGGREGATE SRI RATING OF THE CORPORATE AND CONVERTIBLE BOND PORTFOLIOS COMPARED WITH THE BENCHMARK

Source — Moody's ESG Solutions, 31 December 2022



74. Date of first investment.

75. Includes both the euro- and dollar-denominated corporate bond portfolios.

76. Year of implementation of the amended corporate SRI guidelines introduced in 2016.

→ Climate analysis

CARBON INTENSITY

AGGREGATE CARBON INTENSITY OF THE CORPORATE⁷⁷ AND CONVERTIBLE BOND PORTFOLIOS COMPARED WITH THE BENCHMARK

Source – S&P Global Trucost, 30 November 2022

	SCOPES 1 AND 2 (TCO ₂ EQ/€M REVENUE)	ALL SCOPES COMBINED (TCO ₂ EQ/€M REVENUE)
Aggregate corporate bond and convertible bond portfolio	146	1,012
Benchmark	258	1,668
Relative performance	-44%	-39%

In 2022, the aggregate carbon intensity of the corporate bond and convertible bond portfolios, calculated as a weighted average for scopes 1 and 2, was 44% lower than that of the benchmark index (146 tCO₂eq/€m of revenue versus 258 tCO₂eq/€m of revenue).

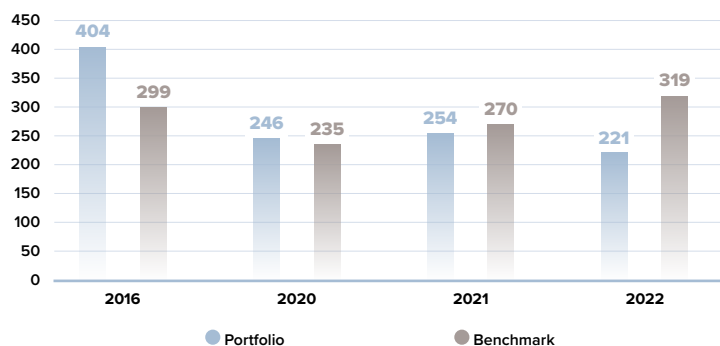
The difference in performance was attributable to an allocation of less carbon intensive securities in the materials and utilities sectors compared with the index.

If we add scope 3 emissions, the portfolio's carbon intensity remains lower than the benchmark's (-39%), due in particular to a positive allocation effect in the corporate bond portfolio arising from an overweighting of telecommunications stocks and an underweighting of energy stocks, as well as the presence in the convertible bond index but not in the convertible bond portfolio of a semiconductor company with very high downstream scope 3 emissions. Note, however, that while they provide an overview of the entire value chain, results including scope 3 should be interpreted with caution as there is an increased risk of double counting emissions.

The aggregate carbon intensity of the corporate bond and convertible bond portfolios compared with the benchmark as regards direct emissions and direct suppliers is shown opposite.

AGGREGATE CARBON INTENSITY OF THE CORPORATE AND CONVERTIBLE BOND PORTFOLIOS COMPARED WITH THE BENCHMARK (DIRECT EMISSIONS AND DIRECT SUPPLIERS)

Source – Moody's ESG Solutions, 30 November 2022



77. Includes both the euro- and dollar-denominated corporate bond portfolios and the emerging market bond portfolio.

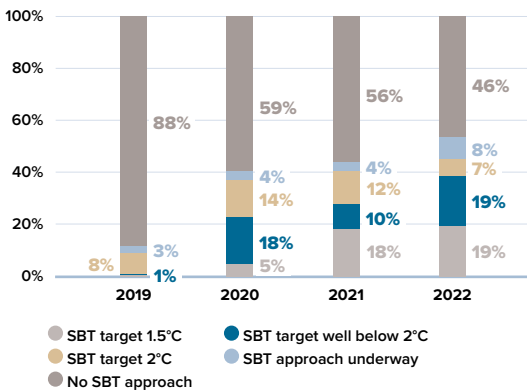
ALIGNMENT WITH A 1.5°C TEMPERATURE SCENARIO

At 31 December 2022, 19% of the aggregate carbon footprint of the corporate and convertible bond portfolios was attributable to companies whose GHG 1.5°C or less alignment target had been validated by the SBTi, compared with 14% for the index.

This percentage was virtually nil (1%) in 2019. The increase bears witness to the initiative’s increasing importance; it was launched in 2015, at a time when companies’ desire to set such targets was beginning to take hold. Indeed, the share of the carbon footprint attributable to companies that have adopted an SBTi approach more than tripled between 2019 and 2021 (from 12% to 53%).

PROPORTION OF AGGREGATE CARBON FOOTPRINT OF THE CORPORATE BOND AND CONVERTIBLE BOND PORTFOLIOS COVERED BY SCIENCE-BASED TARGETS, BY TARGET TYPE (% , SCOPES 1 AND 2)

Sources — S&P Global, SBTi, ERAFP, 31 December 2022

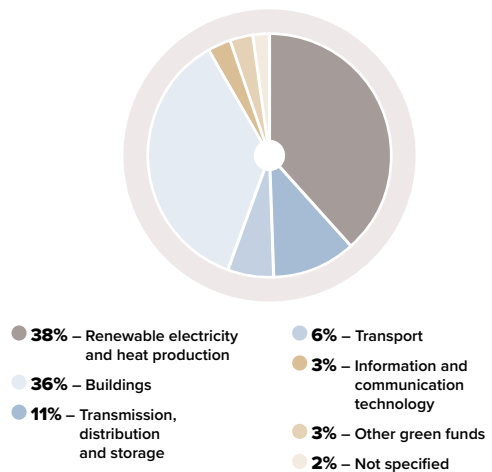


GREEN BONDS

As well as aligning its portfolio with a temperature scenario consistent with the Paris Agreement, which provides an indication of the contribution to the global warming limitation target, ERAFP makes investments aimed at reducing greenhouse gas emissions⁷⁸. ERAFP’s corporate bond portfolio funds projects aimed at avoiding emissions relative to a benchmark level categorised as green bonds, for example. Of the 133 green bonds in the portfolio, approximately half (60, or 45%) were analysed. This figure, although still low due to the lack of communication from issuers, was nevertheless up sharply from the previous year, when 20 out of 84 identified bonds (24%) were analysed. These 60 bonds, which had a market value of €345 million at 30 November 2022, have already made it possible to avoid 1,428 tCO₂ per € million invested⁷⁹, mainly through their funding of renewable energy projects and building renovation projects aimed at improving energy efficiency. These figures should nevertheless be treated with caution as they derive from individual issuers’ methodologies, which can vary significantly.

BREAKDOWN OF GREEN BONDS BY PROJECT CATEGORY BASED ON THE CLIMATE BONDS INITIATIVE TAXONOMY⁸⁰ (%)

Source — S&P Global, 30 November 2022



78. See the table on pages 81-82 for a detailed breakdown of these investments.

79. Analysis over the entire project life cycle.

80. For more information on the Climate Bonds Initiative taxonomy, go to <https://www.climatebonds.net/>

THE PUBLIC SECTOR BOND PORTFOLIO

→ Financial profile

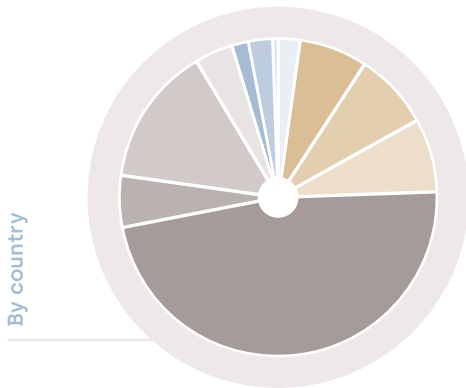
ERAFP manages all public sector bonds directly; their value at amortised cost at end-2022 was €6.7 billion.

