

01.
OPERATION
OF THE
RAFP
IN 2015

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 through this law, but not the legal entity itself.

ERAFP, or 'Établissement de retraite additionnelle de la fonction publique', is the public sector administrative entity 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, as amended, implementing decree 2004-569 of 18 June 2004 on the French Public Service Additional Pension Scheme

06 EDITORIALS

- _ by Dominique Lamiot, Chairman of ERAFP
- _ by Philippe Desfossés, Chief Executive Officer of ERAFP

01.

OPERATION OF THE RAFP IN 2015

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- 24** Initiatives for employers and beneficiaries and information about the Scheme

HIGHLIGHTS

2015



05/02

A NEW INVESTMENT REGULATORY FRAMEWORK FOR ERAFP

The relaxation of the investment rules applicable to ERAFP allow it to play to the full its role of long-term investor serving the real economy, with an emphasis on investments in France and SMEs.

Second part, page 11



24/04

LAUNCH OF ERAFP'S NEW WEBSITE

The website's overhaul has made it the Scheme's main communication tool, not only in the service of beneficiaries and employers but also to raise awareness of the Scheme's long-term investment initiatives and SRI commitments.

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22/05

ERAFP JOINS THE PORTFOLIO DECARBONIZATION COALITION

At the same time as updating the measurement of the carbon footprint of its portfolio of large listed company equities, in joining the Portfolio Decarbonization Coalition the Scheme marks its intention to continue researching how its investment policy can contribute to the decarbonization of the economy.

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01/10
**ERAFP TRIALS
DECARBONIZATION
STRATEGIES
WITH CEDRUS
AND AMLEAGUE**

ERAFP teams up with asset manager Cedrus AM and the amLeague virtual asset management platform to compare the performances of international equity managers on a single notional SRI mandate, with the objective of reducing the carbon risk exposure of virtual investments.

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09/12
**ERAFP HOSTS
THE LAUNCH OF
THE SHAREACTION-
COORDINATED
RE100 INITIATIVE**

At COP 21, ERAFP joined forces with 20 institutional investors to ask companies to commit publicly to using 100% renewable energy for their international activities by signing up to the 'RE100' initiative.

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10/12
**DECREE FOR
THE APPOINTMENT
OF THE CHAIRMAN
OF THE BOARD
OF DIRECTORS**

Dominique Lamiot's re-appointment as ERAFP Chairman enabled the board of directors, the members of which were appointed by statutory order on 26 October 2015, to set about the work scheduled for its new term, after a six-month period of vacancy.

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EDITO- RIALS



EDITORIAL OF DOMINIQUE LAMIOT, CHAIRMAN OF ERAFP

ERAFP is playing an increasingly important role in the financing of the French economy

Following a period of vacancy of its board of directors, ERAFP was able to resume normal operations at the end of 2015.

The members newly appointed by the supervisory ministers got to work immediately, enabling us - I am pleased to report - to examine within a short space of time the main subjects on which the board of directors was called upon to rule.

The fourth term of office of ERAFP's board of directors began under new circumstances governed by changes to the investment regulatory framework that were completed in March 2015. It is now our job to launch a new phase of investment diversification, in order to generate sufficient returns for our beneficiaries without impinging on our portfolio's solidity or our socially responsible investment approach.

We started a first round of initiatives in 2015, based on the directives that the board had voted in before the end of its previous term. These consisted firstly in awarding equity mandates for the Pacific region, which have made the portfolio more geographically diversified, and secondly - rounding out the equity portfolio's capitalisation profile - activating a new mandate for the management of French listed small-cap equities.

Pursuant to the board of directors' wishes, ERAFP is playing an increasingly important role in the financing of the French economy, which is reflected in its first direct investments in funds available on the market, such as the NOVI private equity funds. At the same time as putting in place the legal vehicles that will enable us to galvanise this programme, ERAFP is introducing a number of original initiatives. As a result of its investment in the Fonds de Logement Intermédiaire (intermediate housing fund), for example, active contributors unable to find housing will be offered accommodation in several hundred housing units concentrated in large cities throughout France. We

EDITORIALS

will monitor the implementation of this system, which is due to come onstream in 2016. ERAFP will invest repeatedly in operations such as this so long as they do not reduce its returns. Accordingly, it may finance other public housing projects in the year to come.

The fact that it was only recently formed means that ERAFP can make very long-term investments in structurally important economic, social and environmental projects such as these. We are lucky in this, although it does require us to be particularly methodical and assess the consequences of our decisions over the long term - in particular the impact of our investments. For now, we will adapt the tools at our disposal to enable the additional pension scheme to successfully complete all its missions over the next few years.

The first consideration in this respect is the discount rate applied to our reserves, which will reflect our allocation's transition to greater balance between bonds and variable-income assets. After ten years of existence, our SRI guidelines also need to be updated and extended to the new investments that we are making. Moreover, our agreement with Caisse des Dépôts on objectives and management between 2016 and 2020 will be key to the Scheme's smooth running and the service that its beneficiaries can expect to receive. On this basis, there can be no doubt that this new term of office will be one of increased effectiveness on behalf of our beneficiaries.

The fact that it was only recently formed means that ERAFP can make very long-term investments in structurally important economic, social and environmental projects such as these

Dominique Lamiot, *Chairman of ERAFP*



EDITO- RIALS



EDITORIAL OF PHILIPPE DESFOSSÉS, CEO OF ERAFP

At COP 21, questions such as financing the energy transition and defining the price of carbon struck a resounding chord with institutions and the public alike.

ERAFP's new challenge for the next ten years: to play a full role in the transition to a carbon-free economy and increase awareness of its action as a responsible pension scheme.

At COP 21, questions such as financing the energy transition and defining the price of carbon, which previously had been of interest mainly to specialists, essentially players involved in the fight against climate change, struck a resounding chord with institutions and the public alike. Beyond recognising the effects of climate change on our environment, society at large now understands the need to build the objective of limiting global warming to 2°C into the structure of our economy.

In exchange for the contributions that it receives from its beneficiaries, the Scheme undertakes to pay them pension benefits. This is a promise that the youngest among us will benefit from following a very long period of time. However, it is now accepted that investors must take climate change risk into account, failing which they run the risk of being unable to honour their commitments in the long term.

It is through nothing other than observance of our fiduciary duty that we have undertaken energy and climate-related initiatives, with a view to aligning our investment portfolios with international global warming containment objectives.

Article 173 of the law on energy transition for green growth, which refers specifically to ERAFP, establishes a framework that encourages French institutional investors to adopt best practice when it comes to informing the public about their environmental and social approach. In our case, these new provisions provide a stringent model for detailing what we have already undertaken as part of our socially responsible investment policy.

One year ahead of its application date, this report contains information in the corresponding regulatory publication format. Although we do not yet have all the information that would enable us to complete all the required sections, we are using this opportunity to carry out an initial review and measure the progress still to be made in order to refine

our zero-carbon-investor strategy. Moreover, this was the thinking that led us, while remaining active within the IIGCC's European contingent, to join the Portfolio Decarbonization Coalition in 2015.

