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PORT

FORE-WORD

Pursuant to article 22 of the decree dated 18 June 2004, this “detailed management” section of the public report to Parliament presents the overall operations of the Scheme in 2014 and, in particular, the work of its board of directors as well as the position regarding the collection of subscriptions.

The second section sets out the actuarial balance between the Scheme’s commitments to its beneficiaries and the assets held in the investment portfolio in 2014.

To maintain this balance, the Scheme’s premium rate was reviewed at the beginning of 2015, notably to reflect the continuing decline in bond yields. Provided these do not deteriorate further, the Scheme has the resources available to take advantage of the new investment opportunities opened up by the regulatory changes with a view to improving the long-term returns on assets providing income to its beneficiaries.

The third section sets out ERAFP’s commitment to combating global warming and to the actions it took as an investor in 2014 on social, environmental and governance issues.

To find out more about ERAFP, over and above its activities in 2014, please go to the Scheme’s website www.rafp.fr using the QR codes shown for each heading.

→ To learn more about ERAFP



RAFP OR ERAFP?

Article 76 of the 21 August 2003 pension reform law created a mandatory public service additional pension scheme – known as “retraite additionnelle de la fonction publique”, or RAFP – under the 18 June 2004 decree 2004-569. RAFP therefore generically describes the Scheme created though this law, but not the legal entity itself. ERAFP, or “Établissement de retraite additionnelle de la fonction publique”, is the public sector administrative entity charged with the Scheme’s management.

LEGAL REFERENCES

- ▶ Article 76 of the French pension reform law 2003-775 of 21 August 2003
- ▶ Decree 2004-569 of 18 June 2004 on the French Public Service Additional Pension Scheme
- ▶ Statutory order of 26 November 2004 implementing decree 2004-569 of 18 June 2004 on the French Public Service Additional Pension Scheme

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by Philippe Desfossés, Chief Executive Officer of ERAFP

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2014 HIGHLIGHTS



Paris, 11 February

ERAFP JOINS TWITTER!

ERAFP now has a Twitter social networking account, an additional communications channel for relaying information on the Scheme's areas of interest.

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Paris, 4 March

THE PORTFOLIOS' CARBON FOOTPRINT

The carbon intensity of the OECD major corporates equity portfolio was 19% lower than that of the benchmark MSCI All World Index in 2013, reflecting the impact of ERAFP's best-in-class SRI strategy.

→ [Page 72](#)



Paris, 25 July

MID-INCOME PUBLIC HOUSING FUND LAUNCHED

This fund, launched by SNI, has a number of institutional investors, including ERAFP, and will finance construction in the greater Paris area and other major cities of new, rent-controlled housing units meeting the latest environmental standards.

→ [Page 39](#)



Montreal, 26 September

INVESTORS CALLED ON TO MEASURE, PUBLISH AND REDUCE THEIR PORTFOLIO'S CARBON FOOTPRINT

ERAFP was one of the first signatories to the Montreal Carbon Pledge, which followed on from the New York Climate Change Summit Investors' Declaration aimed at refocusing the global economy on a cleaner, more sustainable production model.

→ Page 68



Paris, 10 October

THE FIRST -40% CARBON MANDATE

A €750 million equity mandate awarded to Amundi applies procedures to significantly reduce its carbon footprint as a complement to its best-in-class SRI approach.

→ Page 74



Paris, 1 December

THE FRENCH GOVERNMENT ANNOUNCES CHANGES TO ERAFP'S INVESTMENT RULES

On the inauguration of the Place de Paris 2020 Committee, Michel Sapin revealed proposals to extend ERAFP's investment scope, notably allowing it to make further investments in equities and SMEs and to improve financing of the real economy.

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We must take full advantage of the Scheme's ability, given its youth, to invest over the very long-term in structural projects at economic, social and environmental levels.



2014 was a year of consolidation for the Scheme, an essential process as it enters its second decade. Steering a highly original scheme such as the RAFF requires not only prudence and a long-term view but also resolution. The investment scope we have called for to provide the satisfactory returns necessary for the long-term provision of additional pensions to our beneficiaries is now in place. This particularly welcome change came, however, after several years of dramatically lower bond returns.

To maintain the Scheme's overall balance, the board of directors adjusted the value of beneficiaries' rights in line with the Scheme's prudential obligations and demographic changes. This was also born of the conviction that we must take full advantage of the Scheme's ability, given its youth, to invest over the very long-term in structural projects at economic, social and environmental levels. Indeed, it is only by recognising both the economic and the social imperatives that we will produce sustainable revenues in order to increase amounts paid to beneficiaries. This is the natural extension of the sustainable investment approach adopted by ERAFP over nearly a decade and which looks beyond the quest for immediate financial returns.

One of our first initiatives in this framework of renewed socially productive investment will be, in Scheme beneficiaries' collec-

tive interest, to finance housing projects for public sector employees - ideally across all three main segments of the public sector. This will need to be in partnership with the appropriate social action bodies as ERAFP is an investor rather than a substitute for them.

In addition, we intend to provide the patient capital that is now needed more than ever before by the productive system to boost the French economy and the growth of European SMEs. Financing network infrastructures on a European level is an opportunity to significantly improve the efficiency of economic players whilst also meeting cross-border social needs, and ERAFP can contribute to their deployment. Far from being in contradiction to the Scheme's role of protecting beneficiaries' rights, these objectives support it and enable us to enter the next decade with confidence and determination.

Dominique Lamiot,
Chairman of ERAFP

To ensure its equilibrium over the long term and in the interests of its beneficiaries, ERAFP is grasping firmly the climate change challenge.

A part of this report is devoted to the challenge of climate change given its structural nature and prominence in the public eye. COP21 will take place in Paris later this year and our hope is that the dynamic established between conference attendees and all interested players - particularly those who have already taken concrete action on climate change - will bear fruit. In 2014, those investors who take their climate change responsibilities seriously started to become more vocal. A number of declarations, including those of New York and Montreal to which we are signatories, reflected our shared desire to finance an environmentally friendly, decarbonised economy.

Going beyond our shared concern on this issue with the general public, such investors see clearly the major risks posed to climate change by certain asset types. The challenge for such investors is to ensure that their business model is sustainable and the beneficiaries' income is guaranteed.

For its part, ERAFP will continue as an investor involved with investees on behalf of its beneficiaries and acting in their interest. We are involved with other investors in discussions on the financing of sustainable energy, for example through infrastructure projects. This takes place within the International Investors Group on Climate Change (IIGCC) which brings together some 100 European institutional investors (mainly pension funds) with assets under management of more than €10,000 billion.

These are true providers of long-term capital, most of which are "universal investors" who invest globally to finance all economic sectors. ERAFP is one such investor and both its current size (holdings valued at €21 billion) and in particular its future growth enable it to adopt a global approach towards motivating each investee to change its behaviour.

In this light, we aim to improve understanding of our best-in-class SRI approach of allocating investments sector by sector and asset class by asset class towards the issuers best placed to contribute to sustainable development and particularly to energy and ecological transition.

ERAFP is also involved with issuers through collaborative engagement initiatives aimed at pooling investors' resources and materially increasing their influence and weight while taking a practical approach to the social and environmental issues faced by economic players.

The results of these initiatives, combined with the development of a binding international framework in the fight against climate change, will enable investors such as ERAFP to take part in financing energy and climate transition while also ensuring sustainable returns for their beneficiaries.

Philippe Desfossés

CEO of ERAFP

we aim to improve understanding of our best-in-class SRI approach of allocating investments sector by sector and asset class by asset class towards the issuers best placed to contribute to sustainable development and particularly to energy and ecological transition.



01

**RAFP,
SERVING**

THE RETI-
REMENT
NEEDS
OF PUBLIC
SECTOR
EMPLO-
YEEES

▶ A unique scheme,
operational since 2005.

RAFP'S MAIN 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 contributors will benefit from additional pension benefits thanks to the Scheme. Their contributions are based largely on bonuses and are topped up by some 45,000 public sector employers. Contributions totalled €1.81 billion in 2014.

Founded on inter-generational equity

As the only 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.

The current board of directors, whose term of office began at the end of 2011, has made it a priority to enhance and progressively deepen awareness of the investment policy among the Scheme's active contributors and beneficiaries.

SCHEME HIGHLIGHTS IN 2014

ORGANISATION OF THE BOARD'S WORK

At institutional level

- ✦ The board of directors of ERAFP met four times in the year. 2014 was also the year that the board first discussed specific points by teleconference - on two occasions.
- ✦ The board provided its opinion on several draft texts concerning the Scheme's operations, pursuant to the organic decree-law of 18 June 2004:
 - A decree making the guaranteed individual purchasing power clause a permanent feature of the additional pension scheme,
 - A statutory order reducing, in particular, the Scheme's minimum level of management expenses,
 - A decree concerning, in particular, the mandates of board members,
 - And texts amending ERAFP's regulatory investment framework.
- ✦ By decree dated 8 November 2014, the board of directors' mandate was extended to no later than 4 June 2015¹.
- ✦ The board decided that ERAFP should support the "2° Investing Initiative", whose research will enable the development of a "climate performance" indicator for investments, a subject of interest to the Scheme².

At operational level

Other than the permanent bodies that assist the board, a working group of volunteer directors met to consider themes of interest to the Scheme on socially useful investment in light of anticipated changes to investment regulations; its work is expected to enable ERAFP to contribute further to general-interest projects or those of collective interest to the Scheme's beneficiaries.

Board bodies therefore continued to meet frequently, with around 40 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.

The above reflects the continuing commitment of directors to the Scheme's work throughout their current mandate.

Main decisions concerning ERAFP

At its meeting of 9 December 2014, in anticipation of regulatory changes, the board of directors maintained the overall orientation of the investment policy decided on in 2014 but added a Pacific region equities envelope.

¹The decree provides for "the entry into force of the act concerning the appointment of members to replace them [...] by no later than six months after the date of the next elections for the general renewal of bodies representing personnel in the public sector."

²It should be noted that 2° Investing has recently been awarded significant funding (€2.5m) for this programme by the European Union; a formal expression of interest by ERAFP, alongside others, was included in the funding application.

At the same meeting, the board decided to defer the adoption of new technical parameters³.

The guidelines for shareholder engagement were updated and, for the first time, priorities were set for the coming year:

- + the fight against climate change and the promotion of strategies to reduce corporate greenhouse gas emissions;

- + combatting aggressive tax optimisation and promoting corporate civic responsibility as regards taxation;
- + ensuring consistency between companies' sustainable development commitments and their lobbying practices;
- + the prevention of employee-related risks in the supply chain.

ATTENDANCE AT BOARD MEETINGS IN 2014

Source — ERAFP



³The board of directors decided on 5 February 2015, pursuant to the guidelines for technical parameters, to amend the Scheme's premium rate, by setting the technical interest rate at 0.9%, compared to 1.34% previously. The rationale and application methodology for this decision are detailed in the second section of this report.

CSAP

ASSET AND LIABILITY MANAGEMENT COMMITTEE

CSA

AUDIT COMMITTEE

CSR

COLLECTIONS COMMITTEE

CSPP

INVESTMENT POLICY MONITORING COMMITTEE

→ To learn more about the Scheme's governance



BOARD BODIES IN 2014

REPORT ON THE WORK OF THE ASSET AND LIABILITY MANAGEMENT COMMITTEE

In my report last year I called for the ministries responsible for our supervision to amend the regulations governing the Scheme's investment scope, which was no longer appropriate to its present characteristics. Personally, and on behalf of the entire board, I am delighted that the call was heard. The decree of 3 February amending our investment rules is an undoubted step forward that will enable ERAFP to better fill its role as a fully SRI long-term investor.

This regulatory change has been introduced at a time when the reduction in bond yields had eroded the Scheme's room for manoeuvre in the last financial year. Our guidelines for technical parameters prompted us to examine a number of possible adjustments in the second half of the year. Although the Scheme is still young, we considered that to maintain a balanced path between the overall provision of future benefits and yields that are at an all-time low, a measured adjustment to the premium rate would be required.

To reduce the impact of this change, it was decided to bring the age at which the premium is applied into line with the statutory retirement age of 62. The measures required were adopted by the board of directors on 5 February 2015, following which the CSAP examined a number of adjustment proposals. With a view to equitable treatment, the final decision was to spread the impact over all contributors over time, with no retroactive effect on pensions in payment.

These measures are not irreversible. Having finally obtained the investment capacity and diversification suited to the Scheme's characteristics, we can produce better returns and will therefore be more able to improve the purchasing power of pensions over the long term. We plan to achieve this by continuing to apply our socially responsible investment charter, notably in projects of general economic interest or those of collective interest to our beneficiaries, such as housing for public sector employees. Quite apart from the benefit to those of our contributors experiencing housing difficulties, we believe that by financing the economy's structural needs we can ensure the profitability of our investments.



Having finally obtained the investment capacity and diversification suited to the Scheme's characteristics, we can produce better returns

Alain Dorison,
chairman of the CSAP

The objective is to provide assurance to the board that the guidelines it sets can be implemented by management

Gilles Oberrieder,
chairman of the CSA



REPORT ON THE WORK OF THE AUDIT COMMITTEE

2014 was a year devoted to assessing and refining the tools developed to monitor RAFF's operations and report to active contributors.

Following on from the successful experiment the previous year, I am pleased to report that the 2013 financial statements were finalised in the first half of 2014 without impacting their quality. Moreover, earlier publication of the report to Parliament will facilitate the annual debate on pensions that takes place between June and September.

The committee's work during the year provided the directors with a better indication of the resources available to ERAFP to fulfil its role and, in particular, in awarding financial management mandates. The objective – while maintaining a sufficiently transversal view of the Scheme's activities – is to provide assurance to the board that the guidelines it sets can be implemented by management in the knowledge that adequate resources are available to do so.

The assignment carried out by the CSA covering the financial management and accounting support functions was undertaken with a view to ensuring the Scheme's higher level of investment is properly supported. Our conclusion, shared with the Caisse des Dépôts, is that we are both committed to a long-term partnership but that certain areas could be improved upon. I welcome the constructive spirit with which both institutions assessed their relationship with a view to strengthening it.

BOARD BODIES IN 2014

REPORT ON THE WORK OF THE COLLECTIONS COMMITTEE

The CSR met four times in 2014. Its work was performed in close relationship with the administrative management departments of Caisse des Dépôts, and I would like to thank its representatives for their professionalism.

Our working meetings resulted in a review of the position regarding the collection of contributions. Comparisons over time need to be considered in the light of certain operational changes, such as the introduction this year of a control prior to the issuance of penalties for late payment, which resulted in a welcome and significant reduction in their amount.

After being in existence for ten years, the Scheme is now faced with new collection problems ones that we have acquired the experience to respond to appropriately. For example, the CSR provided its opinion for the first time on exemption requests from individuals, an area not specifically provided for in the organic decree-law governing the Scheme, and on proposals to write-off receivables deemed to be irrecoverable.

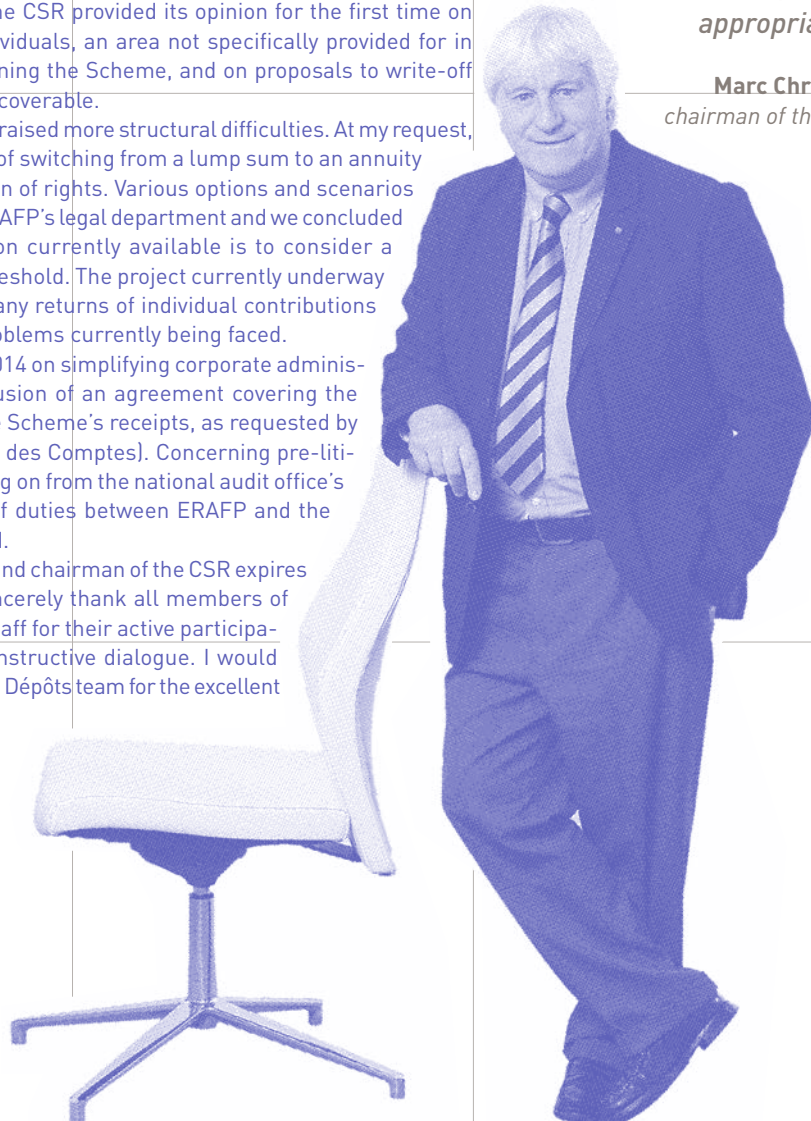
The Scheme's growth has also raised more structural difficulties. At my request, the CSR considered the issue of switching from a lump sum to an annuity after the provisional liquidation of rights. Various options and scenarios were provided to the CSR by ERAFP's legal department and we concluded that the only relevant solution currently available is to consider a reduction in the applicable threshold. The project currently underway to simplify the monthly company returns of individual contributions will, over time, resolve the problems currently being faced.

The law dated 20 December 2014 on simplifying corporate administration allowed for the conclusion of an agreement covering the encashment by the CDC of the Scheme's receipts, as requested by the national audit office (Cour des Comptes). Concerning pre-litigation collections and following on from the national audit office's observations, the allocation of duties between ERAFP and the CDC is currently being revised.

My appointment as a director and chairman of the CSR expires in 2015 and I would like to sincerely thank all members of the committee and ERAFP's staff for their active participation in our work and their constructive dialogue. I would also like to thank the Caisse des Dépôts team for the excellent relations we have forged.

the Scheme is now faced with new collection problems ones that we have acquired the experience to respond to appropriately.

Marc Chrétien,
chairman of the CSR



We have furthered ERAFP's SRI investment policy through the active exercise of voting rights, opening new prospects for the forthcoming mandate. The main achievement of the current mandate has been to develop and consolidate, alongside the best-in-class selection process, a new core feature of ERAFP's SRI policy: shareholder engagement and the exercise of voting rights.

Éric Loiselet,
chairman of the CSPP



REPORT ON THE WORK OF THE INVESTMENT POLICY MONITORING COMMITTEE

Exercising voting rights is a proven SRI process

The process is now well established: validation by the board of directors in December of guidelines for the following year, priority monitoring of 60 companies during the spring AGM season, review in the summer of implementation of the guidelines, and updating the guidelines in the autumn for the board meeting at the end of the year. In parallel with this process, shareholder engagement initiatives are monitored throughout the year.

We have made progress over the years on the topics we advocate, notably the gender balance of boards, and our ambitious objectives have been extended Europe-wide. However, although other institutions are beginning to show an interest in the matter, we remain relatively isolated on the question of sharing added value. Few investors seem to be concerned with moderating dividends via a definition of responsible dividend criteria. Generally speaking, much work remains to be done in bringing together players who are concerned by the social and environmental impact of their investments. For instance, the average shareholder is much more ready to approve automatically resolutions proposed to shareholders' meeting than ERAFP's agents. Participating in engagement initiatives alongside our peers would, therefore, seem to be a means by which we can gradually persuade investors to face up to the long-term challenges once they realise the risks inherent in ignoring them.

Towards a road map covering carbon risk and financing energy transition

In light of the forthcoming COP21, climate change has become a major preoccupation for those long-term investors wishing to better understand carbon risk in order to guard against it and to take part in financing energy transition, a necessary condition for the sustainable low-carbon economy of the future.

