2013 PUBLIC REPORT

Retraite additionnelle de la Fonction publique

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EDITORIALS

Since inception of the Scheme, the board of directors and ERAFP's staff have contributed to the development of a distinct player in the field of public pensions and socially responsible investment (SRI).

Since my appointment as chairman of ERAFP, I have been able to assess just how much all those involved in the Scheme, despite their different cultural backgrounds and sensitivities, take defending the interests of Scheme beneficiaries to heart.

I have also been impressed how, despite ERAFP having only been in existence for a relatively short time, it has already achieved real maturity. One sign of this is the adoption by the board of directors of guidelines for the Scheme's technical parameters, which resulted from the collaborative efforts of all members of the board. This highly fruitful work has enabled the board to better understand the Scheme's long term equilibrium and the inter-connectedness nature of its decisions, without of course calling into question the board's decision-making authority.

My hope for the future is that we will be able to consolidate our collaborative efforts in the service of the Scheme, notably through a number of planned actions.

The board of directors' decision to adopt permanent guidelines for shareholder engagement also marks our determination to strive to change economic players' behaviour in favour of greater social and environmental responsibility. We are committed to ensuring that our investments create sustainable value for the economy and, over time, for the Scheme's beneficiaries.

Reflecting of our success in this area, I welcome the fact that we are also being gradually joined by other French institutional investors in defining guidelines for the exercise by proxy-holders of the voting rights attached to securities held in portfolios. ERAFP is also active in various collaborative initiatives through a number of organisations: the United Nations' Principles for Responsible Investment (PRI) platform, the Extractive Industries Transparency Initiative (EITI) and the Institutional Investors Group on Climate Change (IIGCC).

This year, our report sets out in detail the actions implemented in this context by ERAFP's staff. This will help to provide a comprehensive overview of the Scheme's operations, not only in the management of public service additional pensions but also in the monitoring of its investments.

The report also highlights the Scheme's ability to support the development of the French economy through investments with a positive social and environmental impact. As a responsible long-term investor, it is natural that the Scheme wants to exercise this ability fully. It is therefore desirable that ERAFP should be authorised to invest in the financing of French SMEs and in innovation, the development and modernisation of infrastructures and in other socially-useful projects that could be of benefit not only to Scheme beneficiaries but also to the country as a whole.

The board of directors as a whole is determined to progress this issue, in favour of our economy and the Scheme's beneficiaries.

—

Dominique Lamiot,
Chairman of ERAFP

(...)

This is a highly original approach but we hope that by publishing this information we will inspire other players, and particularly those with long-term commitments on their balance sheets, to follow our lead. We cannot remain inactive in the face of the risks that are becoming increasingly evident to us all: drought, storms, extreme pollution. Inaction would mean inflicting on the global economy costs that are out of all proportion to the required preventive investments.

As a fully-SRI investor, ERAFP has a fiduciary duty to its contributors and beneficiaries and aims to encourage the businesses and entities in which it invests to develop their practices in order to take into account the cost of external negative impacts such as greenhouse gas emissions or, more generally, the use of limited natural resources such as water, biodiversity and minerals.

Our assessment of the equity portfolio's carbon footprint in 2013 indicates that ERAFP's approach can help to reduce greenhouse gas emissions to below that of the main benchmark indicators. This confirms the relevance of ERAFP's 'best-in-class' approach which, rather than excluding certain sectors that *a priori* are the most polluting, views the investment universe 'as it is' and aims to encourage and support progress by businesses by recognising the best performers in each sector.

To go beyond simple observation, in particular ERAFP is an active member of the Institutional Investors Group on Climate Change (IIGCC). The CEO represents ERAFP on the Group's board of directors. IIGCC represents the interests of 85 pension funds, insurance companies and asset managers, with collective investments of more than €7.5 trillion, and aims to promote awareness among investors, companies and those responsible for public policies of the need to limit global warming.

IIGCC is convinced that, by setting a carbon price and a cap on emissions, what is now seen as a constraint will become a strong incentive to invest. In a period of low growth, an effective carbon market would encourage investments totalling hundreds of billions of euros. The economic crisis that has persisted for more than five years needs to be taken as a lesson and to mark the end of a cycle. In a world of limited resources, it is our definition of growth that needs to change.

ERAFP is well placed to encourage this movement. ERAFP has demonstrated its ability to withstand the impact of the financial crisis, with a 107% financial coverage ratio of its commitments at the end of 2013 (estimated, unaudited figure). As a public service pension fund, ERAFP carries retirement commitments as liabilities on its balance sheet that, by their very nature, are extremely long term. It now has assets under management of close to €16 billion. As it grows progressively over the next 40 or so years, ERAFP's investment capacity will be unrivalled in France. By way of illustration, the Scheme is likely to invest some €2 billion every year over the next ten years.

For its part, ERAFP stands ready to invest in the transition to a less carbon-intensive economy. We will be promoting this development to the issuers of securities held in the portfolio. The United Nations' 21st conference on climate change, to be held in Paris towards the end of 2015, will be an opportunity for us to share our experience at the same time, we hope, as setting out an ambitious and binding framework for the fight against global warming.

—

Philippe Desfossés,
CEO of ERAFP

For the first time, a French institutional investor has published an assessment of the carbon footprint of its equity portfolio. I'm proud of the fact that it was ERAFP. (...)

01

RAFP, SERVING THE RETIREMENT NEEDS OF PUBLIC SECTOR EMPLOYEES

- **A unique scheme,** operational since 2005**.**
- **Close to 4.5 million** contributors in 2013, who will receive an additional pension.
- **Around 45,000** public sector employers making regular contributions.
- **€1.77 billion** in contributions in 2013, based largely on bonuses.

RAFP'S ROLE

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

Providing an additional pension to public sector employees

Close to 4.5 million Scheme contributors will benefit from additional pension benefits. Their contributions are based largely on bonuses and are topped up by some 45,000 public sector employers.

Contributions totalled €1.77 billion in 2013.

Founded on inter-generational equity

As the only mandatory French pension fund, RAFP has made inter-generational equity a core component of its governance and management. This commitment is reflected in particular through the implementation of a points-based system with a single purchase value.

Promoting public service values

Since the Scheme was set up, the board of directors has striven to put into practice its fiduciary responsibility to its contributing public sector employees and beneficiaries.

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

A priority in the current term of the board, which began at the end of 2011, is to enhance and progressively deepen awareness of the investment policy among the Scheme's active contributors and beneficiaries.

44,989

PUBLIC SECTOR EMPLOYERS

€1.77 bn

CONTRIBUTED IN 2013

IT WILL TAKE TIME TO ERADICATE THE EFFECTS OF THE CRISIS

The economy generally deteriorated in 2013 in the euro zone. Some countries, including France, benefited from a limited pick-up in activity, but this was not accompanied by sufficient investment nor was it reflected in an improvement on the jobs front. Although the effects of the crisis are still being generally felt throughout the European Union, the Scheme continued to demonstrate its real financial solidity.

Even at the height of the financial crisis, the Scheme always covered all its commitments to contributors and retired beneficiaries. This performance is all the more significant in that the probable present value of the Scheme's commitments are calculated using a relatively low – and hence highly prudent – discount rate.

The Scheme's resilience to the crisis is thanks to its:

+ prudent asset-liability management;

+ gradual diversification of its asset allocation;

+ socially responsible investment (SRI) policy, which is consistent with a long-term approach and its aim of looking beyond immediate financial returns.

For RAFP, the crisis confirms the relevance of its SRI approach. The SRI filter provides a better understanding of risks and identifies sectors and individual companies that will be the vectors of growth for tomorrow.

SCHEME HIGHLIGHTS IN 2013

At institutional level

- The board of directors of RAFP met five times in the year.
- On 21 March 2013, the board of directors reiterated its call for the regulatory authorities to broaden the regulatory scope of the Scheme's investments.
- Early in 2013, following a decision by the board of directors, ERAFP became a member of the Institutional Investors Group on Climate Change (IIGCC)[1].
- Following the successful trials conducted in 2012 and 2013, the board of directors decided at its meeting on 12 December 2013 to adopt permanent guidelines for shareholder engagement, making appropriate changes each year depending on the priorities set by ERAFP[2].

At operational level

- In March, RAFP adopted a new logo.
- Pursuant to the strategic allocation decided by the board for 2013, the Scheme set up a dedicated multi-manager fund and two dedicated real estate funds, one covering France and the other covering Europe. It also awarded a mandate for investment in listed French SMEs and two North American equity mandates.

APPOINTMENTS TO AND WORK OF THE BOARD

Appointments

By decree of the President of the French Republic dated 30 September 2013, Dominique Lamiot was appointed chairman of ERAFP.

By ministerial order dated 16 July 2013, Jacques Feytis was appointed as a principal member of the board of directors of ERAFP.

Organisation of the board's work

In addition to the permanent bodies that assist it in its work, in 2013 the board of directors formed a working group of the asset and liability management committee (CSAP) to develop proposals for the joint steering of the Scheme's technical parameters:

- determination of the purchase and service value of a point;
- the Scheme's commitments coverage ratio;
- the discount rate applied to reserves;
- the technical interest rate or 'premium rate'.

Board bodies therefore continued to meet frequently, with more than 35 working meetings during the year. Directors were also able to take part in three training sessions on financial, socially responsible investment, governance and ethical issues. Finally, three presentations by holders of investment mandates were made during the year.

The above highlights the ongoing commitment of directors to the Scheme.

[1] Further details of ERAFP's commitments as a member of IIGCC are set out in the third section of this report (page 81).

[2] Presented in detail in the third section of this report (page 77).

Main decisions concerning ERAFP

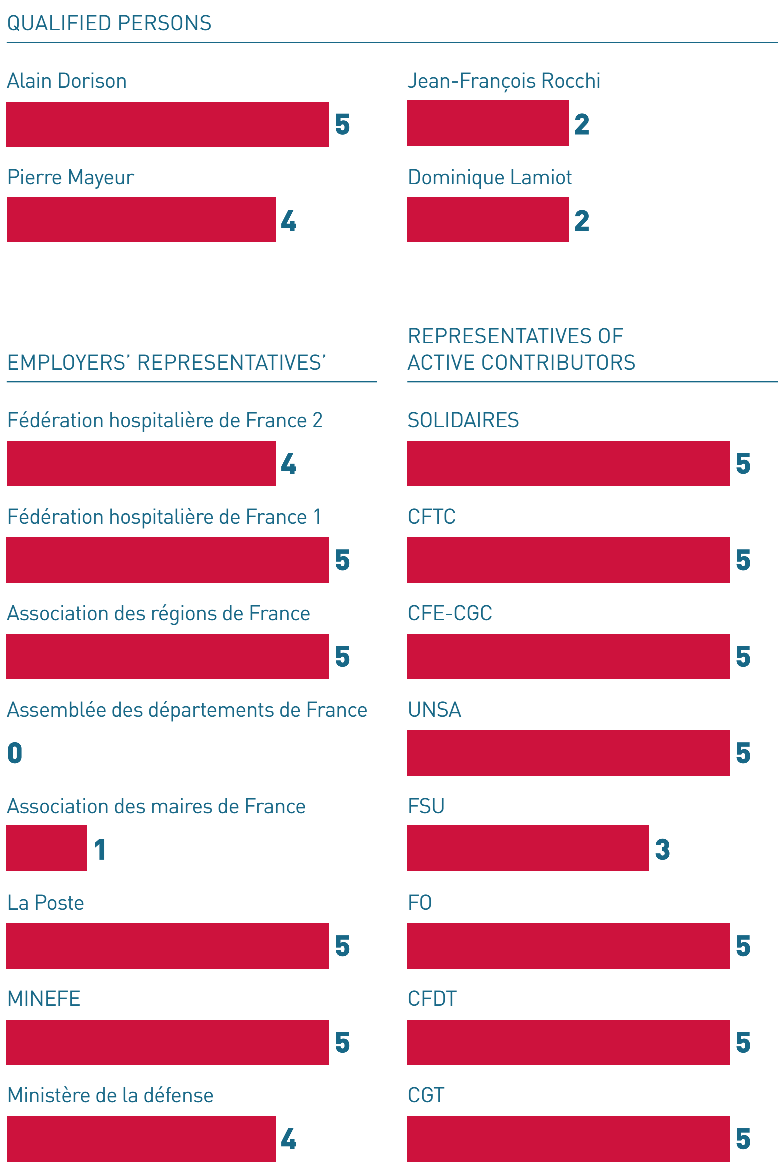
At its meeting of 12 December 2013, based on the report of the CSAP's working group, the board of directors adopted guidelines for the Scheme's technical parameters[3]. At the same meeting, it decided to symmetrically increase the purchase and service values up to the projected inflation rate, i.e. 1%.

It also decided to adopt the following general orientations to be applied to the investment policy:

- increased diversification of the bond portfolio into convertible bonds, to 2% of assets, and into US corporate bonds, to 1.5%;
- target its equity diversification at 23.7% of the Scheme's assets in 2014;
- maintain the multi-asset target at 1.3% of assets, with a maximum of 1.5%;
- maintain the real estate target at 2% of assets, with a maximum of 4%.

ATTENDANCE AT BOARD MEETINGS IN 2013

Source — ERAFP



Note: The board meeting of 21 February 2013 was called at short notice and certain directors were unable to attend.

[3] The guidelines and their implications for steering the Scheme are discussed in detail in the second part of this report (page 39).

SCHEME GOVERNANCE

19 directors:

- 8 representatives of active contributors,
- 8 employers' representatives,
- 3 qualified persons.

4 specialised committees.

1 board bureau.

1 communications committee.

5 board meetings and 36 meetings of other governance bodies in 2013.

THE BOARD OF DIRECTORS

The board has 19 members:

- eight representatives of active contributors drawn from the representative trade unions;
- eight representatives of employers, comprising three for the French State, three for the local and regional authorities and two for the public hospitals sector;
- 3 qualified persons.

Dominique Lamiot is the chairman and Philippe Soubirous the vice-chairman of ERAFP.

In 2013, the board considered matters falling within the remit of its regulatory responsibilities:

- determination of asset allocation;
- assessment of the Scheme's commitments;
- determination of the amount of reserves required to cover these commitments;
- determination of the purchase and service values of points;
- adoption of the ERAFP budget;
- approval of the financial statements, *etc.*

THE BOARD BUREAU

Formed in 2011 by the board, the bureau has nine members: the chairman, vice-chairman, the chairmen of the four specialised committees and three other directors appointed by the board.

It is authorised to monitor the operations of ERAFP between board meetings and to request reports from the CEO on the entity's management.

THE COMMUNICATIONS COMMITTEE

Formed in 2012 by the board, it has eight members appointed by the board, four of which are representative of active contributors.

It is charged with reporting to the board on the monitoring and assessment of actions taken regarding providing information to employers and beneficiaries, as well as operational communications.

SPECIALISED COMMITTEES OF THE BOARD OF DIRECTORS

Four specialised committees assist the board of directors in the preparation and follow-up of its work, particularly in terms of asset-liability management, audit and collections (committees instituted by the decree of 18 June 2004) and investment policy monitoring (committee created by the board meeting of 8 June 2006).

Their members are appointed by the board of directors.

Asset and liability management committee (CSAP)

The asset and liability management committee has 12 members, of which six are representatives of active contributors, four are employers' representatives and two are qualified persons.

This committee prepares the board of directors' decisions concerning the assessment of commitments towards Scheme beneficiaries, the determination of purchase and service values of points and general aspects of the investment policy.

It is assisted by an independent actuary, who submits annual reports on the Scheme's financial and technical perspectives.

Audit committee (CSA)

The audit committee has nine members, of which six are representatives of active contributors and three are employers' representatives.

This committee verifies that the Scheme's management rules are correctly applied and proposes measures to improve management.

It has unlimited investigative powers, which it delegates to ERAFP's departments or to members of the administrative management body referred to in article 32 of the decree of 18 June 2004, which is responsible for carrying out the tasks defined in the agreement referred to in the same article.

Collections committee (CSR)

The collections committee has seven members, of which four are representatives of active contributors and three are employers' representatives.

This committee prepares collection statements and reports to the board of directors. The statements show the list of outstanding receivables, the reasons for non-collection and actions taken to obtain payment.

Investment policy monitoring committee (CSPP)

The investment policy monitoring committee has seven members, of which four are representatives of active contributors and three are employers' representatives.

This committee was set up by the board of directors in order to monitor decisions relating to the socially responsible investment policy defined by the board.

CSAP

ASSET AND LIABILITY MANAGEMENT COMMITTEE

CSA

AUDIT COMMITTEE

CSR

COLLECTIONS COMMITTEE

CSPP

INVESTMENT POLICY MONITORING COMMITTEE

Alain Dorison, chairman of the CSAP

REPORT ON THE WORK OF THE ASSET AND LIABILITY MANAGEMENT COMMITTEE

In 2013, the CSAP worked actively on the key assignment given to it by the board of directors: defining a joint steering methodology for the Scheme's technical parameters. This initiative arose from the directors' unanimous concern to best manage the Scheme in its current form.

In particular, our work included examining the demographic factors affecting Scheme members. Following this work, we were able to propose to the board for its approval guidelines setting out the clear relationships between the parameters that it is required to establish, based on an approach taking account of the Scheme's financial situation and its regulatory and prudential obligations.

The innovative guidelines adopted by the board of directors will enable steering by the decision-making body with the same long-term perspective as ERAFP's investment policy.

Looking forward, however, these prudent and pertinent guidelines will only provide satisfactory management in beneficiaries' interests and compliance with the prudential rules that ensure the Scheme's sustainability if the regulations applicable to investments, which have been set for some time, are changed. The board of directors and its members have drawn the public authorities' attention to this point on numerous occasions. We hope that the discussions currently underway on the regulations applicable to the Scheme's investments can be concluded rapidly. The ministerial authorities responsible for the supervision of ERAFP need to assess the risk inherent in not providing ERAFP with the means required to exercise properly its role as a long-term investor serving the retirement needs of public sector employees.

Despite their diminishing room for manoeuvre, management has followed the diversification policy determined by the board, on which it reported to the CSAP. Although it is now possible for the Scheme to invest in equities in French SMEs and in real estate, the applicable regulations continue to prevent rigorous implementation of the principles of the SRI Charter, as they do not allow investment in general interest projects that would benefit the economy or in social projects such as housing for public servants, which is a significant problem for a number of them. Our hope is that the interests of our active contributors and of ERAFP are taken into account in a timely manner through the amendments to the applicable texts that the entire board has been arguing for over several years.

REPORT ON THE WORK OF THE AUDIT COMMITTEE

Gilles Oberrieder, chairman of the CSA

In 2013, the ninth year of ERAFP's existence, its operating methods were consolidated.

Although not all of the directors are committed to the principle of capitalisation, they were unanimously opposed to the criticism of the quality of ERAFP's management levied by the Court of Auditors ('Cour des comptes'). The audit committee sees no objective grounds on which to base such criticism and has continued to work on the conditions required for good management.

A key focus has been on the changes that are required to relations between Caisse des Dépôts, the Scheme's administrative management body, and ERAFP, which defines and implements its strategy under the authority of the board of directors. To this end, and in line with the increase in Scheme investments, a financial and accounting management audit was conducted.

At the half-way stage of the present Objectives and Management Agreement ('Convention d'objectifs et de gestion'), the committee also reviewed the administrative management of the Scheme with Caisse des Dépôts, its report on which was approved by the board.

The audit committee took the initiative to implement the measures necessary to publish the financial statements of ERAFP in June of the following year rather than belatedly in the autumn. The release date for the report to Parliament was also advanced.

The audit committee was also involved in the process of revising the rules for calculation of the coverage ratio and its components, by participating in the launch of the working group on guidelines for technical parameters.

The audit committee completed the risk mapping, remained vigilant on ethical issues and assisted in the redefinition underway of the credit limit management system made necessary by developments in the bond market.

Overall, 2013 was a year in which the rules governing the operations of a pension fund committed to ensuring the best possible future pensions for its beneficiaries were strengthened.

Marc Chrétien,
chairman of the CSR

REPORT ON THE WORK OF THE COLLECTIONS COMMITTEE

For the collections committee, 2013 was a year of considerable debate on issues within its remit and accordingly it met four times.

Presentations on aspects of the report on administrative management continue to be an invaluable tool for monitoring the position of rights and collections accounts, the latter of which increased by 1.1% compared with 2012 to €1.77 billion in 2013. The increasing size of the Scheme is possible because of the dynamic interface between employers, the administrative management body Caisse des Dépôts, and ERAFP.

The 2011-2015 Objectives and Management Agreement reached its half-way stage in 2013 and was reviewed, with the results being presented in particular to the CSR. ERAFP and Caisse des Dépôts reached agreement on the introduction of additional monitoring indicators. The experience of these new indicators gained in the coming years will be useful when the next Objectives and Management Agreement is being drafted.

Files on late-payment penalties and on reductions presented by the accounting manager were considered fairly and with understanding.

A difficulty arose following the observation by the Court of Auditors, published in its report of 3 January 2013, on the lack of an adequate legal basis for CDC's role concerning the collection and recovery of Scheme revenues. The Court concluded that the government must put forward proposed legislation to ensure that the authority of CDC, which hitherto has provided effective management of the Scheme, is fully secure in legal terms.

In the light of this, as chairman of the collections committee, I would like to thank all its members for the quality of their input and to highlight the excellent relations with CDC, which has played a major role in ensuring that ERAFP reaches its present mature state.

REPORT ON THE WORK OF THE INVESTMENT POLICY MONITORING COMMITTEE

Éric Loiselet, chairman of the CSPP

In 2013, ERAFP's SRI approach was reinforced in three areas: the exercise of voting rights, shareholder engagement, and the recognition of climate-change issues.

A broader voting policy, focusing on sharing added value

In the spring of 2013, ERAFP extended direct supervision of its voting policy to include some 40 large companies. The issue of sharing added value was given a determinant position in ERAFP's policies, with implementation of its guidelines resulting in ERAFP voting against 17 resolutions proposing a dividend that we considered to be excessive (43% of general meetings). The 98% average approval rate of these 17 resolutions indicates the extent to which in 2013 our approach – as a long term investor conscious of the need to share added value in order to maintain companies' ability to grow sustainably – is both extremely rare and particularly innovative. The issue of moderating dividend payout rates has been raised in 2014 by a wide range of players, including major fund managers. For 2014, we have refined and made more precise our concept of a 'responsible dividend', which is now being adopted by other investors.

Active participation in coalitions of international investors

A shareholder engagement policy is not simply limited to voting at shareholders' general meetings. In 2013, ERAFP managed to be actively involved in a number of market initiatives supported by the board: the Extractive Industries Transparency Initiative (EITI), the Institutional Investors Group on Climate Change (IIGCC) and the United Nations' Principles for Responsible Investment (PRI) platform. The board of directors charged the CSPP with monitoring actions in this area by the investment portfolio managers and, as needed, by ERAFP's management.

In addition to the aim of collective investor action to promote dialogue with companies, these collaborative initiatives are an opportunity for investors to meet and exchange their views on SRI. Our participation in the coalition of textile-sector investors in Bangladesh following the fatal Rana Plaza incident was both enriching and fruitful: a binding international agreement on improvements to workplace safety and conditions was signed by many companies owning international brands and with a presence in Bangladesh, many of which were initially reluctant to sign the agreement.

Climate issue: a growing concern for the future

The CSPP suggested that ERAFP should calculate the carbon footprint of its portfolio of large-capitalisation equities. This is a forerunner to any decision to adapt our investment policy in order to take account of climate issues. Its results confirm the relevance of our best-in-class approach, as the portfolio has a smaller carbon footprint than that of the benchmark index. This initial step has enabled the identification of other avenues by which to better take into account climate issues in ERAFP's SRI methodology. ERAFP can only hope that legislators will oblige all investors to disclose the carbon footprint of their portfolios, as such an approach would be fully justified in view of the forthcoming World Climate Change Conference to be held in Paris in 2015.

Anne Meunier,
chairman of the committee

CHAIRMAN OF THE COMMUNICATIONS COMMITTEE

For the communications committee, 2012 – the year in which it was set up – was devoted to an initial review of Scheme communications.
At the committee's request, early in 2013 the CEO presented the major communication themes for 2013-2015 to the board of directors.
This provided us with the necessary framework for our work during the year.

In light of the observed general lack of knowledge about and awareness of the Scheme, awareness surveys would provide an objective overview of the Scheme's image among active contributors and beneficiaries and enable us to ensure the Scheme's communications are both practical and relevant.

The 2011-2015 Objectives and Management Agreement between ERAFP and CDC reached its half-way stage in 2013 and the committee reviewed its 'information and communications' procedures. This review confirmed the need for more precise cost and activity indicators to effectively monitor operational communications.