Sovereign bonds accounted for 96.9% of this portfolio, or around 18.9% of the Scheme’s total investments. They include fixed-rate and inflation-linked bonds issued by euro-zone countries, as well as bonds guaranteed by those countries.

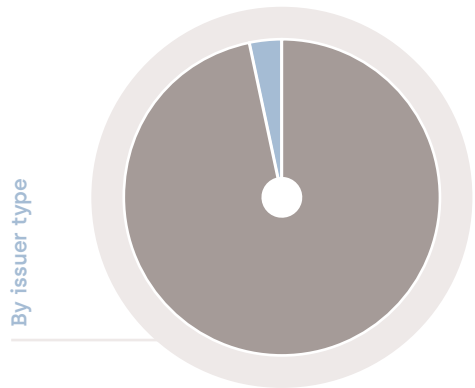
The remainder are issued by local and regional authorities in the OECD and supranational institutions.

BREAKDOWN OF PUBLIC SECTOR BONDS BY COUNTRY AND ISSUER TYPE AT 31 DECEMBER 2022 (AT AMORTISED COST)

Source – ERAFP



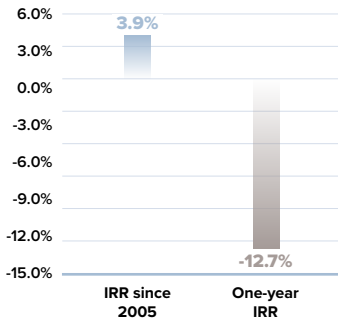
- 47.6% – France
- 14.0% – Italy
- 7.7% – Belgium
- 7.5% – Spain
- 7.1% – Austria
- 5.4% – Ireland
- 3.8% – Netherlands
- 2.6% – Portugal
- 2.2% – Germany
- 1.7% – Poland
- 0.3% – Slovakia



- 96.9% – Sovereign and government agencies
- 3.1% – Supranational bodies and local and regional authorities

IRR OF THE PUBLIC SECTOR BOND PORTFOLIO SINCE 2005⁸¹ AND ONE-YEAR IRR AT 31 DECEMBER 2022 (AT MARKET VALUE)

Source — ERAFP



The IRR of public sector bonds between the Scheme’s inception and end-2022 stands at 3.9% in market value terms, notably reflecting the fact that bond yields were much higher (3.6% yield on purchase) when the portfolio was first formed than in 2022. The one-year IRR, meanwhile, stood at -12.7%, and the unrealised gain on the fixed-rate securities portfolio was -0.2%. The unrealised gain on the inflation-linked bond portfolio was 7.7%.

→ SRI profile

All issuers in ERAFP’s portfolio satisfy its SRI criteria, based on the Moody’s ESG Solutions rating. Indeed, all the countries whose bonds are part of ERAFP’s portfolio have obtained an average SRI score much higher than 50/100, the minimum rating defined for this asset class in ERAFP’s SRI guidelines.

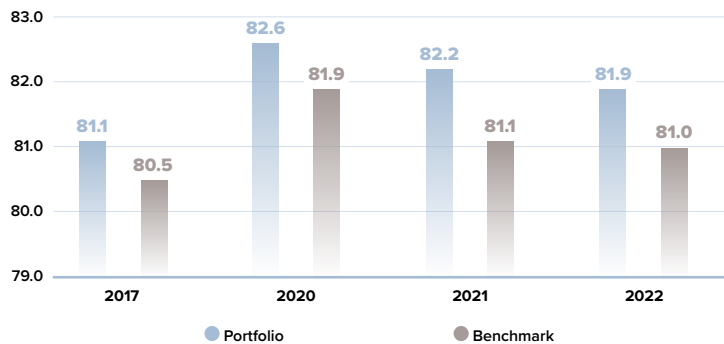
The portfolio outperformed its benchmark index by 0.9 points in 2022 (versus 1.1 points in 2021), an out-performance on non-financial criteria attributable mainly to the portfolio’s relative overweighting of France, which has a good SRI rating, and its underweighting of securities issued by countries with a below-average SRI rating and credit quality.

This overweighting of France (48.7% of assets) and to a lesser extent Italy (13.2% of assets) explains the fall in the SRI rating in 2022 compared with the previous year. Specifically, the SRI performance of both these countries, which account for more than 60% of ERAFP’s public sector bond portfolio, decreased slightly (-0.2 points for France and -0.7 points for Italy), leading to a 0.3 point drop in the portfolio’s SRI rating in 2022.

Note also that, given the limited size of the investment universe of euro-denominated securities issued by OECD countries and the relative similarity of its constituents’ SRI profiles, it is unlikely that the gap between the overall SRI ratings of the portfolio and the index will significantly widen.

CHANGE IN THE AVERAGE SRI RATING OF THE SOVEREIGN BOND PORTFOLIO COMPARED WITH THE BENCHMARK

Source — Moody’s ESG Solutions, 31 December 2022



81. Date of first investment.

→ Climate analysis

CARBON INTENSITY

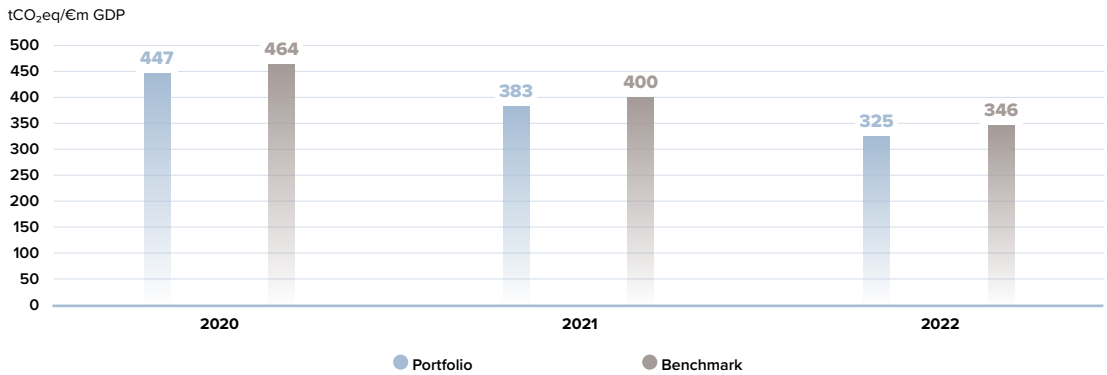
The carbon intensity of ERAFP's sovereign bond portfolio, calculated as a weighted average, was 6.1% lower than that of the benchmark index. This positive difference was mainly due to the portfolio's overweighting of French government securities. This relates to the fact that more than two thirds of the energy produced in France is from a low-carbon, nuclear source. So while the share of

renewable energies in its energy mix remains relatively low, France's ratio of greenhouse gas emissions to GDP is one of the euro-zone's lowest.

The drop in carbon intensity between 2021 and 2022, for both the portfolio (-15.2%) and the index (-13.5%), is due to the fact that the 2022 figures for both GHG emissions and GDP in fact relate to 2021, when the post-Covid economic recovery led to a sharp increase in GDP growth while emissions were rising more slowly.