While we have yet to acquire suitable tools to define this strategy in a systematic way, we are proposing new approaches. At COP 21, we entrusted amLeague and Cedrus AM with the task of setting up a virtual platform enabling asset managers to demonstrate their ability to reduce the carbon intensity of an international equity portfolio over a sustained period of time. This will no doubt lead to the emergence of innovative management strategies for this asset class.


In 2015, ERAFP also supported the Tera Neva initiative, led among others by the European Investment Bank, by investing in a 'Climate Awareness Bond', the yield on which is linked to the performance of companies that have implemented a convincing strategy to reduce global warming. At the same time, we continue to contribute to the long-term financing of the economy, notably through the creation of an unlisted asset portfolio. Thanks to the energy savings and efficiency gains that they offer, private equity and network infrastructures are perfect platforms for a zero-carbon strategy.

In 2016, in keeping with its socially responsible investment approach, ERAFP will continue to make a major contribution, in collaboration with the various other stakeholders, to speeding up the financing of the energy transition and to exceeding the objectives laid down by the Paris treaty.

At COP 21, we entrusted amLeague and Cedrus AM with the task of setting up a virtual platform enabling asset managers to demonstrate their ability to reduce the carbon intensity of an international equity portfolio over a sustained period of time

Philippe Desfossés, CEO of ERAFP



A large, stylized number '31' is rendered in a dark green color against a lighter green background. The '3' is on the left and the '1' is on the right. The text 'OPERATION OF THE RAFP IN 2015' is centered over the '3'.

**OPERATION OF
THE RAFP
IN 2015**

RAFP'S MAIN ROLES

A UNIQUE SCHEME, OPERATIONAL SINCE 2005

Providing an additional pension to public sector employees

Thanks to the Scheme, close to 4.5 millions contributors will receive additional pension benefits. Their contributions are based largely on bonuses and are topped up by some 45,000 public sector employers. Contributions totalled €1.73 billion in 2015.

Founded on inter-generational equity


As the only French pension fund, ERAFP 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 (SRI) policy founded on public service values. This policy takes into account environmental, social and governance criteria in all of the Scheme's investment decisions.

Faced with the public's increasingly high expectations of financial companies, and alongside its desire to raise awareness of its approach among the Scheme's contributors and beneficiaries, ERAFP seeks to demonstrate that investors have a role to play, in the service of public interest, in the transition to a carbon-free economy.



2015 A TRANSITIONAL YEAR BETWEEN TWO TERMS OF OFFICE OF THE BOARD OF DIRECTORS

The additional pension scheme's corporate life was marked in 2015 by a period of vacancy of its board of directors of several months starting on 4 June 2015, when its previous mandate ended. Although the board of directors had been able to reach important strategic decisions before that date, continuity is necessary for it to properly carry out its responsibility for administering the additional pension scheme with which the Parliament has entrusted it.

BOARD WORK BEFORE THE VACANCY

- **ERAFP's board of directors** met twice prior to 4 June 2015.
- **Pursuant to a decision of 5 February 2015** and in application of the technical parameter drafting guidelines, the board of directors amended the Scheme's premium rate, lowering the technical interest rate from 1.34% to 0.9%².
- **At its meeting of 26 March 2015**, the board of directors took advantage of the new regulatory leeway available to it to adjust the general orientations of its 2015 investment policy for greater diversification into equities, real estate, private equity and infrastructure investments, notably in the service of the French economy and European small and medium-sized enterprises³.




















The board's sub-committees met ten times, exclusively in the first quarter.

² The details and application procedures for this decision are detailed on page 22.

³ Details of the 2015 investment policy orientations, including their implementation, are provided on page 26.

ATTENDANCE AT BOARD OF DIRECTORS' MEETINGS IN 2015

Source — ERAFP

QUALIFIED PERSONS	EMPLOYERS' REPRESENTATIVES	REPRESENTATIVES OF ACTIVE CONTRIBUTORS
Alain Dorison 	Fédération hospitalière de France 1 	Solidaires 
Dominique Lamiot 	Fédération hospitalière de France 2 	CFTC 
Pierre Mayeur 	Association des régions de France 	CFE-CGC 
	Assemblée des départements de France 	UNSA 
	Association des maires de France 	FSU 
	La Poste 	FO 
	MINEFE 	CFDT 
	Ministère de la Défense 	CGT 

ERAFP'S ACTIVITIES DURING THE VACANCY

Even in the absence of the board of directors, ERAFP's Chief Executive Officer has specific powers enabling him to ensure the institution's uninterrupted operation.

In accordance with the orientations decided on by the board, ERAFP was therefore able to duly fulfil its responsibilities as regards both pensions management and financial management. The appointment of the new board at the end of the year enabled the Chief Executive Officer to report on the decisions taken since the end of the previous term of office.

It should nevertheless be noted that the period of vacancy that occurred in 2015 followed two other periods of vacancy:

- **five months in 2008**, after an extension of the board of directors' first term of office, pursuant to a decree dated 15 May 2007, from 24 June 2007 to 31 December 2007;

- **approximately five months in 2011.**

The appointment process has not made it possible, therefore, to ensure the continuity of ERAFP's decision-making body every time the board of directors has been reappointed since the Scheme's inception.

These periods in which ERAFP lacks a decision-making body can be damaging for the additional pension scheme by delaying the board of directors' review of the items submitted to it every year, such as approval of the financial statements and adoption of ERAFP's budget. Similarly, a period of vacancy can limit ERAFP's ability to respond to unexpected events.

It is therefore desirable that the government should in the future be able to appoint the members of the board of directors avoiding any period of vacancy. This may be helped by alignment with the general reappointment process for the representative bodies of public sector employees, although even with the extension of up to six months after this reappointment process provided for by the decree of 8 November 2014 it was not possible to prevent the board of directors' vacancy in 2015.

[QR-CODE TO THE
WEBSITE PAGE
'SCHEME GOVERNANCE'](#)



REAPPOINTMENT OF THE BOARD OF DIRECTORS

- **Pursuant** to the statutory order of 26 October 2015, the members of the board of directors were appointed for a new term of office.

- **By decree of the President of the French Republic** dated 10 December 2015, Dominique Lamiot was reappointed Chairman of ERAFP.

2015. ADDITIONAL PENSIONS IN BRIEF

THE RAFP BENEFIT RIGHTS VESTING SYSTEM

Legal and regulatory developments in 2015

Impacts of the pension reform law 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.

MINIMUM LEGAL RETIREMENT AGE DEPENDENT ON THE YEAR OF BIRTH

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

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

Parameters defined by the board of directors.

€1.1452 purchase value of a point in 2015

€0.04465 service value of a point in 2015.

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 MILLIONS CONTRIBUTORS IN 2015

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



Premium rate revision: Derived by dividing the service value by the purchase value, the Scheme’s technical return in 2014 was 4.075%.