The committee was also actively involved in preparing for and reporting on the institutional conference held in Lyon. ERAFP has now matured to the point where it has sufficient experience to refine its approach to institutional communications.

Lastly, the committee provided its input to the overhaul of the Scheme's website, particularly concerning the need to better promote its SRI approach. The committee will continue to be involved in this major project for the Scheme and for ERAFP in 2014.

THE ADDITIONAL PENSION IN BRIEF

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.

4.5 million contributors in 2013.

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.

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

Contributions that are credited to an individual retirement account, which can be viewed online at www.rafp.fr

Investments in bonds, equities, listed assets and real estate.

Prudential rules applied when investing the assets:

- → at least 65% of the assets invested in bonds;
- → assets invested in equities or UCITS[4] limited to 25%;
- → assets invested in real estate limited to 10%
- → securities issued by a single entity[5] limited to 5%, *etc.*

[4] Excluding money-market and bond UCITS.

[5] Excluding sovereign and similar bonds.

TEN KEY FEATURES OF THE ADDITIONAL PENSION SCHEME

RAFP is a mandatory, points-based scheme created for civil servants working in French central government (civilians and military), local and regional authorities and the public hospitals sector, as well as members of the judiciary.
Under the scheme, public servants receive an additional retirement benefit along with their basic pension, which takes into account the bonuses and ancillary remuneration they receive during their careers.

1. A PUBLIC PENSION FUND

The public sector additional pension is based on the fully funded, pay-as-you-go model (Article 76 of Law 2003-775 of 21 August 2003).

Comparable to collective funding, the system hinges on the obligation that the Scheme must at all times cover all of its commitments with financial assets. This means the rights vested on each beneficiary over the course of their career are fully guaranteed over time through the establishment of financial reserves.

2. EQUILIBRIUM OF THE SCHEME; PRUDENTIAL RULES

Strict prudential rules

Each year, the board of directors assesses the Scheme's commitments and determines the amount of the reserve required to cover them. The challenge is clearly to maintain a prudent policy as regards the rate of return within the context of an economic crisis in order to maintain the Scheme's long-term equilibrium.

The amount corresponding to funded contributions is invested in bonds, equities, listed assets, real estate, *etc.*

In addition to the requirement that its commitments be fully covered, the Scheme is subject to prudential investment rules: 25% limit on assets invested in equities or UCITS; 10% limit on assets invested in real estate; 5% limit on investments in securities issued by the same entity, *etc.*

3. BENEFICIARIES

In order to acquire additional pension rights, beneficiaries must satisfy three conditions:

- be a public servant in one of the three public sectors (French central government, local and regional authorities or the public hospitals sector), a member of the judiciary, a person in the military or working for the military on a contractual basis;
- contribute to the French State's civil or military pension scheme or the scheme for local and regional public servants (Caisse Nationale de Retraites des Agents des Collectivités Locales - CNRACL);
- receive eligible remuneration.

20%

OF THE GROSS BASIC SALARY RECEIVED BY THE PUBLIC SERVANT IN A CALENDAR YEAR

4. BASIS AND CONTRIBUTIONS

The contribution basis consists of all types of remuneration not included in the basic pension calculation, such as bonuses, overtime hours, allowances and in-kind benefits. However, this basis may not exceed 20% of the gross basic salary received by the public servant in the course of a calendar year.

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

Each euro paid to RAFP by the employee is therefore matched by an identical amount from the employer (other than for transfers from time savings accounts).

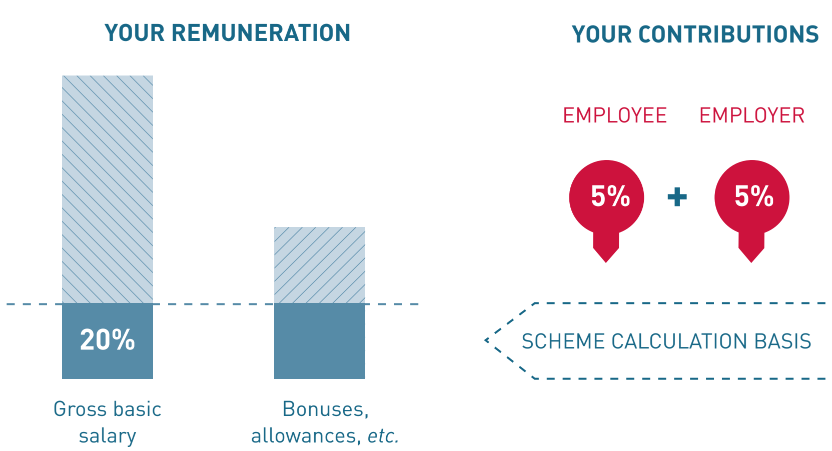
Most contributions are paid to the Scheme on a monthly basis.

CET

TIME SAVINGS ACCOUNT

CONTRIBUTION BASIS

Source — ERAFP



Since 1 January 2005, bonuses and ancillary remuneration* are included in the contribution basis within the limit of 20% of the annual gross basic salary. This type of contribution entitles the public servant to an additional retirement benefit over and above the basic pension.

*Bonuses, allowances, overtime hours, in-kind benefits.

€1.0850

PURCHASE VALUE OF
A POINT IN 2013

€0.04421

SERVICE VALUE OF
A POINT IN 2013

5. INDIVIDUAL RETIREMENT ACCOUNTS

In the first quarter of each year, the employer sends Caisse des Dépôts a summary statement of all contributions paid in during the previous year for all its participating public servants. The sum of the amounts indicated in these statements must be equal to the sum of the amounts actually paid in.

Converted into points, the contributions are credited to the public servant's individual retirement account, which may be viewed online at **www.rafp.fr**.

The number of points is determined by dividing the total amount of contributions paid in during a year by the purchase value of a point for the given year.

6. POINT VALUES

Point values are set each year by the board of directors:

- the purchase value makes it possible to calculate the number of points vested during the year. This value is identical for all contributors, regardless of their age. It thus represents a form of intergenerational solidarity between beneficiaries' age categories.
- the service value is multiplied by the total number of points vested to calculate the additional benefit.

IMPORTANT

Days accrued under a time savings account that are directly converted into Scheme points in accordance with decree 2009-1065 of 28 August 2009 relating to FPE, decree 2010-531 of 20 May 2010 relating to FPT and decree 2012-1366 of 6 December 2012 relating to FPH are excluded from the cap. Note also that the amount corresponding to converted time savings account days is transferred to the Scheme after deduction of the mandatory social security and related contributions, the standard 10% contribution rate not being applicable.

7. TECHNICAL RETURN AND VALUE OF A POINT IN 2013

Derived by dividing the service value by the purchase value, the technical return is 4.075%. On 12 December 2013, the board of directors decided to symmetrically increase the purchase value and the service value of a point by 1%.

5,125

IS THE MINIMUM NUMBER OF POINTS REQUIRED TO RECEIVE MONTHLY ANNUITY PAYMENTS

8. PENSION LIQUIDATION AND PREMIUM

→ See also Appendix 1

Upon reaching the legal retirement age and provided the beneficiary qualifies for pension benefits under the basic pension scheme, he or she may apply for the additional pension benefit. The age at which the additional pension benefit becomes available was previously set at 60 and has been gradually raised to 62, in line with the change in the legal retirement age (pension reform law of 9 November 2010). Application of the premium avoids the need to change the current rates, designed for retirement at age 60, and re-establishes actuarial equity between beneficiaries.

17,808

ANNUITIES IN PAYMENT AS AT 31 DECEMBER 2013

9. BENEFIT PAYMENTS

The annual amount of the additional benefit is obtained by multiplying the number of points vested in the individual retirement account by the service value of the point.

Lump sum payments

Before 2008, all additional pension benefits were paid out in a lump sum. At present, the liquidated benefit is paid out in a lump sum, calculated on the basis of an actuarial table, if the number of vested points is less than 5,125.

Annuity

The liquidated benefit is paid out in the form of a monthly annuity if the number of vested points is equal to or greater than 5,125. The first annuity payments began in 2009. 17,808 individual annuities had been paid as at 31 December 2013.

10. REVERSION

→ See Appendix 2

If the rights holder dies, a reversionary benefit is paid to the surviving spouse and, until they reach the age of 21, orphaned children.

PAYMENT SIMULATIONS
FOR TYPICAL BENEFITS[6]

LUMP SUM PAYMENT

LIONEL
an administrative assistant, **pays €250 a year** in Scheme contributions.
His employer pays the same amount.

↓

He retires at
age 62,
having contributed for 10 years

↓

He then has
4,570 points in his
individual retirement account

(< 5,125 POINTS)

↓

4,570
x 0.04465 (7)
x 24.62 (8)
x 1.08 (9)

€5,425.62 *gross*

↓

Lionel receives
a gross lump sum
of €5,425.62

The lump sum will be paid
in one or two tranches,
depending on his retirement date.

ANNUITY PAYMENT
as the Scheme matures

NAMIA
an attaché, **pays €300 a year** a year in Scheme contributions.
Her employer pays the same amount.

↓

She retires at
age 62,
having contributed for 38 years

↓

She then has
20,824 points in her
individual retirement account

(> 5,125 POINTS)

↓

20,824
x 0.04465 (7)
x 1.08 (8)

€1,004.17 *gross*

↓

Namia receives
a gross annuity
of €1,004.17 annually,
or €83.68 monthly

This amount will be revalued
each year in line with the service
value of a point.

↓

She retires at
age 67,
having contributed for 43 years

↓

She then has
23,564 points in her
individual retirement account

(> 5,125 POINTS)

↓

23,564
x 0.04465 (7)
x 1.35 (9)

€1,420.38 *gross*

↓

Namia receives
a gross annuity
of €1,420.38 annually,
or €118.36 monthly.

This amount will be revalued
each year in line with the service
value of a point.

N.B. : The amounts shown are in constant euros. The amounts actually paid are revalued each year to take account of price changes.

[6] Illustrative examples only, not contractual and given for indicative purposes only. In particular, they do not take into account changes in career path, annual changes in point values or possible regulatory changes.

[7] For the purposes of this illustration, the 2014 service value has been used.

[8] Lump sum conversion factor corresponding to life expectancy at age 62.

[9] Premium factor: after age 60, the higher the retirement age the greater the factor.

SCHEME OPERATIONS

GENERAL OPERATION OF THE SYSTEM

The Scheme, which was created by the law of 21 August 2003, is managed by a public sector management entity operating under the oversight of the French State. The application decree[10] entrusts administrative management to Caisse des Dépôts et Consignations, under the authority and control of the board of directors. The management of financial assets is partially outsourced to investment management firms.

ERAFP - CAISSE DES DÉPÔTS: CONTRACTUAL COMMITMENTS

The main administrative management services provided by Caisse des Dépôts are set forth in the Objectives and Management Agreement ('Convention d'objectifs et de gestion') entered into by the two institutions.

The first Agreement covered the period from 2006 to 2010. A second Agreement, for 2011 to 2015, was approved by the board of directors in 2011. Having reached its half-way stage in 2013, this Agreement was reviewed and no changes were considered to be necessary. Following this review, additional monitoring indicators were introduced for trial purposes prior to drafting of the next Agreement.

ERAFP – FRENCH STATE: A SPECIFIC SERVICE

In addition to its role as the institution's supervisory authority, the French State, through the Directorate of Public Finance's State Pensions department's regional pension centres, pays out the additional pension benefits to retired central government public servants along with their basic pension benefits. This service is billed separately, in accordance with a bi-partite agreement.

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 (CDC), under the authority and control of the board of directors.

Management of financial assets partially delegated to investment management firms.

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

Management costs in 2013: €27 million.

[10] Decree 2004-569 of 18 June 2004.

PARTIALLY OUTSOURCED FINANCIAL MANAGEMENT

Since 2005 and as authorised by the applicable regulations, ERAFP directly manages its investments in government bonds and government-backed securities.

However, the financial management of the Scheme's other investments is delegated to specialised firms. The investment managers selected undertake to optimise the financial return of the funds whilst remaining in compliance with ERAFP's SRI Charter.

The allocation of the delegated investment management portfolios between a number of different firms diversifies the financial risks across several service providers and reflects a prudent asset management approach on behalf of the beneficiaries.

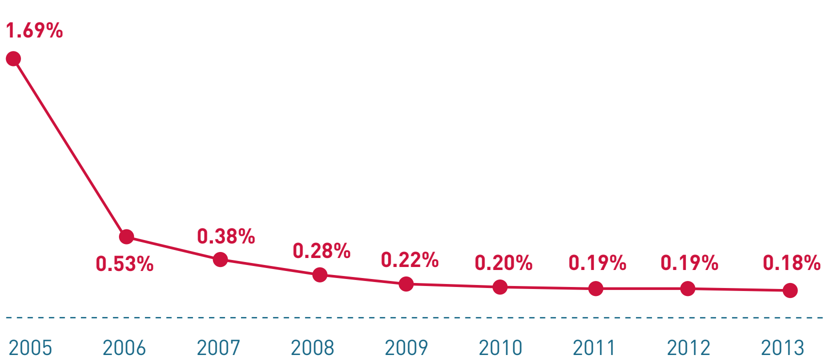
Other than for the corporate bond portfolios, each of these investment management firms has created a dedicated investment fund, in which ERAFP invests depending on market conditions on the basis of an entirely proprietary investment process. Investments into each fund are made depending on their respective overall performance and ERAFP's investment strategy.

In 2013, a dedicated multi-manager fund and two dedicated real estate funds, one covering France and the other covering Europe, were set up. ERAFP also awarded a mandate for investment in listed French SMEs and two North American equity mandates.

CONTROLLED ADMINISTRATIVE COSTS

CHANGES IN SCHEME ADMINISTRATIVE COSTS SINCE 2005

Source — ERAFP



Administrative costs as a percentage of net assets at amortised cost

The operating budget for the Scheme and its management entity is financed directly from amounts withheld from contributions. The budget is voted by the board of directors annually.

In 2013, administrative costs totalled €27 million, corresponding to 0.18% of the Scheme's net assets.

The implementation of ERAFP's asset diversification policy implies mobilising more resources. This is a prerequisite for increasing the potential yield on the Scheme's investments and reducing its allocation risk, which is also a way of containing future costs.

RAFP'S ADMINISTRATIVE MANAGEMENT

The Scheme's administrative management has been entrusted to Caisse des Dépôts et Consignations pursuant to article 32 of the decree of 18 June 2004 on additional pensions for public servants. Caisse des Dépôts is responsible for the following tasks under the authority and supervision of the board of directors: collection of contributions, maintenance of beneficiaries' individual retirement accounts, liquidation of rights, payment of benefits[11] , and the Scheme's accounting and operational communications. It accordingly acts as the Scheme's single interface for employers, retired beneficiaries and active contributors with regard to their right to information.

AROUND 45,000 EMPLOYERS ...

Approximately 45,000 employers paid contributions to Caisse des Dépôts in respect of the Scheme in 2013. The vast majority are local and regional authorities and public sector hospitals.

The majority of French central government employers registered with the Scheme are public treasury departments, ministries and commissioners to the armies.

It should be noted that 96.6% of employers had paid in all the requisite contributions in respect of 2012[12] by the end of 2013 .

After following a downward trend for several years, the rate of payment incidents seems to have stabilised at around 4.5%. The average rate for the year was 4.6%, compared with 4.4% in 2012.

These payment incidents are subject to corrective actions: 98% of incidents arising in 2013 were corrected during the year.

... AROUND €1.77 BILLION COLLECTED

The Scheme collected around €1.77 billion in 2013. Employers with at least ten employees pay contributions on a monthly, aggregate basis. Those with fewer than ten employees pay contributions annually.

In the event of a late payment, a penalty is added to the contribution. In 2013, 382 employers were obliged to pay penalties in respect of 2012.

Approximately **45,000** employers paid contributions to Caisse des Dépôts in respect of the Scheme in 2013.

€1.77 billion collected in 2013.

4.5 million contributing public servants in 2013.

118,368 pension liquidations and **222,129** benefits revisions in 2013.

€289 million paid to beneficiaries in benefits.

Approximately **18,000** annuities in payment.

[11] Except for the payment of benefits to retired central government public servants, which is the responsibility of the Directorate of Public Finance.

[12] *Caveat:* As the employers' declarations are only required to be submitted in the year following payment of the contribution, the figures correspond to the 2012 financial year.

... AND 4.5 MILLION CONTRIBUTING PUBLIC SERVANTS IN 2013

98.2%

OF INDIVIDUAL CONTRIBUTORS' ACCOUNTS UPDATED AS AT 31 DECEMBER 2013

Each year, employers send Caisse des Dépôts a statement summarising for each of their public servants the contributions paid in during the previous year.

The deadline for reporting contributions collected during 2012 was 31 March 2013. Rights are added to the contributors' individual accounts provided the amounts reported match the contributions received.

ERAFP and Caisse des Dépôts, working closely with the supervisory authority, have implemented actions to raise awareness among employers of their regulatory obligations and the rights of their employees.

Caisse des Dépôts contacts employers, by telephone or in writing, whenever a discrepancy between the reported amount and the amount received is observed.

The very high update rates for contributors' accounts since 2009 (more than 98% on average) is indicative of an increased awareness and understanding of the Scheme, which is partly due to Caisse des Dépôts' actions to raise awareness among employers.

In 2013, the change of method for the transfer of individual declarations by the public treasury departments and the commissioners to the armies resulted in significant delays in updating individual accounts.

Resolving these problems, which affected the accounts of many central government employees, required the implementation of specific action plans, as a result of which the update rate was brought back to a more normal level by the end of the year (98.2% of individual contributors' accounts updated as at 31 December 2013).

EMPLOYER ACCOUNTS AND INDIVIDUAL RETIREMENT ACCOUNTS

Source — CDC Administrative Manager

A STICKING POINT: MULTIPLE EMPLOYERS

Some public servants receive remuneration from several employers. This may occur when a public servant is assigned on a temporary basis to an employer other than the primary employer responsible for paying their basic salary and bonuses. In such cases, the primary employer is responsible for obtaining data on salary and bonuses from the 'secondary' employers, to:

- ensure compliance with the aggregate cap of 20% of the gross basic salary; and to
- calculate the amount of contributions to be paid by each employer.

This system, which was introduced by the applicable regulations, is complex to implement for employers and compliance with the 20% cap is impossible in certain cases.

118,368

NEW PENSION LIQUIDATIONS IN 2013

222,129

BENEFITS REVISIONS

CLOSE TO 118,000 PENSION LIQUIDATIONS AND 222,000 BENEFITS REVISIONS IN 2013

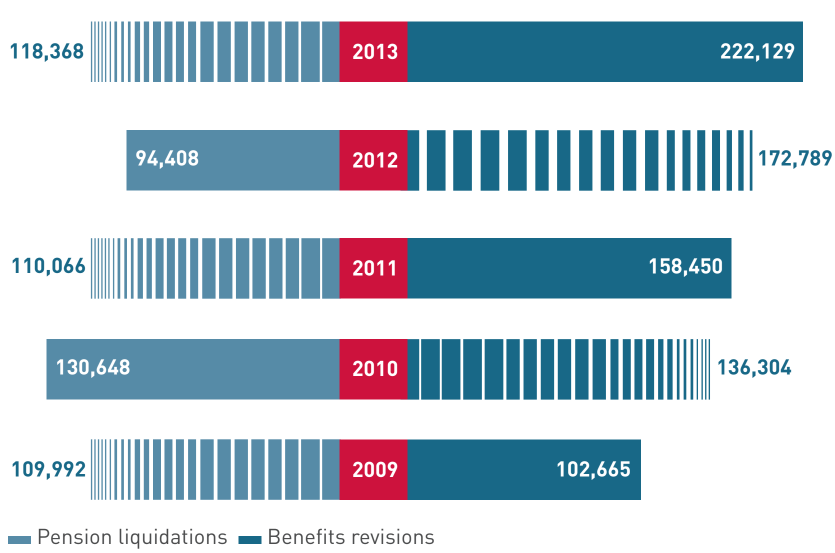
A total of 118,368 pensions were liquidated in 2013 and 222,129 benefits were revised. In all, €289 million was paid out to beneficiaries in the year. This amount includes reversionary benefits paid out to deceased beneficiaries' spouses and children under 21.

AROUND €290 million

PAID OUT TO BENEFICIARIES IN 2013

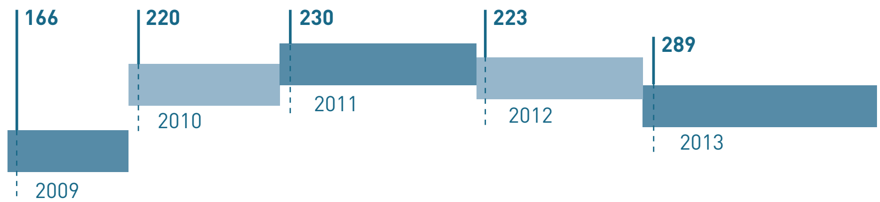
NUMBER OF PENSION LIQUIDATIONS AND BENEFITS REVISIONS, 2009 - 2013

Source — CDC Administrative Manager



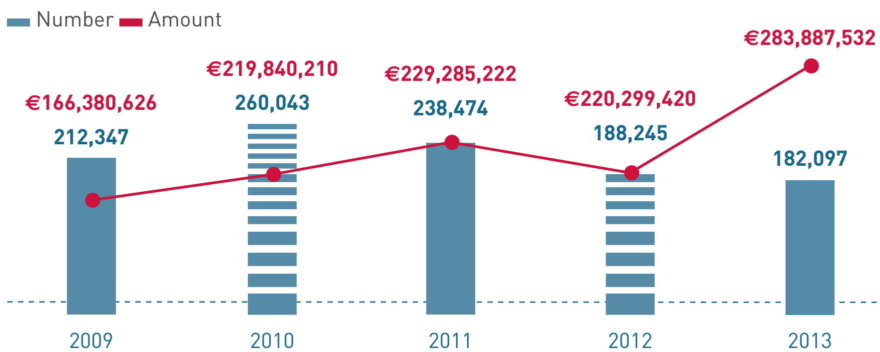
BENEFIT PAYOUT AMOUNTS (in millions of euros)

Source — CDC Administrative Manager



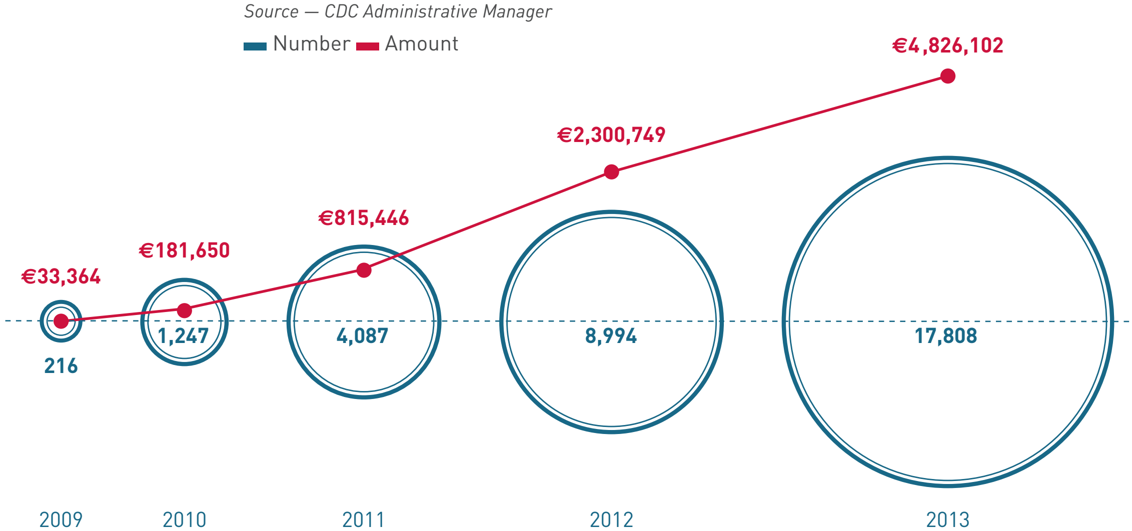
ANNUAL LUMP SUM BENEFIT PAYOUTS (NUMBER & AMOUNT) (in millions of euros)

Source — CDC Administrative Manager



ANNUAL ANNUITY PAYMENTS (NUMBER & AMOUNT) (in millions of euros)

Source — CDC Administrative Manager



A SHARP RISE IN PAYMENTS

The full effect of the extension of the legal retirement age for persons born on or after 1 July 1951 was felt in 2012, resulting in a 3% decline in the amount paid out relative to 2011. In contrast, payments in 2013 rose by 30%, mainly as a result of the higher number of pension liquidations. The change is attributable to the 'deferral' effect of applying the pension age reform legislation, which came into effect in July 2011[13].