In addition to measuring the carbon footprint of the Scheme's portfolios, and actively reducing that of one of the equity mandates, I would like to see the definition of a road map for each asset class on climate and carbon issues in order to gradually align its investments with the "2 degrees" initiative. For the future board of directors, this will be an opportunity to add a new core feature – the third – to its SRI investment policy. Our work with the 2° Investing Initiative research body will contribute to this.

Based on its experience, and consistent with it signing the Montreal Carbon Pledge, ERAFP could support the extension to all investors in France, particularly in light of the forthcoming COP21, of an obligation to measure their portfolios' carbon footprint.

BOARD BODIES IN 2014

REPORT ON THE WORK OF THE COMMUNICATIONS COMMITTEE

Over the last three years the committee has been involved in several communication projects for the Scheme; this year, two particularly seminal projects have seen the light of day.

BVA conducted image surveys among public sector employees and employers, participants in institutional conferences organised in previous years by ERAFP and other institutional players, the results of which indicated that the Scheme has a low recognition rating and a poorly understood image. Spontaneous recognition of the Scheme by its beneficiaries remains low, although this does not appear specific to RAFFP relative to other retirement schemes. Once the Scheme had been identified, respondents – including employers – mentioned certain information deficiencies. Accordingly, further training in conjunction with the CDC needs to be put in place over and above the communication actions already implemented.

ERAFP must have the resources to provide information to those seeking it, failing which the Scheme's image could suffer in the long term.

This is the rationale behind launching the Scheme's new website in 2015. The communications committee has been consulted at the various stages of the site's development and has insisted that the content must be easily accessible to the general public, which requires a simple architecture, intuitive navigation and clear layout. I believe the site will meet users' expectations in this regard.

In addition to its informational qualities, launching the site will mark a new phase in ERAFP's relations with the public, its stakeholders, the media and other institutional players. In 2014, ERAFP was present at the Salon des Maires for local mayors in France and similarly in 2015 will attend the Salon de la Santé et de l'Autonomie, which covers healthcare and personal autonomy issues. There are a number of encouraging signs we can build on: the satisfaction rating of participants at our institutional conferences and the positive view of our SRI policy held by our beneficiaries and contributors.

*launching the site will
mark a new phase in
ERAFP's relations
with the public,
its stakeholders,
the media and other
institutional players.*

Anne Meunier,
chairman of the committee



THE ADDITIONAL PENSION SCHEME IN BRIEF

THE FRAMEWORK FOR ACQUIRING RIGHTS TO THE SCHEME'S BENEFITS

Legal and regulatory changes in 2014

Effects of the law on reforms to the retirement benefits system of 9 November 2010: 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.

Effects of the decree of 2 May 2014 on the methodology for taking into account in the Scheme the so-called individual purchasing power guarantee: the guarantee is confirmed and remains excluded from the capping mechanism⁴.

Parameters set by the board of directors

Change to the premium rate: derived by dividing the service value by the purchase value, the Scheme's technical return in 2014 was 4.075%.

Pursuant to the 4.5% increase in the purchase value in 2015 and then again in 2016 decided by the board on 5 February 2015⁵, and assuming no further changes, the technical return will be:

+ 3.899% in 2015;

+ 3.731% in 2016.

Adoption of a new premium factor: when calculating rights to benefits, the service value of points is adjusted to take into account the beneficiary's age on liquidation of the additional pension rights based on the following actuarial table. Until the end of February 2015, the premium factor applied from the pivotal age of 60. At the same time as changing the premium rate, the board meeting of 5 February 2015⁵ adopted a new premium factor, which is now applicable from age 62.

1.09585 €

PURCHASE VALUE
OF A POINT IN 2014

0.04465 €

SERVICE VALUE
OF A POINT IN 2014

MINIMUM LEGAL RETIREMENT AGE BASED ON THE YEAR OF BIRTH

Source — <http://vosdroits.service-public.fr>

Date (or year) of birth	Minimum legal retirement age	Retirement possible from
Between 1 July and 31 December 1951	60 years, 4 months	1 November 2011
1952	60 years, 9 months	1 October 2012
1953	61 years, 2 months	1 March 2014
1954	61 years, 7 months	1 August 2015
1955	62 years	1 January 2017

→ To learn more about
the Scheme's characteristics



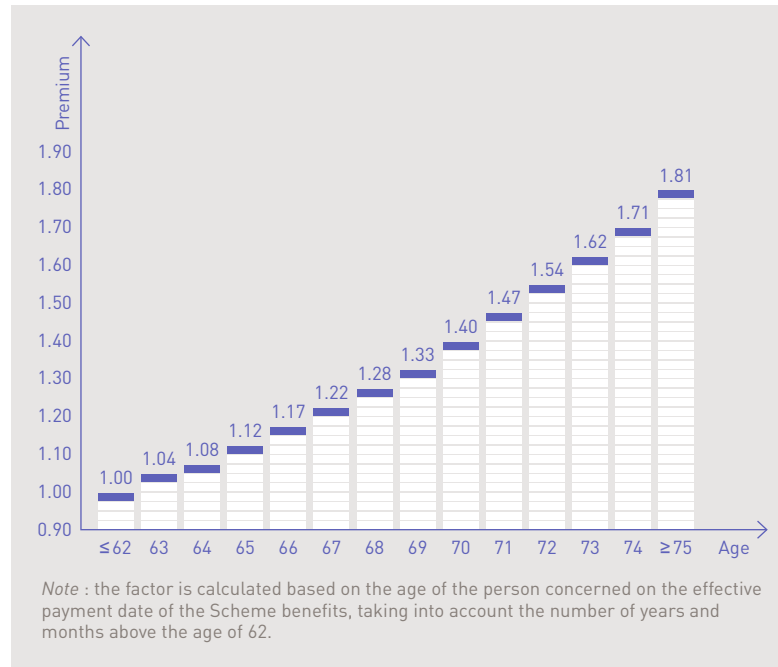
⁴ Bonuses and ancillary remuneration are subject to contributions within the limit of 20% of the gross basic salary, excluding time-savings accounts and the individual purchasing power guarantee.

⁵ Changes to the premium rate are detailed in section 2, page 36.

- 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 2014.
- 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 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

ACTUARIAL PREMIUM FACTOR SCHEDULE

Source – ERAFP



PAYMENT SIMULATIONS FOR TYPICAL BENEFITS⁶

LUMP SUM PAYMENT

ALICE

AN ADMINISTRATIVE,
assistant, retires in 2015,
aged 62, after having
contributed since the origins
of the Scheme, i.e. 2005

She then has
4,500 points
in her Scheme individual
retirement account

(< 5,125 points)

4,500
x 0.04465⁷
x 24.62⁸
x 1.00⁹

€4,946.77 gross

Alice receives a gross lump
sum payment of €4,946.77

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

ANNUITY PAYMENT

CHI-THIÊN

AN ATTACHÉ,
retires in 2015,
aged 62, after having
contributed since the origins
of the Scheme, i.e. 2005

He then has
7,000 points
in his Scheme individual
retirement account

(> 5,125 points)

7,000
x 0.04465⁷
x 1.00⁹

€312.55 gross

Chi-Thiên receives a gross
annuity of €312.55 annually,
or €26.05 monthly

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

AN ATTACHÉ,
retires in 2015,
aged 67, after having
contributed since the origins
of the Scheme, i.e. 2005

He then has
7,000 points
in his Scheme individual
retirement account

(> 5,125 points)

7,000
x 0.04465⁷
x 1.22⁹

€381.31 gross

Chi-Thiên receives a gross
annuity of €381.31 annually,
or €31.78 monthly

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

→ The payment simulator
can be found here



⁶ Illustrative examples only, not contractual and given for indicative purposes only.

⁷ 2015 service value of a point.

⁸ Lump sum conversion factor corresponding to life expectancy at the age rights
are liquidated.

⁹ Premium factor: after age 62, the higher the retirement age, the greater the factor.

SCHEME MANAGEMENT

- 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.
- Administrative costs in 2014: **€27 million**.

CONTROLLED ADMINISTRATIVE COSTS

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.

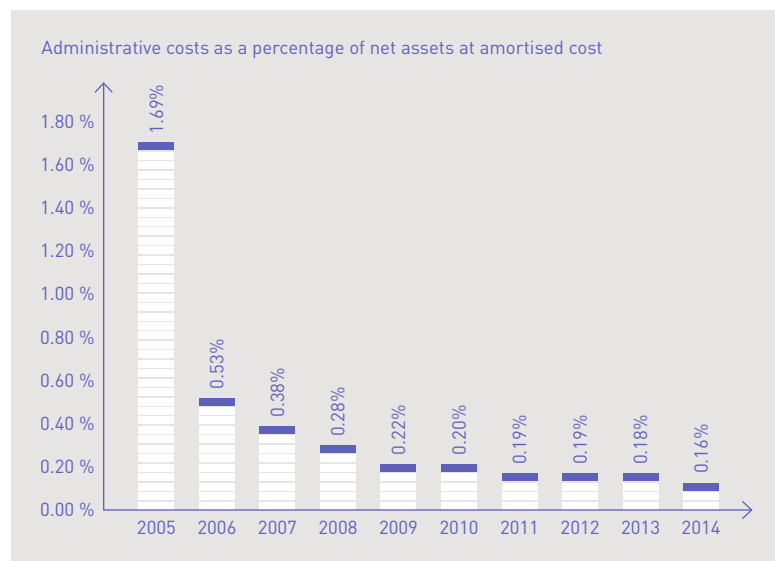
In 2014, the Scheme's administrative costs totalled €27 million. They

represented 0.16% of the Scheme's net assets and 1.5% of contributions of contributions received in 2014.

The implementation of ERAFP's asset diversification policy implies harnessing additional 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.

CHANGES IN SCHEME ADMINISTRATIVE COSTS SINCE 2005

Source — ERAFP



THE SCHEME'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 benefits¹⁰, 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 contributed to the Scheme in 2014, via the Caisse des Dépôts.
- **€1.81** billion in contributions collected in respect of the 2014 financial year.
- **4.5** million contributing public servants in 2014.
- **114,348** pension liquidations and **357,038** individual RAFF account revisions in 2014.
- **€305** million paid to beneficiaries in benefits.

AROUND 45,000 EMPLOYERS ...

Approximately 45,000 employers paid contributions to Caisse des Dépôts in respect of the Scheme in 2014. The vast majority are local and regional authorities and public sector hospitals.

The majority of French central government employers registered with the Scheme are regional public treasury departments, ministries and commissioners to the armies. In 2014, 96.4% of employers had paid in all requisite contributions in respect of 2013¹¹. There was a slight reduction in the number of active employers' accounts during the year

against the backdrop of consolidation within the public sector.

Although having been stable at less than 5% for several years, the rate of payment incidents increased slightly in 2014. The average rate for the year was 4.9%, compared with 4.6% in 2013.

These payment incidents are subject to corrective actions: 98% of incidents arising in 2014 were corrected during the year.

... AROUND €1.81 BILLION COLLECTED ...

The Scheme collected around €1.81 billion of contributions in 2014. 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 2014, 355 employers were obliged to pay penalties in respect of 2013.

- Nearly **31,000** annuities in payment.

¹⁰ Except for the payment of benefits to retired central government public servants, which is the direct responsibility of the Directorate of Public Finance.

¹¹ Note: As the employers' declarations are only required to be submitted in the year following payment of the contributions, the figures 2013 financial year.

99.2%

OF INDIVIDUAL ACCOUNTS
ACCRUED AT 31 DECEMBER 2014

... AND 4.5 MILLION CONTRIBUTING PUBLIC SERVANTS IN 2014

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 2013 was 31 March 2014. 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 authorities, 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 accrual rates for individual 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.

The number of individual retirement accounts remained stable in 2014. The proportion reaches 99.2% at 31 December.

EMPLOYER ACCOUNTS AND INDIVIDUAL RETIREMENT ACCOUNTS

Source — CDC GA



SOME 114,000 PENSION LIQUIDATIONS AND 357,000 BENEFITS REVISIONS IN 2014

In 2014, 114,348 pension liquidations and 357,038 benefits revisions took place. Although the number of pension liquidations was relatively stable, the some 60% increase in benefits revisions is due to the

numerous corrective actions taken by Caisse des Dépôts in order to update the individual accounts, mainly regarding the year following retirement.

In all, €305 million in benefits was paid out to beneficiaries in the year. This amount includes reversionary benefits paid out to deceased beneficiaries' spouses and children under 21.

114,348

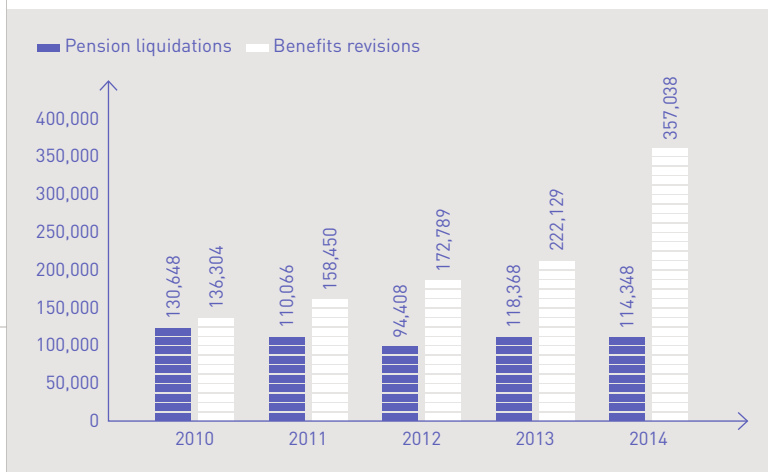
PENSION LIQUIDATIONS IN 2014

357,038

BENEFITS REVISIONS

NUMBER OF PENSION LIQUIDATIONS AND BENEFITS REVISIONS, 2010 - 2014

Source — CDC GA

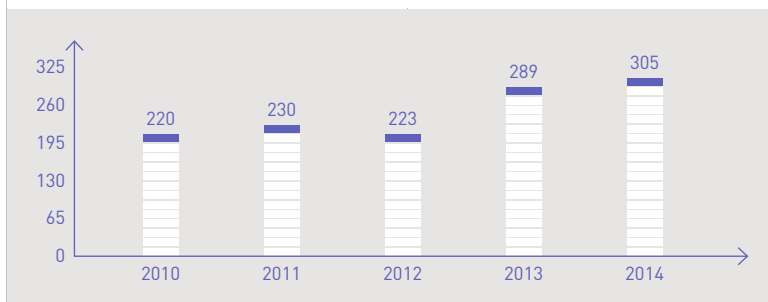


AROUND €305 MILLION

IN TOTAL BENEFITS PAID OUT
TO BENEFICIARIES IN 2014

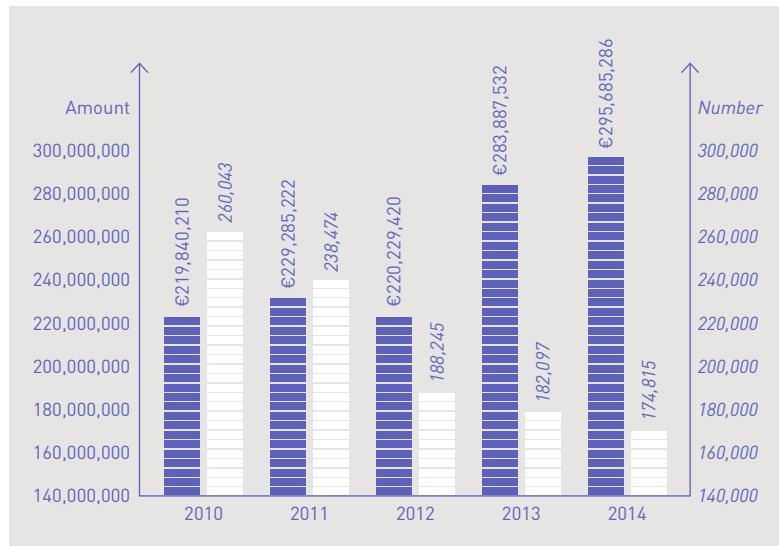
BENEFIT PAYOUT AMOUNTS (in millions of euros)

Source — CDC GA



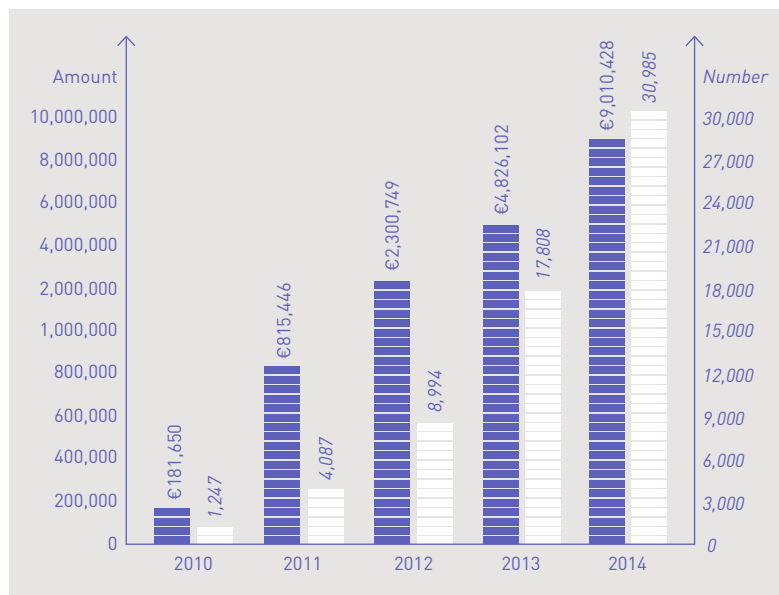
ANNUAL LUMP SUM BENEFIT PAYOUTS (NUMBER AND AMOUNT)
(in millions of euros)

Source — CDC GA



ANNUAL ANNUITY PAYOUTS (OVERALL NUMBER AND AMOUNT)
(in millions of euros)

Source — CDC GA



PAYOUTS ON THE RISE

In 2014, the total amount paid out increased by 5.5% as beneficiaries reaching retirement age had a higher number of points vested. The number of lump sum payouts continued the decline started in 2011 (€174,815 in 2014 against €182,097 in 2013). The average lump sum payout in 2014 was €1,691, up by 8% compared to 2013 (€1,559)¹².

ANNUITY PAYMENTS TAKE OFF

30,985 beneficiaries received an annuity in 2014. The continued increase in the number of annuities in payment compared with lump sum payments reflects the gradual growth of the Scheme since its inception in 2005.

Every year, an increasing number of beneficiaries have accrued throughout their careers a total number of points in excess of the minimum 5,125 necessary to receive annuity payments. In 2014, the average annuity received was €291¹³ up by 7% compared to 2013 (€271). 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.

Annuity payments in 2014 amounted to just 3% of lump sum payments (€296 million against €9.0 million for annuities) but are growing rapidly: they nearly doubled compared to the €4.8 million paid in 2013.

¹² 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.

¹³ Total of 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. It also aims to show the relevance of ERAFP's SRI approach and to promote it, since social responsibility is only meaningful if it is shared.

The communications 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 the responsibility of the Administrative Manager (CDC).

PUBLIC SECTOR EMPLOYERS: MORE DETAILED INFORMATION

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. Having organised institutional conferences in 2012 and 2013 for human resources managers from the three main segments of the public sector, ERAFP participated in the Salon des Maires for mayors from throughout France in November 2014 in order to meet local authority employers, who represent the majority of employers contributing to the Scheme.

HIGHLIGHTS OF ERAFP'S INSTITUTIONAL COMMUNICATIONS IN 2014

- ✦ Launch of ERAFP's Twitter account in February
- ✦ Participation in the Salon des Maires in November
- ✦ Continuing to produce an SRI New Year's card in partnership with public sector players.

This year, ERAFP worked with two associations in Saint-Brévin-les-Pins, one for seniors and the other for young people, on the themes of inter-generational solidarity and sustainable development. Apart from the artwork on the New Year's cards, one of which featured a "six-handed" fresco by members of the two associations, the experience forged a link between the two generations.

The main channels for passing on information are departmental circulars or pay slips.¹⁴

In operational terms, Caisse des Dépôts' call centre in Angers handled around 12,200 calls from employers in 2014 (92% of calls received). The decline in call numbers seen in previous years accelerated (14,800 calls in 2013, i.e. a drop of 18%), due partly 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.