CARBON INTENSITY OF THE SOVEREIGN BOND PORTFOLIO COMPARED WITH THE BENCHMARK

Source — S&P Global, 30 November 2022



“The carbon intensity of ERAFP's sovereign bond portfolio, calculated as a weighted average, was 6.1% lower than that of the benchmark index”

GREEN SHARE

→ **Focus on electricity generation**

Comparing the portfolio’s energy mix with several forward-looking carbon neutrality scenarios, in this case those of the International Energy Agency (IEA), provides a clearer picture of how it contributes to the transition towards a low-carbon economy, since carbon intensity only offers a historical view

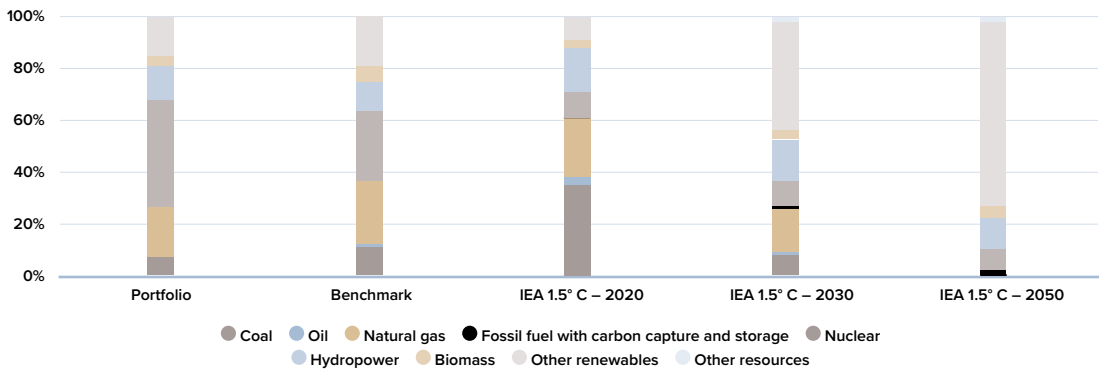
of this contribution. Comparing the relative alignment with these scenarios of the portfolio’s energy mix and the energy mix of a benchmark index also gives an indication of the degree of progress made in the portfolio.

The graph below shows that the percentage of the portfolio’s energy mix corresponding to fossil fuels is close to that required in the 2030 transition point of the IEA scenario for meeting the 1.5°C temperature

increase target by 2050⁸². Indeed, it is already aligned with this scenario for coal (unlike the index) and oil, and close to it for natural gas. Nuclear energy accounts for a large part (41%) of the energy mix of ERAFP’s sovereign portfolio, unlike the index, for which it is smaller (27%). This is due to the portfolio’s higher proportion of French government bonds. The share of renewable energies, meanwhile, is in line with the 2020 transition point of the IEA’s 1.5°C scenario.

ENERGY MIX OF THE SOVEREIGN BOND PORTFOLIO (IN GWH GENERATED)

Source — S&P Global, 30 November 2022



82. Data derived from the 1.5°C scenario developed by the International Energy Agency in the report “Net Zero by 2050, a roadmap for the global energy sector”.

THE REAL ESTATE PORTFOLIO

→ Financial profile

ERAFFP’s real estate portfolio comprises six diversified SRI asset management mandates:

- four French real estate mandates, two of which are managed on a diversified basis by AEW Ciloger and La Française REM, a third under which AEW Ciloger manages ERAFFP’s headquarters building and a fourth in the residential real estate sector, managed by Ampère Gestion.
- two European diversified real estate mandates, one managed by AXA Real Estate IM SGP and the other by LaSalle IM.

Note that in 2022, ERAFFP launched a call for tenders to select managers for SRI real estate portfolios covering France and Europe. This tender will lead to the award of four “active” mandates.

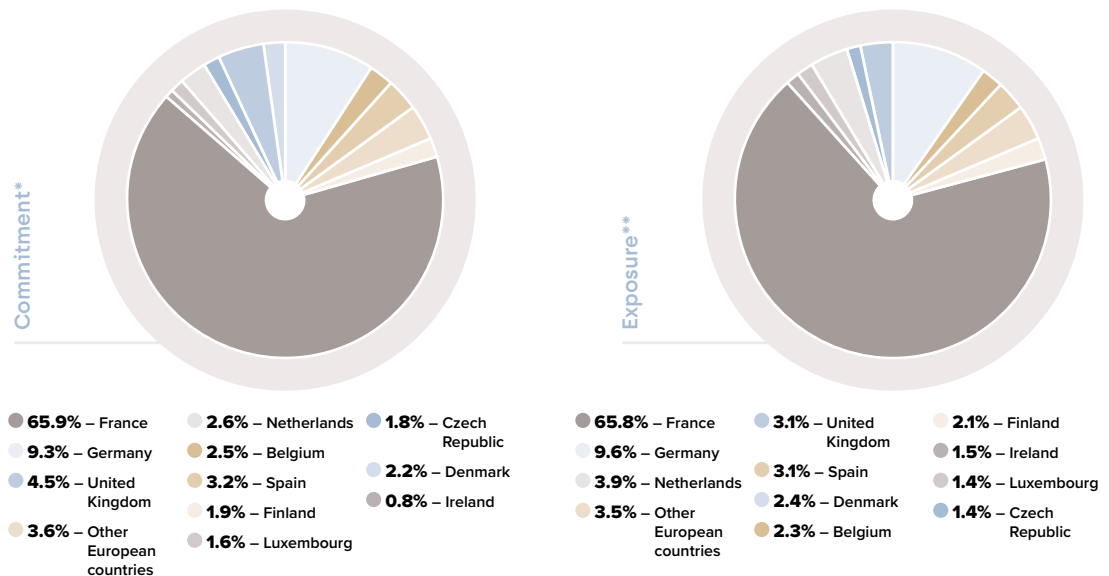
At 31 December 2022, the real estate portfolio totalled €4.7 billion at amortised cost, representing 13.1%

of ERAFFP’s total assets. Unpaid commitments of €560 million, pending future deliveries of buildings and cash calls by funds currently in the investment phase, can be added to this amount. The real estate portfolio committed to investing €177.6 million in “intermediate” housing funds.

“In 2022, ERAFFP launched a call for tenders to select managers for SRI real estate portfolios covering France and Europe”

GEOGRAPHICAL BREAKDOWN OF THE REAL ESTATE PORTFOLIO AT 31 DECEMBER 2022

Source — ERAFFP

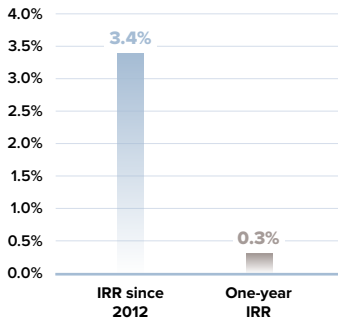


* “Commitment” represents the sum of the amount disbursed for existing and delivered assets, the acquisition price, including taxes, of off-plan purchases not delivered, the amount disbursed for funds no longer making calls and the amount of the commitment for the funds.

** “Exposure” represents the sum of the appraisal value of real estate assets and of the underlying assets of funds. It is calculated inclusive of debt.