In application of the decisions taken by the board of directors on 5 February 2015 and 16 February 2016, it came to:

- **3.899%** in 2015;

- **3.738%** in 2016.

Adoption of a new premium factor: For the calculation of benefit rights, the service value of a point changes in relation to the age at which the additional pension is liquidated, based on the actuarial premium factor schedule below. Until the end of February 2015⁴, the premium applied from the pivotal age of 60. At the same time as revising the premium rate, at its meeting of 5 February 2015 the board of directors adopted a new, so-called premium factor, which is now applicable from the age of 62.

ACTUARIAL PREMIUM FACTOR SCHEDULE

Source – ERAFP

Âge	Surcote
≤62	1.00
63	1.04
64	1.08
65	1.12
66	1.17
67	1.22
68	1.28
69	1.33
70	1.40
71	1.47
72	1.54
73	1.62
74	1.71
≥75	1.81

NB.: The factor is determined based on the age of the person concerned on the date of the RAFFP pension payment, taking into account the number of years and months he or she is over the age of 62.

⁴ The details and application procedures for the new premium rate are detailed in Part 2, page 5.

PAYMENT SIMULATIONS FOR TYPICAL BENEFITS⁵

Lump sum payment	Annuity payment	
Alice, an administrative assistant, retires in 2015 aged 62	Chi-Thiên, an attaché, retires in 2015 aged 62	Chi-Thiên, an attaché, retires in 2015 aged 67
She then has 4,500 points in her individual RAFP account (< 5,125 points)	He then has 7,000 points in his individual RAFP account (> 5,125 points)	He then has 7,000 points in his individual RAFP account (> 5,125 points)
$4,500$ $\times 0.04465^6$ $\times 24.62^7$ $\times 1.00^8$ €4,946.77 gross	$7,000$ $\times 0.04465^6$ $\times 1.00^8$ €312.55 gross	$7,000$ $\times 0.04465^6$ $\times 1.22^8$ €381.31 gross
Alice will receive a gross lump sum of €4,946.77. The lump sum will be paid in one or two tranches, depending on her retirement date.	Chi-Thiên will receive 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.	Chi-Thiên will receive 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.

[QR-CODE TO THE WEBSITE PAGE PAYMENT SIMULATOR](#)



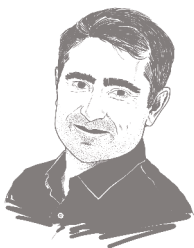
⁵ The examples given are purely illustrative, not contractual and for indicative purposes only.

⁶ Service value of a point in 2015.

⁷ Lump sum conversion factor corresponding to life expectancy at the age when the pension is paid.

⁸ Premium factor: after age 62, the higher the retirement age, the greater the factor.

2015 CONTRIBUTIONS AND BENEFITS



STEVE MAZENS, CHAIR OF THE COLLECTIONS COMMITTEE

ERAFP is a young scheme, which means it has been able to take advantage of the experience acquired in the management of public sector pensions. The process leading from contributions to benefits has been designed to function simply, efficiently and more cost effectively. It is ERAFP's job to define how to deploy this efficiency to tackle the challenges associated with the Scheme's maturation as effectively as possible.

**APPROXIMATELY
45.000 EMPLOYERS
PAID
CONTRIBUTIONS TO
CAISSE DES DÉPÔTS
IN RESPECT OF THE
SCHEME IN 2015**

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 contributions⁹, maintenance of beneficiaries' individual retirement accounts, liquidation of rights, payment of benefits, 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 45000 EMPLOYERS...

Approximately 45,000 employers paid contributions to Caisse des Dépôts in respect of the Scheme in 2015. The vast majority are local and regional authorities and public sector hospitals.

The majority of French central government employers registered with the Scheme are public treasury departments, ministries and commissioners to the armies. It should be noted that 96.6% of employers had paid in all the requisite contributions in respect of 2014 by the end of 2015¹⁰.

Stable at less than 5% for a number of years, in 2015 the payment incident rate shrunk. The average rate for the year was 4.4%, compared with 4.9% in 2014.

These payment incidents are subject to corrective actions: 98% of incidents arising in 2015 were corrected during the year.

⁹ Except for the payment of benefits to retired central government public servants, which is the responsibility of the Directorate of Public Finance.

¹⁰ NB.: As the employers' declarations are only required to be submitted in the year following payment of the contribution, the figures correspond to the 2014 financial year.

... AROUND €1.83 BILLION COLLECTED...

The Scheme collected around €1.83 billion of contributions in 2015. 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 2015, 394 employers were obliged to pay penalties in respect of 2014.

... AND 4.5 MILLIONS 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 2014 was 31 March 2015. 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 update rates for contributors' accounts since 2009 (more than 98% on average) is indicative of an increased awareness and understanding of the Scheme, which is helped by Caisse des Dépôts' actions to raise awareness among employers.

The number of updated individual retirement accounts grew in 2015, with the update rate reaching 99.3% at 31 December.

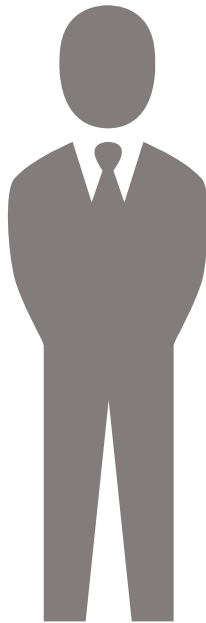
**€1.83 BILLION
IN CONTRIBUTIONS
COLLECTED
IN RESPECT
OF THE 2015
FINANCIAL YEAR**

**4.5 MILLIONS
CONTRIBUTING
PUBLIC SERVANTS
IN 2015**

**101.729 PENSION
LIQUIDATIONS AND
512.935 INDIVIDUAL
RAFP ACCOUNT
REVISIONS IN 2015**

**€268 MILLIONS
PAID TO
BENEFICIARIES
IN BENEFITS**

**NEARLY 48.000
ANNUITIES
IN PAYMENT**

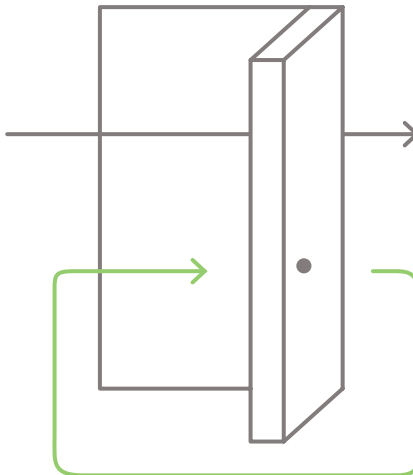


96.6%
FULLY PAID-IN
EMPLOYERS'
ACCOUNTS

4.4% OF PAYMENT
INCIDENTS,
OF WHICH 98%
CORRECTED

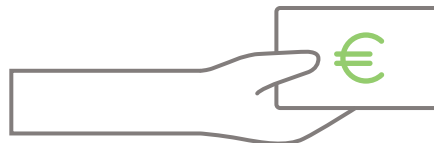
99.3%
OF INDIVIDUAL
CONTRIBUTORS'
ACCOUNTS UPDATED
AS AT 31 DECEMBER
2015

AVERAGE LUMP
SUM OF €1.735
AND AVERAGE
ANNUITY OF €310



101.729
PENSION
LIQUIDATIONS IN 2015

512.935
BENEFITS REVISIONS



AROUND
€268
MILLIONS IN TOTAL
BENEFITS PAID OUT
TO BENEFICIARIES
IN 2015, OF WHICH
€14.8 MILLIONS AS
ANNUITIES AND €253
MILLIONS AS LUMP
SUMS