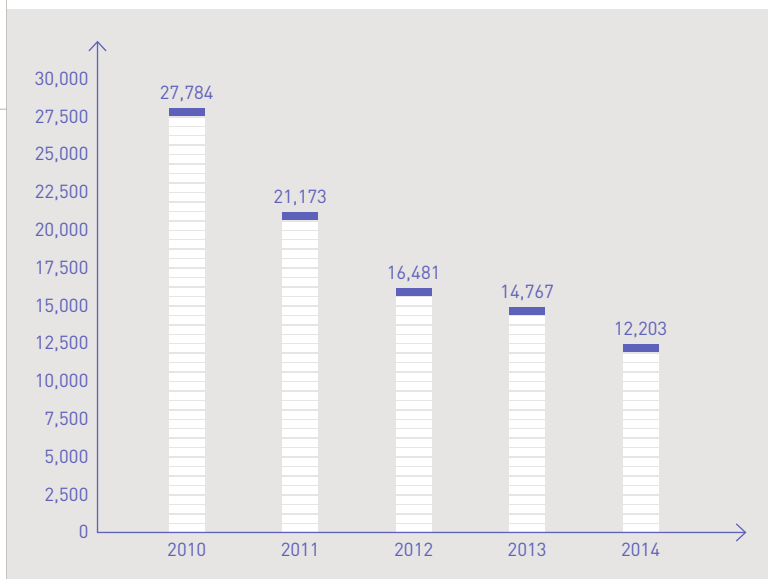
Actions targeted at public sector hospital employers are expected to close this gap.

In terms of the employer-dedicated "e-services" account-viewing website, there were more than 57,500 connections in 2014. This figure has declined since 2011 due to improvements in the quality of data passed on by employers.

- Public sector employees highlight the role of their employer in passing on information regarding the Scheme.
- Employers in the local and regional authorities segment are more likely to say they are "well informed" than other employers.¹⁵

NUMBER OF TELEPHONE CALLS HANDLED FROM EMPLOYERS

Source – CDC GA



¹⁴ Results of the survey on Scheme image and recognition conducted by BVA in 2014.

¹⁵ Results of the survey on Scheme image and recognition conducted by BVA in 2014.

→ The Scheme's website seems to represent an important complement to information provided by the employer.¹⁶

BETTER UNDERSTANDING THE NEEDS OF ACTIVE CONTRIBUTORS IS A SCHEME PRIORITY

As noted by the communications committee members, the lack of knowledge and awareness of the Scheme persisted in 2014. By paying close attention to beneficiaries' concerns, ERAFP and the Administrative Manager aim to gradually resolve this issue.

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

The website's overhaul in 2014 will meet beneficiaries' needs for more accessible and interactive information.

Informing retired beneficiaries

✦ Nearly 94,200 telephone calls from retired public servants were handled in 2014 (91% of calls received). In addition, some 17,400 items of correspondence (letters and e-mails) were processed over the year, down 7% on the 18,700 items processed in 2013.

✦ The number of on-line service users continues to rise. More than 705,000 beneficiaries have signed up for the on-line services available to active and retired public servants (compared to 580,000 in 2013).

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

Informing active contributors

990,566 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 documents¹⁷. As a result, 73,535 of the 990,566 documents were sent out directly by RAFP.

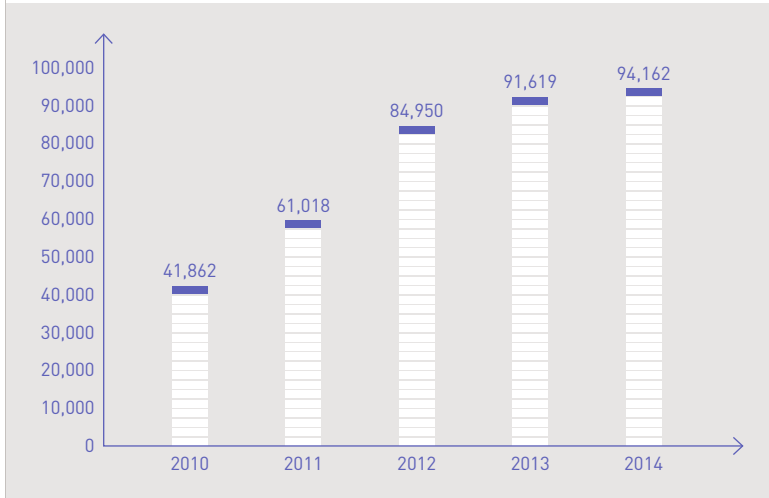
Furthermore, in 2014 Caisse des Dépôts handled nearly 28,000 telephone calls from active contributors under their "right to information" (91% of calls received), as well as some 2,100 letters and e-mails.

¹⁶ Résultats de l'enquête sur l'image et la notoriété du RAFP, réalisée par BVA en 2014.

¹⁷ Cas de contrats d'affiliation non valides, de taux d'alimentation de la carrière connu du compte de droits inférieur au seuil minimum exigé, de processus de rétablissement en cours et d'agents radiés des cadres, définis par le GIP Union Retraite.

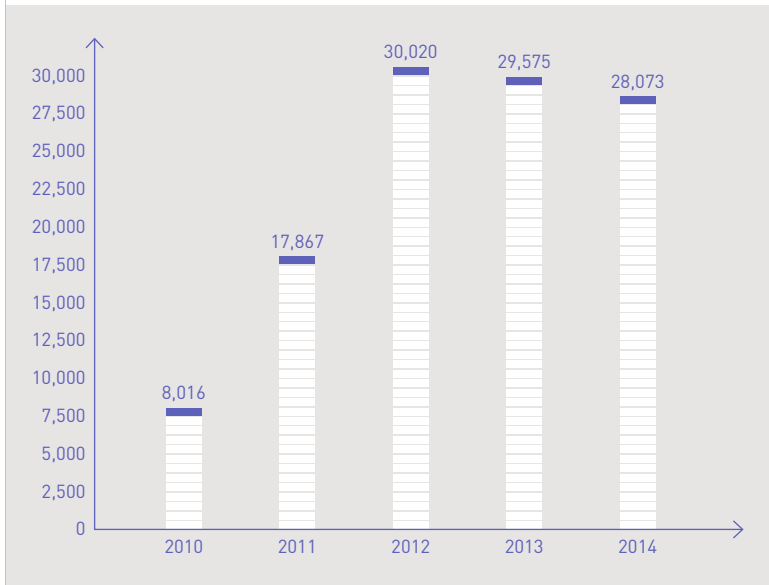
NUMBER OF TELEPHONE CALLS HANDLED FROM RETIRED BENEFICIARIES

Source — CDC GA



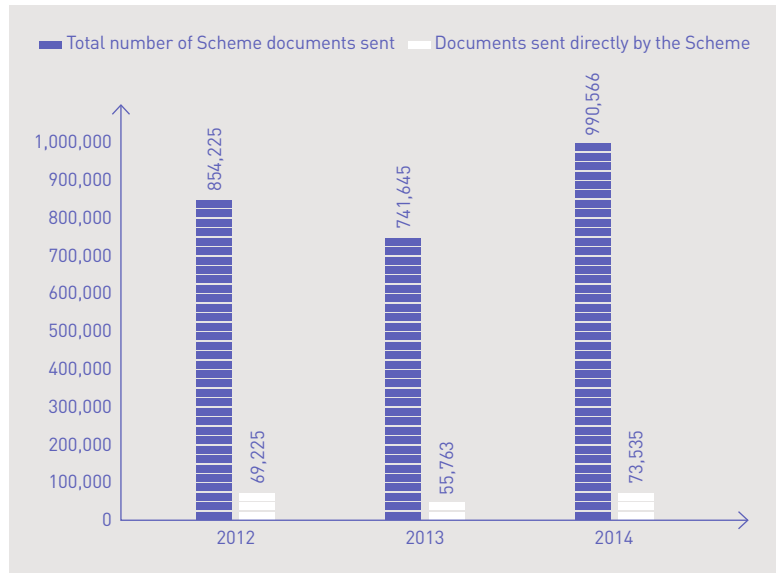
NUMBER OF TELEPHONE CALLS HANDLED FROM ACTIVE CONTRIBUTORS

Source — CDC GA



NUMBER OF "RIGHT TO INFORMATION" DOCUMENTS SENT

Source — CDC GA



INSTITUTIONAL PLAYERS: INCREASINGLY FRUITFUL COMMUNICATIONS

on the Scheme. In 2014, the Scheme or ERAFP were referred to in 855 press or online articles, 70% more than in 2013. The Scheme's media coverage has improved consistently over the last three years.

Contact with the public authorities

Having taken part for the first time in the Salon des Maires for local mayors in France in November 2014, ERAFP will attend the Salon de la Santé et de l'Autonomie, covering healthcare and personal autonomy issues, in 2015.

Media relations

Press

The calls for tenders launched by ERAFP form an excellent opportunity to promote communications

More specifically, the 8 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.

The Chief Executive Officer and his staff were also widely interviewed by specialist French and English language publications and took part in some 100 conferences, seminars and talks in France and abroad.

Twitter

ERAFF had been regularly cited on the Twittosphere in 2013 (117 tweets) and joined the social media network in 2014 to take advantage of this interest, posting 232 tweets and sending 239 retweets covering information of interest. With 328 tweets referring to ERAFF and 144 followers, Twitter was the most active online medium for the Scheme in 2014.

Website: a central communication tool

The website saw a very marked increase in usage in 2014, to around 58,000 visits per month compared with 50,000 in 2013.

In conjunction with ERAFF's Twitter account, the new-look RAFF website will enable the institution to provide dynamic web communications and will give the Scheme an online identity.

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

02

THE
MEANS
TO TRULY
INVEST
FOR THE
LONG TERM



During the financial crisis and the continuing economic crisis, the Scheme has succeeded in covering at all times its commitments to active contributors and retired beneficiaries.

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

- + 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.

Faced with a decline in interest rates combined with rising life expectancy, the extraordinary meeting of the board of directors of 5 February 2015 resolved to take measures that will provide a better balance between the Scheme's commitments and the assets it holds. Accordingly, from 2015 the new premium rate will reduce the technical return on contributions from 4.075% to 3.899% in 2015 and then to 3.731% in 2016.

This decision by the board of directors reflects the impact of an a priori lasting decline in returns on bonds, which still constitute the majority of the Scheme's portfolio.

The recent publication of regulations amending the Scheme's investment scope will enable it to fully play its role as a long-term investor serving the real economy, particularly in France and for SMEs.

The increased diversification permitted by the new regulations represents a means of improving the long-term returns paid to Scheme beneficiaries.

In 2014, regulatory constraints on non-bond investments continued to impact asset allocation despite ERAFP's efforts to develop the tools and vectors necessary for investing in new asset classes while simultaneously deepening its SRI approach.

→ To learn more about SRI



ERAFP: KEY FIGURES*

Assets of around

€17.5 BILLION

Estimated financial coverage
ratio of around

110%

Technical reserves of around

€15.9 BILLION

Non-technical reserves of

€1.7 BILLION

Discount rate set at

1%**

* Valuation at end-2014

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

STEERING THE TECHNICAL PARAMETERS IN 2014

The board of directors is very conscious of these regulatory and prudential responsibilities and accordingly adopted written guidelines for the Scheme's technical parameters 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 values of points;
- + coverage ratio of Scheme commitments;
- + discount rate applied to reserves;
- + 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 measures considered at the end of the year and adopted by the board of directors on 5 February 2015 resulted in a ratio of approximately 110% (estimated, unaudited figure). Mindful of its regulatory obligations, the Scheme has the necessary reserves and provides satisfactory coverage of its commitments.

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.

Nonetheless, the continuing decline in bond yields seen in the market in 2014 calls for a highly prudent approach to steering these parameters.

As a complement to this first 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 assets¹⁸ as well as the risks for which a margin of prudence should be recognised. This margin is defined as the "excess economic coverage requirement". If this requirement is not met, regardless of the financial coverage ratio, the service value of a point may not be increased. At the end of 2014, the excess economic coverage requirement was measured at 13.3% of commitments.

The Scheme's economic coverage ratio, after revaluation, was approximately 118% (estimated figure) at 31 December 2014.

¹⁸ 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.

DETERMINATION OF THE PURCHASE AND SERVICE VALUES OF POINTS

The board of directors sets these parameters each year. Since adoption of the guidelines, it takes into account the excess economic coverage requirement.

The mechanism set out in the guidelines effectively links any revaluation of points to the economic coverage ratio. If the points revaluation is lower than the inflation rate, particularly if the coverage ratio is inadequate, a mechanism is implemented in subsequent years to allow increases in the purchase and service values of points to catch up with inflation. For this reason, when the adjustment measures were under consideration in 2014, the board of directors decided against increasing the service value by the forecast inflation rate for 2014 of 0.5%. The amount of such revaluation may be distributed subsequently by increasing the service value of points.

On 5 February 2015, the board of directors resolved to increase the purchase value of a point by 4.5% in both 2015 and 2016 in the context of changes to the premium rate pursuant to the guidelines.

Subject to any subsequent changes, the Scheme's technical return will therefore be:

+ 3.899% in 2015;

+ 3.731% in 2016.

This represents a decline of 8.4% over two years relative to the technical return in 2014 (4.075%) and ensures that commitments entered into in the future will be covered despite the fall in bond yields and continuing rises in life expectancy. The higher rate of increase in the purchase value of new Scheme points compared to their service value will affect all contributors, but will have no impact on pensions already in payment. Moreover, it is reversible since the parameters of point values will change over time.

POINT PURCHASE AND SERVICE VALUES

Source — ERAFP

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Purchase value (€)	1	1.017	1.03022	1.03537	1.04572	1.05095	1.05620	1.07420	1.0850	1.09585	1.1452	1.1967
Change	—	+1.70%	+1.30%	+0.50%	+1%	+0.50%	+0.50%	+1.70%	+1%	+1%	+4.5%	+4.5%
Service value (€)	0.04	0.0408	0.04153	0.04219	0.04261	0.04283	0.04304	0.04378	0.04421	0.04465	0.04465	
Change	—	+2.00%	+1.80%	+1.60%	+1%	+0.50%	+0.50%	+1.70%	+1%	+1%	0%	

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. It takes account of the decline in bond yields seen in recent years. The rate (net of fees) used to assess the technical reserve at 31 December 2014 was set at 1.0%, down by 20 basis points from 2013; this reflects in particular the decline in returns on the bond portfolio and poorer reinvestment rate prospects.

Since publication of the statutory order of 14 May 2014 amending the statutory order of 26 November 2004, the minimum level of management expenses has been lowered, enabling the discount rate formula to be adapted to the economic realities faced by the Scheme¹⁹. The discount rate gross of expenses is therefore 1.25%.

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.

These parameters are no longer in line with the current economic and financial conditions. The Scheme's premium rate has therefore been revised to make it consistent with market rates by increasing the purchase value as described above and raising the pivotal age for application of the premium to 62²⁰. The guidelines provide for an immediate revision of the Scheme's premium rate if, at the end of a financial year, the discount rate gross of fees is lower than the premium rate, which was the case at end-2014.

AUDITED FINANCIAL STATEMENTS

For the first time and following the trial conducted in 2013, the financial statements for 2013 were approved by the board of directors in 2014 during the first half-year. This reduced time frame was achieved while maintaining the quality of the accounting data.

After auditing the valuation processes for reserves, the independent auditors again certified the fairness and accuracy of the 2013 financial statements without any qualifications.

¹⁹ See: management expenses on page 20

²⁰ The technical return rate resulting from these changes is equivalent to setting the premium rate at 0.90%.

NEW ROOM FOR MANOEUVRE TO ENSURE THE SCHEME'S OVERALL EQUILIBRIUM

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.

CHANGES IN THE INVESTMENT REGULATIONS

The decree of 3 February 2015 amending the investment rules applicable to the Scheme and the implementation decree of 10 March 2015 set out the following in particular:

- ✦ a broader list of authorised assets to enhance the Scheme's contribution to financing companies and improve the outlook for future returns;
- ✦ the proportion of assets that may be invested in equities or UCITS is increased to 40%;
- ✦ 3% of assets may be invested in unlisted funds and 3% in funds securitising loan receivables on SMEs;
- ✦ the possibility of investing directly up to 3% of total assets.

As an extension to its approach of seeking a socio-economic impact through its investments, ERAFP will start using this new room for manoeuvre from 2015, notably to help develop the French economy and finance European small- and medium-sized enterprises.

DEVELOPING THE FRENCH ECONOMY AND FINANCING SMES

The public financial sector can serve as a relay when access to credit by economic players becomes more difficult as a result of an economic slowdown²¹. To this contra-cyclical function, ERAFP is able to add the rare ability of supporting over the long term the entities in which it invests, thanks to the significant room for manoeuvre it will have over at least the next 20 years.

Indeed, since the Scheme was formed only relatively recently it faces a long period before reaching full maturity. With its very significant net cash inflows, it is not bound by short-term management constraints and is able to hold portfolio securities for the long term.

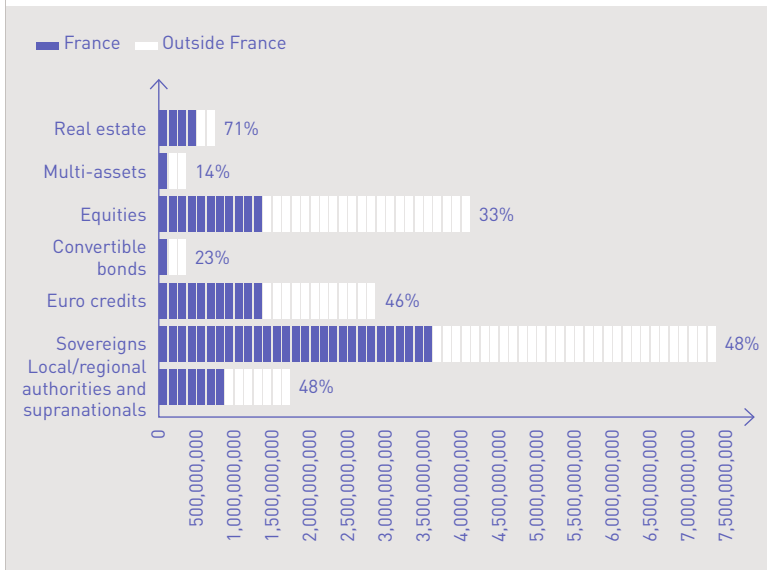
This high liquidity is a strategic advantage in financing investment projects of a long-term nature, or even very long-term, more structural projects such as extensions to infrastructure networks and encouraging innovation and small enterprises.

In 2014, ERAFP provided finance to the French economy, in the broadest sense, of €7.8 billion, corresponding to 45% of its total assets at amortised cost.

²¹ "The State and financing the economy", special report by the French national audit office, July 2012.

INVESTMENTS IN FRANCE BY ASSET CLASS AT 31 DECEMBER 2014 (market value)

Source — ERAFP



European SMEs have seen their access to financing deteriorate in the years following the sharp credit contraction of 2008-2009²². And yet financing these investments, which have a material impact on employment and the capacity for innovation, is a key way of growing the economy²³.

ERAFP contributed €258 million to the financing of European SMEs in 2014, a significant increase over the €154 million invested in 2013. ERAFP is involved at various stages of the development of SMEs and VSEs:

- + it invests in listed SMEs and VSEs through the management mandates awarded to BNPP AM and Sycomore AM and the multi-asset mandate held by Amundi;
- + it contributes to the financing of unlisted mid-sized companies by investing in the Novo bond funds;
- + it makes private equity investments in unlisted SMEs through the multi-asset mandate held by Amundi.

INVESTING IN MID-INCOME PUBLIC HOUSING

In July 2014, through its real estate asset manager AEW Europe SGP, ERAFP invested in the Fonds de Logement Intermédiaire. This fund facilitates access to housing in areas where rents are high in relation to disposable incomes. By offering rents at a discount to market rates, the thousands of housing units set to be provided represent a mid-way solution between private and social housing for people with incomes that preclude them from accessing the latter. At end-2014, ERAFP had committed €30 million.

²² Source: OECD (The financing of SMEs and entrepreneurs in 2013, key indicators)

²³ Source: Economic analysis council (An SME strategy for France, 2006 report)

ASSET ALLOCATION IN 2014

Guidelines

As the regulatory changes were not introduced until 2015, the asset allocation approved by the board of directors for 2014 did not result in the introduction of any new asset classes. Investments in new asset classes have resulted from the operational implementation of tenders initiated or drawn up in 2013: corporate bonds denominated in US dollars and US equities. Contributions totalling some €1.81 billion were collected in 2014. As a long-term investor, ERAFP seeks to invest its annual cash inflows to optimise returns on its portfolio while maintaining an acceptable level of risk for the Scheme. In 2014, the internal rate of return²⁴ on the overall portfolio was 12.8%.