IRR OF THE REAL ESTATE PORTFOLIO SINCE 2012⁸³ AND ONE-YEAR IRR AT 31 DECEMBER 2022 (AT MARKET VALUE)

Source — ERAFP



At 31 December 2022, unrealised gains on the real estate portfolio were equal to 4.6% of its amortised cost and its one-year IRR stood at 0.3%. The portfolio has returned 3.4% since its creation in 2012.

→ SRI profile

ERAFP has developed a rigorous and innovative SRI process for real estate assets, adapting the five values of its SRI Charter to the asset class. It not only focuses on the real estate’s environmental impact, but also integrates social progress, human rights, democratic labour relations and good governance criteria into its management. In this respect, taking these criteria into account along the entire management chain is of crucial importance. This approach also aims to adapt the best in class principle to

the specific nature of the real estate asset class by incorporating a dynamic approach consistent with the investments’ lifespan. In practical terms, this involves seeking two different aspects of SRI performance for real estate:

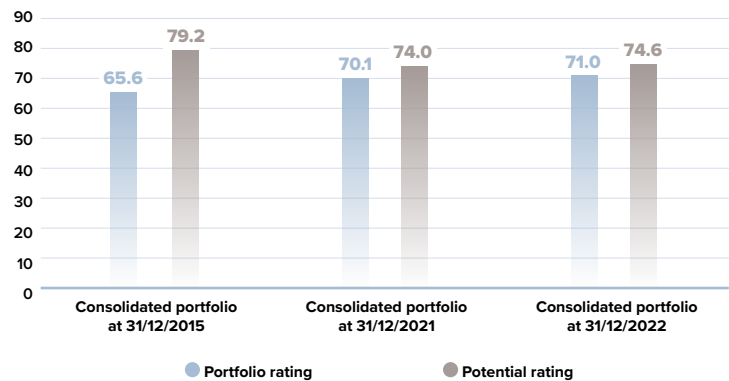
- relative performance, comparing the non-financial characteristics of these buildings and their management (lease, use, maintenance) with those of other buildings of the same type (same usage and type of construction, equivalent location);
- dynamic performance, aiming to raise each asset to best in class status, based on an estimate of its potential SRI rating made at the date of acquisition.

In summary, real estate assets can only be selected for ERAFP’s portfolio if they have a high SRI rating within their category at the time of acquisition or strong potential for improvement.

The SRI rating for ERAFP’s consolidated real estate portfolio⁸⁴ continued to improve, from 70.1 to 71.0 in 2022, mainly driven by various renovation work and the delivery of highly-rated buildings. The potential rating increased slightly compared with last year (from 74.0 to 74.6), although the gap between the consolidated portfolio’s actual and potential ratings was smaller in 2022 than in 2021 (3.6 points and 3.9 points, respectively). As the real estate portfolio is in an expansion phase, its SRI ratings may change due to new acquisitions in the coming years. Most (i.e. 81%) of the real estate assets in ERAFP’s portfolio are certified⁸⁵, to standards of minimum environmental and social performance. Most certifications obtained or pending are NF Habitat, High Environmental Quality (HQE) and/or BRE Environmental Assessment Method (BREEAM).

CHANGE IN THE CONSOLIDATED REAL ESTATE PORTFOLIO’S SRI RATING

Source — Asset managers, 31 December 2022



83. Date of first investment.

84. Consolidated rating of the five real estate management mandates.

85. Obtained or pending.

→ Climate analysis

REAL ESTATE PORTFOLIO GREENHOUSE GAS EMISSION INDICATORS⁸⁶

Source — Carbone 4, 31 December 2021

	ABSOLUTE EMISSIONS (TCO ₂ EQ)	CARBON FOOTPRINT (TCO ₂ EQ/€M INVESTED)	SURFACE INTENSITY (KGC0 ₂ EQ/SQ M/YEAR)
2018	30,100	15	42
2019	37,700	14	38
2019 (excluding travel)	27,900	-	38
2020 (excluding travel)	23,900	8.6	33.2
2021 (excluding travel)	31,700	8.3	28.1

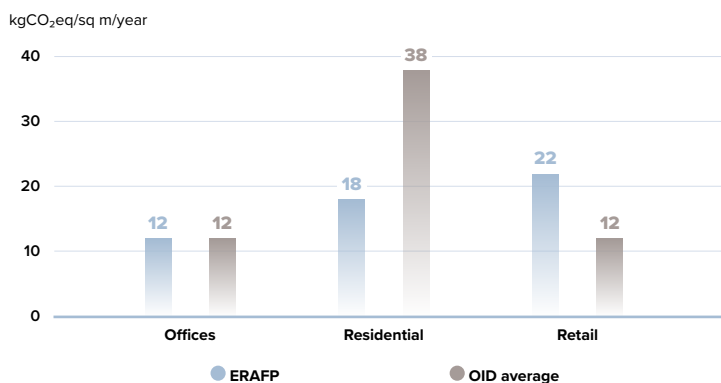
There was a sharp increase in absolute emissions between 2020 and 2021 (+33%). This is due to a scope effect, linked on the one hand to more extensive analysis of ERAFP's real estate assets, in particular including a residential real estate asset portfolio, and on the other hand to the increase

in size of the real estate portfolio as a whole. The square meterage of surface area studied increased even more compared to last year (+52%). All in all, the analysis now covers €3.9 billion in assets under management compared with €2.6 billion in 2020, i.e. an increase of 51%.

Taking the portfolio's surface intensity as an indicator, this decreased between 2020 and 2021 mainly due to the inclusion of new French residential assets with a lower surface intensity. Note that the partial recovery in economic activity in 2021 had little impact on energy consumption.

COMPARISON OF THE FRENCH REAL ESTATE PORTFOLIO'S SURFACE INTENSITY WITH THE BENCHMARK

Source — Carbone 4, OID, 31 December 2021



Like last year, ERAFP was able to compare the surface intensity of its French real estate portfolio with that of a benchmark index⁸⁷. This showed that the portfolio's residential assets are much less energy intensive than those in the comparison sample, notably because most are recent constructions that comply with higher energy performance standards. On the other hand, the portfolio's retail assets have a higher surface intensity than the comparison sample, mainly because of the portfolio's exposure to large Parisian retail spaces.

⁸⁶. The analysis covers €2.8 billion in terms of the amount invested by ERAFP at the end of 2020, i.e. 82% of the real estate portfolio.

⁸⁷. Sustainable Real Estate Observatory (OID) barometer average by asset type.

THE MULTI-ASSET PORTFOLIO

→ Financial profile

Two companies, Amundi and Allianz GI, were entrusted with the management of a multi-asset fund in early 2022. Their aim is to maximise performance while complying with ERAFP’s SRI Charter and optimising the risk-return ratio by implementing a diversified, flexible, tactical, dynamic and opportunistic asset allocation. The two funds are managed using a risk budget, based on a fundamentals approach,

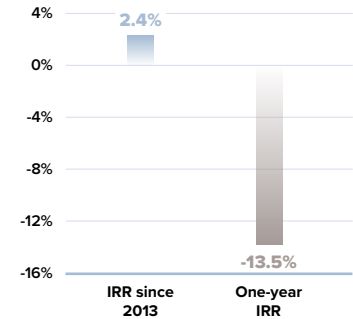
with no benchmark constraint. The risk budget for these funds was set at -30% for 2022.

At 31 December 2022, the multi-asset portfolio totalled €1.1 billion at amortised cost, representing 3.2% of ERAFP’s total assets. Its unrealised gains were equivalent to 14.2% of its amortised cost.