CLOSE TO 102,000 PENSION LIQUIDATIONS AND 513,000 BENEFITS REVISIONS IN 2015

101,729 pensions were liquidated and 512,935 benefits were revised in 2015. Although the number of pension liquidations was relatively stable, the increase of around 40% 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, €268 millions of benefits were paid out to beneficiaries in the year. This amount includes reversionary benefits paid out to deceased beneficiaries' spouses and children under 21.

AROUND 40%
INCREASE
IN BENEFIT
REVISIONS

PAYOUTS DECREASING

In 2015, payouts fell by 12.1%, to the same extent that the pension liquidations did. The number of lump sum payments continued to shrink (145,862 in 2015 compared with 174,815 in 2014). The average lump sum payment in 2015 was €1,735, around 3% more than in 2014 (€1,691)¹¹.

ANNUITY PAYMENTS TAKE OFF

47,611 annuities were paid in 2015. The continued increase in the number of annuities in payment compared with lump sum payments is attributable to the gradual growth of the Scheme since its inception in 2005.

Every year, there are more beneficiaries who have accrued throughout their careers a total number of points in excess of the minimum 5,125 necessary to receive annuity payments. The average annuity in 2015 was €310¹², 7% higher than in 2014 (€291). By definition, annuity recipients have been able to contribute to the Scheme for a maximum of only ten years since contributions did not start until 2005. The average annuity shown above reflects this limited contributions period.

Although total annuity payments in 2015 were still only around 6% of the total lump sum payments (€14.8 millions vs. €253 millions, respectively), they are growing rapidly: they increased by more than 60% in comparison with the amount paid out in 2014 (€9M).

47.611
ANNUITIES
WERE PAID
IN 2015

¹¹ Although the progression is material, these amounts do not represent the total benefits paid, which generally comprise two lump sum payments, on liquidation and on revision.

¹² Average total monthly payments throughout the year.

2015 MANAGEMENT COST



FRANCIS SAHAL, CHAIR OF THE AUDIT COMMITTEE

ERAFP has a duty towards its beneficiaries to manage their contributions efficiently and effectively, particularly when it comes to information systems. As regards the Scheme's administrative management, this means rapidly adopting the agreement with Caisse des Dépôts on objectives and management between 2016 and 2020, following the board of directors' period of vacancy in 2015.

CONTROLLED MANAGEMENT COSTS

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

In 2015, management costs totalled €28 millions, representing 0.14% of the Scheme's net assets and 1.6% of contributions collected in 2015.

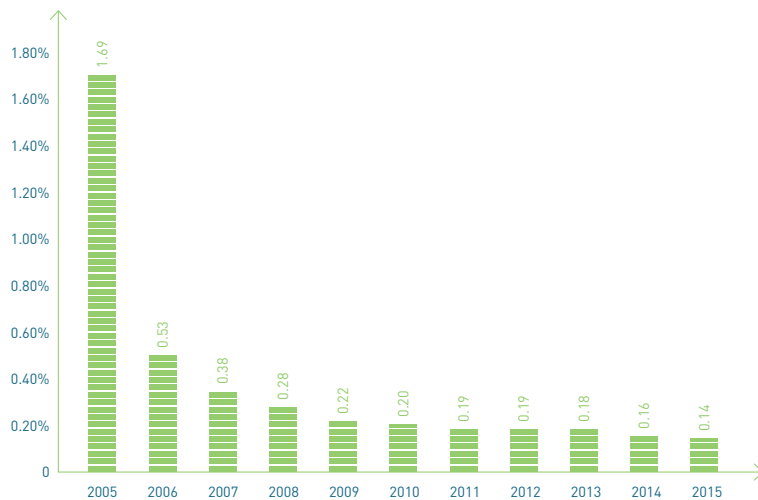
The implementation of ERAFP's asset diversification policy implies making better use of its resources. This is a prerequisite for increasing the potential yield on the Scheme's investments and reducing its allocation risk, which is also a way of containing future costs.

**A SCHEME
MANAGED BY
A PUBLIC SECTOR
MANAGEMENT
ENTITY OPERATING
UNDER THE
OVERSIGHT OF
THE FRENCH
STATE**

CHANGES IN SCHEME MANAGEMENT COSTS SINCE 2005

Source — ERAFP

■ Administrative costs as a percentage of net assets at amortised cost



**ADMINISTRATIVE
MANAGEMENT
PROVIDED BY
CAISSE DES
DÉPÔTS ET
CONSIGNATIONS
(CDC), UNDER
THE AUTHORITY
AND SUPERVISION
OF THE BOARD
OF DIRECTORS**

**MANAGEMENT
OF FINANCIAL
ASSETS PARTIALLY
DELEGATED
TO ASSET
MANAGEMENT
COMPANIES**

**DIRECT
MANAGEMENT
BY ERAFP OF
GOVERNMENT
BONDS AND
GOVERNMENT-
BACKED
SECURITIES**

MANAGEMENT
COSTS IN 2015:
€28 **MILLIONS**

INITIATIVES FOR EMPLOYERS AND BENEFICIARIES AND INFORMATION ABOUT THE SCHEME



ANNE MEUNIER, CHAIR OF THE COMMUNICATIONS COMMITTEE

A large proportion of public servants are not automatically familiar with the Scheme. Despite this, when we talk about our socially responsible investment approach they have a positive reaction. Our challenge, therefore, is to reduce the information gap by raising our contributors and beneficiaries' level of interest in how we use their contributions to provide them with returns without sacrificing social and environmental considerations.

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.

ERAFP's 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.

Highlights of ERAFP's institutional communications in 2015:

- launch of ERAFP's new website (April);
- participation for the first time in the Salon Santé Autonomie (health and autonomy trade fair) (May);
- launch of the English version of the website (November);
- production of an SRI New Year's greetings card in partnership with the Pur Projet collective.

Following its cross-public service partnerships, ERAFP decided to highlight its COP 21 commitments with its 2016 New Year's greetings card.

ERAFP's partnership with Pur Projet, a collective that helps companies make climate change challenges a key part of their ethos and their businesses, mainly through the regeneration and preservation of ecosystems (agroforestry, reforestation, forest conservation), involved participation in the Pur Hexagone project to replant trees in the forest of Épernay (Champagne region), which suffered storm damage in 1999.