This reflects the ERAFP portfolio's excellent stock market performance, linked in part to the step drop in bond yields, which increases their value but makes new investment in the asset class more complex.

During the year, bonds (including convertible bonds) continued to account for the majority of investments. Thus, 55% of inflows were invested in bonds, corresponding to €980 million, of which nearly 31% in corporate bonds. Real estate started to represent a major asset class, receiving nearly 27% of investment flows or €481 million in 2014. Net investments in equity mandates totalled €239 million, or 13.5% of investment flows. Finally, the multi-asset fund received investments of €72 million, or 4% of flows.

INVESTMENT FLOWS BY ASSET CLASS IN 2014

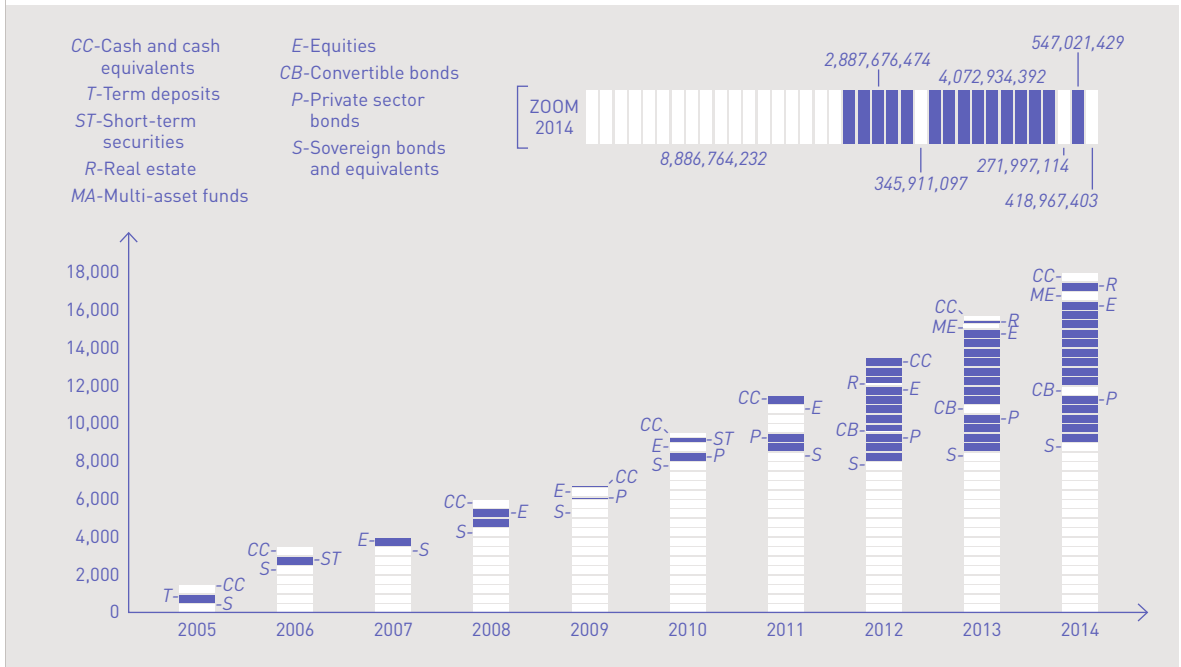
Source — ERAFP

Asset class	In millions of euros	percentage
Bonds	980	55.3%
<i>of which corporate bonds</i>	<i>547</i>	<i>30.8%</i>
Equities	239	13.5%
Multi-asset	72	4.1%
Real estate	481	27.1%
Total	1,772	100%

²⁴The internal rate of return (IRR) is a measure of the relevance of investment allocation within a portfolio. It differs from performance in that it takes into account the timing of investment and divestment flows or, in the case of delegated asset management, subscriptions and redemptions.

PORTFOLIO COMPOSITION (at amortised cost in millions of euros)

Source — ERAFP



At the beginning of 2014, the bond portfolio excluding convertible bonds represented 71% of the Scheme’s assets. ERAFP invests for the long term and aims to hold its bond investments until maturity. Any divestments are usually in the context of arbitrage transactions to improve asset-liability matching or, more marginally, to take advantage of specific 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.

Accordingly, the liquidity position increased in 2014, reaching €419 million at the year-end compared to €293 million at 31 December 2013.

Operations

Pursuant to the applicable regulations, in 2014 and other than for public sector bonds, which are managed directly by ERAFP, management had to be delegated to asset management companies. For delegated management, the use of multi-manager mandates enables financial risk to be spread over several service providers; this is a prudent choice in the management of assets administered on behalf of beneficiaries.

	<p>Other than for the euro-denominated corporate bond mandates, each of the asset management companies created a dedicated investment fund in which ERAFP invests based on market conditions following a fully internal investment process. Investments are made in each fund based on its overall performance and ERAFP's investment strategy.</p> <p>In 2014, investments in new asset classes reflected the operational implementation of tenders initiated or drawn up in 2013. Concerning management of the US equity portfolio, the first investments in US equity funds were made in early 2014.</p> <p>In addition, a call for tenders deferred from 2013 was launched in the first quarter of 2014 for the award of a US dollar-denominated corporate bond management mandate. This resulted in the selection,</p>	<ul style="list-style-type: none"> ✦ one company (AXA Investment Managers Paris) managed US dollar-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, managed SME equities listed in France; ✦ 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; ✦ two companies (AEW Europe SGP and La Française REM) managed real estate assets in France; ✦ one company (AXA Real Estate Investment Managers SGP) managed European real estate assets. 	
	<p>in September 2014, of an active mandate manager, AXA Investment Managers Paris and of two stand-by managers, Natixis Asset Management, with Loomis, Sayles & Company, L.P. as delegated manager, and CCR Asset Management, with UBS Global Asset Management (Americas) Inc. as delegated manager. The investment vehicle was formed in the last quarter of 2014, enabling exposure to this asset class to be obtained by end-2014.</p> <p>At the end of 2014:</p> <ul style="list-style-type: none"> ✦ two companies (Amundi and Groupama AM) managed investment grade euro-denominated corporate bonds; 		

CHRONOLOGY OF FINANCIAL EVENTS IN 2014

The gradual easing of quantitative easing by the US Federal Reserve Bank (Fed) was offset by asset purchases by the Bank of Japan to avoid the country entering into another recession and by the European Central Bank (ECB) to counter the risk of deflation in the euro zone.

The year was also marked by the appreciation of the US dollar against most other currencies, followed by US equities and bonds outperforming.

In 2014, expectations of a rise in market interest rates were dashed by a combination of geopolitical and economic factors and by the actions of some central banks. Although monetary policies in developed economies remained very expansionist, with zero interest-rate policies being continued, significant disparities started to appear.

Long rates generally fell throughout the year. In the United States, driven by receding expectations of inflation, doubts over the country's long-term growth potential, the Fed's prudence and international investors' quest for suitable investments, the yield on ten-year T-bonds fell from a little more than 3% at end-2013 to just below 2.2% at end-2014.

The decline was much steeper in the euro zone, where the disappointing pace of economic recovery

During 2014, global economic growth stabilised at a relatively low 2.9%, with confirmation that the developed economies, with a slightly stronger growth rate, had diverged from the slowing emerging economies. Global liquidity continued to improve.

and, more significantly, the rise in deflationary pressures, led the ECB to cut its intervention rates and introduce targeted longer-term refinancing operations (TLTRO) and private sector asset purchases (such as ABS and covered bonds) with, moreover, the markets expecting further measures (sovereign bond purchases) in the coming months.

Over the year, the yield on ten-year sovereign bonds fell from slightly more than 1.9% to just over 0.5% in Germany, from just below 2.6% to just over 0.8% in France, from just over 4.1% to just below 1.9%

in Italy, and from just below 4.2% to just over 1.6% in Spain. Accordingly, driven by the easing financial tensions and the ECB's actions, the spread narrowed between German ten-year bond yields and Italian, Spanish and French bond yields.

Concerning short-term rates, the yield on two-year bonds increased in the United States but fell sharply in the euro zone, with German and French yields closing the year in negative territory.

THE BOND PORTFOLIO

At 31 December 2014, the bond portfolio (excluding convertible bonds) totalled €11,774 million at amortised cost, corresponding to 67.6% of ERAFP's total assets. It is split between fixed-rate sovereign and similar bonds (39.8% of total assets, or €6,930 million), inflation-indexed bonds (11.2%, €1,956 million) and corporate bonds (16.6%, €2,888 million). At end-2014, the bond portfolio held unrealised gains corresponding to 20.9% of its amortised cost. This is a sharp rise on 2013, when they represented 8.2% of amortised cost, but is primarily a reflection of the lower yields on bond purchases compared with those held in portfolio.

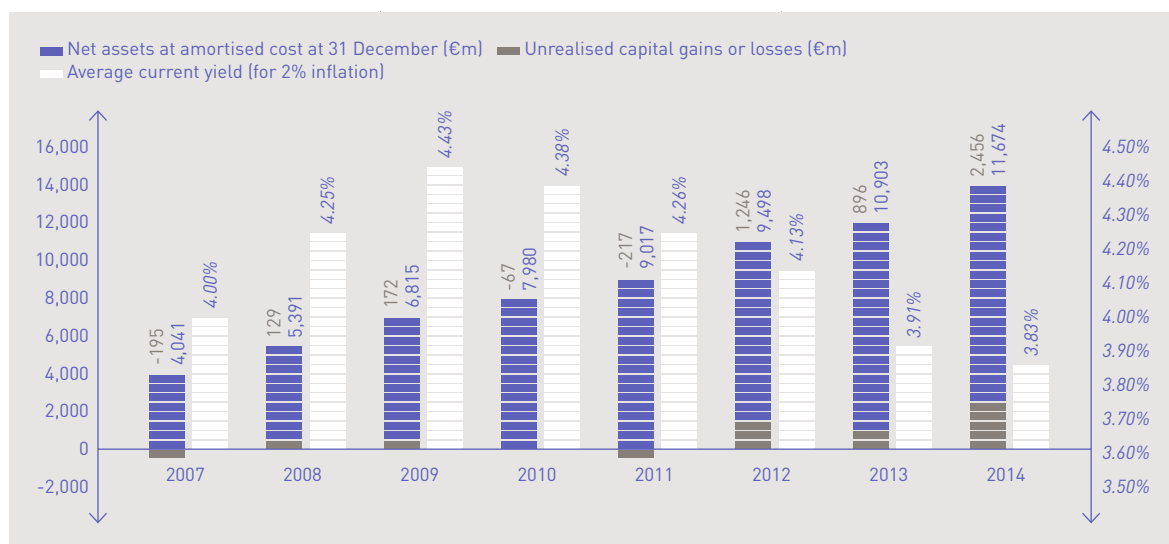
At the same time, with an average duration of 8.2 years, the portfolio's average yield-to-maturity was 3.46%²⁵, down from 3.53% in 2013 for the same reasons.

PUBLIC SECTOR BONDS

ERAFP manages directly all its public sector bonds, which had a carrying amount of €8,887 million at end-2014. With an average duration of 9.2 years, their average yield-to-maturity was 3.51%²⁶. Sovereign bonds accounted for 92% (€8,163 million) of the portfolio, about half of the Scheme's total investments. They include fixed-rate bonds and inflation-indexed

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

Source — ERAFP



²⁵ Excluding inflation – 3.83% for inflation of 2%.

²⁶ Excluding inflation – 3.95% for inflation of 2%.

bonds issued by euro-zone sovereigns as well as bonds guaranteed by these sovereigns, such as bonds issued by *Kreditanstalt für Wiederaufbau*, the German national development bank.

The other public sector bonds are issued by OECD local authorities (3% of the public sector bond portfolio, or €268 million) and supranational institutions (5%, or €455 million).

Yields on sovereign bonds reached historical lows in 2014; moreover, the yield curves on bonds of different maturities converged.

In this context, transactions in the sovereign bond portfolio took place principally on the primary market,

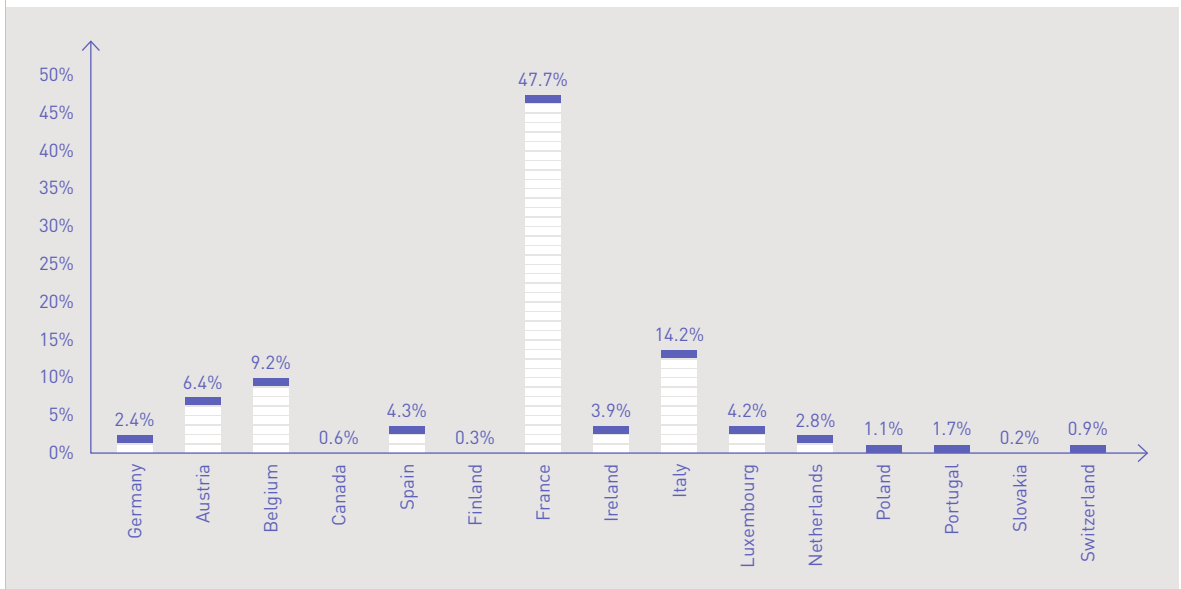
while getting the benefit of higher returns offered by financial markets:

- + purchase of Slovakian, Belgian and Irish bonds;
- + early reinvestment in maturing Spanish and Italian bonds;
- + subscription of newly-created lines: Spanish treasury bonds indexed to European inflation, Italian 15-year treasury bonds.

Moreover, French government bonds with long term maturities were also purchased in order to obtain an adequate return. At the year-end, the ECB's announcement of new measures to inject liquidity into the financial markets provided an opportunity to invest in Spanish and Portuguese bonds.

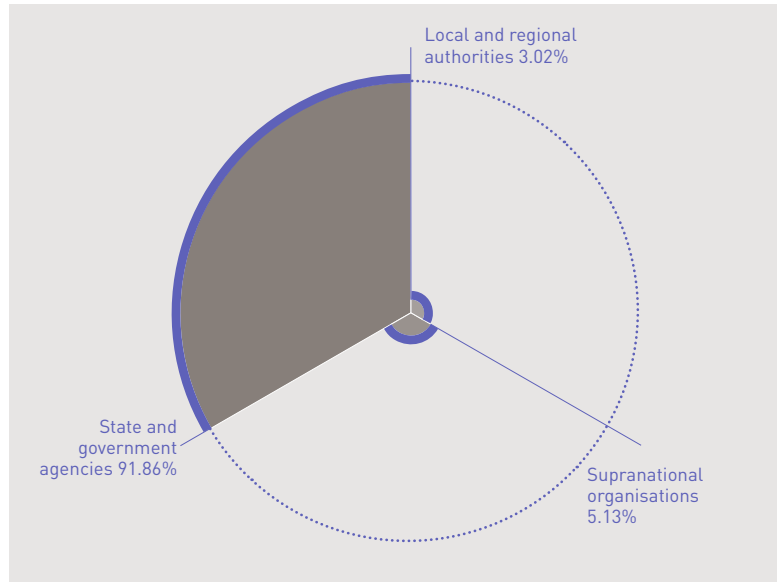
BREAKDOWN OF PUBLIC SECTOR BONDS BY COUNTRY AT 31 DECEMBER 2014 (at amortised cost)

Source — ERAFP



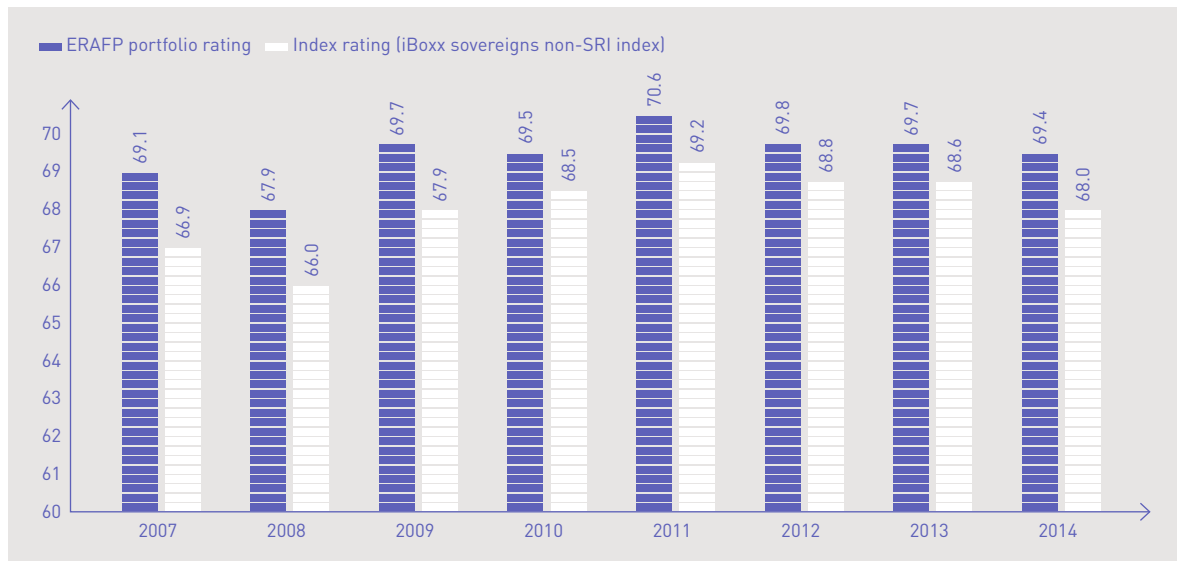
**BREAKDOWN OF PUBLIC SECTOR BONDS BY ISSUER TYPE
AT 31 DECEMBER 2014 (at amortised cost)**

Source — ERAFP



AVERAGE SRI RATING FOR THE SOVEREIGN AND SIMILAR BOND PORTFOLIO COMPARED WITH THE AVERAGE INDEX RATING AT 31 DECEMBER 2014

Source — Vigeo-Oekom



SRI PROFILE

Sovereign bonds

All issuers in the portfolio satisfy ERAFP's SRI eligibility criteria, based on the Oekom²⁷ rating. Indeed, all States whose bonds are included in the ERAFP portfolio have received an average SRI rating of more than 50/100. Although the portfolio's absolute performance on extra-financial criteria deteriorated slightly between 2013 and 2014, the spread relative to the iBoxx Euro Sovereigns Eurozone benchmark index increased slightly and now stands at 1.4 points, its highest level since 2011.

This is explained mainly by the portfolio's underweighting relative to the index of securities issued by countries with a lower SRI rating and credit quality than the average. There is in fact quite a strong correlation between the financial and extra-financial assessments of sovereign issuers. It should also be noted that, given the investment universe of euro-denominated securities issued by OECD countries is restricted and relatively homogenous as regards the SRI characteristics of its components, the spread between the portfolio's average SRI rating and that of the index cannot increase significantly.

Local and regional authority bonds

ERAFP did not subscribe to any local or regional authority bond issues in 2014, largely given the very low interest-rate environment and relatively small size of their bond issues.