At the end of 2022, the one-year IRR of the multi-asset portfolio stood at -13.5%, and its IRR since the portfolio’s creation in 2013 at 2.4%.

IRR OF THE MULTI-ASSET PORTFOLIO SINCE 2013⁸⁸ AND ONE-YEAR IRR AT 31 DECEMBER 2022 (AT MARKET VALUE)

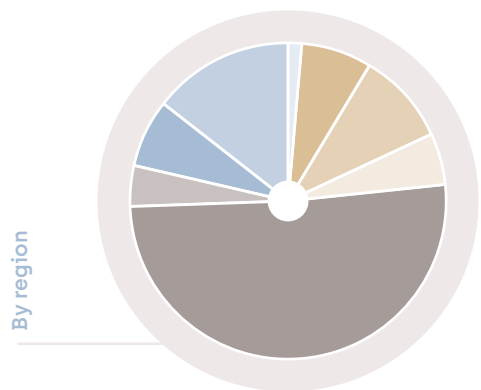
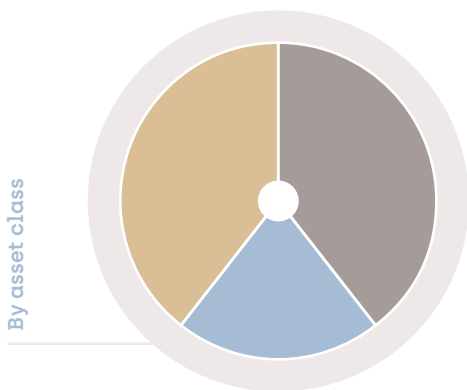
Source — ERAFP



“Two companies, Amundi and Allianz GI, were entrusted with the management of a multi-asset fund in early 2022”

BREAKDOWN OF THE MULTI-ASSET PORTFOLIO BY ASSET CLASS AND REGION AT 31 DECEMBER 2022 (AT MARKET VALUE)

Source — ERAFP



88. Date of first investment.

→ SRI profile

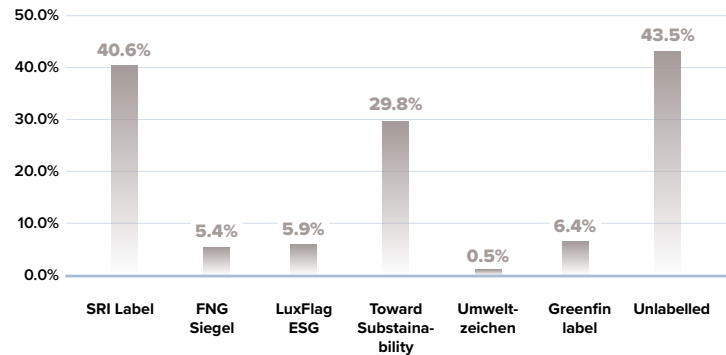
ERAFP has developed specific provisions for applying its SRI guidelines to multi-asset fund management. It was decided that the SRI eligibility of funds available for selection by Amundi would be determined based on:

- an analysis of the management process put in place: the only funds eligible are those that follow a best in class SRI approach or a particular environmental (climate action, protection of water resources, etc.) or social (healthcare, combating poverty, etc.) approach; or
- an analysis of the fund’s SRI quality based on the SRI rating of each issuer represented in the fund; or
- the fund obtaining an SRI label or Article 8 or 9 classification under the European SFDR regulation⁸⁹.

At 31 December 2022, all funds in the multi-asset portfolio had an SRI dimension. According to the SFDR classification, 73.7% of these funds promoted environmental or social characteristics (“Article 8” funds), and 29.3% pursued a sustainable investment objective (“Article 9” funds).

BREAKDOWN OF FUNDS IN THE MULTI-ASSET PORTFOLIO BY ESG LABEL⁹⁰ (%)

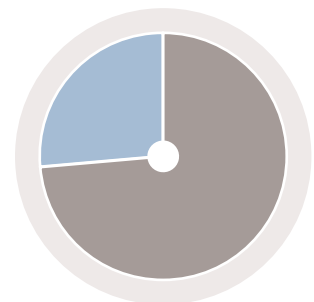
Source — ERAFP Global, 31 December 2022



Complementing the SFDR classification, which is based on the categorisation of funds by fund managers, the breakdown of funds by ESG label offers insight into the nature of the funds in question from an external viewpoint. At 31 December 2022, 56.5% of the funds in the multi-asset portfolio had received one or more ESG labels. 40.6% of the labelled funds had obtained the french “SRI Label”, 29.8% the “Toward Sustainability” label and 6.4% the “Greenfin” label.

BREAKDOWN OF FUNDS IN THE MULTI-ASSET PORTFOLIO BY SFDR CLASSIFICATION⁹¹ (%)

Source — ERAFP, 31 December 2022



● 73.7% – Article 8 funds

● 26.3% – Article 9 funds

⁸⁹. Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability related disclosures in the financial services sector.

⁹⁰. The total for labelled funds is more than 100% because some funds have more than one label.

⁹¹. Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (Sustainable Finance Disclosure Regulation - SFDR).

SRI LABEL

Created in 2016 by the french Ministry of the Economy and Finance, the SRI Label aims to raise the profile of funds that finance companies whose activity promotes sustainable development. It thus guides the investment flows of players seeking to apply their approach within a recognised responsible investment framework. The label is awarded by independent bodies.

THE PRIVATE EQUITY AND INFRASTRUCTURE PORTFOLIO

→ Financial profile

ERAFP uses two delegated management methods to invest in unlisted private equity and infrastructure assets.

As from 2015, it began to make direct subscriptions to investment funds, which at end-2022 amounted to:

- €1,373 million in private equity funds (€678 million called);
- €1,130 million in infrastructure funds (€557 million called);

- €500 million committed (€222 million called) to dedicated renewable energy and/or energy transition funds (private equity and infrastructure).

Starting in 2017, ERAFP has awarded unlisted asset management mandates as follows:

- €550 million in the dedicated private equity fund, managed by Access Capital Partners, which has already made commitments totalling €445 million (€310 million called);

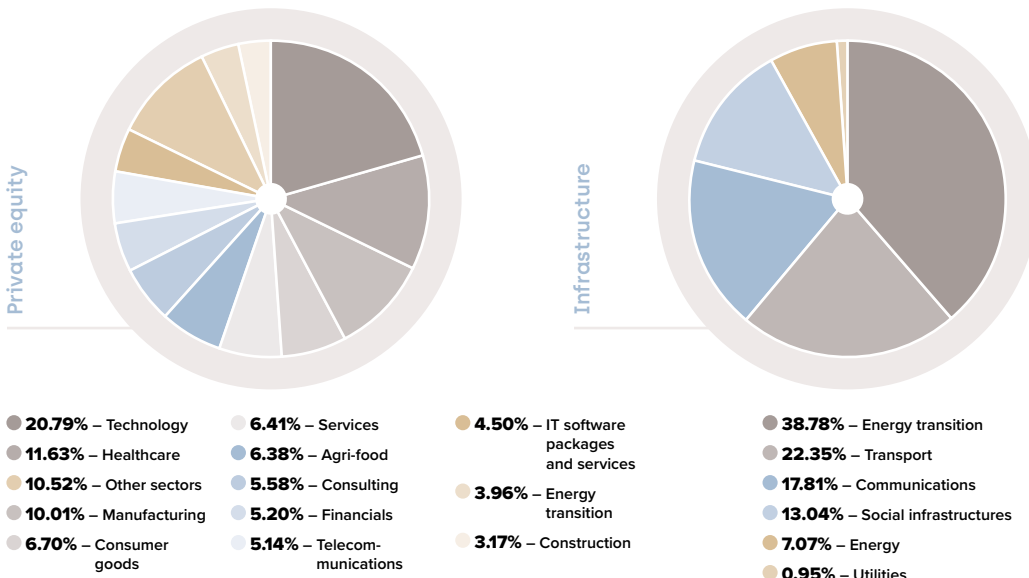
- €490 million in the dedicated infrastructure fund (of which €100 million dedicated exclusively to renewable energies), managed by Ardian France, which has already made €372 million of commitments (€231 million called).