For each card sent out an oak tree is planted, thereby ensuring greater woodland biodiversity and promoting the restoration of traditional ecosystems.

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.

Public servants emphasise the employer's role in passing on information about the Scheme.

The main channels for passing on information are departmental circulars or pay slips.¹³

Having participated in the Salon des Maires (mayors' convention) in 2014, in 2015 ERAFP took part in the Salon Santé Autonomie in order to meet hospital employers, notably to reduce the information gap that this sector faces in relation to the local and regional authority sector.

Employers in the local and regional authorities sector are more likely to say they are "well informed" than other employers.¹⁴

In operational terms, Caisse des Dépôts' call centre in Angers handled around 12,600 telephone calls from employers in 2015 (92% of calls received). Whereas call volumes had gradually fallen in previous years, this represents a 4% increase from the 12,200 calls received in 2014, which is partly attributable to employers' increasing awareness of the Scheme's operating rules. Caisse des Dépôts also held a number of training and information sessions for employers in 2015, as well as handling around 1,100 emails.

In terms of the employer-dedicated 'e-services' account-viewing website, there were more than 53,000 connections in 2015. This figure has declined since 2011 due to improvements in the quality of data passed on by employers.

→ See tables in the appendix in part 4 showing changes in the past years.

12.600

TELEPHONE CALLS
FROM EMPLOYERS
HANDLED IN 2015

¹³ Results of the survey on Scheme image and recognition conducted by BVA in 2014.

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

BETTER UNDERSTANDING THE NEEDS OF ACTIVE CONTRIBUTORS IS A SCHEME PRIORITY

As reiterated by the communications committee members, the lack of knowledge and awareness of the Scheme persisted in 2015. ERAFP and the Administrative Manager are striving to remedy this by being attentive to the needs expressed by beneficiaries.

- The Scheme's website is an important source of complementary information to that provided by the employer.¹⁵

The 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 overhaul of this website, which is a key tool in the Scheme's communications strategy, responds to beneficiaries' call for more accessible and interactive information. It also fulfils the Scheme's wish to create a truly interactive communication medium to serve its target audience.

Its new interface offers users an immediate overview of the content available to them, thus not only giving quicker access to the information sought but also facilitating navigation.

The Scheme is now able to interact with its target audience entirely electronically, thanks to the creation of contact and information letter subscription forms.

Lastly, after numerous requests from the Scheme's beneficiaries, a payment simulator has been included on the site's home page, and practical information files are now available.

Informing retired beneficiaries

- **Nearly 80,900 telephone calls** from retired public servants were handled in 2015 (92% of calls received). In addition, around 20,100 items of correspondence (letters and e-mails) were processed over the year, up 16% on the 17,400 items processed in 2014 and coinciding with the decrease in the number of telephone calls.

20.100
ITEMS OF
CORRESPONDENCE
WERE PROCESSED
OVER THE YEAR

- **The number of on-line service users reached 139,000 in 2015**, following an overhaul of the platform designed for active and retired public servants. This portal is completed with an automatic phone appointment system taken from ERAFP's website: beneficiaries ask for an appointment and are called back the day they want, at the time they specify.

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

852,338 documents relating to RAFFP 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 RAFFP took over responsibility for informing active public servants if the primary scheme is unable to produce the required documents¹⁶. As a result, 852,338 of the 52,112 documents were sent out directly by RAFFP.

Furthermore, Caisse des Dépôts handled nearly 33,100 telephone calls from active contributors under their 'right to information' (94% of calls received) in 2015, as well as around 2,800 letters and e-mails.

→ See tables in the appendix in part 4 showing changes in the past years.

INSTITUTIONAL PLAYERS: INCREASINGLY FRUITFUL COMMUNICATIONS

Contact with the public authorities

In connection notably with its engagement within the IIGCC, ERAFP takes part in dialogue between investors and the public authorities to promote the transition to a carbon-free economy. The conditions of this dialogue are detailed on page 42 of the third part of this report.

Contact with the public

With COP 21 having taken place in 2015, ERAFP also started to act on its desire to take part - as a long-term investor - in the related public debate. The initiatives that it announced within this framework are detailed on page 7 of the third part of this report.

852,338

DOCUMENTS
RELATING TO RAFFP
WERE SENT OUT

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

THE SCHEME WAS
REFERRED TO IN
1.075 PRESS
OR ONLINE
ARTICLES

ERAFP JOINED THE
TWITTER SOCIAL
MEDIA NETWORK
IN 2014



60.000
VISITS PER MONTH
ON THE WEBSITE

Press

The calls for tender launched by ERAFP present an excellent opportunity to promote communications on the additional pension scheme. In 2015, the Scheme or ERAFP were referred to in 1,075 press or online articles, 25% more than in 2014. The Scheme's media coverage has improved consistently over the last four years.

More specifically, the 14 press releases issued by ERAFP were widely relayed 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 around 150 meetings, conferences and seminars in France and abroad.

Twitter

Having joined the Twitter social media network in 2014, ERAFP continued to post tweets (325) and retweets (311) in order to disseminate information on its areas of interest. ERAFP gained in visibility in 2015, recording 5,480 profile visits and 206 new followers. Indeed, with 267 tweets referring to ERAFP and 408 followers, Twitter was the most active online medium for the Scheme in 2015.

The website: a central communication tool for the Scheme

The website saw an increase in usage in 2015, to around 60,000 visits per month compared with 58,000 in 2014. The new tools provided, such as the payment simulator, contributed significantly to this increase, thus confirming the appropriateness of the decision to introduce them.

In the interests of coherence and visibility, ERAFP also decided to expand its digital offer by launching the English version of its new website on 3 November 2015. This version of the site is designed to meet the expectations of ERAFP's international audience and also to raise awareness of its initiatives among long-term investors.



ÉTABLISSEMENT
DE RETRAITE
ADDITIONNELLE
DE LA FONCTION
PUBLIQUE

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75381 Paris Cedex 08
www.rafp.fr

Follow us on  [@_ERAPP_](https://twitter.com/_ERAPP_)

02.
THE
SCHEME'S
LONG-TERM
EQUILIBRIUM

02.

THE SCHEME'S LONG-TERM EQUILIBRIUM

- [4](#) ERAFP: key figures
- [5](#) New premium rate features
- [11](#) Renewed asset allocation in the service of the economy
- [18](#) Chronology of financial events in 2015

ERAFP: KEY FIGURES*

ASSETS
OF AROUND
€19.8 BILLION

**ESTIMATED
FINANCIAL
COVERAGE RATIO**
OF AROUND 113%

**NON-TECHNICAL
RESERVES**
OF €2.3 BILLION

**TECHNICAL
RESERVES OF**
AROUND €17.5 BILLION

DISCOUNT RATE
SET AT 1%**

* valuation at end-2015.