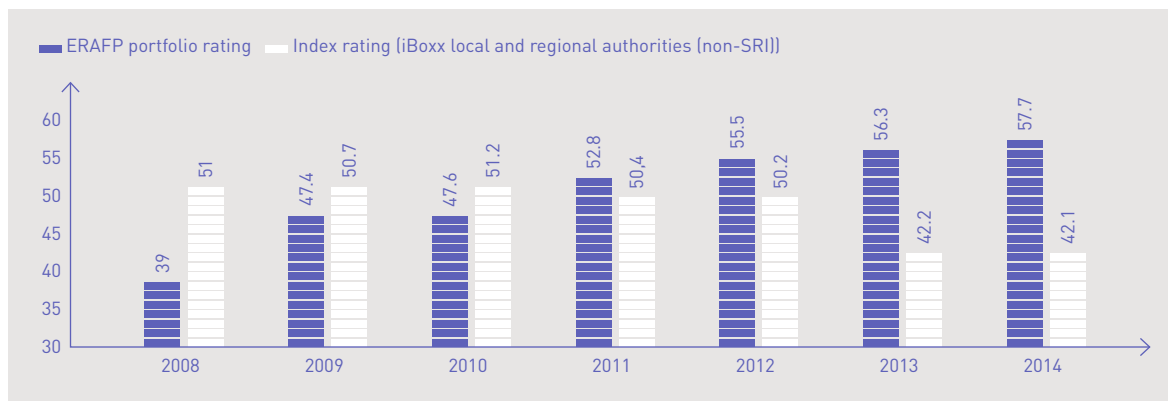
Although it did not subscribe to any new bond issues in 2014, ERAFP remains keen to improve its recognition rating with local and regional authorities that are likely to issue bonds in the coming months or years and whose current SRI ratings are not in line with its requirements. Accordingly, it wrote to two local authorities to encourage them to take part in the rating process conducted on its behalf by the extra-financial rating agencies. By providing detailed responses to the questions posed by the agencies, authorities will ensure that the SRI ratings obtained properly reflect their commitments and actions on social and environmental issues. Although local authorities have made progress on their extra-financial reporting, there exists significant room for improvement in some cases.

The average rating of ERAFP's portfolio has gradually improved since the initial investments were made in 2007, and stood at 57.7/100 in 2014. This is due not only to an improvement in the SRI ratings of bond issues held in the portfolio but also to the sale in previous years of those local authority issues

²⁷ Rating agency partner of Vigeo, together responsible on ERAFP's behalf for quarterly analysis of its asset portfolio and for providing detailed reports on each of its sub-portfolios.

AVERAGE SRI RATING FOR THE LOCAL AND REGIONAL AUTHORITY BOND PORTFOLIO COMPARED WITH THE AVERAGE INDEX RATING AT 31 DECEMBER 2014

Source — Vigeo-Oekom



that, from an SRI standpoint in particular, did not meet ERAFP's requirements. The spread against the benchmark widened further in 2014, reaching 15.6 points. This very wide spread reflects mainly the absence from the portfolio of bonds from local and regional authorities that have not formalised their reporting on environmental, social and governance issues – which drags down their SRI rating – but which nevertheless form part of the index.

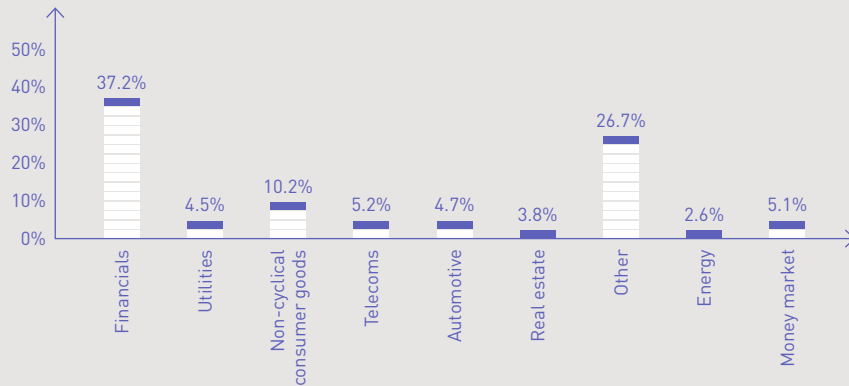
CORPORATE BONDS

A class of US dollar-denominated corporate bonds was added to the portfolio in 2014. The first active management mandate was awarded to the asset management company AXA IM in November 2014, with an initial investment of € 100 million in December (0.6% of ERAFP's total assets). The average duration at the year-end stood at 7.6 years for an average yield-to-maturity of 3.58%. At the year-end, the euro credit class of euro-denominated corporate bonds continued to dominate the portfolio (16% of assets, €2,788 million). It is managed on ERAFP's behalf by two delegated managers, Amundi and Groupama AM.

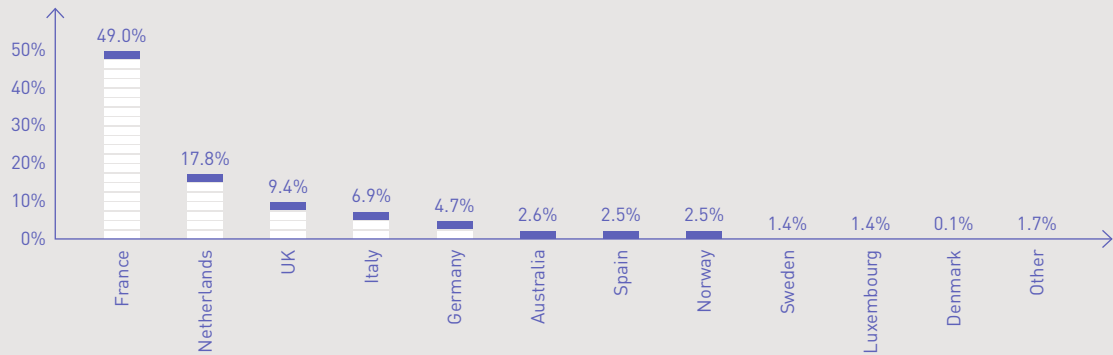
BREAKDOWN OF EURO-DENOMINATED CORPORATE BONDS BY SECTOR, COUNTRY AND RATING AT 31 DECEMBER 2014
(at amortised cost)

Source – ERAFP

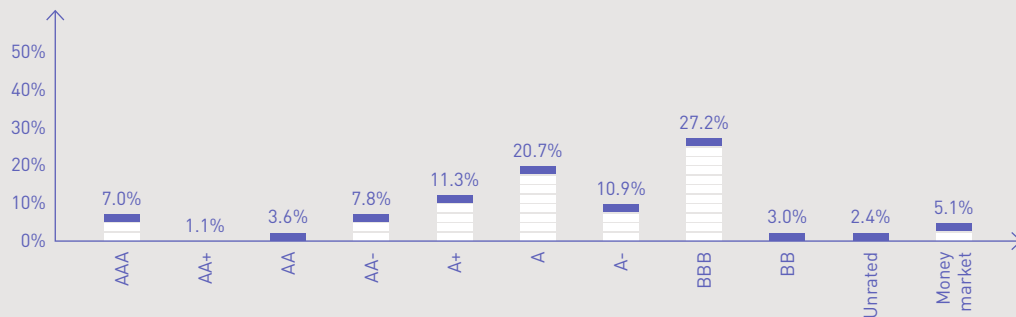
BREAKDOWN BY SECTOR



BREAKDOWN BY COUNTRY

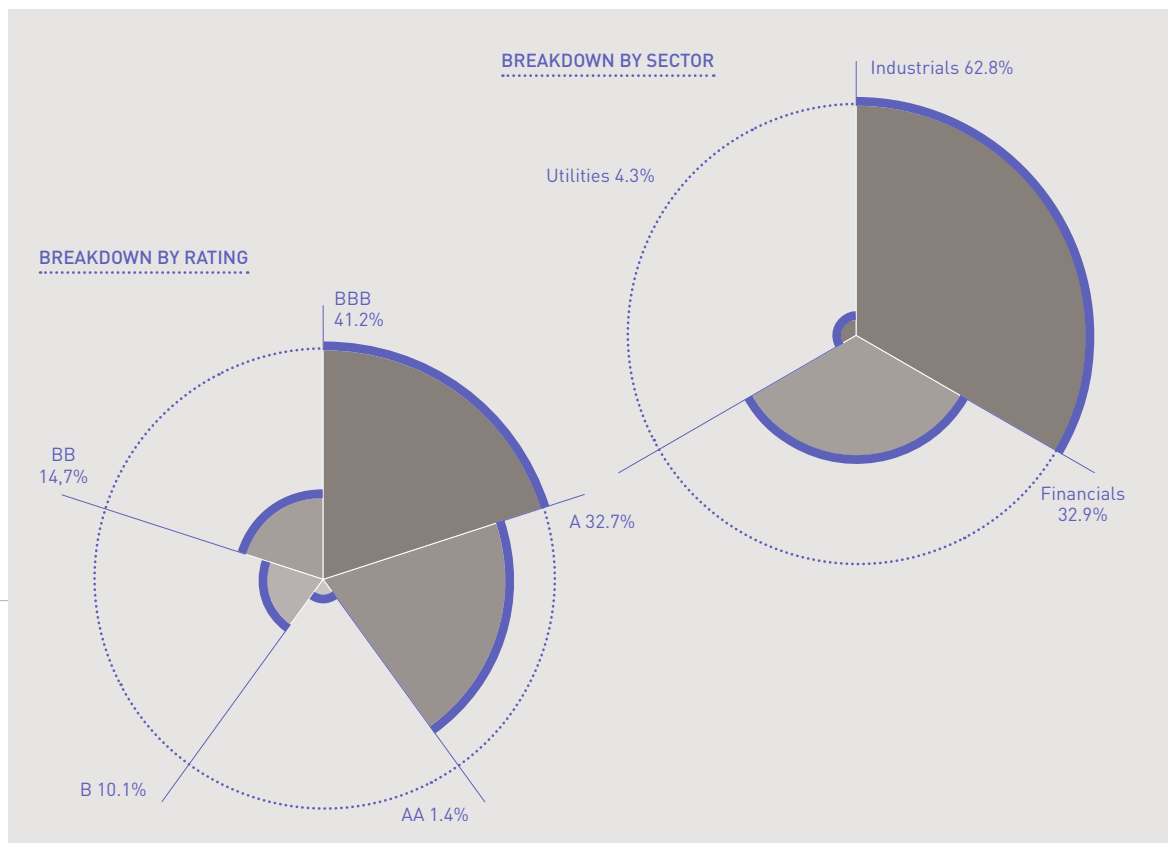


BREAKDOWN BY RATING



BREAKDOWN OF US DOLLAR-DENOMINATED CORPORATE BONDS BY SECTOR AND RATING AT 31 DECEMBER 2014
(at amortised cost)

Source — ERAFP



Returns provided by the euro-zone corporate bond market fell further in 2014, in line with the low rates seen for sovereign bond issues by OECD countries. The additional leeway provided in 2013 concerning management constraints on the weight of lower-rated issues enabled a further €447 million to be invested in the portfolio in 2014. With an average duration of 5.2 years, the average yield-to-maturity of this assets class was 3.16%. The euro credit managers also

manage a part of the Scheme's cash and cash equivalents.

SRI PROFILE

The SRI performances of both ERAFP's corporate bond portfolio and the benchmark index (Iboxx euro non-sovereign) have improved continuously in recent years. The portfolio's SRI rating of 54.1/100 stands 7.4 points above that of the index, the widest spread since the mandates were awarded.

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

- + financial companies;
- + non-financial companies;
- + issuers of collateralised bonds²⁸;
- + agencies²⁹, which are private or public entities more or less controlled by the State or local or regional authorities.

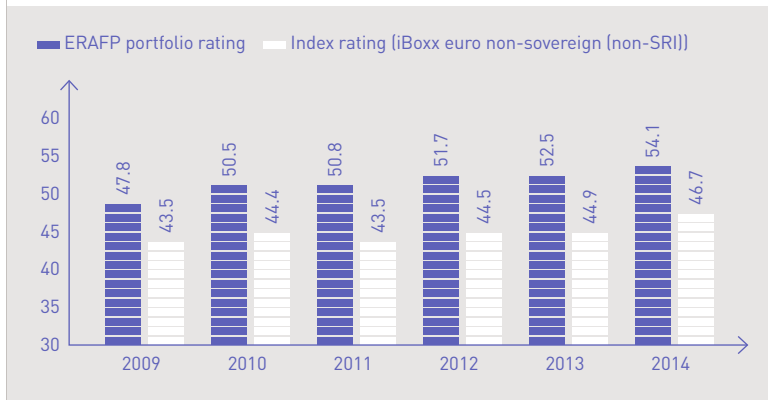
The investment universe therefore comprises issuers of varying size,

both listed and unlisted, who are attuned to varying degrees to the expectations of quite different SRI investors. In this context, the best-in-class analysis is particularly discriminant since the SRI performance spread between the best issuers and the remaining issuers is greater than in a relatively homogenous investment universe such as that of large listed corporates.

The good SRI performance of these management mandates demonstrates the added value of ERAFP's SRI approach and the maturity of the asset management companies concerned in terms of SRI.

AVERAGE SRI RATING FOR THE CORPORATE BOND PORTFOLIO COMPARED WITH THE AVERAGE INDEX RATING AT 31 DECEMBER 2014

Source – Vigeo



²⁸ A collateralised bond is one for which interest and redemption payments are derived from income flows from an asset, which also serves to guarantee the bond.

²⁹ For example, local authority banks such as Bank Nederlandse Gemeenten (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 for European investments and Lombard Odier Gestion for international investments. 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 the last two years. At 31 December 2014, the convertible bond portfolio totalled €346 million

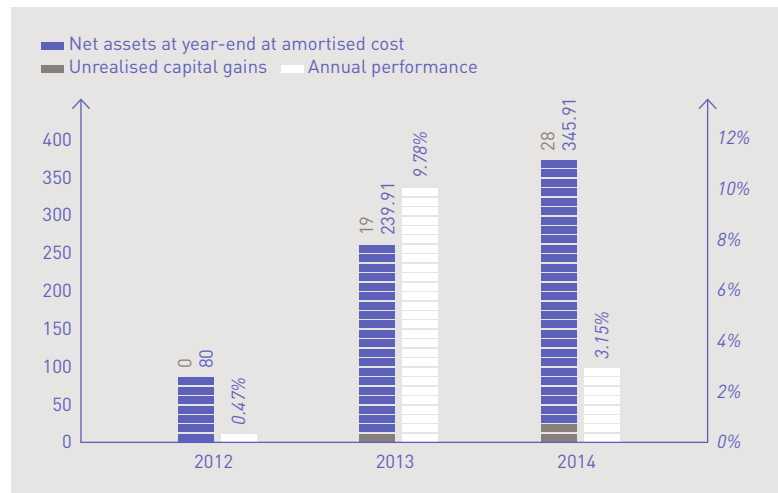
at amortised cost, corresponding to 2.0% of ERAFP's total assets.

At end-2014, it had generated unrealised capital gains equivalent to 8.2% of its amortised cost.

This asset class turned in a performance of 3.15%, down from the 9.78% posted in 2013 as a result of the relatively less favourable performance of the equity markets in 2014.

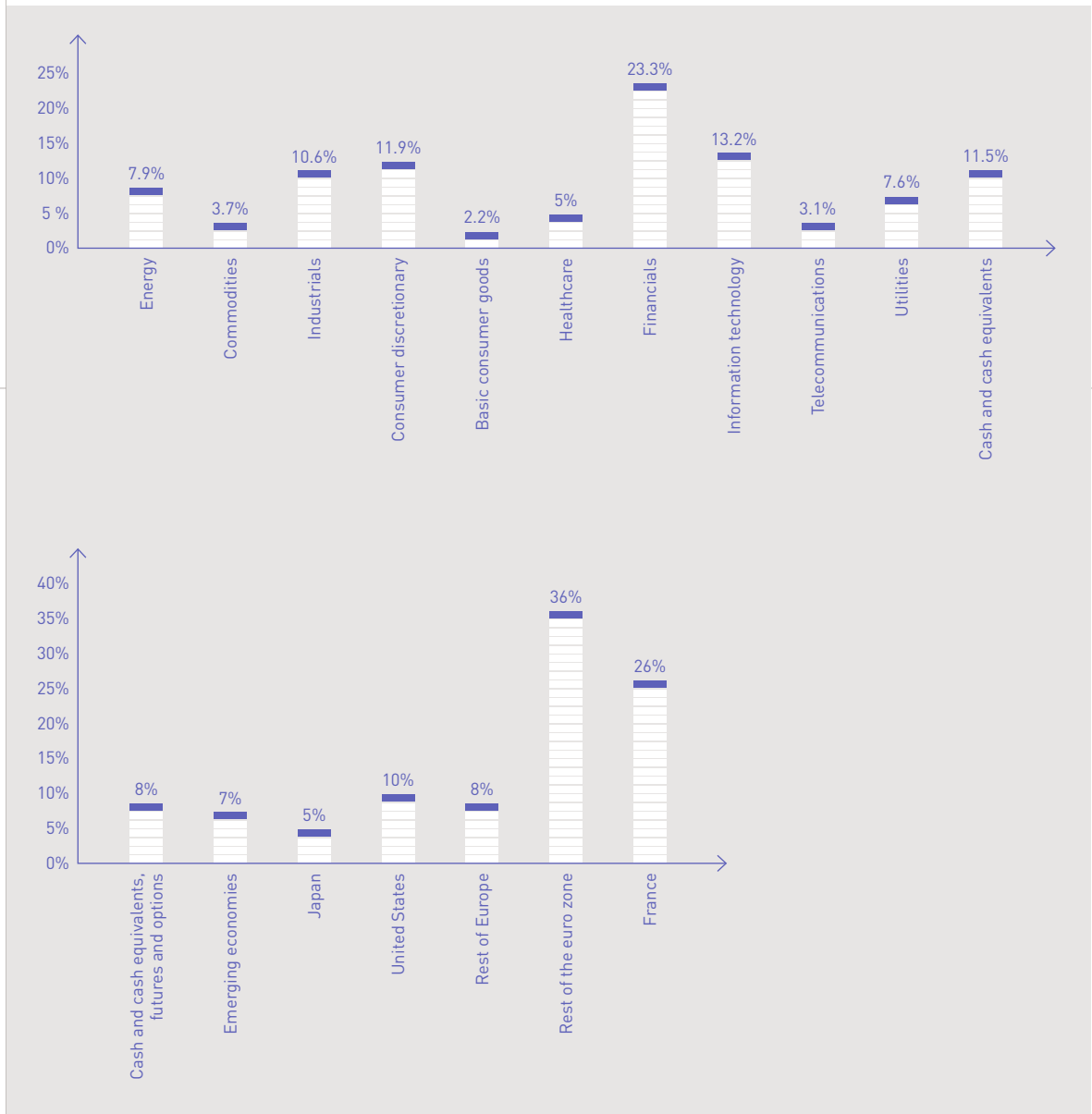
ANNUAL PERFORMANCE AND UNREALISED CAPITAL GAINS POSTED BY THE CONVERTIBLE BOND PORTFOLIO

Source — ERAFP



BREAKDOWN OF THE CONVERTIBLE BOND PORTFOLIO BY SECTOR AND REGION AT 31 DECEMBER 2014
(at market value)

Source – ERAFP



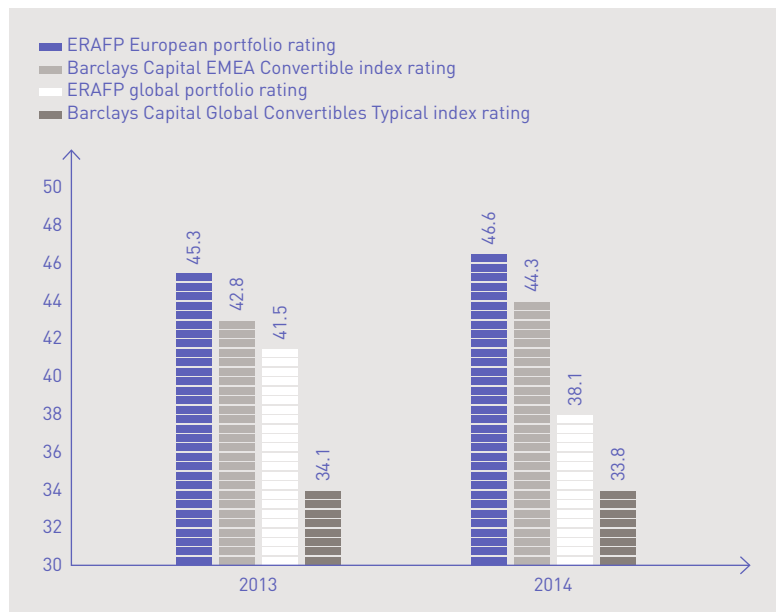
SRI PROFILE

As the regions covered by each mandate are different, two separate benchmark indices are used to assess the SRI quality of these two portfolios. The European convertible bond portfolio posted an improved SR performance whereas the international portfolio's rating deteriorated. They both, however, continue to outperform their respective benchmarks, indicating that the best-in-class SRI strategy has been applied correctly in these two delegated management mandates.