The amounts invested in the unlisted portfolio at 31 December 2022 therefore totalled €1,234 million (with ERAFP having committed €2,503 million in total), comprising:

- €678 million in private equity assets (€1,373 million committed);
- €557 million in infrastructure assets (€1,130 million committed).

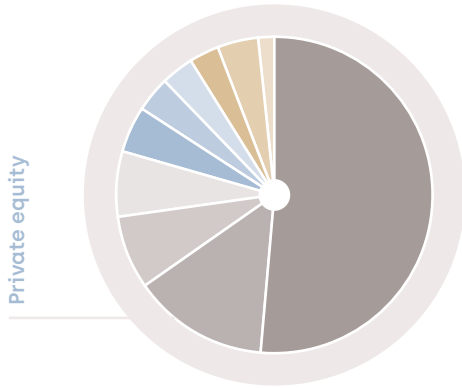
BREAKDOWN OF PRIVATE EQUITY AND INFRASTRUCTURE FUNDS BY SECTOR AT 31 DECEMBER 2022 (AT MARKET VALUE)

Source — ERAFP



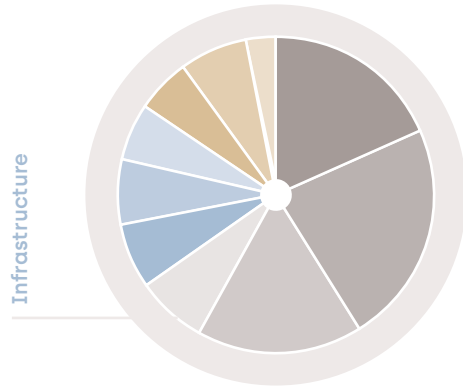
GEOGRAPHICAL BREAKDOWN OF PRIVATE EQUITY AND INFRASTRUCTURE FUNDS AT 31 DECEMBER 2022 (AT MARKET VALUE)

Source – ERAFP



- **51.58%** – France
- **13.75%** – United Kingdom
- **7.50%** – Nordic countries
- **6.70%** – Germany
- **4.85%** – United States

- **4.26%** – Other European countries
- **3.60%** – Italy
- **3.35%** – Netherlands
- **2.96%** – Switzerland
- **1.46%** – Rest of the world

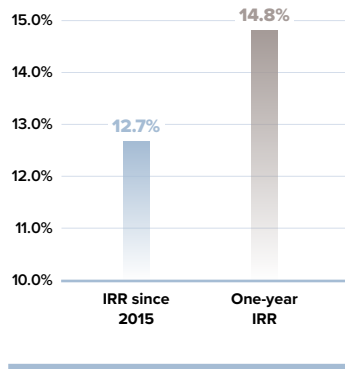


- **22.93%** – Other European countries
- **18.37%** – France
- **16.86%** – United States
- **7.21%** – Spain
- **6.93%** – Rest of the world

- **6.84%** – Italy
- **6.50%** – United Kingdom
- **5.95%** – Germany
- **5.37%** – Netherlands
- **3.05%** – Switzerland

IRR OF THE PRIVATE EQUITY AND INFRASTRUCTURE PORTFOLIO SINCE 2015⁹² AND ONE-YEAR IRR AT 31 DECEMBER 2022 (AT MARKET VALUE)

Source – ERAFP



At end-2022, the private equity and infrastructure portfolio had generated an unrealised gain equivalent to 42.1% of its amortised cost. Its one-year IRR stood at 14.8% at 31 December 2022 and its IRR since the portfolio's creation in 2015 at 12.7%.

lifespan. Practically speaking, this means using the investment as a lever to encourage improvement in practices. Particular attention is also paid to managing the reputational risk arising from any controversial practices associated with portfolio companies or projects.

→ SRI profile

In connection with its unlisted asset management mandates, ERAFP has developed SRI criteria for private equity and infrastructure investments. The aim of these criteria is to adapt to the specific features of these asset classes while applying the five values of ERAFP's SRI Charter. Each criterion adapts the best in class principle to the specific nature of the asset class by incorporating a dynamic approach consistent with the investments'

92. Date of first investment.

As the delegated asset managers invest mainly through mutual funds, SRI analysis is based on two aspects:

- the SRI management process implemented by the target fund;
- ESG assessment and monitoring of portfolio investments in relation to ERAFP's SRI criteria.

PRIVATE EQUITY PORTFOLIO

In 2022⁹³, all the managers selected for ERAFP's private equity fund mandate signed ERAFP's delegated asset manager ESG clause. 65% of the management companies issued an ESG report (compared with 43% in 2021) and 82% had signed the Principles for Responsible Investment (compared with 71% in 2021).

Managers are also assessed on the basis of the ESG reporting of the companies in the underlying funds and their ability to analyse and meet the ESG criteria identified within the companies. Based on the assessment by the delegated manager of ERAFP's private equity portfolio, the average ESG rating of the managers of the portfolio's underlying funds was 6.9/10, down 0.5 points from last year. The company response rate fell between 2021 and 2022, from 58% to 51%. The delegated asset manager is in the process of redesigning the questionnaire to improve the response rate and the quality of the companies' responses.

INFRASTRUCTURE PORTFOLIO

In terms of infrastructure investments, the delegated asset manager first ensures that potential investee funds do not invest in companies that extract or burn coal and have not been found guilty of violating international environmental, social or governance standards. All targeted fund managers are then assessed before an investment is made, based on a rating grid analysing their ESG policy, their management of significant ESG risks, their contribution to managing the ESG risks and opportunities of the underlying assets, and the transparency of their ESG reporting. All the managers selected by the delegated asset manager of ERAFP's portfolio have a responsible investment policy. In 2022⁹⁴, 100% were signatories to the PRI.

Last year, the delegated asset manager proposed to revise the reporting framework in order to couch it in a recognised international framework⁹⁵, focus on cross-cutting, comparable performance indicators and reduce the number of indicators collected with the aim of increasing the quality and quantity of information.

The new reporting framework assesses the underlying assets of the funds invested on ERAFP's behalf on the basis of 21 ESG criteria (compared with 32 in the previous framework).

Based on the 2022 assessment, which covered the underlying assets of the funds invested in at 30 September 2022, the average ESG performance of the assets in the portfolio was 38.6. The assessment covered 94% of the portfolio in market value terms (compared with 92% in 2021).

ERAFP's fund managers are therefore assessed both on their own ESG performance and on their management of the ESG performance of their underlying assets.

⁹³. Based on end-2021 data.

⁹⁴. Based on an assessment carried out in the first quarter of 2022.