The number of lump sum payments continued the decline seen first in 2011 (182,097 in 2013 compared with 188,245 in 2012). The average lump sum payment in 2013 was €1,559, around one-third higher than in 2012 (€1,170€)[14].

ANNUITY PAYMENTS TAKE OFF

17,808 annuities were paid in 2013. The continued increase in the number of annuities in payment compared with lump sum payments is attributable to the gradual growth of the Scheme since its inception in 2005.

Every year, there are more beneficiaries who have accrued throughout their careers a total number of points in excess of the minimum 5,125 necessary to receive annuity payments. The average annuity paid in 2013 was €271[15]. By definition, annuity recipients have been able to contribute to the Scheme for a maximum of only eight years since contributions did not start until 2005. The average annuity shown above reflects this limited contributions period.

Although total annuity payments in 2013 were only around 1.7% of the total lump sum payments (€4.8 million vs. €284 million, respectively), they are growing rapidly and were approximately double the amount of €2.3 million paid out under annuities in 2012.

[13] Some public servants born in 1951, who previously would have been able to liquidate their Scheme rights in 2011, were obliged to wait until 2012 to reach the minimum age for pension liquidation of 60 years and 4 months. The majority of public servants born in 1952, who previously would have been able to liquidate their Scheme rights in 2012 before reform of the pension age, were obliged to wait until 2013 to reach the minimum age for pension liquidation of 60 years and 9 months.

[14] Although the increase is material, these amounts do not represent the total benefits paid, which generally comprise two lump sum payments, on liquidation and on revision.

[15] Average total monthly payments throughout the year.

COMMUNICATING TO ENHANCE SCHEME AWARENESS

ERAFP's communications strategy is aimed at enhancing the effectiveness of the Scheme by providing all stakeholders (beneficiaries, employers and institutional players) with the information required to participate fully at the appropriate level in the Scheme's operations.

HIGHLIGHTS OF ERAFP'S INSTITUTIONAL COMMUNICATIONS IN 2013

+ Launch of the Scheme's visual identity.
  Faced with an increasing number of requests for comments, whether from official sources, the media or politicians and given its wide public and social institutional role, the Scheme must prepare and convey a clear message. Accordingly, ERAFP launched a strong and coherent new visual identity to show the Scheme's clear and dynamic positioning.
+ Staging its second institutional conference on 'Additional pensions and the public sector' attended by the 20 most senior human resources directors from each of the three public sector functions in the Rhône-Alpes region.
+ Continuing to produce an SRI New Year's card in partnership with public-sector players.

Following the success of the card designed in 2012 by pupils of the Marienau school in Forbach on the theme of 'Nature and sustainable development', ERAFP partnered this year with the Vinatier Hospital painting workshop. Artists from the Vinatier workshop produced some striking canvases on the theme of 'Intergenerational equity and sustainable development' as a result of this new initiative.

ERAFP's communications strategy reflects its desire not only to raise awareness of the Scheme, but also to improve the level of trust and confidence beneficiaries have in their Scheme. This will be achieved by demonstrating its usefulness as a long-term investor and its relevance, in particular through its commitment to prudential investment rules and to public service values (100% SRI).

The strategy is based on two key areas:

+ Institutional communications, mainly with public sector bodies, which are under the responsibility of ERAFP;
+ Operational communications, to inform employers and beneficiaries of their rights and obligations, which are managed by the Administrative Manager (CDC).

Nine years after the inception of the public service additional pension scheme, the need to continue to raise awareness and understanding among all stakeholders remains a vital and strategic objective. For this reason, in 2012 the board of directors formed a communications committee responsible for monitoring the Scheme's communications on a regular basis.

MORE DETAILED INFORMATION FOR PUBLIC SECTOR EMPLOYERS

In its early years, the Scheme essentially aided public sector employers in the practical aspects of fulfilling their responsibilities. Now, it aims to promote their awareness of the Scheme's specific capitalisation and long-term socially responsible investment features to enable them to pass on such information to their employees.

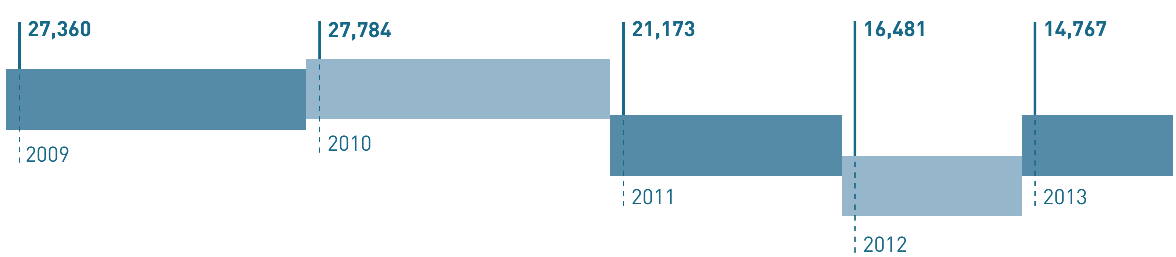
Caisse des Dépôts' call centre in Angers handled around 14,800 telephone calls from employers in 2013 (94% of calls received). Call volumes have declined significantly compared with previous years (16,500 in 2012, an 11% decline), which is partly attributable to employers' enhanced awareness of the Scheme's operating rules. Caisse des Dépôts also held a number of training and information sessions throughout France for employers.

Having organised regional meetings with employers in conjunction with the Administrative Manager in previous years, in 2013 ERAFP invited the 20 most senior human resources directors from each of the public sector functions in the Rhône-Alpes region to take part in its second institutional conference on 'Additional pensions and the public sector'.

In terms of the employer-dedicated 'e-services' account-viewing website, there were more than 64,200 connections in 2013. This figure has declined since 2011 due to improvements in the quality of data passed on by employers.

NUMBER OF EMPLOYER TELEPHONE CALLS HANDLED

Source — CDC Administrative Manager



BETTER UNDERSTANDING THE NEEDS OF ACTIVE CONTRIBUTORS IS A SCHEME PRIORITY

As evoked by the communications committee members, the lack of knowledge and awareness of the Scheme persisted in 2013. ERAFP and the Administrative Manager are striving to remedy this by being attentive to the needs expressed by beneficiaries, and are preparing awareness surveys to aid in defining these needs.

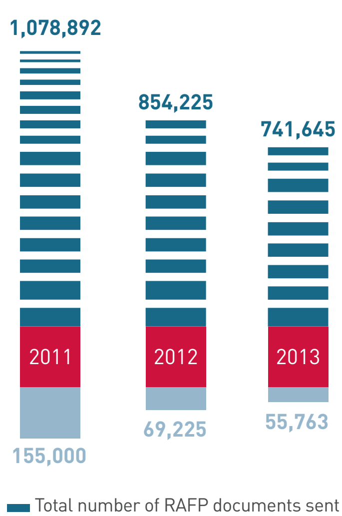
Informing retired beneficiaries

- Nearly 91,600 telephone calls from retired public servants were handled in 2013 (94% of calls received). In addition, some 18,700 items of correspondence (letters and e-mails) were processed over the year, up 14% on the 16,400 items processed in 2012.
- The number of on-line service users continues to rise. More than 555,000 beneficiaries have signed up for the on-line services available to active and retired public servants (compared to 495,000 in 2012).

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

NUMBER OF 'RIGHT TO INFORMATION' DOCUMENTS SENT

Source — CDC Administrative Manager



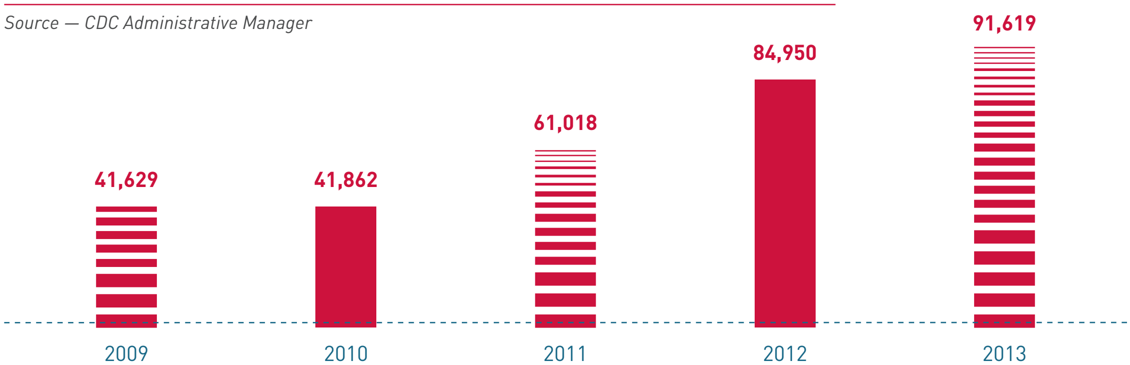
Informing active contributors

741,645 documents relating to RAFP were sent out to active contributors by the various schemes in compliance with contributors' rights to information (individual statements and general indicative estimates for pensions). It should be noted that in 2011 RAFP took over responsibility for informing active public servants if the primary scheme is unable to produce the required documents[16]. As a result, 55,763 of the 741,645 documents were sent out directly by RAFP.

Furthermore, Caisse des Dépôts handled nearly 30,000 telephone calls from active contributors under their 'right to information' (95% of calls received) in 2013, as well as some 2,400 letters and e-mails.

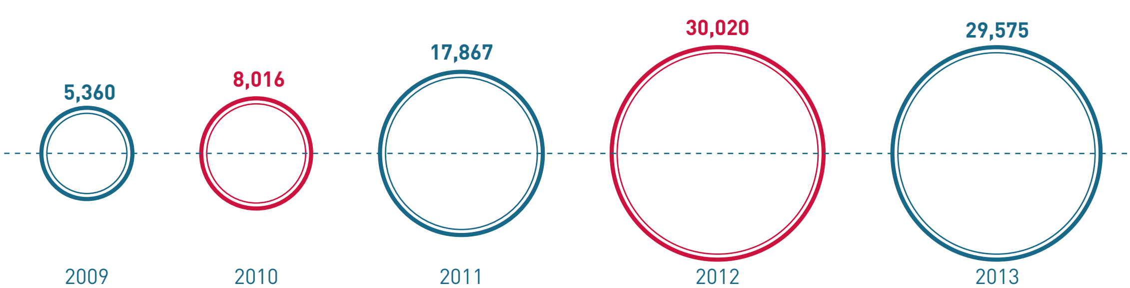
NUMBER OF TELEPHONE CALLS HANDLED FROM RETIRED BENEFICIARIES

Source — CDC Administrative Manager



NUMBER OF TELEPHONE CALLS HANDLED FROM ACTIVE CONTRIBUTORS

Source — CDC Administrative Manager



[16] Such as in the case of invalid affiliation agreements, known career contributions below the requisite minimum amount, ongoing re-employment procedures or employees removed from the books, defined by the GIP Info Retraite (retirement information public-interest grouping).

INSTITUTIONS: INCREASINGLY FRUITFUL COMMUNICATIONS

Contact with the public authorities

Following its first national conference in Paris in 2012, ERAFP arranged a second institutional conference on the theme of 'Additional pensions and the public sector' in Lyon on 30 May 2013, attended by human resources directors and pensions managers from each of the three public sector functions in the Rhône-Alpes region.

Set in the context of the ongoing debate on the future of pension systems in France, the conference was an opportunity to present the Scheme's role and particular characteristics in providing public sector pensions and enabled participants to discuss the Scheme's responsible investment approach and its aim of maintaining intergenerational equity.

To round out and pursue these initiatives as regards institutional players, ERAFP will be participating in the Salon des Maires held for local mayors in France in 2014.

Media relations

→ Press

The calls for tender launched by ERAFP form an excellent opportunity to promote communications on the Scheme. In 2013, the Scheme or ERAFP were referred to in 503 press or on-line articles, more than three times as many as in 2012. Over the last two years, media coverage of the Scheme has improved significantly.

More specifically, the 14 press releases issued by ERAFP were widely reported in the written press, particularly in the economic and financial sections, as well as on-line and on social networks such as Twitter. Publication of the Court of Auditors' report in March on ERAFP's management was widely reported in the press, often erroneously. ERAFP strove to correct the significant inaccuracies that were cited during the public debate, notably by providing further information on its website.

The Chief Executive Officer and his staff were also widely interviewed by specialist French and English language publications and took part in some 60 conferences and seminars in France and abroad.

→ The website: a central communication tool

The Scheme's website, www.rafp.fr, is an online information platform targeted at active or retired public servants, public sector employers and those in the private sector employing public servants. It is also a means of communicating with other players seeking information on the Scheme, such as asset management companies, the press and SRI specialists.

The website currently allows beneficiaries to obtain detailed information about the Scheme and to view their individual retirement accounts using applications developed by Caisse des Dépôts.

The website saw a slight increase in usage in 2013, to around 50,000 visits per month compared with 49,000 in 2012. Its most frequent users were the Scheme's active contributors (more than 50% of all visits). The majority of queries concerned the calculation of points vested. Accordingly, for the third consecutive year, the most visited areas were the 'points calculator' and 'your personal situation' areas.

An overhaul of the Scheme's website was started in 2013 to meet the need to offer the Scheme's targeted website users an innovative and interactive communications and information platform. The new website will be launched in late 2014, providing ERAFP with a dynamic Internet communications tool and the Scheme with its own 'RAFP' on-line identity.

Other than representing a valuable tool for users, the redesigned site will also provide a means of highlighting the Scheme's SRI management approach.

02

RAFP, A SOLID SCHEME WITH A LONG-TERM VISION

The Scheme's socially responsible investment (SRI) policy underscores its approach as a long-term investor:

- a particularly conservative approach in terms of defining the technical parameters;
- an asset allocation designed to ensure the Scheme's equilibrium over the long term.

In 2013, the board of directors adopted guidelines for the Scheme's technical parameters, enabling it to assess the consequences of its decisions for the Scheme's long-term equilibrium. Monitoring the coverage of commitments is now based on two complementary approaches, one financial and one economic.

During the year under review, although the economic environment continued to be poor the financial markets showed some signs of improvement. Because of regulatory constraints on its investment in variable-income securities, ERAFP was obliged to invest the majority of Scheme inflows in bonds, the returns on which remain at historically low levels. This is clearly neither satisfactory nor sustainable.

Since 2012, ERAFP has had the tools and the means to invest in new asset classes. ERAFP's SRI approach was thus extended further, by adapting the institution's investment policy to include the specific features of these new investments and through the launch of a number of initiatives to promote collective action by investors and SRI researchers.

Nevertheless, other than by gradually ramping up its real estate investments, because it is constrained by the applicable regulations, ERAFP's ability to seize the opportunities presented to it as a long-term investor with an ever-increasing investment capacity is very limited.

ERAFP:
KEY FIGURES*

Assets of around

€15.4 billion

Estimated financial coverage ratio of around

107%

Technical reserves of around

€14.4 billion

Non-technical reserves of

€1 billion

Provisioning discount rate of

1.20%**

* Valuation at end-2013

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

2013: DRAFTING GUIDELINES FOR TECHNICAL PARAMETERS

RAFP is subject to strict prudential regulation stipulating that:

+ the Scheme's commitments to its beneficiaries must be at least fully covered by assets,
+ the likely 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.

The board of directors is very conscious of its regulatory and prudential responsibilities and accordingly adopted written guidelines for the Scheme's technical parameters on 12 December 2013 with a view to maintaining over the long term the purchasing power of beneficiaries' vested pension rights.

Since the Scheme was formed, the board of directors has carefully monitored changes in the:

+ purchase and service value of a point;
+ coverage ratio of Scheme commitments;
+ discount rate applied to reserves;
+ the technical interest rate or 'premium rate'.

The guidelines recognise the existence of the inter-relationship between the Scheme's ability to revalue vested rights and its assets, and also set out the conditions in which the premium rate may be revised.

COMMITMENTS COVERAGE RATIO

The obligation to cover the Scheme's commitments at all times implies careful monitoring of the financial coverage ratio. The prudent investment management policy followed by ERAFP enabled it to achieve a ratio of around 107% at 31 December 2013 after the revaluation of points (estimated, unaudited figure).

Mindful of its regulatory obligations, the Scheme has the necessary reserves and provides satisfactory coverage of its commitments, up by one percentage point since 2012. Nonetheless, the decline in bond yields seen in the market in 2013 weighs on the coverage ratio.

As a complement to this first, purely financial, approach, ERAFP has sought to better define its capacity to revalue contributors' and beneficiaries' 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 assets[17], as well as the risks for which a margin of prudence should be recognised. This margin is defined as the 'excess economic coverage requirement'.

[17] The economic coverage ratio corresponds to 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 reserve.

If this requirement is not met, regardless of the financial coverage ratio, the service value of a point may not be increased. At the end of 2013, the excess economic coverage requirement was measured at 12.1% of commitments.

Thanks to its investment policy and despite the asset allocation constraints imposed by its regulatory environment, which in particular do not take into account the Scheme's role as a long-term investor, RAFP's economic coverage ratio (after revaluation) stood at around 114% (estimated figure) at 31 December 2013.

DETERMINATION OF THE PURCHASE AND SERVICE VALUES OF POINTS

The board of directors sets these parameters each year. Since adoption of the guidelines, they now also take account of the excess economic coverage requirement.

The mechanism set out in the guidelines effectively links any revaluation of points to the economic coverage ratio. If this should be insufficient having regard to the excess coverage requirement, a catch-up mechanism is implemented in subsequent years to enable the purchase and service values of points to be raised to the requisite levels.

If the excess economic coverage ratio is sufficient to allow the purchase and service values of points to be increased by more than the rate of inflation and any inflation catch-up requirement, the directors will consider doing so in the context of the board of directors' prerogatives.

When it adopted the new point values for 2014, the Board kept the technical return at 4.075% while raising the purchase and service values of each point by 1%.

Since the Scheme was formed, the board of directors has opted for a prudent definition of these parameters, resulting in an initial technical return of 4% that has since risen at a modest rate (4.075% in 2014).

POINT PURCHASE AND SERVICE VALUES

Source — ERAFP

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Purchase value (€)	1	1.017	1.03022	1.03537	1.04572	1.05095	1.05620	1.07420	1.0850	1.09585
Change	—	+1.70 %	+1.30%	+0.50%	+1%	+0.50%	+0.50%	+1.70%	+1%	+1%
Service value (€)	0.04	0.0408	0.04153	0.04219	0.04261	0.04283	0.04304	0.04378	0.04421	0.04465
Change	—	+2.00%	+1.80%	+1.60%	+1 %	+0.50%	+0.50%	+1.70%	+1%	+1%

PROVISIONING DISCOUNT RATE

The Scheme's provisioning discount rate is set at a very conservative level compared with the practices of other European pension funds. The rate (net of fees) used to assess the technical reserve at 31 December 2013 was set at 1.2%.

Since publication of the statutory order of 28 December 2011 (Article 1) amending that of 26 November 2004, RAFP has used the TGH05 and TGF05 generational life expectancy tables which are more closely in line with usual market practices than the TPG93 generational life expectancy tables formerly used.

TECHNICAL INTEREST RATE OR 'PREMIUM RATE'

On formation of the Scheme, 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 reference 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.

The guidelines specify that the Scheme's premium rate must be reviewed immediately if, at the year end, the discount rate is lower than the premium rate.

AUDITED FINANCIAL STATEMENTS

In 2013, as in all previous years, the board of directors was only able to begin deliberations on the previous year's financial statements in the second half of the year.

This time lag relates directly to the system for processing and verifying data submitted by employers, which is subject to a deadline of 30 June. The time lag will be reduced over time as employers become more familiar with the system.

In practice, efforts to reduce the accounts closing time for the 2012 financial year were successful and the board of directors expects to be able to approve the 2013 financial statements in the first half of 2014.

After auditing the valuation processes for reserves, the independent auditors again certified the fairness and accuracy of the 2012 financial statements without any qualifications.

AN ORIGINAL SRI APPROACH

The SRI Charter

In a resolution adopted on 10 November 2005, ERAFP's board of directors decided to implement an investment policy that consistently and permanently factors in the pursuit of the public interest. Adopted in March 2006, the SRI Charter specifies the orientations, content and resources needed to apply this policy of socially responsible investment.

2006

SRI CHARTER ADOPTED

THE SCHEME'S SRI APPROACH IS UNIQUE IN SEVERAL WAYS:

- 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, the board itself defined the approach to satisfy the demands and values of the board members, and permanently monitors its application;
- the policy's content is '100% SRI', i.e. the SRI Charter applies to all of the Scheme's investments and takes into account the specificities of each asset class.

THE SCHEME'S SRI APPROACH IS GLOBAL AND INTEGRATED:

- it applies not only to all the Scheme's investments but also to all investment phases, from the stock-picking process to monitoring the securities or assets held following the investment;
- it is based on a broad range of values applied across all investments, instead of on an array of theme-specific criteria;
- it factors in links between different challenges and among various issuers instead of addressing each situation separately.

IT IS THEREFORE NOTEWORTHY, FOR EXAMPLE, THAT:

- the analysis of a company's environmental performance is incomplete if it does not take into account the impact of its products;
- it makes no sense to exclude certain economic sectors when the portfolio includes issuers from other sectors with close ties to the excluded sectors.

THE FIVE VALUES OF THE CHARTER

+ Rule of law and human rights

Fight against discrimination in all forms, particularly gender bias,

Freedom of conscience and expression,

Human rights in the workplace,

Fight against corruption and money-laundering, *etc.*

+ Social progress

Compliance with fundamental rules of labour law,

Contribution to employment growth,

Implementation of forward-looking employment strategies,

Quality of contractual guarantees,

Ratio of employee earnings to shareholder remuneration (for companies), *etc.*

+ Democratic labour relations

Respect for freedom of association and the rights of trade unions and employee representatives,

Existence and role of participative and advisory bodies,

Improvements to health, safety and security conditions in the workplace and creation of health and safety committees (for companies), *etc.*

+ The environment

Preventing environmental impacts (water, air, waste, etc.),

Management of environmental risks (pollution, life-cycle impacts of products or services),

Limitation of greenhouse gas emissions,

Preservation of biodiversity, *etc.*

+ Good governance and transparency

Good governance (balance of powers and effectiveness of decision-making and executive bodies, effectiveness of audit and control mechanisms, method for determining executive remuneration, *etc.*),

Proper application of legal and tax rules,

Compliance with ethical rules (prevention of anti-competitive practices, *etc.*),

Open approach to relations with all stakeholders,

Transparency about business operations and financial performance, *etc.*

THE SRI EVALUATION SYSTEM

3

A PRIORI EXCLUSION CRITERIA

DYNAMIC BEST-IN-CLASS APPROACH

THE RATING METHOD

The SRI guidelines, adopted in March 2007, outline in detail and 'make operational' the values and implementation principles set forth in the Charter. Each value is broken down into separate criteria, and each criterion is assigned indicators. Ratings are assigned:

- based on criteria,
- and then totalled for each value, with weightings ranging between 1 and 3 for each criterion.

The final issuer rating is the simple average of the ratings assigned for the values, with each value given the same weighting.

A PRIORI EXCLUSION CRITERIA

The Charter sets out three criteria that if not fulfilled result in the automatic exclusion of State-issued securities, and in some cases local authority issues, from investment.

These criteria are:

- rejection of the death penalty,
- rejection of the use of child soldiers,
- rejection of the practice of torture.

A DYNAMIC BEST-IN-CLASS APPROACH

The Charter uses a best-in-class approach reflected in the guidelines through quantitative rules that define the scope of eligible investments. These rules are detailed for each asset class in order to foster uniform progress. This implies:

- not excluding certain business sectors but promoting the most responsible issuers within each sector and, more generally, within comparable issuer groups;
- monitoring and working with issuers that are making steady progress.