The rating difference and its trend 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, which European companies generally take more into account than their US and Asian counterparts, enabling them to achieve higher scores.

AVERAGE SRI RATINGS FOR THE CONVERTIBLE BOND PORTFOLIOS COMPARED WITH THE AVERAGE INDEX RATINGS AT 31 DECEMBER 2014

Source — Vigeo



THE EQUITY PORTFOLIO

At 31 December 2014, the equity portfolio totalled €4,073 million at amortised cost, corresponding to 23.4% of ERAFP's total assets. It is split between euro-zone corporate equities (17.9% of total assets or €3,124 million) and international blue chips (5.4% or €949 million).

Until the end of 2014, management of the equity portfolio was fully delegated by ERAFP³⁰.

At the year-end, the two asset classes were split between 12 mandates, including eight euro-zone equity mandates entrusted to Amundi, AXA Investment Managers Paris, BNP Paribas Asset Management (two mandates), Edram, Rothschild et Cie Gestion, Sycor

more AM and Tobam AM, and four international equity mandates entrusted to Allianz GI France, State Street Global Advisors France (international scope) Natixis AM and Robeco Institutional Asset Management (North America region).

In 2014, as provided for in the mandate agreements, the euro-zone equity mandates were renewed for a three-year term.

The equity portfolio included unrealised capital gains at end-2014 equivalent to 27.8% of its amortised cost. The 6.17% growth posted for the year was lower than in 2013 (25.8%), notably due to a weaker performance by the euro-zone equity markets during the year.

ANNUAL PERFORMANCE AND UNREALISED CAPITAL GAINS/LOSSES POSTED BY THE EQUITIES PORTFOLIO

Source — ERAFP



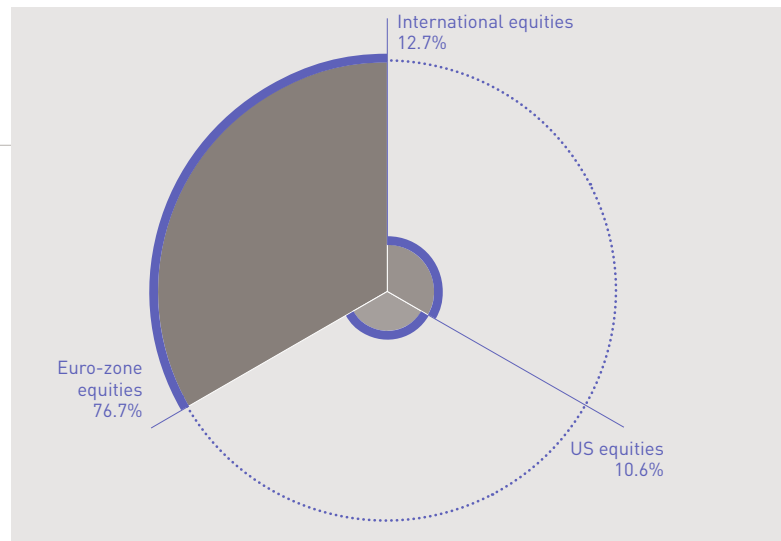
³⁰ The decree of 3 February 2015 amending the Scheme's investment rules stipulated that ERAFP is no longer required to delegate equities asset management for a portion of its assets; see page 38.

The euro-zone equities asset class posted growth of 3.76%, lower than the 12.8% posted by the international equities asset class. Investments in the equity mandates represented 13.5% of investment flows in 2014, or €239 million. This net amount includes, however, a reallocation between the euro-zone and international equities asset classes. As the international equity mandates mature in 2015, fund units were redeemed and the proceeds invested mainly in the euro-zone and US equity mandates.

In terms of risk dispersion, the ten largest investment lines in the various euro-zone equity mandates represented 20.2% of the asset class at the year-end, lower than that for the ten largest lines in the MSCI EMU SRI benchmark index at that date (30.6%). Risk dispersion was even more marked in the international equities asset class: the ten largest investment lines represented just 18.3%. In contrast, the MSCI World benchmark index was even more dispersed than the portfolio (9.59% in the ten largest lines).

BREAKDOWN OF EQUITIES BY GEOGRAPHIC REGION AT 31 DECEMBER 2014
(at amortised cost)

Source — ERAFP



SRI PROFILE

Euro-zone equities

ERAFFP's European equity portfolio's SRI rating continued to improve in 2014, as did its spread against the benchmark index's SRI rating (+3.9 points, against +3.1 points in 2013). Whether relative to the index or in absolute terms (average SRI rating of 53.4/100), the portfolio's SRI performance is at its highest since the European equity mandates were first awarded.

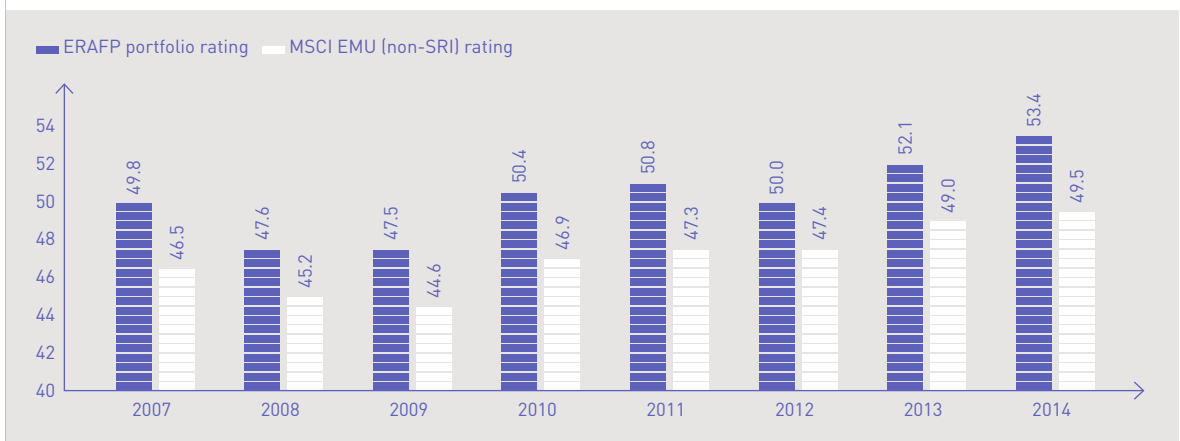
This positive trend is due not only to the now proven expertise of the asset management companies in euro-zone equities SRI management but also to their excellent understanding of ERAFFP's specific SRI approach. On this point, regular meetings between ERAFFP and

its delegated asset managers ensure that the institution's expectations are properly taken into account in the portfolio stock-picking process.

It should also be noted that, while positive and widening, the variance between the portfolio's average SRI rating and that of the index is still lower than the variance for the euro-denominated corporate bond management mandates (see p. 51). As mentioned previously, this reflects the greater homogeneity of the European large listed corporates investment universe in terms of implementing social and environmental responsibilities: the relatively high SRI rating of the benchmark index indicates that they have a degree of maturity on these issues.

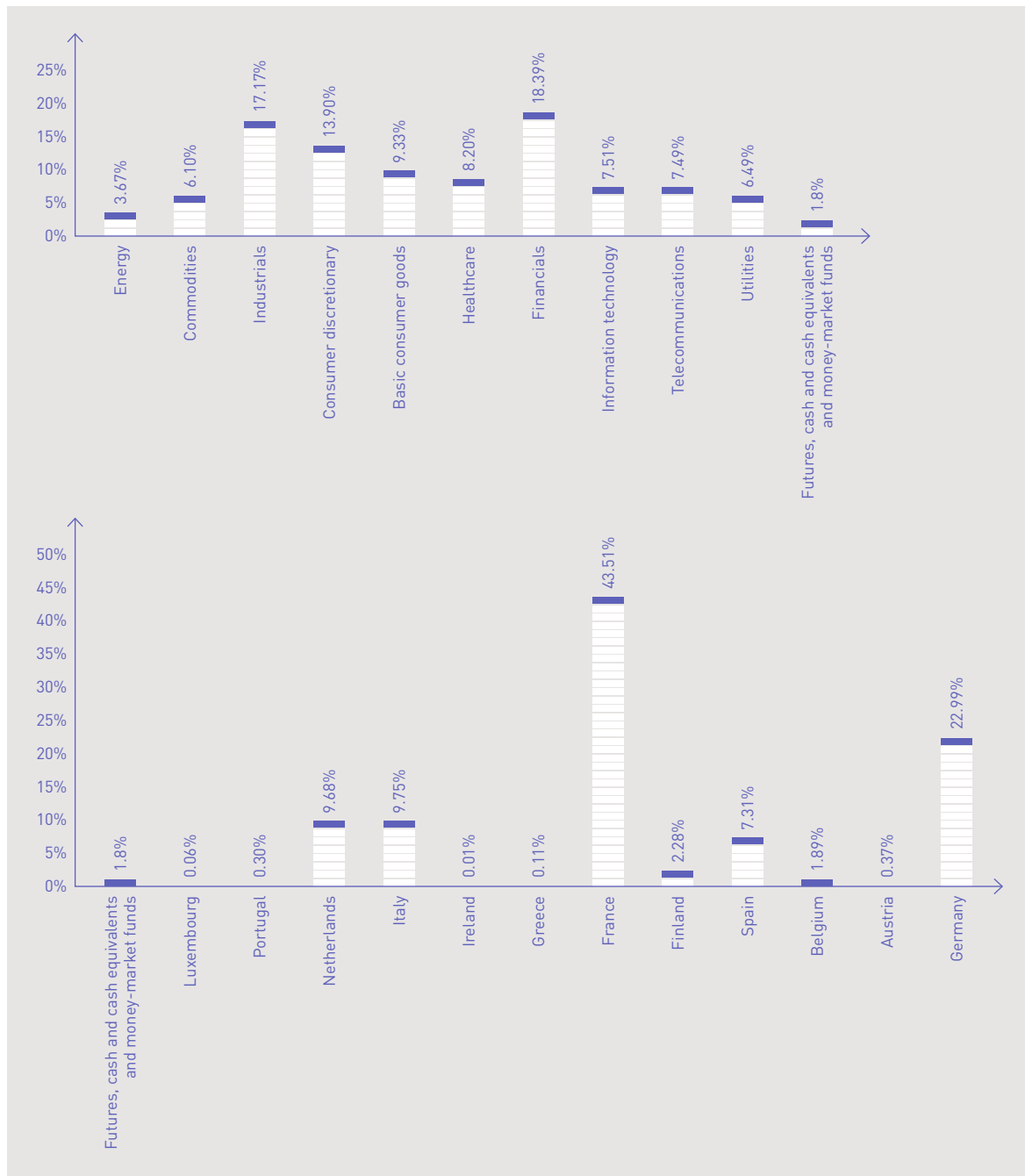
EURO-ZONE EQUITY PORTFOLIO'S AVERAGE SRI RATING RELATIVE TO THAT OF THE INDEX AT 31 DECEMBER 2014

Source — Vigeo



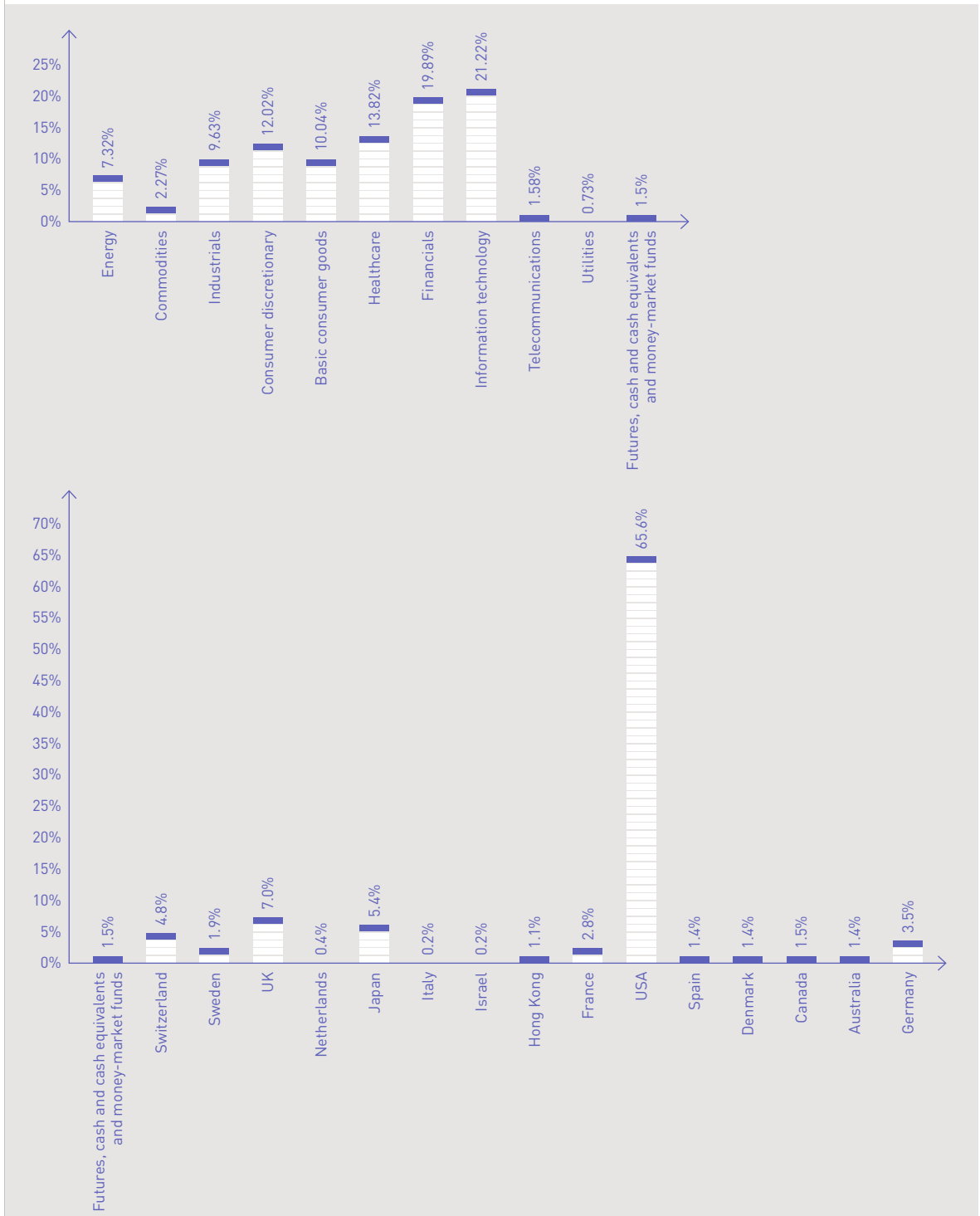
BREAKDOWN OF EURO-ZONE EQUITIES BY SECTOR AND COUNTRY AT 31 DECEMBER 2014 (at market value)

Source — ERAFP



BREAKDOWN OF INTERNATIONAL EQUITIES BY SECTOR AND COUNTRY AT 31 DECEMBER 2014 (at market value)

Source — ERAFP



International equities

The SRI ratings obtained on the international equities portfolio remain, on average, substantially lower than those on the euro-zone equities portfolio, in particular regarding the social progress and social democracy criteria. The high proportion of US companies within the portfolio and the index³¹ is one reason for the major difference with the euro-zone equities portfolio.

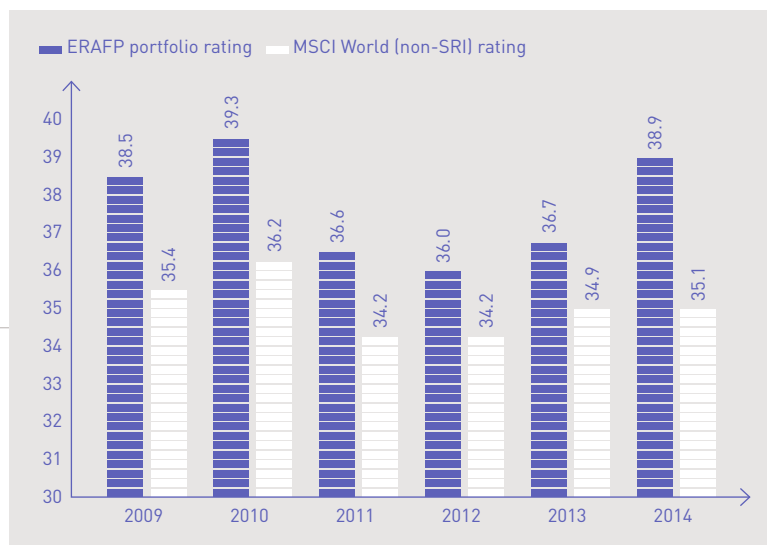
Over and above the marked cultural differences on these subjects with the euro-zone countries that are best represented in stock-mar-

ket indices, the impact of the US regulatory framework is also of note: as an example, the US is not a signatory to any of the principal ILO³² conventions on the right to organise.

While in absolute terms the portfolio's ratings are relatively low, its SRI performance is positive compared with that of the index and has improved considerably since 2013: according to Vigeo, in SRI terms the portfolio outperformed the index by 3.8 points at end-2014, compared to 1.8 points one year earlier.

INTERNATIONAL EQUITY PORTFOLIO'S AVERAGE SRI RATING RELATIVE TO THAT OF THE INDEX

Source — Vigeo



³¹ At December 2014, securities issued by US companies represented 66% of the portfolio and 58% of the MSCI World index, respectively

³² 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

North American equities

Two North American equity management mandates were awarded in December 2013, with the initial investments being made in 2014. At 31 December 2014, ERAFP's portfolio obtained a slightly lower SRI rating than the MSCI US index (-0.1 points). These SRI ratings are significantly lower than those for ERAFP's euro-zone equity portfolios, confirming the relative immaturity of US corporates as regards corporate social responsibility principles and the alignment of their strategies with the need for sustainable development.

In the framework of these mandates, ERAFP will monitor carefully the changes over coming years in the SRI ratings of portfolio companies and any involvement they have in the debate on compliance with the main international standards. Shareholder engagement – in other words, dialogue with companies held in the portfolio – will also be an important means

of leverage, notably to encourage corporates to improve transparency on their social and environmental practices. Moreover, and as for the other mandates, ERAFP will meet its asset managers regularly to ensure they fully understand its specific SRI expectations.

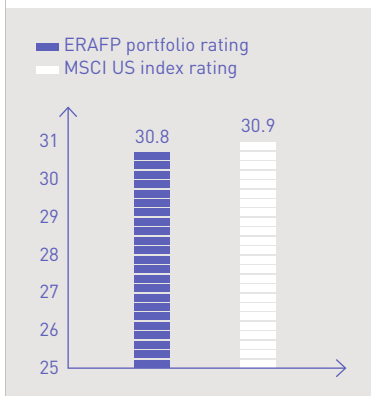
A VOTING POLICY THAT IS CONSISTENT WITH PUBLIC SERVICE VALUES AND DEMANDING OF LISTED ISSUERS

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

The equity asset management companies implement the policy on its behalf. ERAFP ensures it is correctly implemented and the consistency of positions expressed by coordinating voting by the asset managers for a number of companies. In 2014, this sample comprised 40 major French companies and 20 major international companies, compared to a total of 40 in 2013.

AVERAGE SRI RATING OF THE NORTH AMERICAN EQUITY PORTFOLIO AND OF THE INDEX AT 31 DECEMBER 2014

Source – Vigeo



Of the 40 French GM followed in-depth by ERAFP, shareholders opposed on average a slightly higher proportion than in 2013 of resolutions proposed by management (93.6% approved in 2014 against 96.0% in 2013).

This was due primarily to the introduction in France of a consultative vote ("say on pay") on managers' remuneration. Although none of these resolutions were rejected, on average they were more contested (89.5% approved) than resolutions on other subjects voted on by shareholders. ERAFP has observed an increase in the average remuneration of managers of companies included in the sample, often inadequately justified to shareholders. Moreover, there generally remains plenty of scope for improvement on the transparency, diversity and strictness of criteria for short-term or long-term variable remuneration awards to management.

On other governance issues, in particular ERAFP is pleased to note the improved gender balance and

increased independence of boards in the analysed sample.

Concerning more specifically the voting guidelines for shares held by ERAFP, the asset management companies voted more markedly against the resolutions proposed. Indeed, via its delegated management companies, ERAFP voted against 39% and 36% respectively

of the resolutions proposed by the management of French and international companies it monitors in detail. The main themes concerned:

- ✦ managers' remuneration;
- ✦ dividend distributions if the company's proposal appeared irresponsible: distribution in excess of net income, excessive debt, imbalance between shareholders' and employees' remuneration, significant restructuring carried out during the year, etc.
- ✦ the appointment of new directors or renewal of existing mandates if the board lacked independence or had a poor gender balance, or if certain directors held an excessive number of board appointments.