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

NEW PREMIUM RATE FEATURES

During the financial crisis and faced with the ongoing economic crisis, the Scheme has always successfully covered all its commitments to contributors and retired beneficiaries.

ERAFP's long-term investment approach is based on:

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

Faced with declining interest rates at the same time as lengthening average life expectancy, the board of directors resolved at its meeting of 5 February 2015 to take measures that will provide a better balance between the Scheme's commitments and the assets that secure these commitments. 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 3.739% in 2016.

These measures reflect the impact of an a priori lasting decline in returns on bonds, which still constitute the majority of the Scheme's portfolio. In this context, the increased diversification of the Scheme's assets made possible by the new investment framework represents a means of improving the long-term returns on the benefits paid to its beneficiaries. Taking into account this new equilibrium, ERAFP updated the discount rate formula for 2015 reserves.

GUIDELINES FOR TECHNICAL PARAMETERS

RAFP is subject to strict prudential regulation stipulating that:

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

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

3.899%

**TECHNICAL
RETURN
IN 2015**

3.739%

**TECHNICAL
RETURN
IN 2016**

The board of directors is acutely conscious of its regulatory and prudential responsibilities and accordingly has adopted written guidelines for managing 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 following parameters:

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

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

COMMITMENTS COVERAGE RATIO

The obligation to cover the Scheme's commitments at all times implies careful monitoring of the financial coverage ratio. At the end of 2015, this ratio stood at approximately 113% (estimated, unaudited figure).

Mindful of its regulatory obligations, the Scheme has the necessary reserves and provides satisfactory coverage of its commitments. Nonetheless, the continuing particularly low level of bond yields seen in the market in 2015 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 assets¹ 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 2015, the excess economic coverage requirement was measured at 15.3% of commitments.

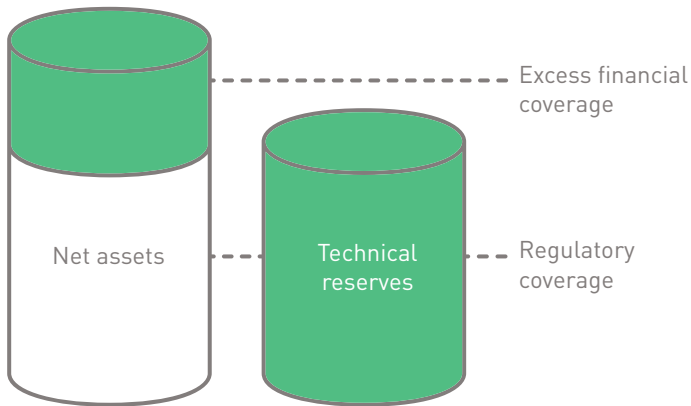
The Scheme's economic coverage ratio, before revaluation, was approximately 122% (estimated figure) at 31 December 2015.

**THE SCHEME'S
ECONOMIC
COVERAGE RATIO
WAS 122% AT
31 DECEMBER 2015.**

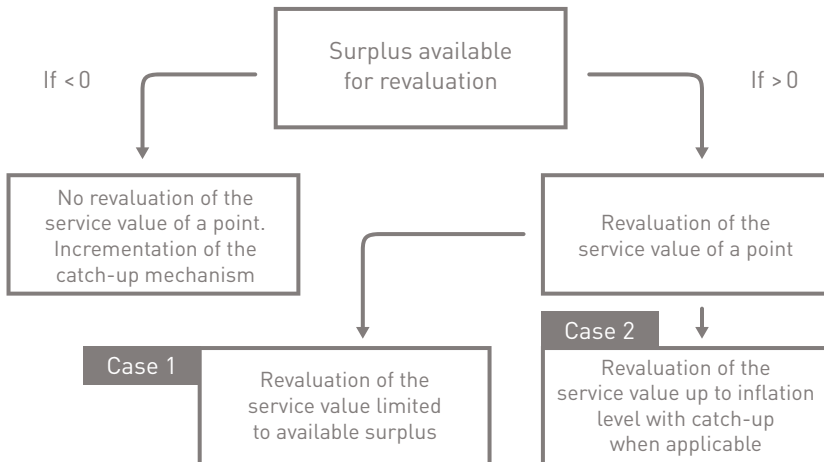
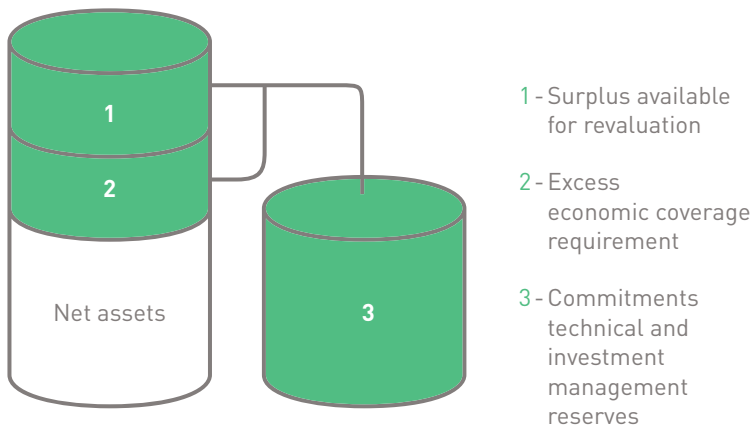
¹ The economic coverage ratio corresponds to the relationship between, on the one hand, bonds valued at amortised cost and all other assets at market value and, on the other hand, the technical and investment management reserve.

NEW PREMIUM RATE FEATURES

FINANCIAL APPROACH



ECONOMIC APPROACH



THE BOARD
RESOLVED TO
INCREASE THE
SERVICE VALUE OF
A POINT BY 0.2%

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.

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. It then resolved on 16 February 2016 to increase the service value of a point by the inflation rate observed in 2015 of 0.2%.

As a result, the Scheme's technical return came to:

3.899% in 2015;

3.739% in 2016.

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.

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	0.04474
Change	—	+2.00%	+1.80%	+1.60%	+1%	+0.50%	+0.50%	+1.70%	+1%	+1%	0%	+0.2%

DISCOUNT RATE APPLIED TO RESERVES

The Scheme's reserve discount rate is set at a very conservative level, particularly compared with the practices of other European pension funds. It takes into account the decline in bond yields seen in recent years.

As a result of changes in the investment regulatory framework in 2015, which enable the Scheme to further diversify its asset allocation, certain parameters of the discount rate formula were updated for 2015, notably by including a conservative, flat-rate return for equities and gradually phasing out the dilution effect of contributions. These adjustments relied on the observation of the income generated by the equities in ERAFP's current portfolio and by past investments, while maintaining a prudential margin.

The discount rate (net of fees) used to assess the technical reserve at 31 December 2015 was set at 1%, the same level as in 2014.

The regulatory minimum level of management fees was 0.25%. This minimum level is used in the discount rate formula, in order to reflect the economic realities faced by the Scheme². The discount rate gross of fees consequently came to 1.25%.