ORGANISATIONAL MODELS FOR THE SYSTEM

Source — ERAFP

1 SRI POLICY

- Definition of investment policy
- Ruling on differences of interpretation
- Decisions on changes to the Charter and guidelines
- Definition of shareholder engagement guidelines, including voting policy at general meetings

2 SRI RATING

- SRI data for the Scheme's management entity

(...) Red flags

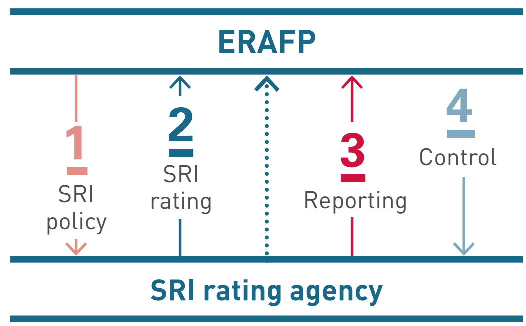
3 REPORTING

- Quarterly reporting
- Regular updates

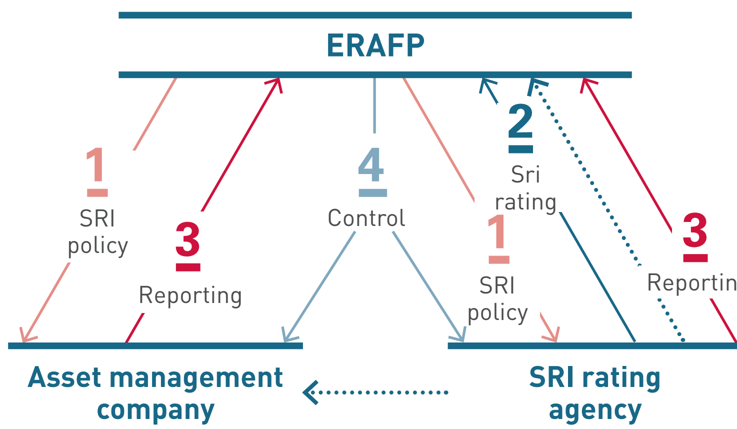
4 CONTROL

- Oversight of SRI policy implementation, controls and requests for investment adjustments
- Study of annual reports (managers, agencies, committees, *etc.*)

FOR DIRECT BOND MANAGEMENT



FOR DELEGATED MANAGEMENT SYSTEM



THE ROLE OF THE VARIOUS BODIES

THE BOARD OF DIRECTORS

The board of directors:

- oversees implementation of the SRI policy, notably through the work performed by the CSPP;
- makes decisions on any material changes to the guidelines based on the preparatory work by the CSPP;
- sets the general orientation of the SRI policy;
- approves the guidelines on shareholder engagement.

The CSPP

To be truly responsive, the board needs to be consistently and fully informed, not just brought up to date after the fact. Additional measures assure this close relationship, notably regular meetings of the Investment Policy Monitoring Committee (CSPP).

The CSPP:

- follows the board's decisions on SRI issues;
- prepares proposed changes to the SRI guidelines;
- prepares proposed changes to the guidelines on shareholder engagement;
- monitors shareholder engagement initiatives and annually reviews the exercise of voting rights at shareholders' general meetings.

MANAGEMENT

ERAFP's management plays several roles:

- it directly implements the SRI policy for bond investments managed in-house, which under the Scheme's current regulations concerns sovereign and similar bonds;
- it verifies application of the SRI policy by external asset management companies, in terms of both stock picking using the best-in-class principle and ERAFP's voting policy at shareholders' general meetings;
- it ensures that the contracts signed with external SRI rating agencies are properly executed;
- it represents ERAFP in collaborative engagement initiatives, market initiatives or during individual engagement actions or in the framework of the shareholder engagement policy adopted by the board of directors;
- it reports to the board of directors and the CSPP on implementation of the SRI policy and provides support for preparatory work performed by directors.

RATING AGENCIES

The rating agencies – currently Vigeo and its partner Oekom – are responsible for analysing the asset portfolio on a quarterly basis and providing detailed reports on each asset class to ERAFP.

ASSET MANAGEMENT COMPANIES

The management of asset classes other than sovereign and similar bonds has been delegated to asset management companies.

At the end of 2013:

- two companies (Amundi and Groupama AM) managed investment grade euro-denominated corporate bonds;
- two companies (Schelcher Prince Gestion and Lombard Odier Gestion) managed convertible bonds, one in Europe and the other globally.
- six companies (Amundi, Axa Investment Managers Paris, BNP Paribas Asset Management, Edram, Rothschild et Cie Gestion and Tobam AM) managed equities of large, listed euro-zone companies;
- one company (BNP Paribas Asset Management) managed listed euro-zone small and mid caps;
- one company (Sycomore AM) had been awarded the mandate to manage listed French small and mid caps;
- two companies (Allianz GI France and State Street Global Advisors France) managed equities of large, listed international companies (excluding emerging countries);
- two companies (Natixis AM and Robeco Institutional Asset Management) managed equities of large, listed North American companies;
- one company (Amundi) managed a multi-asset portfolio;
- one company (AEW Europe SGP) managed French real estate assets;
- one company (AXA Real Estate Investment Managers SGP) managed European real estate assets.

VIGEO & OEKOM

SRI RATING AGENCIES

A POLICY
OF GRADUAL DIVERSIFICATION

+ ERAFP's investment policy aims to reconcile financial performance, risk management and socially responsible commitment within the strategic asset allocation approved by the board of directors.
+ Around €1.77 billion was received in contributions in 2013. As a long-term investor, ERAFP seeks to optimise the return on its portfolio while keeping the Scheme's risk exposure to an acceptable level.

The asset allocation approved by the board of directors for 2013 called for gradual diversification into new asset classes:

+ real estate;
+ French small caps;
+ North American equities;
+ US corporate bonds.

As ERAFP needed to delegate the management of these investments, procedures for the selection of investment management companies were put in place in 2013. Once the real estate mandates had been awarded, the managers set up dedicated vehicles and started the search for suitable assets. As competition between investors remained strong throughout the year in this asset class, only one property acquisition had been finalised by 31 December.

Accordingly, the majority of investments in 2013 (65%) were channelled into bonds, even though the persistently low interest-rate environment yielded few suitable opportunities on the markets. Some 32% of investment flows were into public sector bonds and 25% into corporate bonds, the latter being made possible by an easing of certain investment regulations concerning the weight of less well-rated issues in an environment marked by deteriorating ratings in the investment universe and a lengthening of investment duration. Lastly, the convertible bond portfolio has expanded rapidly since its introduction in 2012, receiving 7% of investment flows in 2013.

The regulatory limits on variable-income investments (25% of assets) are now constraining investment in equities. Despite numerous opportunities on the equity market, only 24% of investment flows could be invested in this asset class in 2013. Diversification of the Scheme's assets, particularly on a geographic basis, was nevertheless possible as the multi-asset portfolio gathered pace, receiving 9% of investment flows.

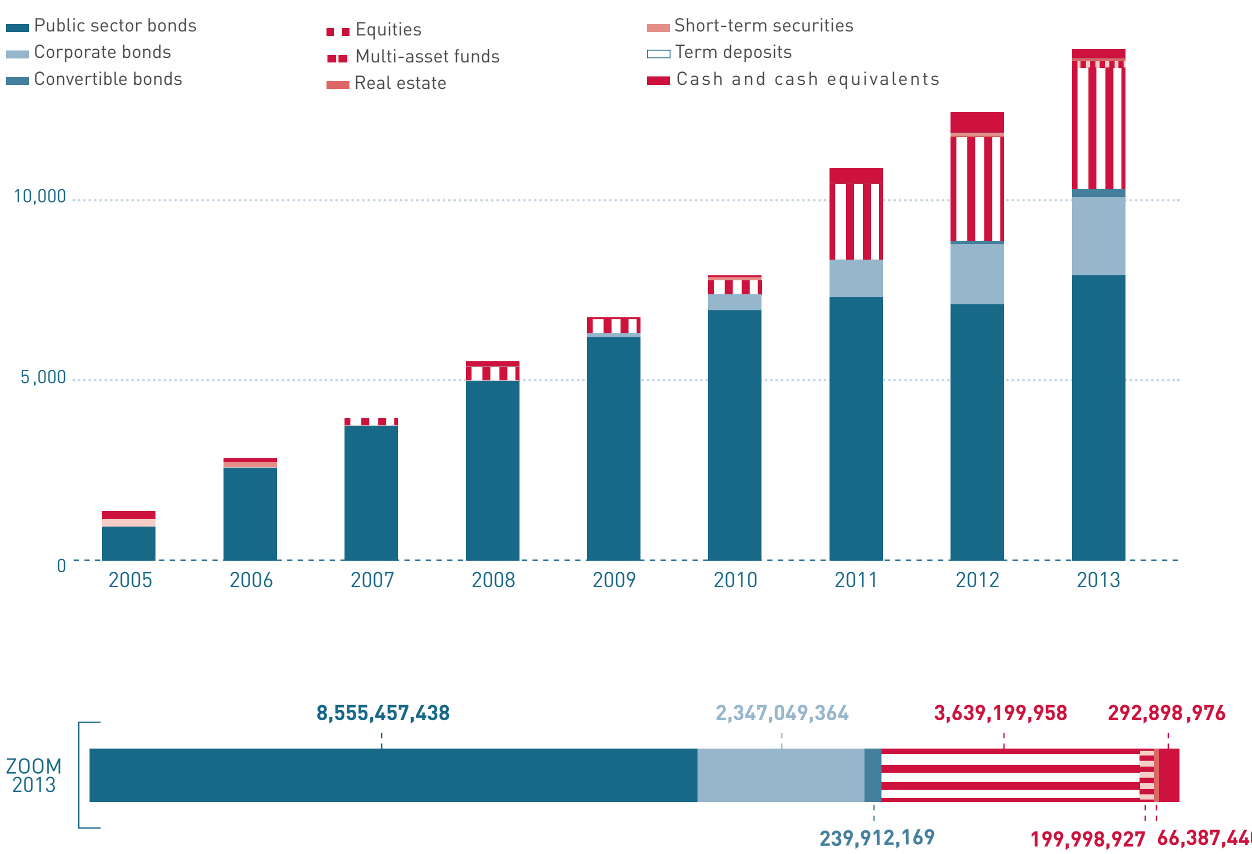
Lastly, 2% of investment flows were invested at the year end in the real estate portfolio.

At the start of the year, the bond portfolio represented 71% of the Scheme's assets. ERAFP is a long-term investor and aims to hold bond investments to maturity. Any bond disposals are made essentially for arbitrage purposes to improve asset-liability matching and, more marginally, to benefit from particular market situations. ERAFP is therefore required to limit purchases of securities the returns on which would materially reduce the portfolio's average yield or which present a high default risk.

After maintaining a very high position in cash and cash equivalents to end-2012 (€731 million), which is very poorly remunerated, ERAFP decided in 2013 to invest the major part of this position which, nevertheless, still stood at €293 million at 31 December 2013. This decision was taken as a result of the regulations binding the Scheme's investments, to take into account the risk of the principal bond rates remaining persistently low.

PORTFOLIO COMPOSITION (at amortised cost, in millions of euros)

Source — ERAFP



ECONOMIC AND FINANCIAL SITUATION IN 2013

2013 was marked by a re-balancing of world growth, with an improved growth outlook for developed countries and a slowdown in emerging countries. Despite a resurgence of concerns over sovereign debt in the euro zone, bond yields tended to remain at low levels.

MACRO-ECONOMIC ASPECTS

The rebooting of developed economies was closely connected to more expansive monetary policies, which resulted in a recovery in the services and construction sectors and, to a lesser extent, the manufacturing sector - which explains the continuing weakness in international trade.

In the United States, despite spending restrictions, growth held at 1.9% in 2013, although this was down from 2012, when it came in at 2.8%[18]. At the same time, the unemployment rate continued its sharp decline from the 10% peak of October 2009, to 6.7% in December 2013[19].

In the euro zone, GDP fell by around 0.4% in 2013, having contracted by 0.7% in 2012[20]. While the economy was in recession over the year as a whole, the economic situation had improved markedly by year-end.

The zone's gradual emergence from recession sprung from a series of positive factors: an incipient strategic shift in fiscal policy allowing countries more time to cut their deficits; deflation, restoring purchasing power for consumers; and a return of confidence in the unity of the euro zone. The adjustment of peripheral countries' current account balances and progress on banking union were particularly supportive.

The central banks revised their communication strategy towards economic and financial stakeholders in 2013. Whether at the Fed, the ECB, the Bank of Japan or the Bank of England, the forward guidance policies, which serve to steer interest rates based on long-term macro-economic projections, are becoming increasingly formal. Furthermore, the Fed is overtly making decisions based on a series of different macro-economic indicators.

As regards inflation, the year under review could represent an alarming turning point, especially in Europe. Global inflation is low and stable, but this stability belies two different trends. Inflation is lower in the developed countries (and China) but higher in emerging countries (currency depreciation) and Japan (reflationary policy).

Euro-zone inflation tumbled in 2013, falling from 2% annualised in early 2013 to a low of 0.7% in October[21]. A similar trend continued in the United States, where inflation averaged 1.4%, down from 2.1% in 2012[22].

With the recovery having set in in the latter half of 2013, the global economy is expected to grow marginally in 2014, but deflationary risk is returning to centre stage.

FINANCIAL ASPECTS

At the beginning of the year, the tightening of yield spreads initiated by the markets was abruptly cut short by a new political crisis in Italy. The markets immediately marked down Italian debt, which pushed yields back up to around 4.90%. The Cypriot problem ensued, with accompanying fears of default by some European countries.

The continuing deterioration of the euro-zone economy drove investors to favour the bonds of countries perceived as being the safest, with as a corollary a sharp decrease in yields on 'core' countries. The yield on ten-year German government bonds fell to an all-time low of 1.20% in mid-March 2013 while the French ten-year OAT dipped to 1.66% on 2 May.

At its June FOMC[23] meeting, the Fed confirmed its intention to begin tapering its quantitative easing (QE) programme. Expectations of a liquidity squeeze led to a correction in government bond prices. Risky assets, which had benefited considerably from the Fed's unconventional policy, suffered a substantial sell-off and equity and bond prices saw a downward correction. The yield on the ten-year Bund rose from 1.16% to 1.81% in a matter of weeks, while risk premiums on peripheral government bonds jumped by between 50 and 80 basis points.

Emerging markets underwent a marked correction over the summer, impacted by the wholesale withdrawal of foreign capital in anticipation of the Fed's tightening of monetary policy, which coincided with concerns over rising tensions in Syria and the Middle East. The relative improvement in the macro-economic picture for the euro zone resulted in yield increases of between 25 and 30 basis points on 'core' countries, followed by a fall in spreads between peripheral country and German yields.

In September, the publication of downbeat indicators in the US and the return of the fiscal cliff were the main drivers behind market movements. The deterioration of the political climate re-awoke fears of spending cuts and payment default by the US government. The yield on US ten-year treasuries, which had risen to 3% in early September, fell back to 2.61% on 30 September. The yield on the German ten-year Bund fell in the wake of that of US treasury bonds, while, boosted by the prospect of continued liquidity injections, risk premiums on peripheral markets contracted.

With the marked improvement in US macro-economic data in November came an increased probability of asset purchasing tapering by the Fed, and with that, upward pressure on yields.

[18] Source IMF
[19] Source *Bureau of Labor Statistics*
[20] Source Eurostat
[21] Source Eurostat
[22] Source IMF

THE BOND PORTFOLIO

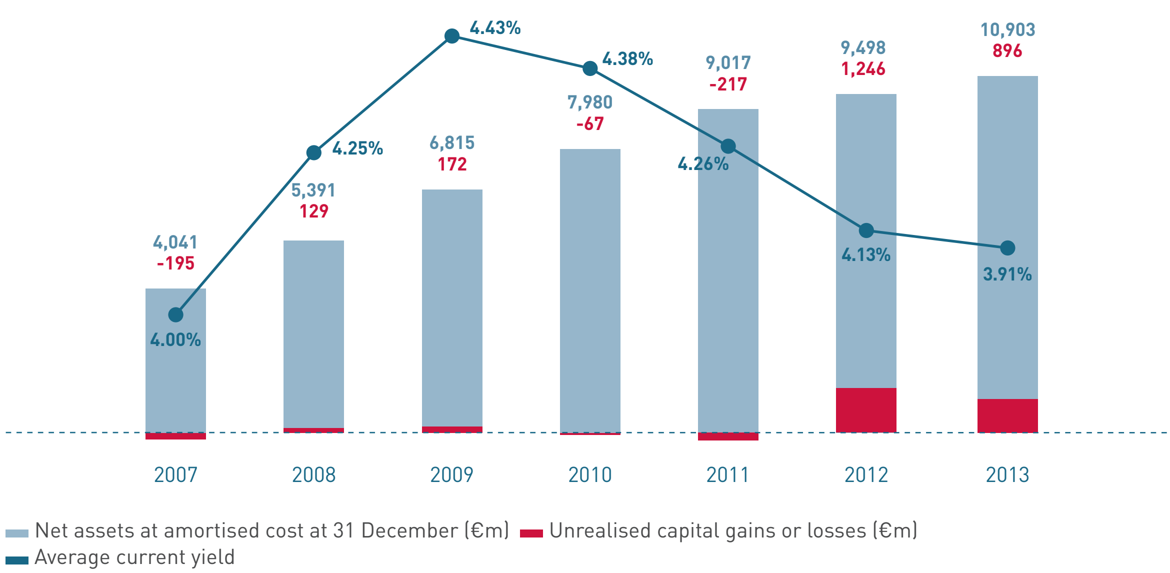
At 31 December 2013, the bond portfolio (excluding convertible bonds) totalled €10,903 million at amortised cost, corresponding to 71.1% of ERAFP's total assets. It is split between fixed-rate sovereign and similar bonds (43.1% of total assets or €6,619 million), inflation-indexed bonds (12.6% or €1,936 million) and corporate bonds (15.3% or €2,347 million).

At end-2013, the bond portfolio had generated unrealised capital gains equivalent to 8.2% of its amortised cost. While this was lower than in 2012 (13.1%), there was a concurrent decline in unrealised capital losses on securities[23].

With an average duration of 8.6 years, the bond portfolio's yield-to-maturity was 3.91%[24], down slightly from 4.13%. Despite a slight increase at the end of 2013, the yield on portfolio securities thus remains higher than that on recent issues.

CHANGE IN AVERAGE YIELDS AND CAPITAL GAINS AND LOSSES ON THE BOND PORTFOLIO SINCE 2007

Source — ERAFP



[23] These unrealised capital losses have not at any time been considered as losses, as ERAFP's capacity to hold loans to maturity is recognised in the regulations and by the French public accounting standardisation board (Conseil de normalisation des comptes publics).

[24] For inflation of 2%.

[25] For inflation of 2% (3.53% excluding inflation).

[26] Outright Monetary Transactions, program of the ECB under which it purchases securities on the secondary sovereign bond market of the Eurozone.

PUBLIC SECTOR BONDS

All public sector bonds are managed directly by ERAFP. Their carrying amount totalled €8,555 million at end-2013. With an average duration of 9.4 years, the bond portfolio's yield-to-maturity was 4.01%[25].

Sovereign bonds accounted for 91% (€7,799 million) of these securities, corresponding to more than half of the Scheme's total assets. They include fixed-rate and inflation-indexed bonds issued by euro-zone States as well as bonds guaranteed by these States, such as bonds issued by Kreditanstalt für Wiederaufbau, the German public sector development bank.

The other public sector bonds are issued by OECD local authorities (3% of the public sector bond portfolio, or €278 million) and supra-national institutions (6%, or €479 million).

In 2013, yields on sovereign bonds fell to historical lows.

In the uncertain conditions prevailing at the start of 2013, bond transactions were essentially limited to tactical trades:

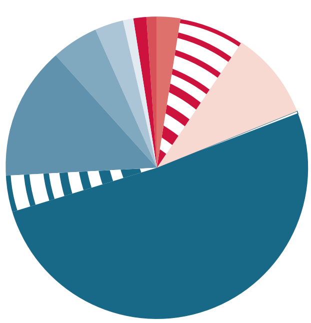
- investment in Spanish, Italian and Irish sovereign bonds with maturities of less than three years, making them eligible for OMT[26];
- sales of Dutch sovereign bonds and German non-sovereign bonds to take profits;
- re-investment in 20-year OATs.

Transactions during the rest of the year consisted mainly of purchases of 20-year French and Belgian bonds - when it was possible to take advantage of rising yields - and of inflation-indexed Italian sovereign bonds.

ERAFP divested some Portuguese sovereign bonds as from the summer of 2013 to give balance to the public sector debt portfolio. ERAFP sold some Irish government bonds at a profit to offset the portfolio's realised capital losses.

BREAKDOWN OF PUBLIC SECTOR BONDS BY COUNTRY AT 31 DECEMBER 2013 (AT AMORTISED COST)

Source — ERAFP

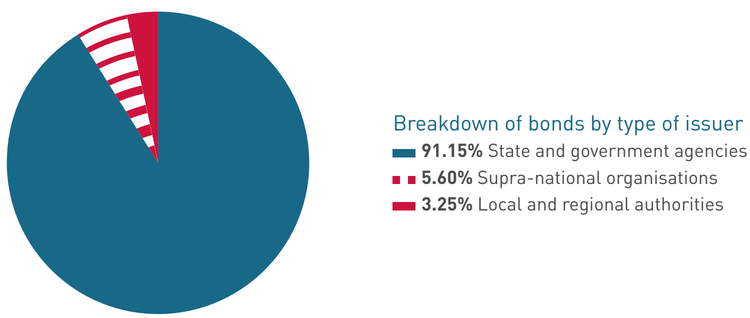


Breakdown of bonds by country

2.49% Germany
6.66% Austria
9.15% Belgium
0.59% Canada
3.15% Spain
0.36% Finland
49.20% France
0.00% Greece
3.58% Ireland
13.80% Italy
4.68% Luxembourg
2.88% Netherlands
1.10% Poland
1.43% Portugal
0.92% Switzerland

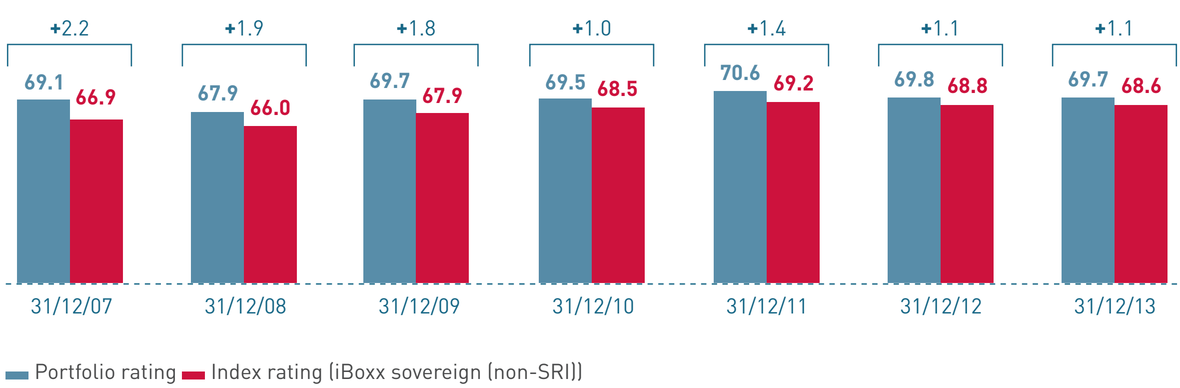
BREAKDOWN OF PUBLIC SECTOR BONDS BY ISSUER TYPE AT 31 DECEMBER 2013 (AT AMORTISED COST)

Source — ERAFP



CHANGE IN THE AVERAGE SRI RATING FOR THE SOVEREIGN BOND PORTFOLIO COMPARED WITH THAT OF THE AVERAGE INDEX RATING

Source — Vigeo-Oekom



SRI PROFILE

Sovereign bonds

All issuers in the portfolio satisfy ERAFP's SRI eligibility criteria, based on the Oekom rating. Indeed, all States whose bonds are included in the ERAFP portfolio have received an average SRI rating of more than 50/100. In 2013, the portfolio's average SRI rating remained stable, as did the spread relative to the iBoxx Euro Sovereigns Eurozone benchmark index.

The SRI rating spread between the portfolio and the benchmark has narrowed over a six-year period, as it stood at 2.2 points in December 2007. From 2007 to 2009, the gradual reduction in the average spread between the portfolio's SRI rating and that of the benchmark resulted from the portfolio's diversification towards issuers[27] satisfying ERAFP's SRI requirements but which nevertheless:

- have average SRI ratings lower than those of the other euro-zone countries;
- offer higher returns along with better overall portfolio diversification.

To some extent, a positive correlation is observed between the financial solidity of the States and their SRI rating[28]. The more marked reduction in the average SRI rating spread between the portfolio and benchmark index in 2010 reflected mainly the reduced weighting in the index of certain countries whose SRI performance was below the euro-zone average and whose financial ratings were downgraded. As ERAFP gradually reduced its positions on some of these States in 2011, the SRI rating spread between the portfolio and its benchmark index increased again during the year. The slight reduction in the spread in 2012 is largely attributable to the sale of securities issued by so-called core countries, which have relatively better SRI ratings than other euro-zone countries. In 2013, the purchase of relatively large amounts of French and Belgian sovereign bonds offset the negative impact from an SRI point of view of the purchase of short-dated securities of less well-rated countries. This explains why the portfolio's average consolidated SRI rating remained virtually unchanged in 2013.