AVERAGE APPROVAL RATING IN 2014 ON GOVERNANCE ISSUES COMPARED WITH THAT OF ERAFP

Source — ERAFP

ERAFP's asset management companies' votes in favour of the dividend	45%
Average approval rate by the GM of dividend resolutions	98.8%
ERAFP's asset management companies' votes in favour of managers' remuneration	21%
Average approval rate by the GM of resolutions on managers' remuneration	89.5%
Average approval rate by the GM of resolutions on the appointment or re-appointment of directors	94.2%
ERAFP's asset management companies' votes in favour of the appointment or re-appointment of directors	72%

Lastly, ERAFP supported seven independent resolutions, including two proposing alternative dividends, but which were not adopted by the GM.

Summary of voting results in 2014

40 FRENCH GENERAL MEETINGS (GM) MONITORED

	2014	2013	2012
GM monitored in-depth by ERAFP	40	40	20
Resolutions (excluding shareholders' resolutions) monitored in-depth by ERAFP	821	658	309
Overall results			
Average approval rating by GM of resolutions proposed by the company's management	93.6%	96.0%	94.0%
Resolutions (excluding shareholders' resolutions) adopted with less than 90% in favour	20%	13%	18%
Resolutions (excluding shareholders' resolutions) adopted with less than 70% in favour	5.1%	1.0%	4%
Shareholders' resolutions (independent resolutions) proposed	9	6	5
Shareholders' resolutions (independent resolutions) adopted by the GM	0	0	0
ERAFP's votes in favour of resolutions proposed by the company's management	60.7%	62.0%	66.0%
ERAFP's votes in favour of resolutions proposed by shareholders (independent resolutions)	77.8%	83.0%	80.0%

20 INTERNATIONAL GENERAL MEETINGS MONITORED

	2014
GM monitored in-depth by ERAFP	20
Resolutions (excluding shareholders' resolutions) monitored in-depth by ERAFP	279
Overall results	
Average approval rating by GM of resolutions proposed by the company's management	95.3%
Resolutions (excluding shareholders' resolutions) adopted with less than 90% in favour	12.2%
Resolutions (excluding shareholders' resolutions) adopted with less than 70% in favour	13.03%
Shareholders' resolutions (independent resolutions) proposed	4
Shareholders' resolutions (independent resolutions) adopted by the GM	0
ERAFP's votes in favour of resolutions proposed by the company's management	64%
ERAFP's votes in favour of resolutions proposed by shareholders (independent resolutions)	100%

THE MULTI-ASSET PORTFOLIO

Amundi holds this mandate, which was first awarded in 2013, with the aim of maximising performance while complying with ERAFP's SRI charter and optimising the risk-return ratio by implementing a diversified, flexible and dynamic asset allocation. The fund is managed using a risk budget, based on a fundamental approach, with no benchmark constraint. The risk budget for this portfolio has been set at 25% for 2014.

At 31 December 2014, the multi-asset portfolio totalled €272 million at amortised cost, corresponding to 1.6% of ERAFP's total assets. Unrealised capital gains represented 10.2% of amortised cost for a performance over the year of 10.6%. In essence, the portfolio benefited from its exposure to equities, particularly in the United States and Japan.

The quest for geographic diversification resulted in investments outside the OECD, notably in emerging economy equities and corporate bonds. Cash and cash equivalents were in reserve at the start of the year but were gradually reallocated to equities in the first quarter of 2014.

SRI PROFILE

ERAFP has developed specific application provisions regarding its SRI approach to management of the multi-asset "fund-of-funds" portfolio. It decided that the SRI eligibility of funds open to selection by Amundi would be determined based on:

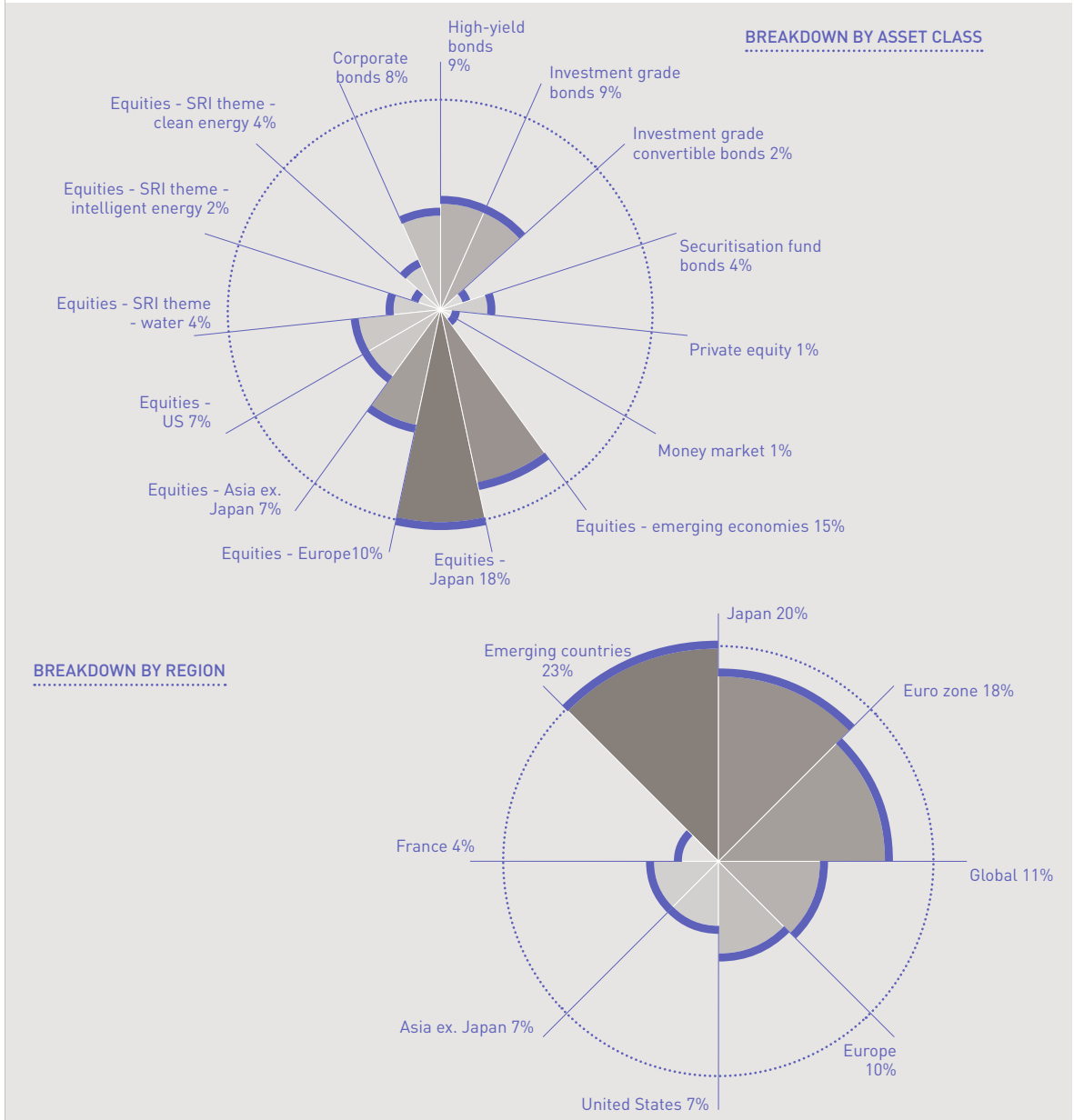
- ✦ analysis of the management process implemented: the only funds eligible are those based on a best-in-class SRI or adopting a particular environmental (fight against climate change, protection of water resources, etc.) or social (healthcare, combating poverty, etc.) approach; or
 - ✦ analysis of the fund's SRI quality based on the SRI rating of each issuer represented in the fund.
- In 2014, the portfolio was invested in more than 20 funds covering different asset classes and geographic regions, including:
- ✦ three equity funds investing in companies whose activities focused on environmental values (water, renewable energies);
 - ✦ one equity fund investing in companies that place training at the heart of their human resources management policies;
 - ✦ six equity funds with an SRI-based management approach or whose composition attests to the SRI quality of the investment lines;
 - ✦ three corporate bond funds with an SRI-based management approach or whose composition attests to the SRI quality of the investment lines;
 - ✦ one SRI convertible bond fund;
 - ✦ two funds providing loans to French SMEs³³ and ETI³⁴ mid-sized companies (NOVO I and II funds launched by Caisse des Dépôts), with the aim of financing the growth of the economy and employment;
 - ✦ three private equity funds.

³³ Small and medium-sized enterprises

³⁴ A French category of mid-sized companies

BREAKDOWN OF EURO-ZONE EQUITIES BY SECTOR AND REGION AT 31 DECEMBER 2014 (at market value)

Source — ERAFP



THE REAL-ESTATE PORTFOLIO

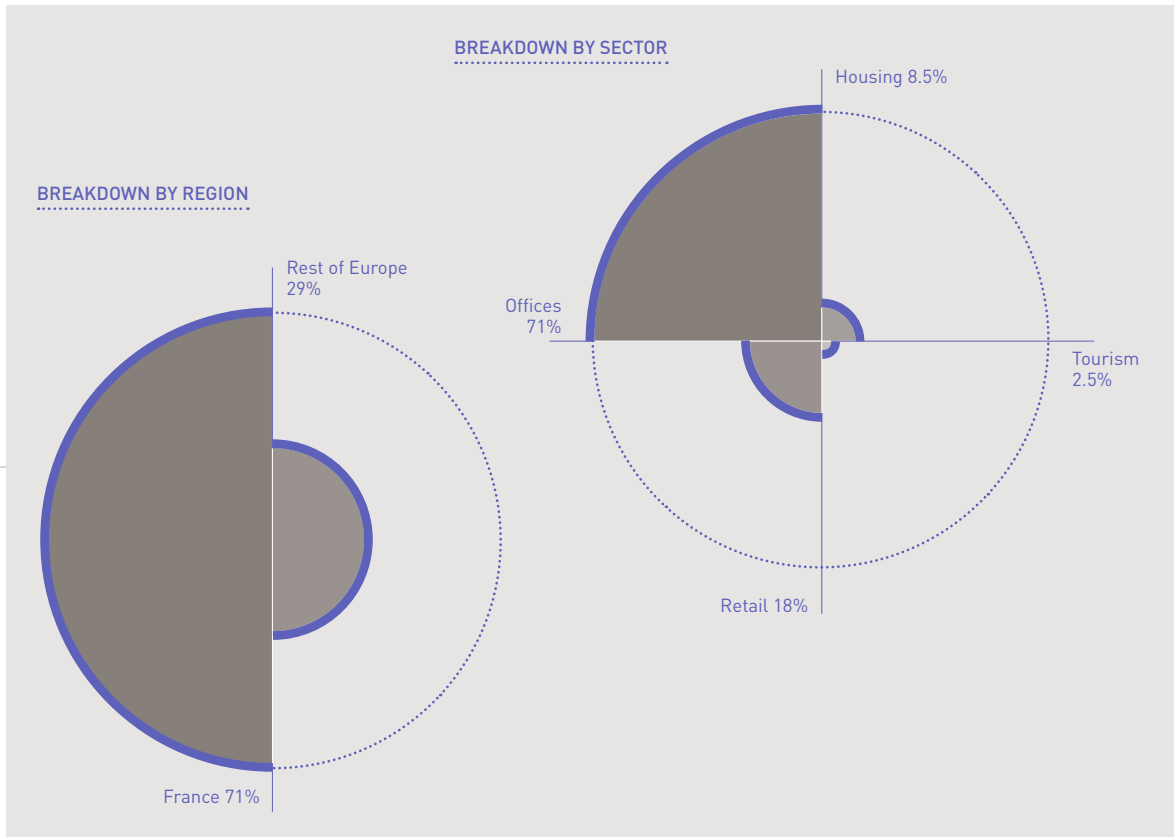
ERAFF's real-estate portfolio comprises five active diversified SRI management mandates:

- ✦ Three French real-estate mandates, two of which are managed by AEW Europe SGP (including ERAFF's headquarters building) and one by La Française REM, activated in March;
- ✦ Two European real-estate mandates, one managed by AXA Real Estate Investment Managers SGP, the other (activated in late 2014) by LaSalle Investment Management.

At 31 December 2014, the real-estate portfolio totalled €547 million at amortised cost, corresponding to 3.1% of ERAFF's total assets. The portfolio is now showing marginal unrealised capital gains corresponding to 0.1% of its amortised cost, notably resulting from an increase in value of certain independently appraised assets. The real-estate portfolio committed to investing €30 million in the Fonds de Logement Intermédiaire.

BREAKDOWN BY SECTOR AND GEOGRAPHIC REGION AT 31 DECEMBER 2014 (at amortised cost)

Source — ERAFF



SRI PROFILE

ERAFFP 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. In this respect, taking account of these challenges throughout the entire management chain is of primordial importance.

This approach also aims to adapt the best-in-class principle to the specific nature of the real-estate asset class by incorporating a dynamic approach consistent with the life of the assets. In practical terms, this is reflected in a dual SRI performance dimension to the real estate concerned:

- ✦ A relative performance that compares the extra-financial characteristics of these buildings and their management (lease, use, maintenance) with other buildings of the same type (same usage and type of construction, equivalent location);
- ✦ A dynamic performance that aims to raise each asset to best-in-class status, using a potential SRI rating estimate at the date of acquisition.

In summary, only real-estate assets with a high SRI performance or those with high potential for improvement can be selected for ERAFFP's portfolio.

Two characteristics of the initial real-estate investments by AEW Europe³⁵ since the mandate was awarded in 2013 are:

- ✦ The buildings acquired present high potential in terms of SRI improvements;
- ✦ The SRI ratings of these assets have already improved as a result of measures implemented by the asset management company AEW Europe, its partners and sub-contractors, such as energy efficiency measures and the inclusion of social and environmental clauses in leases and service-provider agreements (facilities managers, operators, cleaning companies, etc.).

AVERAGE SRI RATING OF THE REAL-ESTATE PORTFOLIO MANAGED BY AEW

Source — AEW Europe



³⁵ The SRI ratings of the other portfolios had not been finalised at the date of this report

03

ERAFF,
AN INVESTOR COMMITTED
TO COMBATING
GLOBAL WARMING



The transition to a lower-carbon economy presents particularly attractive prospects for boosting growth at a time when many industrialised countries, and particularly those in the euro zone, are suffering from weak or unequal growth.

The COP 21 climate conference will be held in Paris in December 2015 and should contribute to the definition of a framework for accelerating, in their own interests, behavioural change by economic agents. ERAFP's approach to combating climate change is presented against this backdrop.

As soon as it was created, ERAFP, as a public sector pension provider, decided that all its investments would be made within the framework of its own socially responsible investment charter. As a long-term investor, ERAFP can contribute to an energy transition that will provide secure and high-quality jobs. All asset classes will be involved in this approach: bonds, listed and unlisted equities of large and small companies, real estate, infrastructure, etc. Through its investment choices and its actions to promote awareness of climate issues among stakeholders (issuers in particular), ERAFP will participate with other committed investors in combatting global warming to ensure that a 2°C temperature increase remains a credible objective.

SHAREHOLDER ENGAGEMENT INITIATIVES: A RESPONSIBLE APPROACH

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/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.

ERAFP SUPPORTS CLIMATE-IMPROVEMENT INITIATIVES



THE PRESSING NEED TO SET BINDING MEDIUM- AND LONG-TERM OBJECTIVES

As a member of the IIGCC, ERAFP supports the objectives defined by the group.

The IIGCC (Institutional Investors Group on Climate Change)

The IIGCC is an association of European institutional investors³⁶ 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. Following the European elections and changes in its executive bodies, the IIGCC presented its expectations regarding energy and climate policies to the new European Commission³⁷ :

- + implementation of ambitious energy-climate targets for 2030 to ensure Europe retains its leadership position given the staging of COP 21 in Paris in 2015;

- + changing the 40% greenhouse gas emission reductions target for 2030, notably by setting a more ambitious objective if international agreement is obtained;
- + reforming the European system for trading greenhouse gas emission quotas with a view to creating a stable and transparent system that will provide clear and relevant price signals and facilitate low-carbon investments, including in renewable energies;
- + the recognition of energy efficiency in energy-climate policies with objectives linked to a future quota trading system.

In September 2014, at the UN Climate Summit organised by Secretary-General Ban Ki-Moon, the IIGCC, ERAFP and more than 350 other investors from around the world signed the **Global Investor Statement on Climate Change**³⁸.

This statement called for governments to act on climate issues and, in particular, to set a carbon price, support energy efficiency and the development of renewable energies and study the impact of restrictive financial regulations on investments in low-carbon emission technologies.

³⁶The IIGCC currently comprises 101 investors with aggregate assets under management of more than €10,000 billion

³⁷http://www.iigcc.org/files/publication-files/IIGCC_Commission_Handover_Notes_July_2014.pdf

³⁸<http://www.iigcc.org/files/publication-files/GISCC13Jan2015.pdf>

The need for a clear and relevant incentive framework

ERAFP believes that, over and above a price signal, it is essential for governments to boost their support for energy efficiency measures and the development of renewable energies whenever necessary to facilitate their deployment. These incentives should form part of a long-term approach, including long-term investors, particularly concerning infrastructure, and avoid any retroactive effect on existing investments.

At the same time, subsidy arrangements for fossil fuels should be withdrawn.

CARBON FOOTPRINT TRANSPARENCY

To be credible, investors must provide tangible proof of the impact of their efforts to combat climate change, primarily by publishing an annual report on the carbon footprint of their investments.

ERAFP believes that institutional investors – led by public sector institutional investors – should

disclose the carbon footprint of their portfolios. They owe this transparency on what is essentially a risk to those who have entrusted the institution with a portion of their savings or their future pension.

Governments would set an example to other investors by taking the first major step forward of requiring public-sector institutional investors to disclose their carbon footprint.

A portfolio’s carbon footprint is a useful measure but it cannot provide a definitive response to the climate risk faced by investors, as

the methodologies used currently do not provide information on the alignment of investments with different climate scenarios. Accordingly, ERAFP intends to continue encouraging and supporting R&D programmes, such as the 2° Investing Initiative, that aim to develop the tools required to assist funds to invest in climate preservation projects.

CARBON FOOTPRINT OF THE ERAFP PORTFOLIO

ERAFP CARRIES OUT THE SECOND CARBON FOOTPRINT AUDIT OF ITS LARGE LISTED COMPANY EQUITY PORTFOLIO

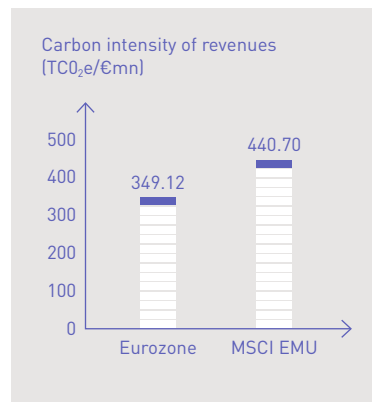
In 2014, the consolidated worldwide portfolio was significantly less carbon-intensive than its benchmark index, with revenue emissions 16% lower in $\text{teqCO}_2/\text{€million}$ than the MSCI World index. Most (76%) of this positive performance was due to the selection of companies with lower emissions in each sector and particularly in the utilities sector. Sector allocation also played a positive role, albeit with a lower impact: on average, the most polluting sectors such as commodities (e.g. mines and metals) have been underweighted in the portfolio.

As a signatory to the Montreal Declaration on carbon during the annual Principles for Responsible Investment conference in September 2014, ERAFP conducted a further audit of the carbon footprint of its equity investment portfolio as at 31 December 2014. The portfolio comprises several investment funds covering three major geographic regions: the euro zone, North America (primarily the US) and international. The associated report includes the carbon footprint results for the three regions and at a consolidated level for ERAFP's equity investment portfolio.

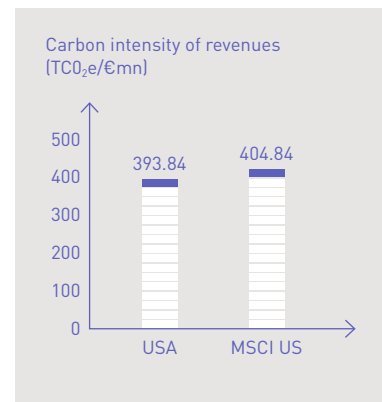
In 2013, the results of the first carbon footprint audit of ERAFP's portfolio indicated that its carbon intensity was 19% lower than that of the MSCI World index. There are a number of explanations for the slight decline seen in 2014:

- ✦ The proportion of European equities in the consolidated equity portfolio increased slightly in 2014. On average, this investment universe has a slightly higher carbon footprint than the global universe (441 $\text{teqCO}_2/\text{€million}$ of revenue for the MSCI EMU against 404 for the MSCI World);
- ✦ The North American equity mandates awarded in 2014 show a somewhat lacklustre performance, being just 3% less carbon intensive than the MSCI US benchmark index.