TECHNICAL INTEREST RATE, OR 'PREMIUM RATE'

On the Scheme's inception, the initial annuity was calculated on the basis of a technical interest rate (premium rate) net of inflation set at 1.34%, reflecting a return on 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 premium³. 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.



ÉRIC POGGIO,
CHAIR OF
THE ASSET
AND LIABILITY
MANAGEMENT
COMMITTEE

Reflecting the regulatory changes that came into force in 2015, the proportion of equities in our portfolio is growing. This diversification is necessary in a period of ultra-low bond yields. In order to factor this into our discount rate, the forecast return on equities was set at a prudent level, but higher than zero, the value used previously. This decision by the board of directors, taken in 2016, is realistic from a financial point of view and in line with the continuous pursuit of appreciation of public sector employees' contributions.

² See: management fees in the first part, page 22.

³ The technical return rate resulting from these changes is equivalent to setting the premium rate at 0.90%.

THE BOARD
APPROVED
THE 2014
FINANCIAL
STATEMENTS

AUDITED FINANCIAL STATEMENTS

Whereas the time frame for producing the financial statements had been reduced in 2014 to allow the board of directors to approve them in the first half-year, while maintaining the quality of the accounting data, the board was not able to approve the 2014 financial statements in 2015 because of its period of vacancy.

The financial statements were approved at the earliest opportunity, which was at the newly appointed board's meeting on 16 February 2016.

After auditing the valuation processes for reserves, the independent auditors certified the fairness and accuracy of the 2014 financial statements without any qualifications, as in previous years.

RENEWED ASSET ALLOCATION IN THE SERVICE OF THE ECONOMY

ERAFP's investment policy aims to reconcile financial performance, risk management and socially responsible commitment within a strategic asset allocation approved by the board of directors.

In 2015, ERAFP continued to acquire the tools and resources needed to invest in new asset classes while simultaneously deepening its SRI approach.

CHANGES IN THE INVESTMENT REGULATIONS

The decree of 3 February 2015 amending the investment rules applicable to the public service additional pension 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 and intermediate-sized enterprises (ETI) (*fonds de prêts à l'économie*);
- **the possibility of investing** directly up to 3% of total assets.

Continuing 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.

THE PROPORTION OF ASSETS THAT MAY BE INVESTED IN EQUITIES OR UCITS IS INCREASED TO 40%

CONTRIBUTING
€350 MILLION TO
THE FINANCING OF
EUROPEAN SMES

FINANCING THE
FRENCH ECONOMY
WITH €8.8 BILLION,
REPRESENTING
45% OF ITS TOTAL
ASSETS AT
AMORTISED COST

DEVELOPING THE FRENCH ECONOMY AND FINANCING SMES

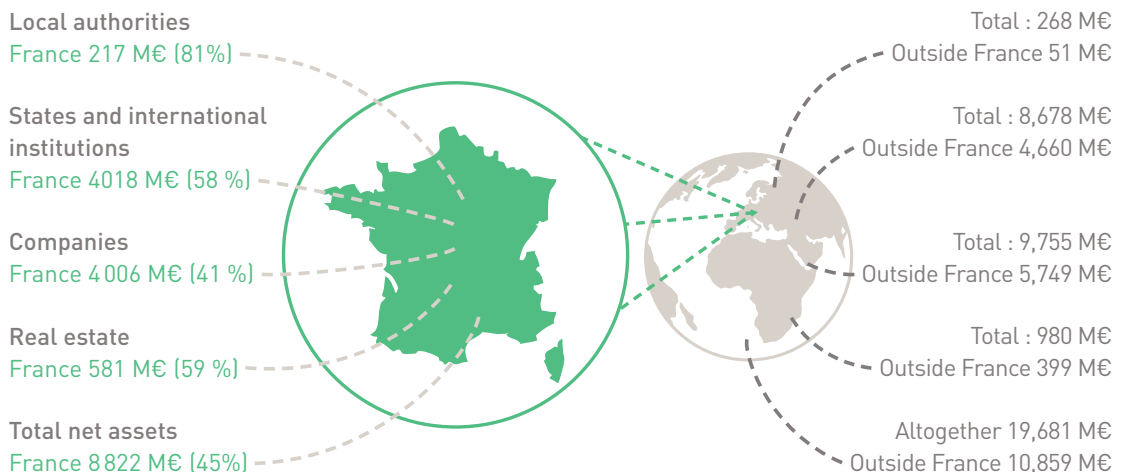
The public financial sector can serve as a relay when access to credit by economic players becomes more difficult as a result of an economic slowdown⁴. ERAFP is able to perform this contra-cyclical function. Because it is still only at the beginning of its expansion phase, the additional pension scheme will generate an average positive net cash flow of €2 billion in each of the next ten years. It is therefore in the unusual position of being able to support the organisations in which it invests over the long term.

Unlike banks, which use transformation to convert short-term sources into funding for longer-term applications, by its nature the Scheme has access to ultra-long-term funding. It is therefore free from short-term management constraints and can hold portfolio securities for long periods of time.

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

In 2015, ERAFP provided finance to the French economy, in the broadest sense, of €8.8 billion, representing 45% of its total assets at amortised cost.

INVESTMENTS IN FRANCE AND GLOBALLY BY ASSET CLASS AT 31 DECEMBER 2015



⁴ 'The State and financing the economy', special report by the French national audit office, July 2012.

European SMEs have seen their access to financing deteriorate in the years following the sharp credit contraction of 2008-2009⁵. And yet financing these investments, which have a material impact on employment and the economy's capacity for innovation, is a key way of growing the economy.⁶

ERAFP contributed €350 million to the financing of European SMEs in 2015, up from around €260 million in 2014. ERAFP is involved at various stages of the development of SMEs and ETIs:

- **it invests** in listed SMEs and ETIs through the management mandates awarded to BNPP AM, Sycomore AM and, since 2015, Amiral Gestion, as well as through the multi-asset mandate held by Amundi;
- **it made** its first direct investments in the NOVI 1 and 2 funds available on the market to invest in SMEs and ETIs through listed and unlisted equities as well as through listed bonds;
- **it contributes** to the financing of unlisted SMEs and ETIs through loan securitisation funds (particularly the NOVO funds) in which Amundi invests under its management mandates from ERAFP;
- **it makes** private equity investments in unlisted SMEs through the multi-asset mandate held by Amundi.

Housing for public sector workers in areas with a high housing cost

Moreover, in June 2015, ERAFP increased its stake in the Fonds de Logement Intermédiaire through its real estate manager AEW Europe SGP. 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 sufficiently high to preclude them from accessing the latter.

At end-2015, ERAFP had committed €60 million. The Scheme holds a right of first refusal for its 5.7% share in the fund enabling it to delegate the allocation of housing units to public sector employees. Over the fund's duration, around 600 housing units will be made available to public servants and contracted staff unable to find housing, mainly in France's larger cities.