Local and regional authority bonds

ERAFP is a relatively large investor in this segment of the bond market. The lack of liquidity in the local and regional authority bond market is not a dissuasive factor for an investor such as ERAFP, whose policy is to hold bonds until they mature.

This portfolio comprised five lines at end-2013, one of which was a 'club' issue by a large number of French regions, départements, communes or groups of communes and urban authorities.

In markets with only limited liquidity, by suspending its securities purchases the Scheme can provide an incentive for the authorities concerned to participate in the SRI ratings process so as to improve the relevance of the ratings.

[27] ERAFP's initial investments in sovereign bonds involved French government bonds with a high SRI rating. Consequently, any diversification towards government bonds of less highly rated countries necessarily decreased the portfolio's average SRI rating.

[28] The Irish example nevertheless illustrates that the two cannot be considered equivalent, since the country's SRI rating is relatively high and, before the crisis, the country was also considered to be in a healthy financial position.

Thus in 2008 ERAFP initiated an engagement process with the local and regional authorities it was most likely to invest in:

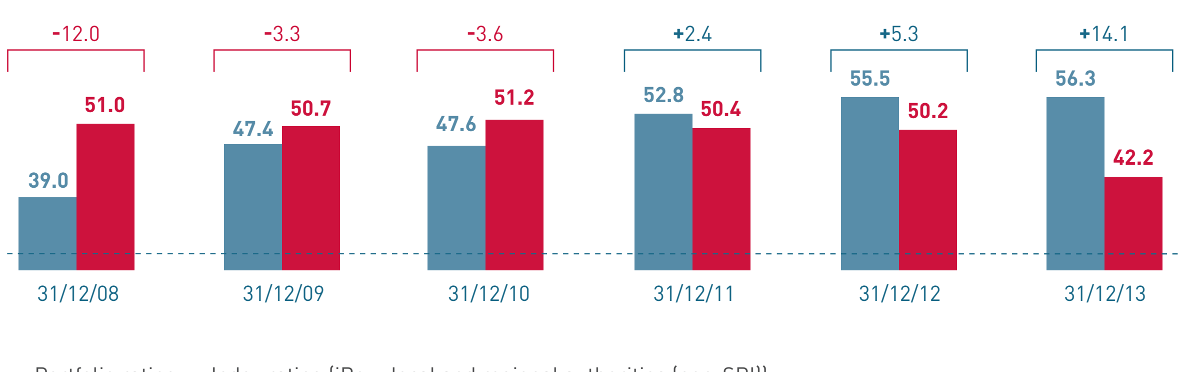
- Firstly, between 2008 and 2011, ERAFP worked with 26 rated authorities to explain its SRI investment policy and requirements. It then focused its efforts on authorities in the portfolio with lower SRI ratings, informing them that it would not be able to invest further in their securities unless they improved their ratings. The impact of these discussions was particularly positive with one authority, which achieved a significant improvement in its average SRI rating. At the same time, ERAFP worked with its SRI research providers in adapting rating tools and methods to better reflect the specific characteristics of local and regional authorities.
- In 2012, ERAFP subscribed to the first 'environmental and social' bond issue, when the Ile-de-France region issued a Sustainable Bond on the euro market. By investing in this issue, ERAFP is helping to finance energy-related projects (zero-energy schools, geothermal energy and sustainable mobility), social housing, biodiversity protection and the social and solidarity economy.
- In 2013, ERAFP organised a meeting with Association des Régions de France with a view to presenting its SRI approach in more depth, and investors' expectations in terms of issuers' communication about environmental, social and governance issues.

This initiative had a generally positive impact in terms of improving the average SRI rating of ERAFP'S local and regional authority bond portfolio: on average the portfolio's SRI ratings have climbed significantly in recent years, and now stand well above those of the benchmark index (up 14.1 points at 31 December 2013).

The substantial increase in the spread between the portfolio and the benchmark index also reflects a marked decrease in the benchmark's average SRI rating in 2013. This is accounted for by the downgrading of certain local and regional authorities in the benchmark on local employment criteria and the introduction into the benchmark of a Spanish authority with poor transparency on the application of environmental, social and governance considerations in its local administration policy.

CHANGE IN THE AVERAGE SRI RATING FOR THE LOCAL AND REGIONAL AUTHORITY BOND PORTFOLIO COMPARED WITH THAT OF THE AVERAGE INDEX RATING

Source — Vigeo-Oekom



CORPORATE BONDS

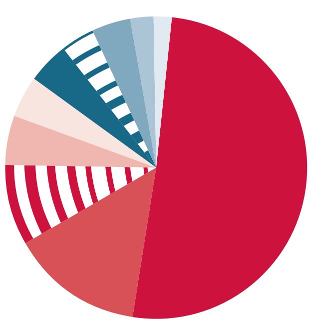
The corporate bond portfolio is managed on behalf of ERAFP under mandate by Amundi and Groupama AM. Its carrying amount was €2,347 million at end-2013. With an average duration of 5.8 years, the bond portfolio's average yield-to-maturity was 3.28%.

Returns on euro-zone corporate bonds remained weak in 2013 owing to the low sovereign interest rate environment prevailing in OECD countries. Some €543 million was invested during the year in the two 'euro credit' mandates. A continuing significant level of investment was made possible by relaxing certain investment rules on the weightings of less well rated issues, against a backdrop of rating downgrades for the investment universe and lengthening investment horizons.

Part of the Scheme's cash is also managed by the 'euro credit' mandate holders.

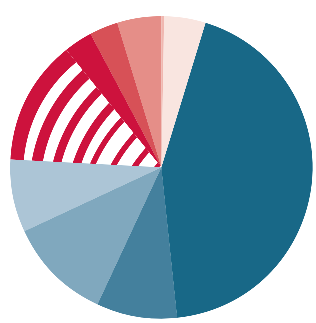
BREAKDOWN OF CORPORATE BONDS BY SECTOR, REGION AND RATING AT 31 DECEMBER 2013 (AT AMORTISED COST)

Source — ERAFP



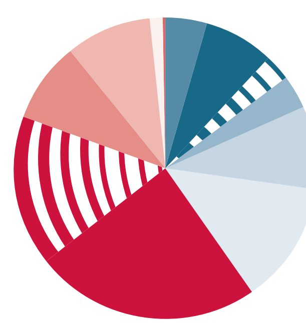
Breakdown by sector

- **50.9%** Financials
- **14.4%** Utilities
- **8.6%** Industrials
- **5.2%** Communications
- **4.4%** Non-cyclical consumer goods
- **4.4%** Commodities
- **3.7%** Money market
- **4.2%** Cyclical consumer goods
- **2.6%** Energy
- **1.7%** Other



Breakdown by country

- **44.30%** France
- **8.83%** Netherlands
- **9.23%** UK/Ireland
- **7.92%** Italy
- **13.59%** Germany
- **3.24%** Australia
- **3.04%** Spain
- **4.81%** Scandinavia
- **0.54%** United States
- **4.49%** Other



Breakdown by rating

- **7.6%** AAA
- **2.9%** AA+
- **3.4%** AA
- **9.0%** AA-
- **13.2%** A+
- **24%** A
- **16.3%** A-
- **8.7%** BBB+
- **9.2%** BBB
- **1.2%** BBB-
- **0.2%** BB+
- **4.3%** Unrated (money market)

SRI PROFILE

On average this bond portfolio has SRI ratings well above those of the benchmark index, the iBoxx Euro Non-sovereigns. The portfolio's average SRI rating has risen steadily since its creation in 2009, reflecting the sparkling SRI performance of the two investment mandates.

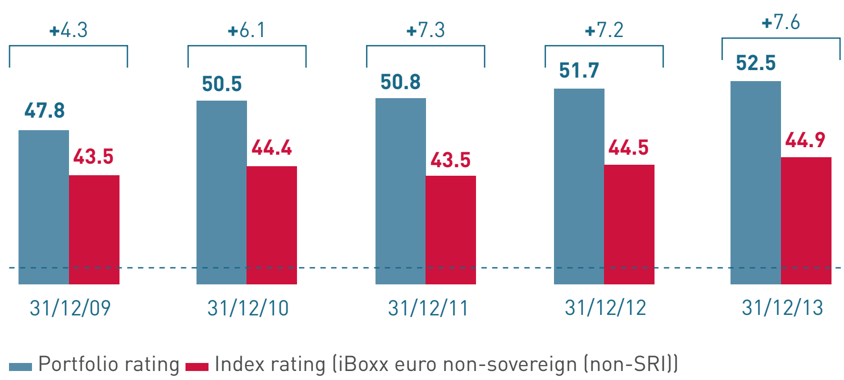
The significant positive SRI rating spread between the portfolio and the benchmark demonstrates the relevance of the best-in-class approach in a universe of issuers with very diverse ESG practices. In practice, issuers eligible for investment under these mandates are split between four categories:

- financial companies;
- non-financial companies;
- issuers of collateralised bonds[29];
- agencies[30], which are private or public entities more or less controlled by the State or local or regional authorities.

The investment universe comprises both listed and unlisted issuers so the best-in-class analysis is particularly important: the SRI performance spread between the best issuers and the remaining issuers is much greater in this investment universe than in the large listed corporates universe, for example.

CHANGE IN THE AVERAGE SRI RATING FOR THE CORPORATE BOND PORTFOLIO COMPARED WITH THAT OF THE AVERAGE INDEX RATING

Source — Vigeo



[29] A collateralised bond is one for which interest payments and redemption proceeds are derived from income flows from an asset, which also serves to guarantee the bond.

[30] For example, local authority banks such as Bank Nederlandse Gementeen (BNG) in the Netherlands, Caisse des Dépôts et Consignations in France, *etc.*

THE CONVERTIBLE BOND PORTFOLIO

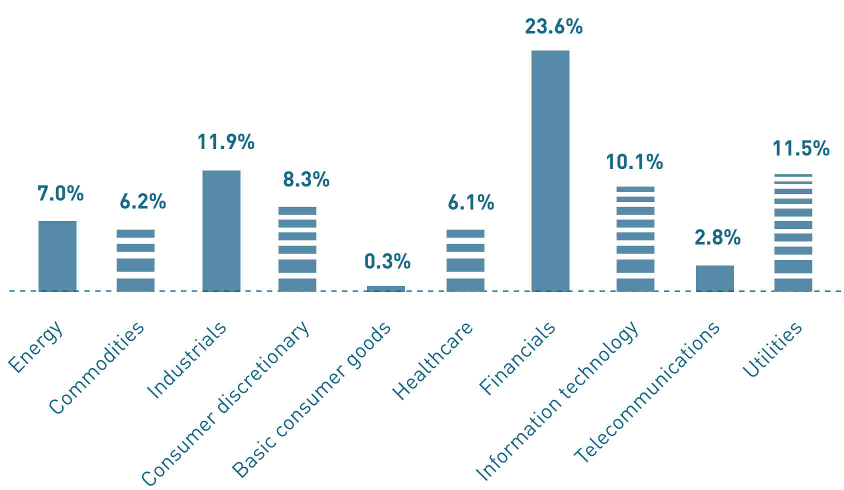
The currently active mandates have been awarded to Schelcher Prince Gestion (Europe) and Lombard Odier Gestion (International).

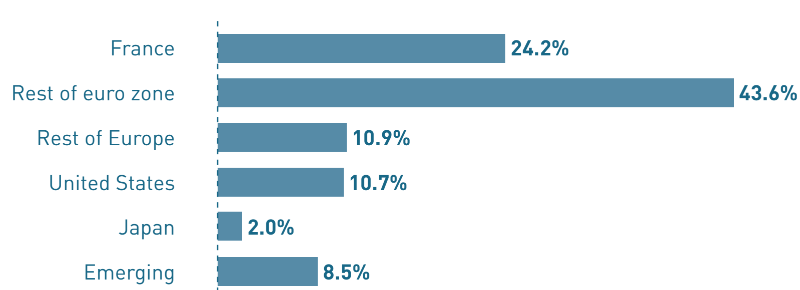
Funds were invested for the first time in the two mandates at the end of 2012, with investment gradually stepped up over the course of 2013. At 31 December 2013, the convertible bond portfolio totalled €240 million at amortised cost, corresponding to 1.6% of ERAFP's total assets.

At end-2013, it had generated unrealised capital gains equivalent to 8.1% of its amortised cost. This reflected the strong equity market performance of 2013.

BREAKDOWN OF THE CONVERTIBLE BOND PORTFOLIO BY SECTOR AND COUNTRY AT 31 DECEMBER 2013 (AT MARKET VALUE)

Source — ERAFP





SRI PROFILE

In both cases, the SRI approach adopted is similar to that used for equity management and corporate bond management mandates: all the issuers are assessed using ERAFP's SRI criteria and then compared with each other in their respective region and business sector. The investment managers must then select bonds from the issuers with the best SRI ratings in each sector.

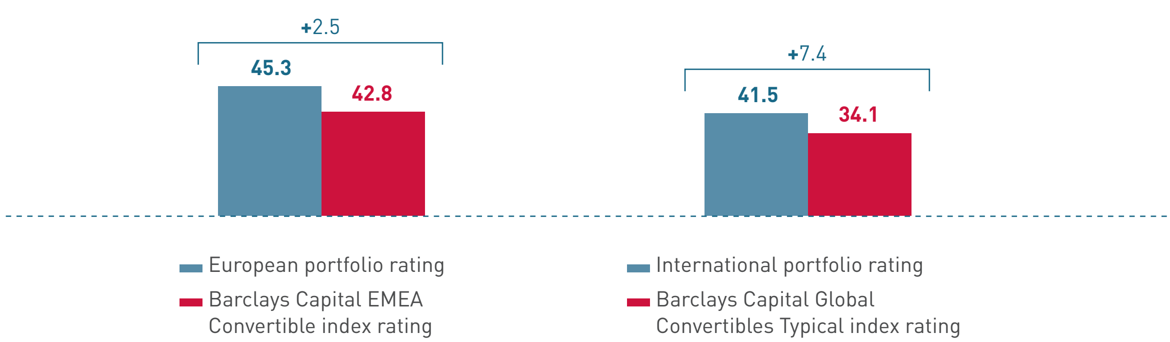
As the regions covered by each mandate are different, two separate benchmark indices are used to assess the SRI quality of these two categories. Vigeo's assessment of the portfolio at end-December 2013 showed that the results produced by the managers were positive from an SRI perspective. Both categories of the portfolio obtained higher average scores than their benchmarks. While in absolute terms the international convertible bond portfolio appears to rank less highly for SRI quality than the European portfolio, its average SRI score was considerably higher than that of its benchmark index.

The rating difference between the two portfolios can be attributed to the very strong contingent of North American and Asian issuers in the international portfolio: ERAFP's SRI guidelines place strong emphasis on the consideration of social criteria such as respect of union rights and the promotion of management-worker dialogue, in respect of which European companies are generally more advanced than their US and Asian counterparts.

The significant SRI rating spread between the international portfolio and its benchmark demonstrates the particularly positive impact of the best-in-class approach in an extensive universe of issuers with very different SRI practices.

AVERAGE SRI RATING FOR THE CONVERTIBLE BOND PORTFOLIOS COMPARED WITH AVERAGE INDEX RATINGS AT 31 DECEMBER 2013

Source — Vigeo



THE EQUITY PORTFOLIO

At 31 December 2013, the equity portfolio totalled €3,639 million at amortised cost, corresponding to 23.7% of ERAFP's total assets. It is split between euro-zone corporate equities (18.1% of total assets or €2,779 million) and international blue chips (5.6% or €860 million).

ERAFP has delegated management of the equity portfolio. In November 2013, ERAFP awarded a French small-cap active management mandate to Sycomore AM. It also appointed two standby managers: Amiral Gestion and Moneta Asset Management. In December 2013, it awarded two North American equity active management mandates to Natixis AM and Robeco Institutional Asset Management. A stand-by mandate was also awarded to Morgan Stanley IM.

At the end of 2013, the two equity portfolios were therefore split into 12 mandates, including eight euro-zone equity mandates awarded to Amundi, AXA Investment Managers Paris, BNP Paribas Asset Management (two mandates), Edram, Rothschild et Cie Gestion, Sycomore AM and Tobam AM, and four international equity mandates, awarded to Allianz GI France, Natixis AM, Robeco Institutional Asset Management and State Street Global Advisors France.

Indexed management

The main objective of indexed management is to reproduce the performance of a benchmark index. The composition of an index-managed fund (weight in the fund of each security and therefore of each business sector or country) is very similar to that of the benchmark index.

ERAFP indexed-managed mandates: Amundi, BNP Paribas Asset Management (euro-zone equities), State Street Global Advisors France (international equities).

Active benchmarked management

This is where the investments are similar to those of the benchmark index but investment management is more active than under pure indexed management. The management mandate may, in particular, specify:

- a limit on tracking error[31] relative to the benchmark;
- limits on the weight of individual issuers relative to the benchmark.

The investment manager therefore makes few significant changes, in terms of sector, geographic spread, themes or specific securities, from the benchmark.

ERAFP active benchmarked management mandates: AXA Investment Managers Paris, BNP Paribas Asset Management (euro-zone equities), Allianz GI France (international equities).

Active non-benchmarked management:

When building the portfolio, the investment managers may deviate materially from the benchmark. The mandate does not specify:

- any limit on tracking error;
- any maximum weighting by issuer relative to the benchmark.

For all ERAFP mandates, the investment managers must nevertheless select stocks from the SRI investment universe defined by ERAFP.

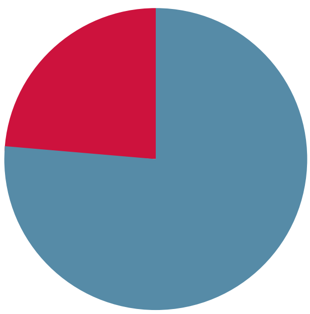
ERAFP active non-benchmarked management mandates: Edram, Rothschild et Cie Gestion, Tobam AM, Sycomore AM (euro-zone equities), Natixis AM, Robeco Institutional Asset Management (international equities).

At end-2013, the equity portfolio had generated unrealised capital gains equivalent to 28.1% of its amortised cost. In 2013, the portfolio's positive performance of 25.9% exceeded its performance in 2012 (18.6%), mainly thanks to the rise in equity markets over the year.

[31] Tracking error represents the volatility of performance variances between the fund and its benchmark index.

BREAKDOWN OF EURO-ZONE EQUITY FUNDS AND INTERNATIONAL EQUITY FUNDS (AT AMORTISED COST)

Source — ERAFP



At 31 december 2013

- **76%** Euro-zone equities
- **24%** International equities

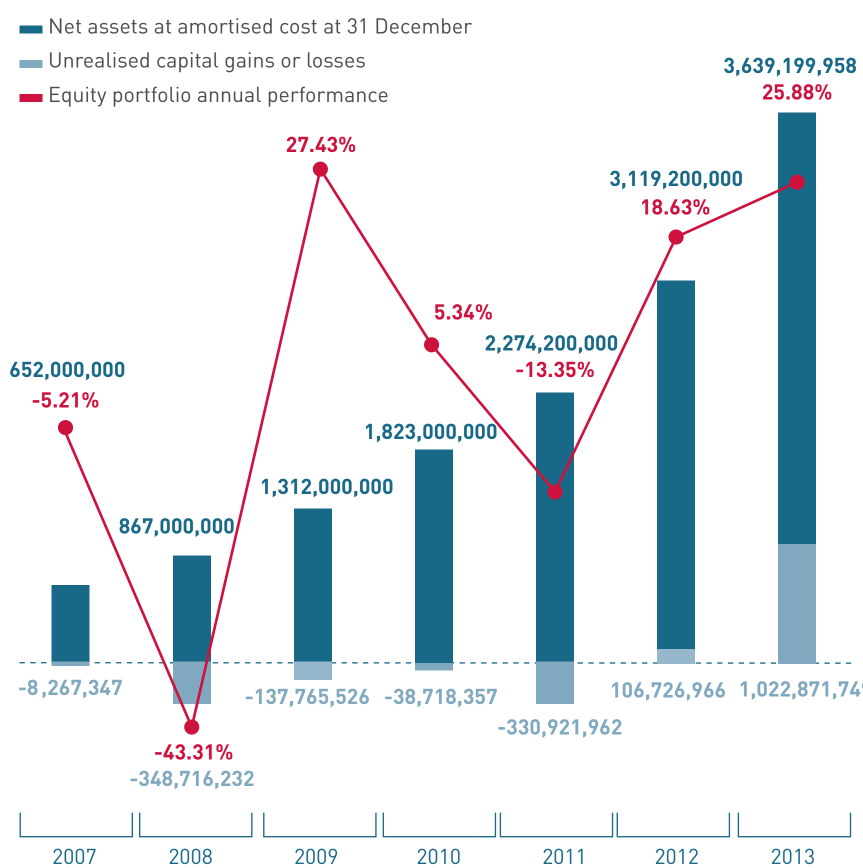
The euro-zone equities category posted a performance of 25.9%, in line with that of the international equities category, which came in at 25.7%.

Investments in the equity mandates represented 24% of funds invested in 2013, or €520 million. As the Scheme has reached its upper investment limit under its regulatory framework, it was unable to seize the numerous opportunities presented by the equity markets over the course of the year.

In terms of risk dispersion, the ten largest investment lines held by the various euro-zone equity mandates represented 22.9% of the category at end-2013. This was lower than the corresponding figure for the MSCI EMU SRI benchmark index (31.5%). Risk dispersion was even more marked in the international equities category, with the ten largest lines representing just 19.2%. In contrast, the MSCI World benchmark was less concentrated than the portfolio (9.49% for the ten largest lines).

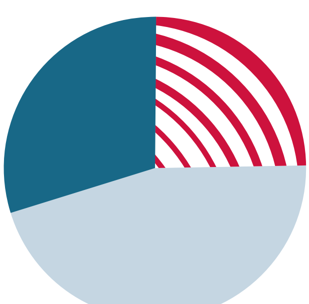
CHANGE IN ANNUAL PERFORMANCE AND UNREALISED CAPITAL GAINS AND LOSSES ON THE EQUITY PORTFOLIO

Source — ERAFP



BREAKDOWN OF EQUITIES BY MANAGEMENT TYPE (AT AMORTISED COST)

Source — ERAFP



At 31 december 2013

- **24%** Indexed management
- **46%** Active benchmarked management
- **30%** Non-benchmarked management

SRI PROFILE

Euro-zone equities

Vigeo's extra-financial research now covers 97% of companies in the MSCI EMU index[32], corresponding to more than 99% of the index's value. The following analysis may therefore be considered as representative of the entire portfolio.

At 31 December 2013, nearly 40% of the portfolio was invested in companies in their category's first SRI quartile, in other words in companies obtaining the best SRI ratings in their sector. This shows that the best-in-class principle is being correctly applied by ERAFP's delegated investment management companies.

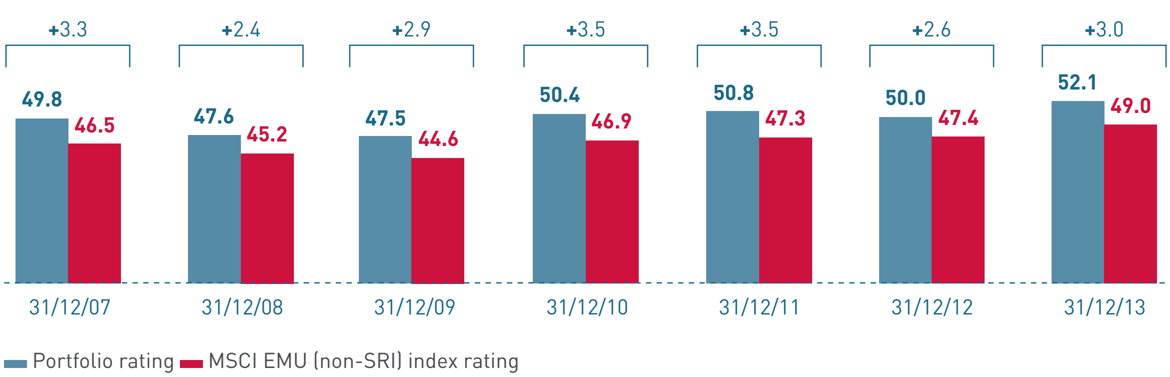
The portfolio's average SRI rating has followed an upward trend since December 2007, at the end of 2013 reaching its highest level (52.1/100) since ERAFP first launched equity management mandates.

The spread between the portfolio's average SRI rating and that of the MSCI EMU benchmark is significant: albeit lower than at end-2007 and end-2011: Vigeo calculates it at 3 points.

Between end-2007 and end-2008, the portfolio's average rating and its spread against the index reduced relatively significantly. In particular, this was due to the gradual inclusion in the rating, since the last quarter of 2007, of certain ERAFP criteria - in particular those covering social progress[33] and democratic labour relations[34] - which were not initially taken into account by Vigeo. In practice, the companies concerned in general demonstrated relatively low transparency on these issues and therefore received low ratings.