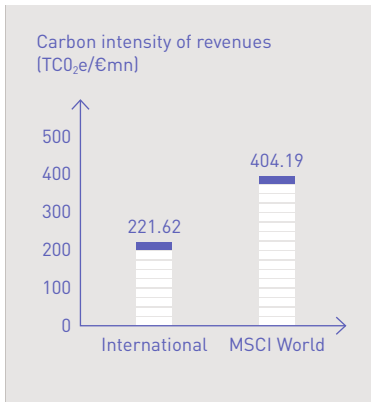
CARBON FOOTPRINT OF THE EURO-ZONE EQUITIES PORTFOLIO AND OF THE INDEX AT 31 DECEMBER 2014



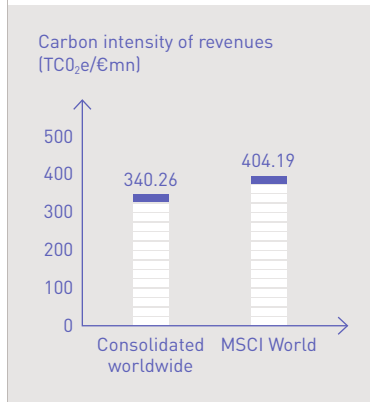
CARBON FOOTPRINT OF THE NORTH AMERICAN EQUITIES PORTFOLIO AND OF THE INDEX AT 31 DECEMBER 2014



CARBON FOOTPRINT OF THE INTERNATIONAL EQUITIES PORTFOLIO AND OF THE INDEX AT 31 DECEMBER 2014



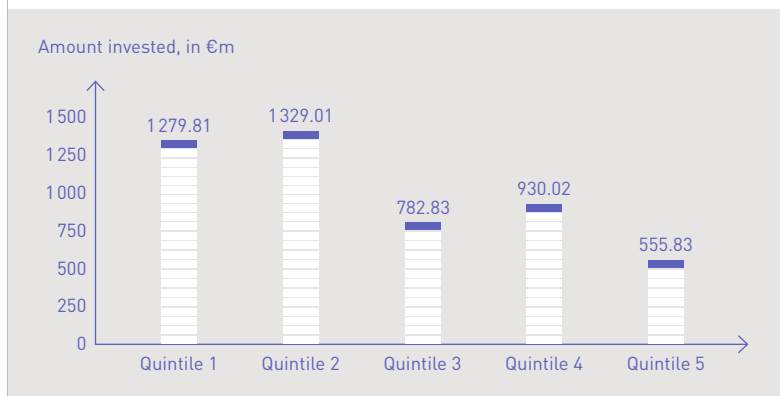
CARBON FOOTPRINT OF THE CONSOLIDATED PORTFOLIO AND OF THE INDEX AT 31 DECEMBER 2014



It should however be noted that the role played by stock picking in the consolidated portfolio's out-performance increased in 2014, from 64% in 2013 to 76%. This demonstrates the positive impact of ERAFP's best-in-class strategy, as shown in the chart below. The least carbon intensive companies in each sector (quintiles 1 and 2) represent the majority of ERAFP's investments, notably in the automotive, chemicals and distribution sectors.

The increased contribution from stock picking relative to sector allocation to reducing the ERAFP portfolio's carbon footprint is particularly marked in the European equities portfolio. On this point, the work performed by Amundi to reduce the carbon footprint of one of the funds in this asset class probably had a positive impact (see next page).

DISTRIBUTION IN QUINTILES OF THE CONSOLIDATED PORTFOLIO'S CARBON INTENSITY



THE ASSET DECARBONISATION TRIAL

Following on from the publication in early 2014 of its equity portfolio's carbon footprint, ERAFP worked with the French asset manager Amundi on a methodology aimed at reducing significantly the carbon footprint of a €750 million portfolio managed on ERAFP's behalf under an index-managed mandate. The carbon footprint audit performed in early 2014 showed that our best-in-class approach, which takes account of a wide gamut of ESG issues, has reduced the carbon intensity of ERAFP's equity investments. ERAFP therefore decided to deepen its involvement by testing

data: 5% of the most polluting companies globally and 20% of the most polluting companies in each sector are excluded from the portfolio.

The decarbonised portfolio's performance is similar to that of the initial index but its carbon intensity is some 40% lower.

IMPROVEMENTS TO ENVIRONMENTAL-IMPACT MEASUREMENT TOOLS

on one of the equity funds a methodology aimed at increasing the selectivity of the "CO₂ emissions" filter in addition to applying its other ESG criteria.

This decarbonisation methodology in effect rounds out the best-in-class approach of selecting only the best companies in environmental, social and governance terms. An additional filter is also applied, based on companies' carbon inten-

In addition to monitoring this mandate, ERAFP will continue its work in measuring carbon and climate risks, notably by supporting research and development initiatives to assess the alignment of investments with climate objectives. In particular, ERAFP supports the 2^o Investing Initiative³⁹ in respect of the launch of a three-year R&D programme to create a "climate performance" indicator.

ACTING ON ENVIRONMENTAL ISSUES WHILST MAINTAINING THE SCHEME'S COMMITMENT TO SOCIAL AND GOVERNANCE ISSUES

03 ERAFP, AN INVESTOR COMMITTED TO COMBATING GLOBAL WARMING

In 2014, ERAFP continued its shareholder engagement initiatives launched in 2013 on a number of environmental, social and governance themes, in collaboration with various investor networks including:

- + the United Nations' Principles for Responsible Investment; and
- + the Extractive Industries Transparency Initiative.

At the same time, ERAFP has signed up to three engagement initiatives started and coordinated by Mirova, Natixis Asset Management's responsible investment subsidiary⁴⁰.

United Nations' Principles for Responsible Investment

ERAFP has been involved since 2013 in four collaborative engagement initiatives coordinated and managed by the PRI secretariat:

- + combating corruption;
- + hydraulic fracturing;
- + human resources management;
- + working conditions in the supply chain.

The aim of these initiatives is to question issuers on their practices and, where necessary, ask for explanations of and improvements to poor practices.

As well as written exchanges, meetings are organised by the initiatives' promoters with interested issuers to explain the degree of transparency expected and the best practices in the sector concerned, and to discuss plans for future action proposed by the issuers.

Other collaborative engagement initiatives

In 2014, ERAFP signed up to three shareholder engagement initiatives promoted by Mirova. These initiatives are supported by several French institutional investors and cover topics of significant importance in terms of financial and extra-financial risks:

- + hydrocarbon exploration in the Arctic;
- + working conditions in the textile sector supply chain;
- + working conditions in the IT sector supply chain.

Shareholder dialogue on these topics with companies in which ERAFP has an equity holding started in 2014 with telephone calls or meetings and will continue in 2015. A review of these initiatives will be provided in next year's public report.

Signatory of:



Interim review (at end-2014) of the collaborative engagement initiatives

Combating corruption:

→ 31 companies targeted

→ 28 replies received

→ 17 meetings organised

Working conditions in the agricultural supply chain:

→ 34 companies targeted

→ 20 replies received

→ 20 meetings organised

Employee relations / HR:

→ 27 companies targeted

→ 23 replies received

→ 16 meetings organised

Hydraulic fracturing:

→ 37 companies targeted

→ 23 replies received

→ 17 meetings organised

⁴⁰ Natixis Asset Management, via its subsidiaries, currently manages a North American SRI equities mandate and a North American SRI corporate bond mandate

ERAFP: AN INVESTOR RECOGNISED BY ITS PEERS

ERAFP: winner of the 7th Responsible Investor award for a “positive economy”

For the seventh year running, Mirova, Natixis Asset Management’s responsible investment subsidiary, and Amadeis joined forces, in collaboration with *Les Echos* and the *LH Forum*, to offer the Responsible Investor award. This aims to recognise the institutional investors that, through their actions, have recently played a prominent role via their approach to responsible investment.

In particular, the jury cited:

- ✦ the performance of a carbon footprint audit of its equity portfolio with the service provider Trucost;
- ✦ the launch of a decarbonisation procedure, starting with a €750 million equity portfolio;
- ✦ the update of its voting policy, including the following specific monitoring points: promotion of the concept of a responsible dividend, financial transparency, the

Chaired by Jacques Attali, the chairman of PlaNet Finance, the jury comprised individuals noted for their work in socially responsible investment (SRI) or sustainable development⁴¹. It gave the 2014 Responsible Investor award to the Etablissement de

gender balance of boards, transparency principles, moderation and the inclusion of ESG principles in remuneration policies, etc.;

- ✦ the intensification of its shareholder engagement practices, notably via the PRI engagement

Retraite Additionnelle de la Fonction Publique (ERAFP).

platform (collaborative engagement on corruption, working conditions in the agricultural supply chain, etc.);

- ✦ the award of SRI management mandates covering French small companies and North American large companies, two assets classes with low visibility on SRI management at present.

⁴¹ Composition of the 2014 Jury

- **Jacques Attali, chairman**, chairman of PlaNet Finance and founder of A&A (Attali & Associés), a strategic consulting firm

- **Jean-Michel Severino**, manager of Investisseurs et Partenaires Conseil, an investment impact group dedicated to the development of companies in sub-Saharan Africa

- **Philippe Chalmin**, founder of Cercle Cyclope, professor of economics at Université Paris-Dauphine

- **Sébastien Duquet**, chief executive of Responsibility France

- **Robin Edme**, financial advisor to the ministry for Ecology, Sustainable Development and Energy, former chairman of FIR and Eurosif

- **Christian Huglo**, lawyer and founder of Huglo Lepage & Associés Conseil, which specialises in environmental law

- **Hélène Valade**, deputy director responsible for sustainable development and forward planning at Lyonnaise des Eaux, chairman of C3D (the college of sustainable development directors)

A PPEN- DIX



- ▶ Change in internal control and risk management in 2014
- ▶ Annual financial statements for 2013
- ▶ Glossary

CHANGES IN INTERNAL CONTROL AND RISK MANAGEMENT IN 2014

In 2014, the organisation of risk management and internal control was marked by the following highlights:

- + The Risk and Internal Control Committee continued to meet on a regular basis. Committee meetings, held once every three months, are attended by the members of the Management Committee, the Internal Control and Operational Risk Manager, the Financial Risks Manager and, depending upon the agenda, managers whose duties involve risk control and the organisation of inspections and controls. The mission

of this Committee is to examine the effectiveness of the control mechanisms for financial, technical and operational risks, operational compliance and the security of information systems and new activities, and to review the financial risks scoreboard;

- + Work to organise financial risk management continued in 2014, with the implementation of a financial risk management and performance measurement tool. The Financial Risks department, which runs this project, wrapped up the market risk module with the delivery of a scoreboard covering 95% of ERAFP's asset portfolio. The financial risks scoreboard and the accompanying reports now enable us to monitor all market risk indicators for these asset classes in ERAFP's asset portfolio;

- + The methodology used to set credit risk limits was finalised and deployed in an internally developed calculation tool using quant techniques;

- + Building on projects to map operational risks and introduce standard procedures, a project was launched to lay down a formal control plan for the Scheme. The first phase, carried out in 2014 with the help of a consulting firm specialised in internal control mechanisms, was to outline a control plan for level 2 operational risks. The purpose of this project is to implement a complete control plan (1st and 2nd level) for the Scheme. Its structure will be optimised in order to keep it open ended.

In 2014, the Scheme moreover:

- + Implemented an asset-liability management tool for the needs of the Technical and Financial Management department;

- + Published risk opinions and recommendations with regard to the replacement or launch of mandates and investment in new asset classes by the Scheme.

The Audit Committee met four times in 2014. The agenda of this Committee routinely includes issues connected with risk control and internal control, and also included a presentation of the Scheme's internal control and risk report.

→ To know more about the work of the audit committee, see page 13.

2013 FINANCIAL STATEMENTS

BALANCE SHEET

ASSETS (€)

	2013		2012	
	GROSS	DEPRECIATION & IMPAIRMENT	NET	NET
Investments	15,129,562,797.11	(1,771,001.11)	15,127,791,796.00	13,283,219,935.11
Shares in real estate investment companies	66,387,249.60	(1,771,001.11)	64,616,248.49	22,045,777.24
Bonds, negotiable debt instruments and other fixed-income securities	10,897,293,676.82		10,897,293,676.82	9,599,208,885.99
Shares and units in UCITS	4,165,881,870.69	0.00	4,165,881,870.69	3,661,965,271.88
Active contributors and beneficiaries	83,529,433.39	(7,029,804.20)	76,499,629.19	60,495,324.86
Active contributors and related accounts	50,696,040.69	(4,403,132.78)	46,292,907.91	40,461,156.92
Beneficiaries	32,833,392.70	(2,626,671.42)	30,206,721.28	20,034,167.94
Other receivables	45,138.84	0.00	45,138.84	55,367.43
Trade receivables, advances and down-payments	2,505.68		2,505.68	1,075.62
Other receivables	42,633.16		42,633.16	54,291.81
Other assets	218,417,675.16	(22,458.79)	218,395,216.37	123,763,174.02
Intangible assets			0.00	0.00
Property, plant and equipment	35,938.08	(22,458.79)	13,479.29	17,849.48
Cash and cash equivalents	218,381,737.08		218,381,737.08	123,745,324.54
Accruals				0.08
GENERAL TOTAL	15,431,555,044.50	(8,823,264.10)	15,422,731,780.40	13,467,533,801.50

LIABILITIES (€)

	2013	2012
Equity	0.00	0.00
Scheme reserves	14,415,873,006.25	12,660,974,901.75
Accruing rights	14,185,141,856.00	12,521,227,542.06
Rights being exercised	230,731,150.25	139,747,359.69
Non technical reserves	989,274,352.07	796,006,920.03
Reserves for use of surpluses	989,188,372.67	796,006,920.03
Reserves for time-savings accounts	85,979.40	
Active contributors and beneficiaries	3,128,065.85	1,793,784.84
Active contributors	1,173,465.26	48,415.71
Beneficiaries and related accounts	1,954,600.59	1,745,369.13
Other liabilities	14,456,356.23	8,758,194.88
Trade and other payables	14,376,750.13	8,527,709.65
Staff and related accounts	35,261.85	127,856.27
Social security and other employment benefits	22,967.22	75,636.85
State – taxes and duties	0.00	0.00
Other creditors	21,377.03	26,992.11
Accruals	0.00	0.00
GENERAL TOTAL	15,422,731,780.40	13,467,533,801.50

INCOME STATEMENT

(€)

	2013	2012
Contributions	1,785,352,122.03	1,755,451,795.93
Changes in impairment on contributions	2,730,994.87	10,508,155.80
Late penalties	263,590.38	214,433.72
Other technical income	0.00	0.00
Technical income	1,788,346,707.28	1,766,174,385.45
Investment income	387,386,313.45	378,899,135.45
Income from realisation of investments	57,802,527.53	74,906,144.38
Other investment income	22,482,069.18	22,393,090.11
Reversals of impairment on investments	45,775,296.80	540,766,753.95
Gross investment income	513,446,206.96	1,016,965,123.89
Expenses related to realisation of investments	(12,375,771.59)	(288,463,464.26)
Other investment expenses	(36,165,807.48)	(27,663,097.06)
Impairment charges on investments	(212.55)	(2,158,483.36)
Investment expenses	(48,541,791.62)	(318,285,044.68)
NET FINANCIAL INCOME	464,904,415.34	698,680,079.21
Benefits paid	(274,802,050.98)	(210,537,897.97)
Changes in impairment on benefits	(2,626,671.42)	
Other benefits (discounts of bonus factors)	(226,915.13)	(249,517.15)
Benefits	(277,655,637.53)	(210,787,415.12)
Changes in Scheme reserves	(1,948,079,557.14)	(2,229,048,672.62)
Technical expenses	(2,225,735,194.67)	(2,439,836,087.74)
SCHEME'S NET CURRENT INCOME	27,515,927.95	25,018,376.92
Non-technical income	35,914.64	35,914.64
Reversals of depreciation and impairment	0.00	0.00
Other non-technical income	35,914.64	35,914.64
Overall outsourcing of administrative management	(15,771,271.77)	(14,824,668.87)
Third-party investment management expenses	(1,490,974.13)	(1,173,262.31)
Personnel expenses	(3,424,741.90)	(2,937,080.82)
Other expenses	(6,830,776.86)	(6,099,733.36)
Provision and depreciation charges	(17,166.63)	(3,949.01)
Operating expenses	(27,534,931.29)	(25,038,694.37)
Non-recurring income	0.00	2,496.26
Non-recurring expense	(16,911.30)	(18,093.45)
Net non-recurring income (expense)	(16,911.30)	(15,597.19)
Income tax		
NET INCOME	0.00	0.00

INDEPENDENT AUDITORS' REPORT ON THE ANNUAL FINANCIAL STATEMENTS

ERAFP
Statutory auditors' report on
the annual financial statements
31 December 2013

ERAFP

Registered office: 12, rue Portalis, 75008 Paris

Statutory auditors' report on the annual financial statements

Financial year ended 31 December 2013

To the Directors of the Board

Under the terms of our appointment by your Board of Directors, we herewith present our report on the financial year ended 31 December 2013 on:

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

The Board of Directors has approved the annual financial statements. It is our responsibility to express an opinion on those financial statements based on our audit.

1. Opinion on the annual financial statements

We carried out our audit in accordance with generally accepted auditing standards in France. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, using sampling techniques or based on other selection methods, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used, any significant estimates made and the overall presentation of the financial statements. We believe that our audit provides an adequate and appropriate basis for our opinion.

In our opinion, based on French accounting rules and principles, the financial statements give a true and fair view of the results of operations for the past financial year and the Scheme's financial position and assets and liabilities at the end of that financial year.

Without qualifying the above opinion, we wish to draw your attention to note 3.3.1 in the Notes to the financial statements entitled «Accounting changes», which indicates:

- A change in the accounting method used for paid holiday entitlements and time savings accounts (comptes epargne-temps - CET) introduced by Advisory Memorandum no. 2012-01 of 17 February 2012 of the Conseil de Normalisation des Comptes publics (CNoCP, public accounts standardisation committee).

- Adjustment of the floor value of the management cost rate, one of the components of the discount rate used to calculate policy reserves pursuant to the government order of 14 May 2014.

2. Basis for our opinion

Pursuant to Article L. 823-9 of the French Commercial Code with regard to the basis for our opinion, we wish to draw your attention to the following items:

- Certain technical liability accounts of your Scheme, particularly reserves and provisions, are estimated on the basis of statistics and actuarial figures in accordance with the applicable regulations, as explained in Note 3.3.3 «Benefits and provisions under the regime» in the Notes to the Financial Statements.

We have reviewed the valuation assumptions and methods used in preparing these financial statements and, based upon the available information, have conducted tests to check the application of said methods and the consistency of these assumptions within the framework of the Scheme's experience and economic and regulatory environment. We have further examined the appropriateness of the information provided in the Notes to the Financial Statements.

- The financial assets are recognised and valued according to the method set out in Note 3.3.4 «Investments» in the Notes to the Financial Statements. We have reviewed the valuation methods used for these assets and, based upon currently available information, have carried out tests to check their application.
Our review has enabled us to determine that the methods used are adequate and correctly applied and that the information in the Notes to the Financial Statements is relevant and appropriate.

This review is part of our audit of the overall annual financial statements and has therefore helped form our audit opinion, as stated in the first part of this report.

ERAFP
Statutory auditors' report on
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31 December 2013

3. Specific verifications and information

In accordance with the professional standards applicable in France, we have also carried out the specific verifications provided for by law.

We have no comment to make on the accuracy or consistency with the annual financial statements of the information given in the Board of Directors' management report.

Paris La Defense, 27 June 2014

Tuillet Audit


Brigitte Vaira-Bettencourt
Partner

Mazars


Nicolas Robert
Partner

GLOSSARY

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 union 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.

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 the beneficiary'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 the resources 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.



Établissement de Retraite additionnelle
de la Fonction publique
12, rue Portalis - CS 40 007
75381 Paris Cedex 08 — www.rafp.fr

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L'Établissement de la Retraite additionnelle de la
Fonction publique celebrates its 10th anniversary !