⁹⁵. ESG Data Convergence Project.

APPENDICES

SCHEME ORGANISATION

SUPERVISORY BOARD

- Government commissioner
- Economic and financial controller
- Ministry representatives*

CHAIRMAN

- Board of directors
- Specialised committees

CHIEF EXECUTIVE OFFICER

- ERAFP departments (48 staff)
- Internal financial management
- Accounting manager



Statutory auditors

Independent actuary

External financial management companies

OBJECTIVES AND MANAGEMENT AGREEMENT

SCHEME ADMINISTRATIVE MANAGER

Caisse des dépôts
70.3 operational FTEs

AGREEMENT

DGFIP**

Payment of benefits to drawers of central government pensions

- Selection through a public procurement procedure and validation by the board of directors
- Selection through a public procurement procedure
- Agreement

*Ministries responsible for the public service, the budget, social security, the economy, local and regional authorities and health

** Direction générale des finances publiques, the public finance directorate

STATUTORY AUDITORS' REPORT ON THE **2022 FINANCIAL STATEMENTS**

Statutory auditors' report on the financial statements

ERAFP

Year ended 31 December 2022

To the supervisory authorities of ERAFP,

Opinion

In compliance with the engagement entrusted to us by the supervisory authorities, we have audited the accompanying financial statements of ERAFP for the year ended 31 December 2022.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of ERAFP as at the end of that year and of the results of its operations for the year then ended in accordance with French accounting rules and principles.

Basis of opinion

Terms of reference

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Responsibilities of the statutory auditors for the audit of the financial statements" section of this report.

Independence

We conducted our audit in compliance with the independence rules applicable under the French Commercial Code and the French code of ethics for statutory auditors for the period from 1 January 2022 to the date of issue of our report.

Justification of our assessments

Pursuant to the provisions of Articles L.823-9 and R.823-7 of the French Commercial Code relating to the justification of our assessments, we bring to your attention the following assessments which, in our professional judgement, were the most significant for the audit of the financial statements for the period.

- Certain technical items among the liabilities in your Institution's financial statements, notably provisions, are estimated on a statistical and actuarial basis in accordance with regulatory procedures, as described in note "3.3.3. Scheme benefits and provisions" in the notes to the financial statements.

We assessed the assumptions and valuation procedures used to prepare these accounts, and based on the information available, performed testing to verify the application of these procedures and the consistency of the assumptions made in the light of ERAFP's past experience and its economic and regulatory environment. We also examined the appropriateness of the information provided in the notes to the financial statements.

- Financial assets are recognised and measured in accordance with the procedures set out in Note "3.3.4 - Investment transactions" in the Notes to the financial statements. We assessed the valuation policies for these assets and, based on the information available to date, we performed testing to verify their application.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on specific elements of the financial statements.

Specific verifications

In accordance with professional standards applicable in France, we have also performed the specific verifications required by law and regulations.

We have no matters to report as to the fair presentation and the consistency with the annual financial statements of the information given in the management report of the board of directors and the other documents on the financial position and the financial statements submitted to the supervisory authorities.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of financial statements that comply with French accounting principles and for such internal control as it determines is necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing ERAFP's ability to continue as a going concern, disclosing, as applicable, matters related to its continuation as a going concern and using the going concern basis of accounting unless it is expected to liquidate ERAFP or cease its operations.

The financial statements have been approved by the board of directors.

Responsibilities of the statutory auditors for the audit of the financial statements

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions taken by users on the basis of these financial statements.

As specified by Article L.823-10-1 of the French Commercial Code, our statutory audit does not provide assurance as to ERAFP's viability or the quality of management of its affairs.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgement throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement in the financial statements, whether due to fraud or error, designs and performs audit procedures in response to those risks, and obtains audit evidence that the auditor considers to be sufficient and appropriate to provide a basis for his/her opinion. The risk of not detecting a material misstatement resulting from fraud is higher than that for one resulting from error, as fraud may involve collusion, falsification, intentional omissions, misrepresentation or the overriding of internal control;
- obtains an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control;
- evaluates the appropriateness of the accounting policies used and the reasonableness of the accounting estimates by management and the related disclosures in the financial statements;
- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on ERAFP's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause ERAFP to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, attention must be drawn in the audit report to the relevant disclosures in the financial statements, or, if such disclosures are not provided or are inadequate, a qualified opinion, adverse opinion or disclaimer of opinion must be issued;

- evaluates the overall presentation of the financial statements and assesses whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Issued at Paris-La Défense and Neuilly-sur-Seine, 13 April 2023.

The Statutory Auditors

Mazars

DocuSigned by:
Julie Mallet
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Julie Mallet

Grant Thornton
French member firm of Grant Thornton
International

DocuSigned by:
Laurent Luciani
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Laurent Luciani

ASSET MANAGEMENT MANDATES AWARDED BY ERAFP

Pursuant to the applicable regulations, ERAFP delegates most of its asset management to external asset managers.

Allocating the delegated investment management portfolios to a number of different firms spreads financial risk across a number of service providers; this is a prudent approach to the management of assets administered on behalf of active contributors.

Other than for the euro-denominated corporate bond mandates, each of the asset managers has set up a dedicated fund in which ERAFP invests based on market conditions in accordance with a fully internal investment process.

For each management mandate, ERAFP assigns an “active” mandate and one or more “stand-by” mandates, which ERAFP may activate if it deems it necessary.

In 2022, ERAFP launched four financial tenders:

- in January, to select managers for SRI real estate portfolios covering France and Europe;
- in February, to select managers to manage small and mid cap equities using a Paris-Aligned Benchmark (PAB) method;
- in March, to select managers of euro-denominated corporate bonds;
- in September, to select managers of euro-zone, European and Japanese (formerly Pacific region) SRI listed equities.

Following on from previous tender procedures, ERAFP awarded mandates for the management of small and mid cap equities using the Paris-Aligned Benchmark method in October and of US dollar-denominated corporate bonds in December, to AXA IM and FundLogic.

→ Mandates managed on ERAFP’s behalf at end-2022

EQUITY MANDATES

- six companies (Allianz GI, AXA IM Paris, EdRAM, Mirova, Ofi AM and Sycomore AM) were managing euro-zone listed mid and large cap equities;
- one company (Amundi) was managing mid and large cap equities using a Carbon Transition Benchmark (CTB) method;
- one company (Ostrum AM) and one consortium (Oddo BHF AM - Wells Fargo) were managing US large cap equities;
- two companies (Comgest SA and Robeco Institutional AM) were managing Pacific-region listed large cap equities;
- one company (Candriam) was managing European listed mid and large cap equities;
- three companies (Sycomore AM, Amiral Gestion and Tocqueville AM) were managing French listed small and mid cap equities;

- one consortium (BFT IM – Montanaro AM) was managing European listed small and mid cap equities;
- one consortium (BFT IM - Morgan Stanley AM) was managing US mid cap equities;
- one company (Amundi) was managing mid and large cap equities using a Paris-Aligned Benchmark method.

CORPORATE BOND MANDATES

- two companies (Amundi and Ostrum AM) were managing euro-denominated corporate bonds;
- two companies (AXA IM Paris and FundLogic (Morgan Stanley group)), were managing US dollar-denominated SRI corporate bonds;
- one company (Aberdeen Asset Management Limited) was managing emerging market corporate bonds.