CHANGE IN THE EURO-ZONE EQUITY PORTFOLIO'S AVERAGE SRI RATING COMPARED WITH THAT OF THE BENCHMARK INDEX

Source — Vigeo



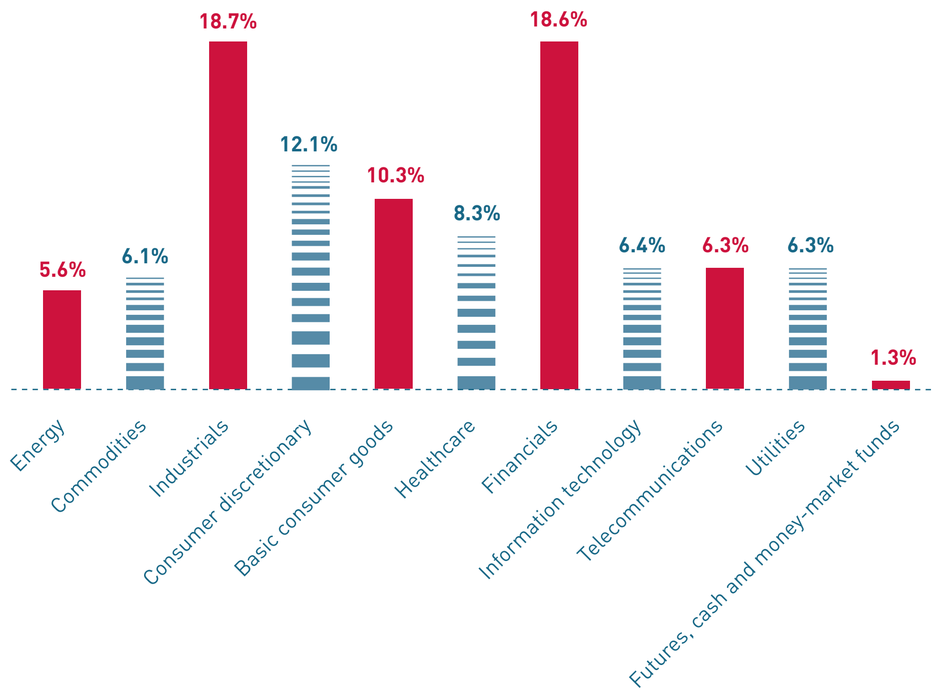
[32] The MSCI EMU index measures the stock market performance of euro-zone equities.

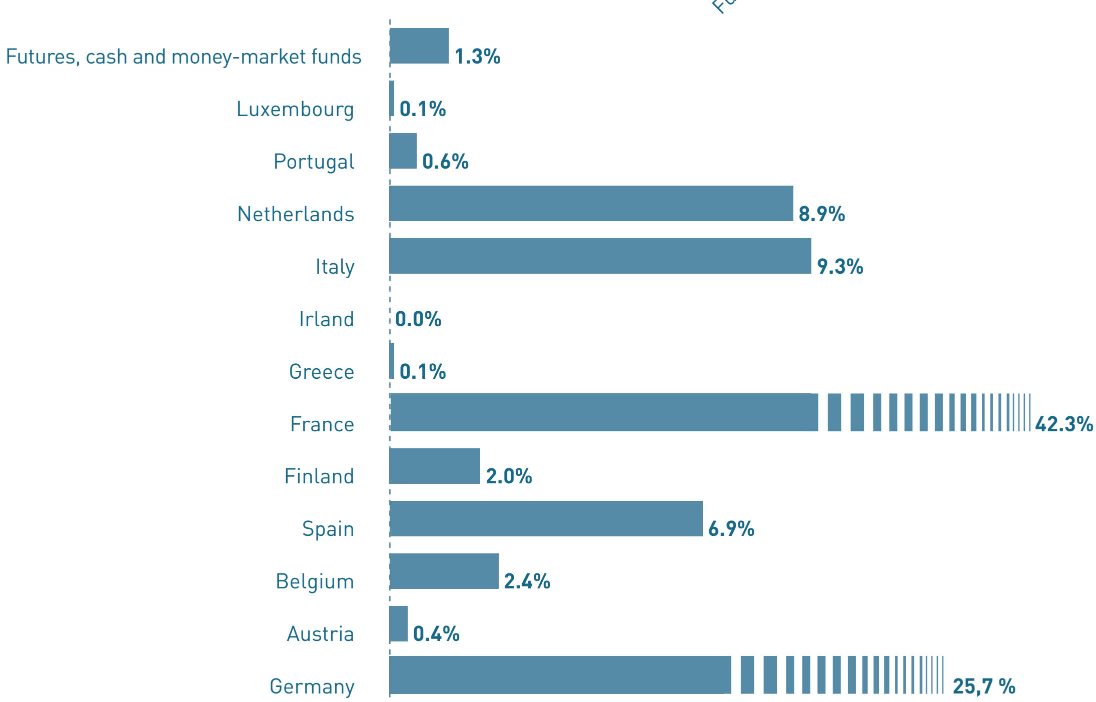
[33] Quality of contractual commitments, organic growth in employment, changes in relative remuneration of shareholders and employees, *etc.*

[34] Company's relations with employee representatives, *etc.*

BREAKDOWN OF EURO-ZONE EQUITIES BY SECTOR AND COUNTRY AT 31 DECEMBER 2013 (AT MARKET VALUE)

Source — ERAFP





However, the introduction of these new criteria does not fully explain the deterioration in the rating and, in order to reduce as far as possible the variances, ERAFP maintained active dialogue with the investment managers.

The allocation of investment flows to each investment manager also takes into account the SRI performance of each fund, although comparisons are difficult and cannot be limited to the quantitative analysis carried out by Vigeo because the management mandates put in place since 2011 are different, particularly as regards the methods of applying ERAFP's SRI system.

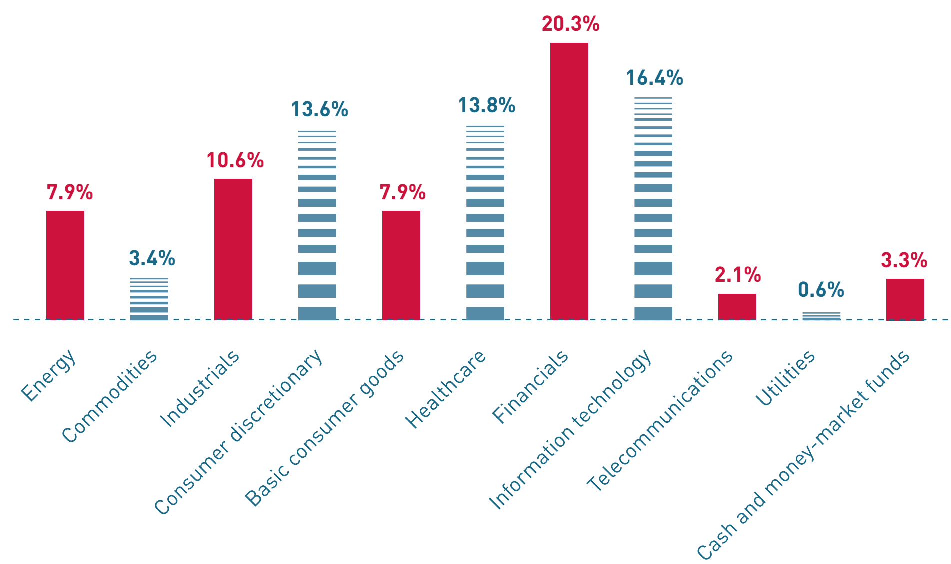
+ certain mandates correspond to an indexed management that replicates an index composed solely of securities of companies that Vigeo considers as being in compliance with ERAFP's SRI criteria: by definition, these funds therefore obtain high average SRI ratings from the rating agency
+ other mandates correspond to active non-benchmarked management within a universe of securities of companies that Vigeo considers as being in compliance with ERAFP's SRI criteria: the managers apply a conviction-based management approach that may be characterised by very marked investment choices (exclusion from investment of certain securities within the universe, pronounced over- or under-weighting of those of other companies) but which from an SRI perspective cannot contradict Vigeo's opinion;
+ lastly, certain funds are managed using an active benchmarked management mandate: from an SRI perspective these managers can favour their own internal SRI research over that of SRI rating agencies, and their opinions may therefore diverge from Vigeo's. In this case, the value added by the managers from an SRI standpoint is difficult to quantify but remains undeniable and takes the shape of detailed justification of their investment choices.

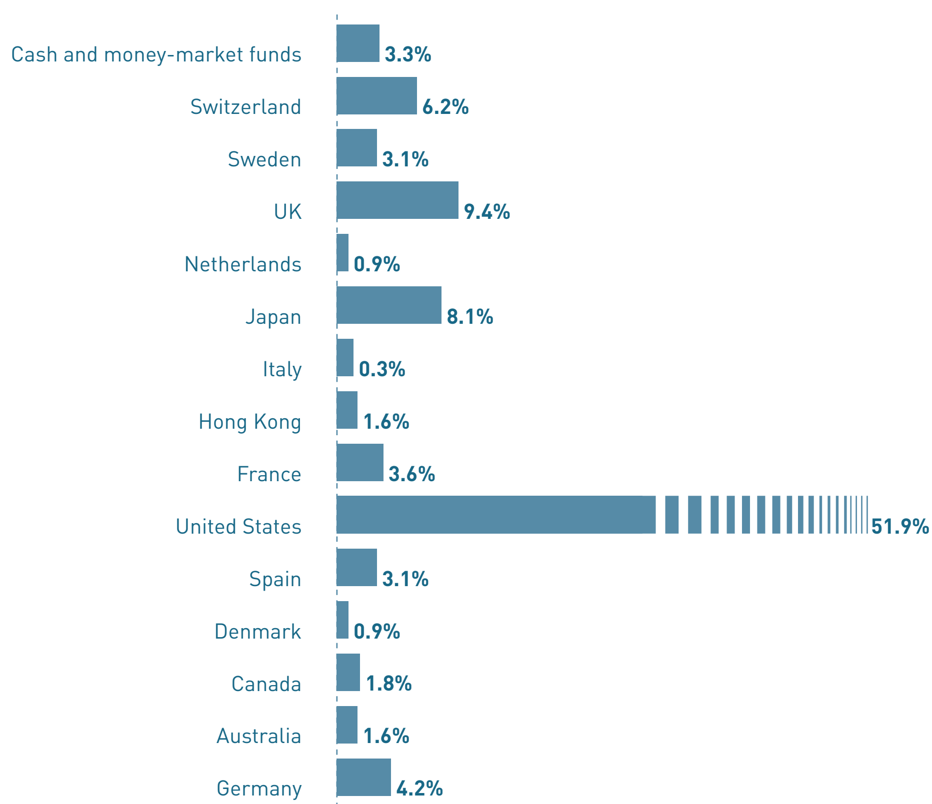
The overall improvement - according to Vigeo - in the euro-zone equity portfolio's SRI performance between 2012 and 2013 can therefore be attributed to:

+ ERAFP's almost exclusive gearing of its fund allocation towards funds with the best Vigeo ratings;
+ an improvement in the ratings of the various funds, reflecting partly the value added by the ongoing dialogue ERAFP maintains with its management companies to ensure that its SRI principles are duly applied.

BREAKDOWN OF INTERNATIONAL EQUITIES BY COUNTRY AND SECTOR AT 31 DECEMBER 2013 (AT MARKET VALUE)

Source — ERAFP





International equities

ERAFP now has a four-year track record from which to assess the international equity portfolio's SRI performance. Management of this portfolio has been delegated to two asset managers.

At 31 December 2013, Vigeo's extra-financial research covered 82% of companies in the MSCI World index[35], corresponding to 83% of the index's value. The following analysis may therefore be considered as representative of the entire portfolio.

The average ratings are well below those of the euro-zone equity portfolio, notably with regard to the social progress and democratic labour relations categories. The high proportion of US companies within the portfolio and the index[36] is one reason for the major difference with the euro-zone equity portfolio. Aside from the substantial cultural differences in these areas compared with the euro-zone countries most broadly represented in the equity market indices, the impact of the US regulatory framework also had an impact: for example, the US is not a signatory to any of the major conventions established by the ILO[37] on workers' rights to organise and to representation.

Although in absolute terms the portfolio's ratings are relatively low, its SRI performance is positive when compared with that of the benchmark, and stable compared with 2012: according to Vigeo, the portfolio's SRI outperformance against the benchmark stood at 1.8 points at end-2013.

Vigeo attributes this apparent reduction in the spread between the portfolio's SRI quality and that of the benchmark since 2011 to the reduction in the average SRI rating of one of the two funds making up the portfolio. As the investment manager in question does not use Vigeo as a supplier of extra-financial research, its opinion may differ quite materially from that of the rating agency.

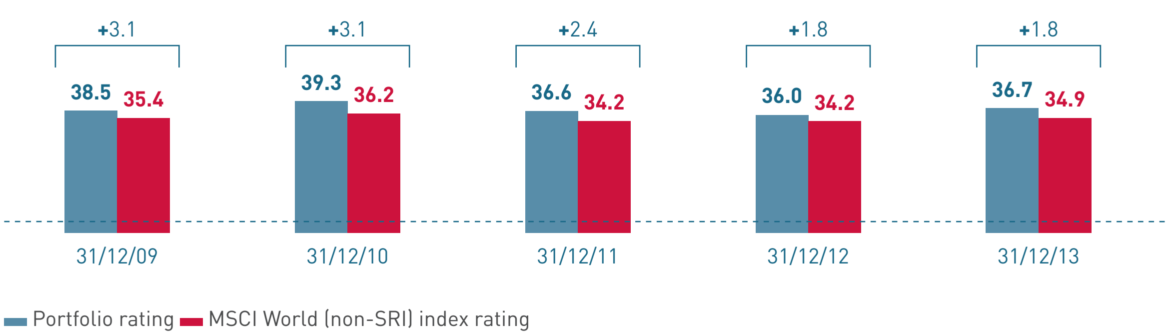
Exercise of voting rights

For 2013 ERAFP updated its guidelines on shareholder engagement, which notably include its voting policy on governance matters. In that document, ERAFP defines more precisely the governance principles it intends to promote as well as practical rules for their application in order to improve the framework for voting by management companies at general meetings.

Details of the application of the voting policy in 2013 are given on page 77 *et seq*.

CHANGE IN THE AVERAGE SRI RATING FOR THE INTERNATIONAL EQUITY PORTFOLIO COMPARED WITH THAT OF THE AVERAGE INDEX RATING

Source — Vigeo



[35] The MSCI World index covers securities listed throughout the world.

[36] At 31 December 2013, securities issued by US companies accounted for 49% and 52% of the portfolio and index, respectively.

[37] Convention 87 on Freedom of Association and Protection of the Right to Organise, Convention 98 on the Right to Organise and to Bargain Collectively and Convention 135 on Workers' Representation.

THE MULTI-ASSET PORTFOLIO

ERAFP awarded an SRI multi-asset fund of funds active management mandate to Amundi in March 2013. BNP Paribas Asset Management and Neuflize OBC Investissements are the stand-by managers for this mandate.

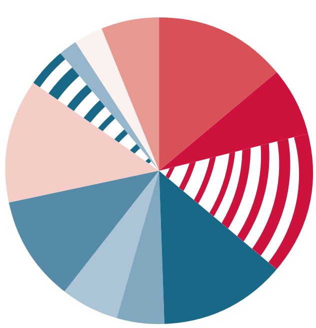
The manager's objective is to maximise performance by optimising the risk-return ratio through implementation of a diversified, flexible and dynamic investment approach. The fund is managed using a risk budget, based on a fundamental approach, with no benchmark constraint. This fund's risk budget was set at 20% for 2013. The multi-asset fund was launched at end-May with an initial amount of €100 million, and at 31 December 2013 it totalled €200 million at amortised cost, corresponding to 1.3% of ERAFP's total assets.

At end-2013, the fund had generated unrealised capital gains representing 1.7% of its amortised cost, and had posted a gain of 1.6% since its inception. Pursuant to its remit of geographical diversification, the fund has invested outside the OECD, particularly in emerging country corporate bonds and equities. As a measure of prudence the fund has maintained a cash reserve which, while having returned little in 2013, enables it to respond quickly in a still uncertain macro-economic environment. This money-market allocation is also designed to enable the fund to invest in private equity and Novo fund capital calls.

As such, ERAFP uses the multi-asset portfolio to invest in the funds set up to support economic activity by financing French SMEs[38] and ETIs[39]. This investment is presented above in the third section of this report (page 75).

BREAKDOWN BY ASSET CLASS AND REGION AT 31 DECEMBER 2013 (AT MARKET VALUE)

Source — ERAFP



Breakdown by asset class

- **14%** Money market
- **7%** Emerging bonds
- **0%** Securitisation funds
- **15%** High-yield bonds
- **13%** Investment grade bonds
- **5%** Convertible bonds
- **6%** US equities
- **11%** Emerging equities
- **13%** Small and mid-cap equities
- **4%** SRI theme – water
- **2%** SRI theme – intelligent energy
- **3%** SRI theme – clean energy
- **6%** Japanese equities
- **0%** Private Equity

Breakdown by region

- **6%** United States
- **14%** Europe
- **23%** Global
- **6%** Japan
- **18%** Emerging countries
- **33%** Euro zone

[38] Small and medium-sized enterprises.

[39] Entreprises de taille intermédiaire – companies with 500 to 5,000 employees.

SRI PROFILE

ERAFP has developed specific measures for applying its SRI criteria to the multi-asset fund of funds management mandate. It decided to base SRI-eligibility for the funds that Amundi selects on:

- analysis of the fund's investment process: to be eligible, funds must apply a best-in-class SRI approach or one based on an environmental theme such as combating climate change or protecting water resources, or a social theme such as health or fighting poverty;
- or analysis of the fund's SRI quality assessed based on the SRI rating of each issuer represented in the fund.

At end-2013, the fund was invested in around 15 funds covering various asset classes and regions.

It comprised four funds that invest in corporate bonds:

- two of these were eligible on account of their use of a selective best-in-class process, deemed effective in that its SRI criteria filtered out around one-third of companies making up the investment universe;
- the two other funds had sound SRI credentials with an average SRI rating higher than those of their benchmarks and a material over-weighting of best-in-class issuers (in each fund, issuers ranked in the top half of their sector from an SRI standpoint represented more than 66% of the fund's total value).

As regards listed equities:

- four funds were selected on the strength of their theme-based approaches, relating in particular to protecting water resources, promoting renewable energies and developing human capital;
- one fund that invests in large US companies was considered eligible on the basis of its particularly selective best-in-class approach;
- two funds, one of which targets Japanese companies' shares and the other emerging market equities, were selected on the basis of the relatively high average SRI rating of their constituent companies

Lastly, in addition to its investment in the Novo funds, ERAFP invests in the capital of unlisted companies through three funds that offer the requisite level of assurance as to the effective consideration of environmental and social issues in their investment process.

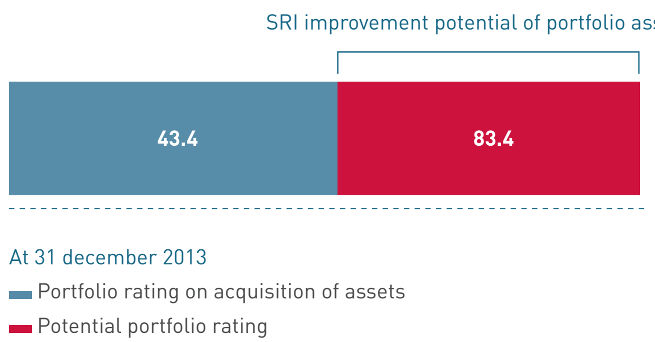
THE REAL ESTATE PORTFOLIO

ERAFP awarded two new real estate asset active management mandates in 2013. The first of these went to AEW Europe in February, and relates to French real estate investments[40]. Amundi Immobilier and La Française Real Estate Managers were appointed stand-by managers for this mandate. The second relates to European real estate investments and was awarded to AXA Real Estate Investment Managers SGP in July. CBRE Global Investors France SGP and LaSalle Investment Management SAS were appointed stand-by managers for this mandate.

At 31 December 2013, the real estate portfolio totalled €66 million at amortised cost, corresponding to 0.4% of ERAFP's total assets. At end-2013, the fund had generated unrealised capital losses corresponding to 1.4% of its amortised cost, reflecting chiefly transfer duties and acquisition costs incurred on purchased properties. These specific costs are capitalised on acquisition in the financial statements of the real estate investment companies (SCI) and then gradually amortised.

AVERAGE SRI RATING OF THE REAL ESTATE PORTFOLIO

Source — AEW Europe



[40] Germany, France, United Kingdom, Austria, Belgium, Denmark, Spain, Finland, Italy, Norway, the Netherlands, Sweden, Hungary, Ireland, Luxembourg, Poland, Portugal, the Czech Republic and Slovakia.

SRI PROFILE

ERAFP has developed a demanding and innovative SRI process for real estate assets, adapting the five values of its SRI Charter to the asset class. It focuses not only on the environmental impact of the real estate, but also integrates the challenges of social progress, human rights, democratic labour relations and good governance into the management of the property. Integrating these challenges into the entire sub-contracting chain is therefore of primordial importance.

Moreover, this approach will be implemented using a dynamic best-in-class principle: target assets will not be valued in absolute terms, but in comparison with other properties of the same type (same usage and construction and similar locations). The aim will be to bring each asset up to the same level as the best in its category. Indeed, by focusing only on new properties – necessarily constructed in accordance with good environmental and social practices - the stock of existing real estate, which presents the greatest room for improvement, would have been sidelined.

At 31 December 2013, two real estate assets had been acquired on behalf of ERAFP. As part of the pre-acquisition assessment process, an evaluation of the property's quality in light of ERAFP's SRI criteria is carried out. This analysis must provide a detailed picture of both the asset's SRI performance in its state of acquisition and its potential quality following completion of work to improve its environmental performance in particular, and the implementation of procedures to optimise its use. Only buildings with a high SRI performance at the time of acquisition or strong improvement potential qualify for investment as part of the ERAFP portfolio.

As the chart opposite shows, the assets that AEW Europe has targeted to date have strong improvement potential.

03

WHAT IS THE SOCIO-ECONOMIC AND ENVIRONMENTAL IMPACT OF ERAFP'S INVESTMENTS?

ERAFP is an atypical investor. Since the creation of the Scheme, its investment policy has been founded on the conviction that taking into account environmental and social criteria does not handicap long-term returns - quite the opposite.

For a number of years now, as part of fulfilling its fiduciary duty towards the Scheme's contributors and beneficiaries, ERAFP has been working to determine the impact of its SRI approach on the economy, society and the environment.

This is reflected wherever possible in the development of tools that measure as objectively as possible the impact of its investments. In 2013, ERAFP thus carried out its first carbon footprint audit for its equity portfolio.

The monitoring of its collaborative engagement initiatives, which aim to increase the consideration of environmental, social and governance factors, also makes it possible to measure - from a more qualitative angle - the influence that ERAFP can exert on the practices of the organisations in which it invests.

Lastly, aware of its responsibility as a long-term investor, ERAFP seeks to exert a direct socio-economic impact, particularly in France, through some of the investments it makes. In this regard in 2013 it invested €20 million in the Novo funds set up to finance French SMEs and ETIs. For the time being, however, the initiatives in which ERAFP can take part are limited by the regulatory framework governing the Scheme's investments.

ERAFP CAN SUPPORT THE GROWTH OF THE FRENCH ECONOMY

When investing in the financing of the economy is mentioned, attention focuses primarily on the private financial sector (banks and insurers), on public sector aid and on State-sponsored tax incentive schemes.

It is thus often forgotten that the public financial sector plays an important role in supporting productive investment, particularly in times of crisis. As the Cour des comptes - France's national audit office - stressed in a report published in the second half of 2012, players from the public financial sector can plug the gap that arises when companies' access to credit tightens on account of a slowdown in economic activity.

Not only can ERAFP play this 'contra-cyclical role, but it also has a rare capacity for providing long-term support to companies through its investments, thanks to the generous room for manoeuvre it has over the next 20 years - at least.