CONVERTIBLE BOND MANDATES

- one consortium (BFT IM - CQS) and one company (Lombard Odier Gestion) were managing international convertible bonds.

REAL ESTATE MANDATES

- two companies (AEW Ciloger and La Française REM) were managing French real estate assets;
- two companies (AXA Real Estate IM SGP and LaSalle IM) were managing European real estate assets;
- one company (Ampère Gestion) was managing French residential real estate assets.

MULTI-ASSET MANDATE

- two companies (Amundi and Allianz GI) were managing a multi-asset portfolio.

PRIVATE EQUITY AND INFRASTRUCTURE MANDATES

- one company (Access Capital Partners) was managing a portfolio of unlisted private equity assets;
- one company (Ardian Capital SA) was managing a portfolio of unlisted infrastructure assets;

CURRENCY HEDGING MANDATE

- one company (Millennium Global Europe) was managing a specialised professional currency hedging fund.

ORGANISATION OF INTERNAL CONTROL AND RISK MANAGEMENT AT ERAFP

→ System

The purpose of internal control and risk management is to give the Scheme's supervisory and management bodies and ERAFP reasonable assurance that the following objectives are achieved:

- the aims and objectives set by ERAFP's management, in compliance and consistently with the orientations defined by the board of directors;
- risk management;
- economical and efficient use of resources;
- reliability and integrity of accounting and financial information, compliance with laws, regulations and internal rules and procedures.

ERAFP's internal control organisation and risk management system are based on the following fundamental principles:

- clear governance and organisation, and the segregation of duties: to reduce the risk of conflicts of interest and/or fraud, the commitment, settlement and control functions must be distinct;
- existence of several levels of control: distinction between first-level controls (carried out by the operational staff or their managers) and second-level controls (carried out by dedicated, hierarchically independent control staff);
- implementation of dedicated tools, specific committees and appropriate procedures.

ERAFP's internal control system includes:

- permanent control, which is ERAFP's responsibility;
- the control activities carried out by the board of directors, which delegates the most detailed or technical tasks to its specialised audit committee (CSA).

For ERAFP, the main players in monitoring the internal control and risk management system are:

- operational staff, who are the risk owners and are responsible, together with their managers, for effectively performing first-level controls;
- the internal control and operational risk department (CIRO): in addition to carrying out second-level controls, this department is responsible for coordinating and supervising the risk management system and the first-level controls carried out by the operational staff;
- the financial risk control department (RFI), which coordinates and supervises the financial risk control system and performs second-level controls relating to financial risks.

The CIRO and RFI departments, which report to ERAFP's deputy chief executive officer for finance and operations, work closely together on all these matters. They are independent from the activities that they control.

ERAFP's accounting agency is also involved. It carries out controls as a public accountant independently of the authorising officer.

The accounting agency's participation in ERAFP's internal control system is based on the fundamental principle of segregation of duties between authorising officer and accountant, pursuant to Article 191 of Decree no. 2012-1246 of 7 November 2012 on public budgetary and accounting management. The accounting officer carries out checks to ensure compliance with general accounting principles and rules as well as the quality of the accounting internal control relating to the operations within his or her remit.

With respect to risk, ERAFP distinguishes between mismatch risks between the Scheme's assets and liabilities, financial risks and operational risks.

Mismatch risks between the Scheme's assets and liabilities mainly include the risk that the Scheme's financial assets are insufficient to cover its liabilities, which may arise specifically from the materialisation of financial risks in relation to investing, member demographic risk (mainly comprising longevity risk), risk in relation to the model applied to tables and discount rate calculations, and the risk of a timing mismatch between the Scheme's asset and liability cash flows. By extension, the Scheme is also exposed to the economic and regulatory risks affecting mandatory public-sector pension schemes, which could impact the coverage of its liabilities by assets.

Financial risks include credit risk, market risk, liquidity risk, inflation risk, counterparty risk, country risk, currency risk, investment risk and concentration risk.

Operational risks include human resources risk, accounting, budgetary and tax risk, legal and compliance risk, information systems security risk, physical and environmental risks, fraud risk and administrative risk. By extension, ethics-related risk and image and reputational risk are also dealt with under operational risk.

ERAFFP has entrusted certain activities to third parties:

- the management of financial assets other than sovereign bonds is delegated to financial asset managers authorised to act on behalf of third parties or to the managers of funds in which ERAFFP invests directly;
- the Scheme's administrative management is mandated by the decree of 18 June 2004 to Caisse des dépôts et consignations, which, under the authority and control of the board of directors, carries out tasks such as collecting contributions, maintaining individual retirement accounts (CIR), calculating rights, paying benefits to employees of local and regional authorities and public hospitals, managing relations with beneficiaries and public sector employers, and Scheme accounting;
- the Public Finances Directorate General (DGFIP) is responsible for paying Scheme benefits to central government beneficiaries.

The scope of control therefore covers:

- first: ERAFFP, i.e. its own staff, processes and systems;
- second, and indirectly: the risks and controls of ERAFFP's service providers and external agents, particularly the management companies, CDC and the DGFIP.

→ Changes in risk management and internal control in 2022

A number of notable projects and initiatives relating to risk management and internal control took place in 2022:

- The risks and internal control committee continued to hold regular meetings. This committee, which is chaired by ERAFFP's chief executive officer and usually meets two or three times a year, comprises the head of internal control and operational risk, the head of financial risk control and the other members of ERAFFP's management committee. In addition, a financial risk committee made up of the financial risk control department, the deputy directors and the technical and financial management teams meets before and reports to the risks and internal control committee.

- The risk mapping update launched in the second half of 2021 was completed in June 2022. This risk mapping identifies 18 “main” risks related to ERAFP’s activities and describes their potential impact and the associated level of control. This exercise has made it possible to ensure that ERAFP’s main risks are managed and, for material risks or those requiring special attention, to implement an action plan, thereby extending the risk management system. To draw up this new mapping, ERAFP sought to establish a precise definition of each risk and to improve the profiling of risks associated with the activities entrusted to CDC and processes that it shares with ERAFP. This new risk mapping and the related action plans were presented to the specialised audit committee in June 2022 and the board of directors in July 2022.
- ERAFP continued to implement its control plan, including the aspects relating to the ERAFP/CDC and ERAFP/DGFIP mandate agreements. As a reminder, these two mandate agreements facilitate the control of Scheme processes delegated to CDC and the DGFIP and enable ERAFP to follow up the controls that these two entities carry out. They have been in force since 1 January 2021.
- The work started in 2019 to formalise the financial risk framework – an important component of ERAFP’s financial risk management system – continued in 2022 with the formalisation of mechanisms for managing market risk and risk on unlisted assets other than real estate, rounding out the country, credit and currency risk management systems. The work on the financial risk frameworks is therefore nearing completion, with a cross-functional risk framework designed to draw the systems’ various strands together soon to be put in place. It will follow the main risk management principles already established in the existing management mandates.

Concerning the work of ERAFP’s ALM and actuarial unit, new functionalities were developed for Solveo, the asset-liability management IS tool, making it possible to include revaluation policies for a given projection or simulation horizon and to manage OATi investments based on current prices. Meanwhile, ERAFP’s inclusion in CDC’s data strategy project will enable it to take advantage of more detailed and more frequently updated member data and thereby improve its control of data relating to its liabilities. CDC Informatique also introduced significant developments in 2022 relating to the data used by ERAFP’s actuarial units to calculate technical reserves.


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