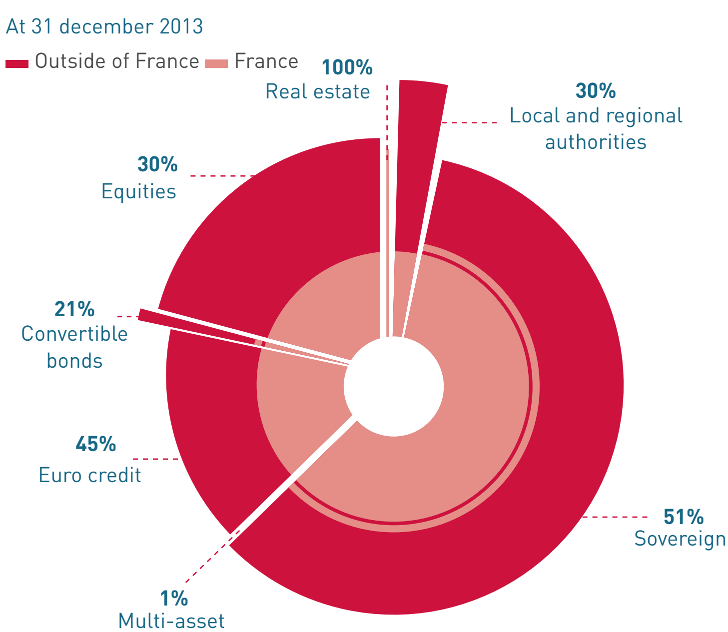
Indeed, as a recently established Scheme, RAFP will continue to gather steam over a long period. With substantial net cash inflows, the Scheme is not hampered by short-term investment management constraints and is therefore able to hold portfolio securities for the long term.

Having this amount of cash is a strategic advantage in that it can be used to finance long-term investment projects - or even very long-term projects in the case of more structural investments such as infrastructure network extensions and developing innovation and small companies.

In 2013, ERAFP invested €6.7 billion in the French economy in the broad sense, corresponding to 42% of its total assets at market value.

INVESTMENTS IN FRANCE BY ASSET CLASS AT 31 DECEMBER 2013 (AT MARKET VALUE)

Source — ERAFP



[41] Source: OECD Scoreboard on SME and entrepreneurship financing in 2013.

[42] Source: Conseil d'analyse économique (French Council of Economic Analysis) 2006 report on an SME strategy for France.

[43] Social progress is one of the five values of ERAFP's SRI Charter.

FINANCING SMES AND JOBS

European SMEs experienced a deterioration in their access to financing in the period that followed the credit crunch of 2008-2009[41]. However, one of the keys to growing the economy is financing business investment, which is particularly important for promoting job creation and the economy's capacity for innovation[42].

In 2013, ERAFP contributed €154 million to the financing of European SMEs, investing at various stages of companies' development.

- It invests in listed SMEs and ETIs through the management mandates awarded to BNPP AM and Sycomore AM as well as through the multi-asset mandate awarded to Amundi;
- It helps finance unlisted medium-sized companies by investing in the Novo funds;
- it makes private equity investments in unlisted SMEs through the multi-asset mandate entrusted to Amundi.

There is still a need to develop infrastructure networks, particularly at the European level. Despite the often substantial size of projects, financing methods exist that enable long-term investors to make joint investments. Under current regulations, ERAFP is not authorised to invest directly, and a number of projects relating to the financing of the French economy and SMEs have been unable to get off the ground for that reason.

ERAFP's board of directors has on a number of occasions informed the supervisory authorities of the need to change the regulations governing the Scheme's investments to enable ERAFP to properly fulfil its role as a provider of patient capital to the economy.

Since October 2013 ERAFP has been investing in the Novo funds alongside Caisse des Dépôts, the Fonds de Réserve des Retraites and a number of insurance companies, with a stake of €20 million. It will gradually ramp up its investment in the funds *via* the multi-asset fund, until 2015, with a ten-year investment horizon.

These bond funds are designed to lend to unlisted French SMEs and ETIs, which do not usually have access to financing from the markets. This major initiative is expected to facilitate the creation of a diversified funding system for SMEs, which is needed to give them greater clarity in terms of their investment horizon and their additional employment needs.

PROMOTION OF CORPORATE STRATEGIES THAT FOSTER JOB CREATION

In addition to its support of and investment in French and European SMEs, ERAFP seeks to promote the beneficial practices of job creation and skills development for employees and citizens in the broader sense among the large companies and local and regional authorities in which it invests. For example, by integrating the social progress dimension[43] into its investment policy ERAFP assesses issuers on the following criteria:

- Specific investment projects that encourage job creation;
- Implementation of forward-looking employment strategies;
- Organic job growth within the company or, in the case of local and regional authorities, the local area.

THE PURSUIT OF SOCIAL AND ENVIRONMENTAL IMPACT: ENGAGEMENT INITIATIVES AND MEASUREMENT OF THE EQUITY PORTFOLIO'S CARBON FOOTPRINT

ERAFP's voting policy for the 2014 season now explicitly covers social and environmental criteria, by:

+ requiring the publication of detailed and exhaustive extra-financial reporting,
+ adding the principle of analysis of resolutions of an environmental or social nature.

SOCIALLY RESPONSIBLE INVESTMENT (SRI) AT A PIVOTAL POINT

Whereas the vast majority of people in France believe that the current crisis will increase the environmental, social and ethical requirements incumbent on companies, SRI remains a largely unknown concept to them[44]. ERAFP draws two main conclusions from these observations:

+ There is a constant need to inform and raise awareness among economic stakeholders about responsible investment issues.
+ In order to give credibility and legitimacy to their action, responsible investment players now need to demonstrate the tangible impact that their investment policies have on the environment and society in general. With this in mind, ERAFP seeks to encourage initiatives aimed at developing tools for measuring the extra-financial impact of investments.

Moreover, ERAFP welcomes the work in 2013 by the French financial management association (Association française de gestion financière - AFG) and the French responsible investment forum (Forum pour l'investissement responsable - FIR) in successfully adopting a definition of SRI that ERAFP subscribes to:

"Socially responsible investment (SRI) is investment that aims to combine economic performance with social and environmental impact by financing companies and public entities that contribute to sustainable development, regardless of their business sector. By influencing the governance and behaviour of stakeholders, SRI helps to develop a responsible economy."

[44] According to an IPSOS poll in October 2013 for EIRIS and the FIR, 62% of the investors questioned had never heard of SRI and 30% had heard of it but could not define it.
Source: http://www.semaine-isr.fr/wp-content/uploads/2013/10/EIRIS-FIR-resultats-sondage_2013.ppt1.pdf (accessed on 03/04/2014)

ERAFP AND THE PURSUIT OF EXTRA-FINANCIAL IMPACT

ERAFP has a duty to act wherever possible in the long-term interests of its beneficiaries. With this in mind, it is convinced that by integrating sustainable development considerations into its investment policy it will better equip the Scheme to fulfil its commitments towards these beneficiaries. In other words, the development of ERAFP's responsible investment policy is an integral part of its fiduciary duty.

But ERAFP's commitment goes beyond that. Indeed, its SRI Charter reiterates that "the board of directors considers that investments made solely on the basis of maximum financial profit overlook the social, economic and environmental consequences" and that it seeks to exert influence in order to increase the extent to which the various economic stakeholders take these considerations into account.

In order to achieve this objective, ERAFP undertakes, in addition to its best-of-class approach for stock picking, a certain number of initiatives aimed at:

+ better assessing the social and environmental impact of its investments:
  → in 2012, ERAFP carried out an audit of its equity portfolio to identify companies alleged to have breached international standards on human rights;
  → in 2013, it tackled the question of how exposed its equity portfolio is to 'carbon risk' (see page 82).
+ using its guidelines on shareholder engagement[45] to promote a deeper consideration of sustainable development issues among companies, other institutional investors and the regulatory authorities.

As regards governance-related aspects, ERAFP has decided, inter alia:

+ to align its recommendation on increasing the proportion of women on boards with that of the European Justice Commissioner, Viviane Reding, (30% by 2015 and 40% by 2020), with an intermediate requirement of 25% by 2014,
+ to beef up its evaluation criteria on executive pay: specifically, these include a new benchmark setting the maximum socially acceptable level of pay at 50 times the median salary paid by the company.
+ to continue to promote the concept of the responsible dividend by comparing dividend growth to the company's operating cash flow and payroll growth.

[45] http://www.rafp.fr/Linvestissement-socialement-responsable-fr-ru135/LEngagement-actionnarial-de-lERAFP-ar584

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

An integral part of ERAFP's guidelines on shareholder engagement, the voting policy is updated every year so as to build on the lessons learned during each general meetings season and so make it ever more relevant.

Since 2012, ERAFP has coordinated voting by the managers that invest on its behalf at a certain number of companies. In 2013, it extended this monitoring to encompass 40 companies (from 25 in 2012), including 37 French companies and three from elsewhere in Europe. ERAFP's approach consists of ensuring that the various managers vote in the same way and that they fully understand certain principles specific to ERAFP, such as, for dividend payments, achieving balance between the remuneration paid to shareholders and employees and the company's investment capacity.

SUMMARY OF VOTING RESULTS IN 2013

Source : Management companies, ERAFP

	2013	2012
General meetings (GM) monitored in depth by ERAFP	40	20
Resolutions (other than those proposed by shareholders) subject to coordinated voting by ERAFP	658	309
Average rate of approval by the GM of resolutions proposed by the board of directors	96%	94%
Resolutions (other than those proposed by shareholders) rejected by the GM	0%	1%
Resolutions (other than those proposed by shareholders) adopted with less than 90% of votes in favour	11%	18%
Resolutions (other than those proposed by shareholders) adopted with less than 70% of votes in favour	1%	4%
Shareholders' resolutions put forward	6	5
Shareholders' resolutions adopted by the GM	0	0
Resolutions (other than those proposed by shareholders) contested by ERAFP	39%	34%
Shareholders' resolutions supported by ERAFP	83%	80%

For the 40 general meetings at which ERAFP coordinated its managers' voting, at 4% the average level of dissent was very low, and down from 2012. Meanwhile, none of the six resolutions put forward by shareholders were adopted.

Our analysis of voting results indicated that the subjects most voted against by shareholders at these 40 general meetings were:

+ capital transactions with a dilutive effect for shareholders, and more specifically authorisations to issue bonus shares for employees and executive and non-executive corporate officers;
+ regulated agreements between the company and individual executives, in particular concerning management termination benefits and supplementary retirement schemes;
+ the appointment or re-appointment of non-independent directors;
+ the issuance of stock options;
+ share buyback programmes;
+ renewal of the appointment of statutory auditors.

ERAFP voted against resolutions concerning the following, *via* the management companies that hold shares on its behalf:

→ almost all regulated agreements concerning post-employment benefits for executives,

→ all stock option plans proposed in 11 GMs,

→ a considerable number of resolutions relating to the appointment or re-appointment of directors on account of the excessive number of board positions held by certain candidates, the lack of independence of certain boards or the inadequate proportion of female directors,

→ the approval of the financial statements of French banks that did not publish financial reporting on a country-by-country basis,

→ and a number of resolutions concerning the appropriation of companies' profits on account of an excessive divergence between the growth of shareholder remuneration and that of employees, a dividend distribution in respect of a loss-making period, too high a dividend pay-out rate with respect to a group's debt or standard pay-out rates in the sector in question or in light of restructurings that took place in the period under review.

ERAFP'S SHAREHOLDER ENGAGEMENT INITIATIVES

Under its SRI Charter, "ERAFP is determined to support, on a long-term basis, 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, within these entities, practices that respect the values it supports." In other words, ERAFP intends to be an active shareholder and, to that end, maintain a dialogue or engage with those issuers whose securities it has selected (or may select) for investment in accordance with its best-in-class SRI approach. This engagement includes all forms of dialogue between an institutional investor and a company or an issuer:

- public communications;
- targeted dialogue (*via* 'individual' correspondence or meetings with management) whether carried out as part of a collaborative initiative or individually;
- voting at shareholders' meetings, *etc.*

Depending on the investment method (direct or delegated to investment companies), the engagement may be performed directly by the investor or delegated to a service provider.

Until 2012, ERAFP's dialogue initiatives focused mainly on issuers whose securities it held directly, mainly local and regional authorities (see page 55).

In keeping with the spirit of its guidelines on shareholder engagement, ERAFP took part in its first engagement initiatives over the course of 2013 through various investor networks, including the United Nations' Principles for Responsible Investment (PRI), the Extractive Industries Transparency Initiative (EITI) and the Institutional Investors Group on Climate Change (IIGCC).

United Nations' Principles for Responsible Investment

In 2013, ERAFP initiated an anti-corruption engagement approach alongside 24 international pension fund and asset management company investors. As part of this initiative, ERAFP decided to include in discussions on this major issue an oil company with one of the portfolio's best extra-financial ratings.

At the same time, ERAFP participated in three other PRI initiatives, dealing with fracking in the gas sector, working conditions in the farming supply chain in the food sector and human resources management in the retail sector. It will enter into dialogue with companies as part of these initiatives during the course of 2014.

[46] http://www.iccr.org/sites/default/files/resources_attachments/070313BangladeshList.pdf

[47] http://www.bangladeshaccord.org/wp-content/uploads/2013/10/the_accord.pdf

Extractive Industries Transparency Initiative

The EITI, which ERAFP has supported since 2012, brings together countries that are rich in natural resources such as oil, gas and mineral ores with a view to ensuring financial transactions are transparent by using accounting control methods to monitor revenues from these resources. To gain a better understanding of the mechanics of the initiative's governance and the role of participating companies, ERAFP met representatives from three oil companies in 2013 to discuss the transparency of payments between the host countries and the oil companies. This meeting enabled ERAFP to better understand the positions of each of these companies regarding potentially tighter future financial reporting regulations (on an individual country or even individual project basis) planned by the United States and the European Union.

Institutional Investors Group on Climate Change

IIGCC is an association of European institutional investors that seeks to:

- promote a low-carbon economy, notably by sharing experience on investment practices;
- support relevant international public policies on that issue. ERAFP believes that working to promote a low-carbon economy is consistent with its interests as a long-term investor (i.e. with long-term commitments) and those of its beneficiaries.

In joining IIGCC in 2012, ERAFP committed to working with 85 investors from nine countries with more than €7,500 billion in assets under management.

In May 2013, Philippe Desfossés, ERAFP's CEO, joined this organisation's board of directors. In this directorial capacity, he recently participated in an IIGCC delegation that met with European Commission representatives to promote IIGCC's position with regard to the EU's climate objectives for 2030, which must be ambitious if greenhouse gas emissions are to be reduced with minimal cost to the economy and society.

IIGCC specifically argued in favour of:

- → an overall emissions reduction target of 40%;
- → a reform of the European quota trading system, to enable the 'carbon' market to fully play its role;
- → the need to promote energy efficiency to meet these targets.

In particular, it lobbied the various European Commission departments with which it met on the urgent need to adopt measures that will eventually enable the carbon market to function properly. An efficient market would make it possible to set a price on the negative impact of carbon emissions. For IIGCC, this is the best way of inciting all economic agents to change their production processes and business models. Lastly, it sent a letter to the President of the European Commission.

Other collaborative engagement initiatives

ERAFP took part in the initiative coordinated by the Interfaith Center on Corporate Responsibility (ICCR) on textile industry supply chain working conditions, following the collapse of the Rana Plaza building at Dhaka, Bangladesh, on 24 April 2013. Alongside 202 organisations with more than $3,100 billion of assets under management, ERAFP launched an appeal[46] to textile companies petitioning them to:

- → join the multilateral Accord on Fire and Building Safety in Bangladesh[47];
- → commit to strengthening local trades unions and providing decent wages to all workers;
- → publish a list of their suppliers, including in Bangladesh, as well as details of measures taken to protect workers' health and safety;
- → ensure that complaint and compensation (including financial) mechanisms are in place for workers and their families.

150 companies have signed the Accord to date, and inspections are scheduled at more than 1,500 Bangladeshi factories under the programme.

ERAFP and the management companies that invest on its behalf will closely monitor the corrective and preventive actions taken by companies in its portfolio in the area of supply chain social responsibility.

ERAFP CARRIES OUT ITS FIRST CARBON FOOTPRINT AUDIT FOR ITS LARGE LISTED COMPANY EQUITY PORTFOLIO

In line with its remit as a responsible long-term investor, and in particular with its engagement within IIGCC[48], ERAFP appointed Trucost to measure the carbon footprint of its large listed company equity portfolio.

The study, which was based on the list of ERAFP's investments in the shares of large listed companies from OECD countries as at 30 September 2013, consolidated greenhouse gas emission data from all these companies to calculate the portfolio's carbon impact and compare it with that of a relevant market indicator.

Trucost did this using data published by the companies on their direct greenhouse gas emissions (relating to fuel combustion, certain industrial processes, refrigerant leaks, *etc.*) and their indirect emissions (related to electricity purchasing, consumption of steam, cold and heat production agents, *etc.* and emissions by leading suppliers).

Trucost's audit of the carbon footprint of ERAFP's equity portfolio yielded a result of 329 CO2-equivalent tonnes per million euros of revenue, which is 19% lower than that of its benchmark index, the MSCI World.

A more detailed analysis of the reasons behind this good performance reveals that it results mainly from well-targeted stock picking within each sector - although the inter-sector allocation also has an appreciably positive effect. While these results are consistent with the best-in-class principle laid down in ERAFP's SRI Charter, which involves only selecting the best issuers from an ESG perspective in each sector, the quantitative impact of the best-in-class criterion is hard to assess.

This is because an SRI evaluation of a company covers many more issues than the simple question of curbing greenhouse gas emissions. Other environmental themes are taken into account, such as the protection of water resources or biodiversity, as are human resources management, respect for workers' rights and for human rights in general, governance standards, *etc.* Companies' performance in terms of combating climate change was therefore assigned equal weight as the other ESG criteria when the managers chose which companies to invest in. There are even cases when a company may be considered as having one of the best records in its sector despite having relatively high carbon emissions.

CARBON FOOTPRINT OF ERAFP'S EQUITY PORTFOLIO	
Portfolio carbon intensity (CO2 eq. tonnes / €m revenue)	329.3
MSCI World carbon intensity (CO2 eq. tonnes / €m revenue)	404.2
Sector allocation impact	-6.6%
Stock-picking impact	-11.9%
Comparative carbon footprint	**-18.5%**

[48] Institutional Investors Group on Climate Change, http://www.iigcc.org/

ERAFP's choice to initially limit this study to its portfolio of large listed company equities was based on the Scheme's reasonable level of assurance that the data published by this type of issuer today is exhaustive and accurate. In this regard, ERAFP welcomes the recent agreement between the European Council and the European Parliament to introduce an amendment to European accounting standards requiring large companies representing a public interest (including major listed companies and financial institutions) to publish information on their policies, risks and results in the areas of the environment, human rights, the fight against corruption and board membership diversity[49].

ERAFP, AN INVESTOR ACKNOWLEDGED BY ITS PEERS

In 2013, ERAFP participated in numerous SRI conferences in France and abroad. In particular the institution was invited to present its approach in detail:

- → at conferences organised in London and New York by the specialist journal Responsible Investor;
- → at a PRI round table in Washington on the fight against corruption;
- → at the annual ESG conference of the French financial analysts' society (*Société Française des Analystes Financiers* - SFAF).

Lastly, as in 2012, ERAFP received the 'Best Pension Fund in France' prize at the 2013 IPE Awards organised by the specialist magazine *Investment & Pensions Europe*.

2013 IPE AWARD
FOR THE 'BEST PENSION FUND IN FRANCE'[50]

[49] http://europa.eu/rapid/press-release_STATEMENT-14-29_en.htm?locale=FR
[50] http://www.ipe.com/awards/winners-2013/

APPENDICES

1 Premium factor

2 Annuity to lump sum conversion factor

3 Organisation of internal control and risk management at ERAFP

4 2012 financial statements

5 Members of the board of directors in 2013

Glossary

Scheme's carbon audit

1 PREMIUM FACTOR

RAFP beneficiaries can exercise their pension rights from reaching the age of between 60 and 62 depending on their date of birth. The purchase and service values are the same for all generations of RAFP contributors and pensioners. The application of a premium factor ensures actuarial equity for all beneficiaries regardless of the age at which they are entitled to retire.

Pursuant to Article 8 of the 18 June 2004 decree, this premium factor is set by ERAFP's board of directors.

The premium factor is determined based on the age of the person concerned on the date of RAFP pension payment, taking into account the number of years and months of contributions.

+ Thus, the calculation of pension rights for a public servant who has accrued 5,600 points in his individual retirement account and retires in 2013 at age 65 would be as follows:

5,600 x 0.04465 x 1.23 = €25.63 gross monthly annuity.

+ After age 75, the right to a premium continues to apply.

The pension reforms in France introduced changes in the legal retirement age. Application of the premium factor makes it unnecessary to adjust the current price (set for a retirement age of 60).

→ ***Premium factors based on the public servant's age and RAFP pension payment date***

AGE	PREMIUM FACTOR
60	1.00
61	1.04
62	1.08
63	1.13
64	1.18
65	1.23
66	1.29
67	1.35
68	1.42
69	1.49
70	1.57
71	1.65
72	1.74
73	1.84
74	1.96
75	2.08

2 ANNUITY TO LUMP SUMCONVERSION FACTOR

This factor applies to beneficiaries whose individual retirement accounts contain fewer than 5,125 points at the time of pension liquidation.

→ *For the original beneficiary*

AGE	LUMP SUM CONVERSION FACTOR
60	25.98
61	25.30
62	24.62
63	23.92
64	23.22
65	22.51
66	21.80
67	21.08
68	20.36
69	19.63
70	18.90
71	18.16
72	17.43
73	16.70
74	15.97
75	15.24

→ *For an orphaned child, at time of reversion*

AGE	LUMP SUM CONVERSION FACTOR
0	18.33
1	17.57
2	16.80
3	16.01
4	15.22
5	14.42
6	13.60
7	12.78
8	11.94
9	11.10
10	10.24
11	9.37
12	8.49
13	7.59
14	6.69
15	5.77
16	4.84
17	3.90
18	2.94
19	1.97
20	0.99

3 ORGANISATION OF INTERNAL CONTROL AND RISK MANAGEMENT AT ERAFP

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

+ achievement of aims and objectives set, in compliance and consistently with the orientations defined by the board of directors;
+ economical and efficient use of resources;
+ adequate control of risks incurred;
+ reliability and integrity of accounting and financial information, compliance with laws and regulations and with internal rules and procedures.

The internal control system is built on the following fundamental principles:

+ separation of functions: to reduce the risk of conflicts of interest and/or fraud, the commitment, settlement and control functions must be distinct;
+ control levels: distinction between first-level controls (which are executed by the operations staff themselves or by their management) and second-level controls (performed by dedicated internal control staff with separate reporting hierarchies from the operations staff being controlled). In ERAFP's case, its small size can result in several tasks (execution and control of execution) being performed by a single employee or department: the risk and internal control department nevertheless ensures that the associated risk is minimised;
+ implementation of appropriate tools, committees and procedures. These notably concern the following items:

Tools

Incidents and discrepancies database, risk mapping, control plans;

Committees

Audit committee, internal control and risk committee, new products committee, commitments committee;

Procedures

Internal control and risk management organisation principles, compliance charter, IT security charter, board of directors' internal rules, risk and internal control committee's internal rules, investment procedure for capital markets securities, delegations of authority and signature powers.

The risk and internal control department comprises:

+ a head of internal control and operational risk on the one hand, and
+ a head of financial risk management, plus a financial and credit risk analyst and a senior financial risk analyst on the other.

They report functionally and hierarchically to ERAFP's Deputy CEO and are therefore independent of the activities they control in the operational and functional departments.

The risk and internal control department is responsible for coordinating and supervising implementation of the risk management system and of the first and second level internal controls. During the preparation phase, the procedures drafted by the various departments are submitted to it for its opinion. This second review ensures that these procedures clearly establish who does what, when and under which operational security conditions. It also ensures that the responsibilities of each party involved in the procedure are clearly established and that the first-level controls, which are exercised within the departments themselves, exist and are formally documented. In the event of disagreement between the department drafting the procedure and the risk and internal control department, the ultimate decision lies with ERAFP's CEO.

Once the procedure has been approved by the CEO or the relevant department manager, the risk and internal control department regularly monitors that it is applied correctly.

ERAFP RISK UNIVERSE

ERAFP distinguishes between financial, technical and operational risks. Financial risk includes:

+ credit risk (counterparty or default risk, signature risk, settlement/delivery risk, country risk, *etc.*);
+ market risk (equity risk, interest rate risk, liquidity risk, currency risk, *etc.*);
+ asset-liability matching risk (also known as 'overall interest rate risk' in banking circles), which includes inflation risk.

Technical risk includes:

+ longevity risk, and more generally demographic risk (birth rates, marriage rates, *etc.*);
+ regulatory risk applying to pensions (change in Scheme parameters, such as the retirement age);
+ economic risk applying to pensions (changes in remuneration, employment policy at national or employer levels);
+ model risk applying to actuarial tables and discount rate calculations.

Operational risk includes:

+ risk related to human resources;
+ accounting risk;
+ legal and tax risk;
+ IT systems security risk;
+ physical and environmental risk;
+ fraud risk;
+ administrative risk.

By extension, compliance and ethical risk as well as image and reputation risk are dealt with as a part of operational risk.

SCOPE OF CONTROL

ERAFP's organisation leads it to outsource a significant portion of its activities:

+ for non-fixed-income financial assets: to third-party asset managers;
+ for the Scheme's administrative management: this is mandated by decree to the Pensions and Solidarity Department (DRS) of Caisse des Dépôts, which performs the following processes (receipt of contributions, maintenance of individual retirement accounts, calculation of rights, payment of benefits, provision of information to beneficiaries, Scheme accounting, *etc.*) under the authority and control of the board of directors.

The scope of control therefore extends:

+ first: to ERAFP, i.e. its own staff, processes and systems
+ second, and indirectly: to the risks and controls of ERAFP's service providers and external agents, and in particular the delegated managers and the units of Caisse des Dépôts' Pensions and Solidarity Department:

→ Paris, for financial management support (middle office and reporting),

→ Angers, for the employer client call centre,

→ Bordeaux, for contribution collections processes, account-keeping functions for individual retirement accounts, calculation of rights, payment of benefits, provision of information to beneficiaries and Scheme accounting.

In the first case, ERAFP's internal control consists of ensuring that its own departments implement the processes in accordance with the internal control system. In the second case, ERAFP extends its internal control system to these third parties to ensure that their own internal control systems fully meet its expectations and requirements in this area. For many of the activities, the first-level controls exercised by ERAFP therefore consist of verifying the proper execution of the management mandates (financial and administrative) assigned to these legal entities.

CHANGES RELATED TO RISK MANAGEMENT AND INTERNAL CONTROL IN 2013

Key areas relating to the organisation of internal control and risk management in 2013 were as follows:

- continued regular risk and internal control committee meetings. This committee, which meets quarterly, comprises the members of the management committee, the head of internal control and operational risk and the head of financial risk control, along with, depending on the meeting agenda, any other persons involved in risk management and the organisation of controls. Its scope includes reviewing the effectiveness of the financial, technical and operational risk control systems, as well as those for transaction compliance, IT systems security and new products and activities. It also reviews key financial risk indicators;
- continuation of the project aimed at organising financial risk management through the implementation of financial risk management and performance allocation tools. This project, which is the responsibility of the financial risk division, so far enables analysis of market risk for ERAFP's asset portfolio;
- continuation of the project to update the methodology used to determine credit risk limits and analysis techniques, with the implementation of calculation tools;
- validation and monitoring of the operational risk maps: this project will be supplemented in 2014 by the drafting of a control plan;
- formalising and updating of the system for drafting the Scheme's operational procedures.

The following should also be noted:

- finalisation of the selection of an asset-liability management application for the technical and financial management department, and implementation of ALM steering indicators;
- validation of the optimised process designed to reduce the time taken to close ERAFP's accounts.

The Specialised Audit Committee met four times in 2013. The agendas of these meetings include regular updates on subjects relating to risk management and internal control:

- rating of governance-related operational risk;
- mapping of the administrative manager's risks in respect of the Scheme management scope;
- update by ERAFP's compliance officer;
- presentation of ERAFP's internal control and risk management report;
- update on work to update the methodology used to set credit risk limits.

4 2012 FINANCIAL STATEMENTS

BALANCE SHEET

ASSETS (€)	2012 GROSS	2012 DEPRECIATION & IMPAIRMENT	2012 NET	2011 NET
Investments	**13,330,766,020.47**	**(47,546,085.36)**	**13,283,219,935.11**	**10,950,957,378.60**
Shares in real estate investment companies (SCI)	24,204,260.60	(2,158,483.36)	22,045,777.24	-
Bonds, negotiable debt instruments and other fixed-income securities	9,599,208,885.99	-	9,599,208,885.99	8,794,640,616.42
Shares and units in UCITS	3,707,352,873.88	(45,387,602.00)	3,661,965,271.88	2,156,316,762.18
Active contributors and beneficiaries	**67,629,452.51**	**(7,134,127.65)**	**60,495,324.86**	**51,834,286.22**
Active contributors and related accounts	47,595,284.57	(7,134,127.65)	40,461,156.92	42,612,427.71
Beneficiaries	20,034,167.94	-	20,034,167.94	9,221,858.51
Other receivables	**55,367.43**	**0,00**	**55,367.43**	**86,339.15**
Trade receivables, advances and down-payments	1,075.62	-	1,075.62	3,611.92
Other receivables	54,291.81	-	54,291.81	82,727.23
Other assets	**123,781,262.62**	**(18,088.60)**	**123,763,174.02**	**236,099,022.42**
Intangible assets	-	-	0,00	0,00
Property, plant and equipment	35,938.08	(18,088.60)	17,849.48	4,951.31
Cash and cash equivalents	123,745,324.54	-	123,745,324.54	236,094,071.11
Accruals	**0.08**	**-**	**0.08**	**-**
GENERAL TOTAL	**13,522,232,103.11**	**(54,698,301.61)**	**13,467,533,801.50**	**11,238,977,026.39**

LIABILITIES (€)	2012	2011
Equity	**0,00**	**0,00**
Endowment contributions	–	–
Revaluation surplus	–	–
Reserves and retained earnings	–	–
Profit (loss) for the year	–	–
Scheme reserves	**12,660,974,901.75**	**10,267,793,917.00**
Accruing rights	12,521,227,542.06	10,192,028,666.19
Rights being exercised	139,747,359.69	75,765,250.81
Reserves for use of surpluses	**796,006,920.03**	**960,139,232.16**
Active contributors and beneficiaries	**1,793,784.84**	**1,546,087.89**
Active contributors	48,415.71	109,066.00
Beneficiaries and related accounts	1,745,369.13	1,437,021.89
Other liabilities	**8,758,194.88**	**9,497,789.34**
Trade and other payables	8,527,709.65	9,372,388.28
Staff and related accounts	127,856.27	55,442.89
Social security and other employment benefits	75,636.85	61,981.47
State – taxes and duties	0,00	0,00
Other creditors	26,992.11	7,976.00
Accruals	**0,00**	**0,00**
GENERAL TOTAL	**13,467,533,801.50**	**11,238,977,026.39**

INCOME STATEMENT

(€)	2012	2011
Contributions	1,755,451,795.93	1,745,411,557.78
Changes in impairment on contributions	10,508,155.80	(4,978,714.68)
Late penalties	214,433.72	761,369.26
Other technical income	0,00	4,750.00
Technical income	**1,766,174,385.45**	**1,741,198,962.36**
Investment income	378,899,135.45	366,443,396.04
Income from realisation of investments	74,906,144.38	33,113,525.05
Other investment income	22,393,090.11	19,437,586.01
Reversals of impairment on investments	540,766,753.95	0,00
Gross investment income	**1,016,965,123.89**	**418,994,507.10**
Expenses related to realisation of investments	(288,463,464.26)	(72,015,682.70)
Other investment expenses	(27,663,097.06)	(21,904,049.13)
Impairment charges on investments	(2,158,483.36)	(474,647,479.88)
Investment expenses	(318,285,044.68)	(568,567,211.71)
Net financial income	**698,680,079.21**	**(149,572,704.61)**
Benefits paid	(210,537,897.97)	(222,956,283.79)
Other benefits (discounts of bonus factors)	(249,517.15)	(615,330.66)
Benefits	**(210,787,415.12)**	**(223,571,614.45)**
Changes in Scheme reserves	(2,229,048,672.62)	(1,346,332,091.82)
Technical expenses	**(2,439,836,087.74)**	**(1,569,903,706.27)**
Scheme's net current income	**25,018,376.92**	**21,722,551.48**
Non-technical income	35,914.64	81,096.77
Reversals of depreciation and impairment	0,00	0,00
Other non-technical income	**35,914.64**	**81,096.77**
Overall outsourcing of administrative management	(14,824,668.87)	(14,699,446.61)
Third-party investment management expenses	(1,173,262.31)	(510,876.42)
Personnel expenses	(2,937,080.82)	(2,131,231.37)
Other expenses	(6,099,733.36)	(4,439,209.00)
Provision and depreciation charges	(3,949.01	(5,459.21)
Operating expenses	**(25,038,694.37)**	**(21,786,222.61)**
Non-recurring income	2,496.26	-
Non-recurring expense	(18,093.45)	(17,425.64)
Net non-recurring income (expense)	**(15,597.19)**	**(17,425.64)**
Income tax	**-**	**-**
NET INCOME	**0.00**	**0.00**

ÉTABLISSEMENT DE RETRAITE ADDITIONNELLE DE LA FONCTION PUBLIQUE (ERAFP)
INDEPENDENT AUDITORS' REPORT ON THE ANNUAL FINANCIAL STATEMENTS

Independent auditors' report on the annual financial statements
Year ended 31 december 2012

Etablissement de Retraite Additionnelle de la Fonction Publique (ERAFP)
Registered office: 12, rue Portalis 75008 Paris

Dear Sir or Madam,

In accordance with the terms of our appointment by your board of directors, we hereby present our report on the financial year ended 31 December 2012 on:

- the audit of ERAFP's annual financial statements, as attached to this report,
- the basis of our opinion,
- the specific verifications and information required by law.

The financial statements were prepared by the board of directors. It is our responsibility to express an opinion on these financial statements on the basis of our audit.

1. Opinion on the annual financial statements

We performed our audit in accordance with generally accepted French auditing standards; these standards require that we perform due diligence to determine with reasonable certainty that the annual financial statements do not contain significant discrepancies. An audit consists of verifying on the basis of sampling or other selection methods the items justifying the amounts and information presented in the annual financial statements. It also consists of assessing the accounting policies applied, the main estimates used and the overall presentation of the financial statements. We believe that the information we obtained provides a sufficient and appropriate basis for our opinion.

We certify that the annual financial statements, having regard to French accounting policies and standards, present a true and fair view of the results of ERAFP's operations for the year under review as well as its financial position and net assets at the end of that year.

2. Basis of our opinion

The persistently difficult economic and financial climate continues to make choosing which economic assumptions to use in closing the accounts particularly complex. Specifically, future changes in interest rates could differ significantly from those factored in, with a range of direct and indirect effects. It is in this context that we have formed our own assessments, which we bring to your attention pursuant to the provisions of article L.823-9 of the French Commercial Code:

- As mentioned in Note 3.3.3 'Scheme benefits and provisions' to the financial statements, ERAFP recognises as liabilities in those financial statements certain technical items specific to its activity that are estimated in accordance with regulatory methods and using statistical data and actuarial techniques.

  We reviewed the assumptions underlying the calculation methods used to measure these items in the light of ERAFP's experience and its regulatory and economic environment. We also reviewed the overall consistency of these assumptions, and verified that the related estimates as at the end of the period were reasonable and correctly presented.

- Financial assets are recognised and measured in accordance with the methods applicable to their individual categories, as described in Note 3.3.4 'Investment transactions' to the financial statements. We reviewed the methods used to list ERAFP's exposures and to measure and write down its financial assets, in the specific context of the financial crisis.

  We verified that the provisions set aside for assets were consistent with ERAFP's investment intention for the securities in question, and where necessary reviewed the data, assumptions and documentation relating to said provisions.

  We reviewed ERAFP's analysis of the risks associated with its amortisable assets, and in particular with the measurement and recognition of sovereign debt.

  We also reviewed the appropriate disclosure of information on financial investments in the notes to the financial statements.

The resulting assessments form part of our audit of the annual financial statements taken as a whole, and therefore contributed toward the determination of our opinion expressed in the first part of this report.

3. Specific verifications and information

We also performed the specific verifications required by law in accordance with the professional standards applicable in France.

Concerning the information presented in the board of director's management report, we have no observations to make regarding its accuracy or consistency with the annual financial statements.

Paris, 10 December 2013

The Independent Auditors

Tuillet Audit	Mazars
Member of the Compagnie Régionale de Paris	Member of the Compagnie Régionale de Versailles
BRIGITTE VAIRA-BETTENCOURT	NICOLAS ROBERT
PARTNER	PARTNER

5 MEMBERS OF THE BOARD OF DIRECTORS IN 2013

Chairman

- Jean-François Rocchi (stepped down on 1 July 2013), replaced by Dominique Lamiot (decree of 30 September 2013)

Vice-Chairman

- Philippe Soubirous (decree of 12 March 2012)

Chairman of the ALM Committee

- Alain Dorison

Chairman of the Audit Committee

- Gilles Oberrieder

Chairman of the Collections Committee

- Marc Chrétien

Chairman of the Investment Policy Monitoring Committee

- Éric Loiselet

Chairman of the Communications Committee

- Anne Meunier

Representatives of active contributors to the Scheme (order of 7 November 2011)

Union Générale des fédérations de fonctionnaires-Confédération générale de travail

- Gilles Oberrieder, principal
- Francis Sahal, deputy

Union des fédérations CFDT des fonctions publiques et assimilés

- Marcel Lecaudey, principal
- Anne Meunier, deputy

Union interfédérale des agents de la fonction publique Force ouvrière

- Philippe Soubirous, principal
- Brigitte Fidry, deputy

Fédération syndicale unitaire

- Régis Metzger, titulaire
- Erick Staëlen, deputy

Union nationale des syndicats autonomes

- Marc Chrétien, principal
- Jean-Louis Blanc, deputy

Union fédérale des cadres de la fonction publique CFE-CGC

- Jean-Paul Thivolie, principal
- Jean-Yves Delannoy, deputy

INTERFON - Confédération française des travailleurs chrétiens

- Denis Lefebvre, principal
- Awa Burlet, deputy

Union syndicale solidaires fonctions publiques et assimilés

- Dorine Pasqualini, principal
- Philippe Benjamin, deputy

Public sector employer representatives (order of 7 November 2011)

- Jacques Feytis, General Controller of the Armies, Ministry of Defence Director of Human Resources, principal (order of 16 July 2013)
- Alain Ferran, Ministry of Defence Deputy Director of Human Resources, Head of Human Military and Civilian Resources General Policy Department, deputy
- Michèle Féjoz, Director of Human Resources, Deputy to the Secretary General of the Minister of the Economy and Finance, principal
- Coralie Oudot, Deputy Director of Ministerial Human Resources, Human Resources Department, General Secretariat of the Minister of the Economy and Finance, deputy

- Éric Poglio, responsible for employee share ownership under the Director of Executives Management and Remuneration Policy, La Poste, principal
- Foucauld Lestienne, Deputy Director for Human Resources, La Poste, deputy

Representatives of local and regional public sector employers (order of 7 November 2011)

Association des maires de France

- Antoine Homé, Mayor of Wittenheim, principal (order of 8 October 2012)
- Michel Tousaint, Vice-Chairman of the Communauté de Communes du Sud Estuaire, deputy

Association des départements de France

- Claude Jeannerot, Chairman of the Doubs Conseil Général, principal
- Patrick Decolin, Conseiller Général of Val d'Oise, deputy (order of 8 October 2012)

Association des régions de France

- Éric Loiselet, Conseiller Régional of Champagne-Ardenne, principal
- Corinne Bord, Conseillère Régionale of Île-de-France, deputy

Representatives of the French public hospital sector employers (order of 7 November 2011)

- Daniel Bouquet, former CEO of the Drôme Nord-Romans/Saint-Vallier hospitals, principal (order of 8 October 2012)
- Philippe Laveau, Administrator of the Centre Hospitalier de Sarlat, deputy (order of 8 October 2012)
- Maurice Toullalan, CEO of the Centre Hospitalier d'Argenteuil, principal
- Alain Amat, Honorary CEO of the Centre Hospitalier de La Rochelle, deputy

Qualified persons, (order of 7 November 2011)

- Jean-François Rocchi, Inspector General of Administration (stepped down on 1 July 2013), replaced by Dominique Lamiot, Senior Civil Administrator (order of 23 September 2013)
- Alain Dorison, Inspector General of Finance
- Pierre Mayeur, CEO of the Caisse Nationale d'Assurance Vieillesse des Travailleurs Salariés

The following persons also attend board of directors' meetings

CEO of ERAFP

- Philippe Desfossés (order of 28 May 2008)

Economic and financial control

- Gérard Belet, chief auditor for general economic and financial control

Accounting manager

- Patrick Hédé, Public Finances Administrator

Government Commissioner

- Sébastien Raspiller, Head of Insurance Markets and Products at the General Treasury Department of the Ministry of the Economy and Finance, replaced by Antoine Mantel, Senior Civil Servant (Ingénieur des mines) and member of the pensions division of the General Economic and Financial Control Department (order of 7 February 2013)

Representative of Caisse des Dépôts Administrative Manager

- Jean-Michel Bacquer, Head of the Bordeaux agency (Pensions Department)

GLOSSARY

A

ACTIVE BENCHMARKED MANAGEMENT

This is where the investments are similar to those of the benchmark index but investment management is more active than under pure indexed management. The management mandate may, in particular, specify:

- a limit on tracking error relative to the benchmark;
- limits on the weight of individual issuers relative to the benchmark.

The investment manager therefore makes few significant changes, in terms of sector, geographic spread, themes or specific securities, from the benchmark.

ACTIVE NON-BENCHMARKED MANAGEMENT

When building the portfolio, the investment managers may deviate materially from the benchmark. The mandate does not specify:

- any limit on tracking error;
- any maximum weighting by issuer relative to the benchmark.

For all ERAFP mandates, the investment managers must nevertheless select stocks from the SRI investment universe defined by ERAFP.

B

BENCHMARK INDEX

An index that is representative of the market(s) in which the fund is invested.

BEST-IN-CLASS

Approach used in socially responsible investing that consists of selecting those issuers considered to be the most responsible within a group of comparable issuers. For equities, this approach means not excluding any single business sector peremptorily, but favouring the companies in each business sector that have made the most progress as regards environmental, social and governance criteria.

BOND

A bond is a security evidencing a debt, issued by a State or by a company, and corresponding to a long-term loan. The bondholder receives income, also known as the coupon.

C

CAPITALISATION RATE

Interest rate that enables an amount invested at this rate to reach a higher amount over a given time period.

CSR

The concept of Corporate Social Responsibility corresponds to the implementation of sustainable development practices at the company level. A socially responsible company integrates social, environmental and economic impacts in its decision-making mechanisms and strives to minimise these impacts.

D

DEFINED CONTRIBUTION SCHEMES

Schemes in which only the level of the contributions is set.

DISCOUNTING

Method for calculating the present value of a future amount based on an interest rate (here known as the discount rate).

DORMANT

A person who has taken retirement under the main pension scheme but who has not yet liquidated his/her additional pension rights.

E

ENGAGEMENT

This term describes the dialogue between an institutional shareholder (pension fund, investment management company, etc.) and an issuer, typically a company, for the purpose of having the issuer better take into account environmental, social and governance risk factors.

ESG

Acronym referring to environmental, social and governance issues.

F

FCP (COLLECTIVE INVESTMENT FUND)

A French FCP is a mutual fund managed by a management company on behalf of unit-holders; the FCP is not a legal entity.

FUNDED SCHEME

A funded retirement scheme invests the paid-in contributions in financial assets, which are liquidated at the time of retirement to pay the accrued rights either as an annuity or in a lump sum. The payment depends on both the amount saved and changes in the value of the assets (typically equities and bonds) in which the funds were invested.

G

GENERAL INDICATIVE ESTIMATES FOR PENSIONS (FRENCH ACRONYM: EIG)

Document sent to active contributors aged 55 and subsequently every five years. The EIG provides an estimate of the amount of their pension at the legal retirement age and at the full rate, relying on income projections prepared by the Pension Steering Committee (French acronym: COR).

GIP INFORMATION RETRAITE

French public interest group that includes 38 compulsory retirement schemes (CNAV, MSA, AGIRC, CNRACL, Ircantec, etc.) set up to create the individual information for beneficiaries on rights vested in all schemes in which they participate. GIP provides an online universal pension simulator (m@rel) that covers 95% of the population.

GREENHOUSE GASES

Gases that are a source of global warming.

I

INDEXED MANAGEMENT

The main objective of indexed management is to reproduce the performance of a benchmark index.
The composition of an index-managed fund (weight in the fund of each security and therefore of each business sector or country) is very similar to that of the benchmark index.

INDIVIDUAL STATEMENT OF POSITION (FRENCH ACRONYM: RIS)

Document sent to active contributors. The statements relating to RAFP are sent along with those of the main pension scheme. The RIS includes information on the beneficiary's entire career, coverage periods and vested points. It can be prepared at the beneficiary's request.

INTERGENERATIONAL EQUITY

This concept aims to ensure an equivalent standard of living amongst individuals at a given point in time and relative to other generations at the same ages.

L

LIFE EXPECTANCY TABLES

The TGF05 and TGH05 tables are forward-looking generational life expectancy tables. For each birth year, a life expectancy table is constructed, which allows increasing life expectancy to be taken into account. All the tables have been drawn up based on an analysis of annuity holders' life expectancy performed by their respective insurance companies using data from INSEE. Two sets of tables have been drawn up: one for women (TGF05) and one for men (TGH05).

The life expectancy tables applied up to the end of 2006 had been drawn up in 1993. They were also forward-looking but had been constructed based solely on the life expectancy of French women. The change of tables was required by the increase in life expectancy, which has on the whole been stronger than anticipated in 1993.

LIQUIDATION

Set of procedures aimed at calculating and paying out benefits to a beneficiary.

M

MARKETABLE SECURITY

Security traded on the financial markets and evidencing a negotiable, associated claim or right (equities, bonds, *etc.*).

P

POINT

Unit for calculating the pension in certain schemes.

The contributions make it possible to acquire (vest) points. The amount of the pension is equal to the points acquired during thebeneficiary's professional life, multiplied by the value of a point at the time of retirement. Most additional pension schemes are based on points systems. Basic pension schemes tend to use the 'quarter' system.

PREMIUM

Premium applied to the amount of the future pension of a beneficiary who has reached the legal retirement age but chooses to continue working, even though he or she has satisfied the coverage period needed to receive a full pension.

PRI

Principles for Responsible Investment, a charter drafted under the auspices of the United Nations and to which ERAFP adheres.

R

RETURN

Ratio of the pension amounts received over the course of retirement to the contribution amounts paid in during the beneficiary's active working life.

Technical return: Ratio of the service value of a point to the purchase value of a point.

REVERSION

Attribution to a deceased beneficiary's spouse (prior to or after the beneficiary's retirement) of a portion of the pension. The reversionary pension is based on theresources of the surviving spouse in the French general scheme for employees (régime général des salariés) and ancillary schemes.

S

SHARE

Negotiable security that gives its owner fractional ownership of a company and certain rights: to oversee and control management, to receive a share of the distributed profit (dividend).

SRI

Socially Responsible Investing is an approach aimed at integrating environmental, social and/or governance criteria in investment decisions and portfolio management.

SUSTAINABLE DEVELOPMENT

The Brundtland Report, published in 1987 by the UN World Commission on the Environment and Development, defined sustainable development as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs."

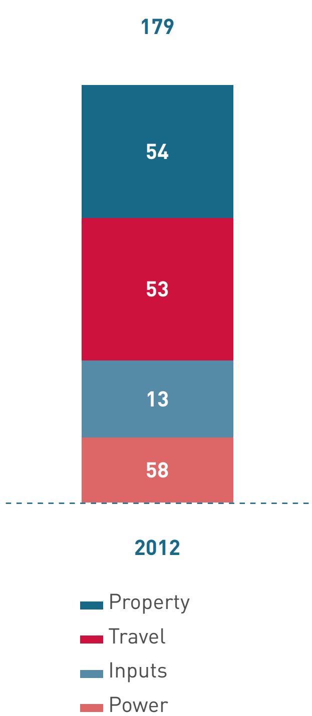
T

TRACKING ERROR

Tracking error represents the volatility of performance variances between the fund and its benchmark index.

SCHEME'S CARBON AUDIT

ERAFP'S GREENHOUSE GAS EMISSIONS (CO2 EQ. TONNES, 2012)



The carbon footprint method was created by ADEME in 2004. It consists of the inventory of greenhouse gases emissions generated by an activity.

The scope of this method includes direct – produced on-site by the audited entity – as well as indirect – produced by others such as clients, suppliers – emissions.

These emissions are rough estimates and the results are expressed in CO_2e and CE."

As well as putting in place measures to reduce its impact on the environment (paperless communication with its beneficiaries, collection and recycling of paper, cardboard and plastic), ERAFP offsets its emissions:

- In 2010, it selected the offsetting organisation Groupe Énergies Renouvelables, Environnement et Solidarités (GERES) under the initiative 'CO2 solidaire'.
- Offsetting takes place by financing a project to install energy efficient cooking ovens in Cambodia.
- Since 2010, more than one million ovens have been installed under this initiative.

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