ALAIN DORISON, HONORARY INSPECTOR GENERAL OF FINANCE

The experimentation underway at ERAFP is a first illustration of the major, ambitious project to facilitate access to housing for public sector workers in areas with a high housing cost to disposable income ratio. It is a project that will enable private and public sector investors to pool their resources in order to make a profitable, socially responsible investment.

ERAFP, a driving force behind this movement, is as such acting in accordance with its investment guidelines, which allow some of its investments to be used to directly assist its public sector contributors.

I sincerely hope that this first example will be widely followed and will give rise to other initiatives.

⁵ Source: OECD (The financing of SMEs and entrepreneurs in 2013, key indicators).

⁶ Source: Economic analysis council (2006 report - An SME strategy for France).

AROUND €1.83
BILLION
RECEIVED IN
CONTRIBUTIONS
IN 2015

€1.95 BILLION
INVESTED
IN 2015

THE SCHEME'S FINANCIAL MANAGEMENT IN 2015

Guidelines

In order to take into account changes in the investment framework introduced early in the year, at its meeting of 26 March 2015 the board of directors voted to continue to diversify the Scheme's investments, in particular by investing in euro-zone small, mid and large cap equities and real estate. Similarly, it voted in favour of continued international diversification of its portfolio, introducing a new asset segment comprising unlisted, private equity and infrastructure investments.

Around €1.83 billion was received in contributions in 2015. As a long-term investor, ERAFP seeks to invest its annual cash inflows to optimise returns on its portfolio while keeping risk at an acceptable level for the Scheme. In 2015, the internal rate of return⁷ on the overall portfolio was 4.0%, reflecting the ERAFP portfolio's market performance. Bond assets aside, which had appreciated significantly in 2014 as bond yields fell, this performance was higher than the previous year's.

During the year, bonds (including convertible bonds) accounted for 33% of investment inflows, or €644 million, of which most was in corporate bonds. Net investments in equity mandates totalled €615 million, or 31.4% of investment flows. The real estate portfolio received investments of €433 million, or 22% of flows. The multi-asset fund received substantial investments of €246 million, or 12.6% of flows. Lastly, the first disbursements made for the NOVI funds, which are classed in a new segment,

INVESTMENT FLOWS BY ASSET CLASS IN 2015

Source — ERAFP

Actifs	Investissements 2015	
	In millions of euros	percentage
Bonds	644.4	33.0%
<i>Of which, corporate bonds</i>	500.1	25.6%
Equities	614.6	31.4%
Multi-asset	246.0	12.6%
Other pensions	16.4	0.8%
Real estate	432.9	22.2%
Total	1,954.3	100%

⁷ The 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.

'Other funds', came to €16 million, with ERAFP's total amount committed to these funds reaching €50 million.

At the beginning of 2015, the bond portfolio excluding convertible bonds represented 72% 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.

With an average duration of 7.7 years, the portfolio's average yield-to-maturity at end-2015 was 3.37%⁸, down from 3.46% in 2014.

The performance contributed by the other asset classes partially offset the impact of the main bond yields staying at particularly low levels. The equity portfolio performed relatively well, at 11.8%, outperforming the 2014 result (6.17%) in a favourable market context. Convertible bonds also benefited from this context and at 3.9% again performed better than in 2014 (3.15%). In the multi-asset segment, asset classes and geographical regions turned in mixed performances over the year, showing an overall gain of 0.5% after the excellent performance of 2014 (10.6%). Most new investments were carried out in the first six months of the year, with exposure to emerging assets being reduced in the early part of the summer, thus protecting the segment from underperformance in the second six months. The slightly negative performance of unlisted assets (-0.6%) is not significant as it reflects the first, limited-amount investments made in this category. The real estate portfolio delivered a performance of 6.7% in 2015, up from 0.76% in 2014 thanks to the reversal of reserves set aside in respect of shares in non-trading real estate investment companies for the amortisation of acquisition costs and to the recovery of the real estate investment market, which generally takes place before that of the wider economy.

—
AT THE
BEGINNING
OF 2015,
THE BOND
PORTFOLIO
EXCLUDING
CONVERTIBLE
BONDS
REPRESENTED
72% OF THE
SCHEME'S ASSETS.

⁸ Excluding inflation – 3.72% for inflation of 2%.

ANNUALISED INTERNAL RATE OF RETURN BY MARKET VALUATION AT 31 DECEMBER 2015

Source – ERAFP

Convertible bonds	3.9%
Euro-zone equities	12.1%
International equities	11.1%
Multi-assets	0.5%
Non-listed equities and others	-0.6%
Real estate	6.7%
Global Portfolio	4.0%

**4% ANNUALISED
INTERNAL RATE
OF RETURN
BY MARKET
VALUATION
IN 2015**

Operations

Pursuant to the applicable regulations, the majority of management is 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.

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.

In 2015, ERAFP:

- **re-awarded the mandates for euro-denominated corporate bonds (5 March)**, including three active mandates to Amundi, La Banque Postale AM and Natixis AM, as well as two stand-by mandates to Candriam and Groupama AM;
- **awarded three Pacific-region equity mandates (12 May)**, including two active mandates for Comgest SA and Robeco Institutional Asset Management and a stand-by mandate for Allianz Global Investors GmbH;
- **activated the stand-by mandate awarded to Amiral Gestion (9 June)** for the management of a French small cap equity portfolio.

At the end of 2015:

- **three companies** (Amundi, La Banque Postale AM and Natixis AM) were managing euro-denominated corporate bonds;
- **one company** (AXA Investment Managers Paris) was managing US dollar-denominated corporate bonds;
- **two companies** (Schelcher Prince Gestion and Lombard Odier Gestion) were managing convertible bonds, one under a European mandate and the other under an international mandate;
- **six companies** (Amundi, Axa Investment Managers Paris, BNP Paribas Asset Management, Edram, Rothschild et Cie Gestion and Tobam AM) were managing equities of large, listed euro-zone companies;
- **one company** (BNP Paribas Asset Management) was managing euro-zone small and mid-cap listed company equities;
- **two companies** (Sycomore AM and Amiral Gestion) were managing SME equities listed in France;
- **two companies** (Natixis AM and Robeco Institutional Asset Management) were managing equities of large, listed North American companies;
- **two companies** (Comgest SA and Robeco Institutional Asset Management) were managing equities of large, listed Pacific-region companies;
- **one company** (Amundi) was managing a multi-asset portfolio;
- **two companies** (AEW Europe SGP and La Française REM) were managing French real estate assets;
- **two companies** (AXA Real Estate Investment Managers SGP and LaSalle IM) were managing European real estate assets.

CHRONOLOGY OF FINANCIAL EVENTS IN 2015

THE EUROPEAN CENTRAL BANK STARTED BROADENING ITS FINANCIAL ASSET PURCHASE PROGRAMME TO INCLUDE SOVEREIGN BONDS

In 2015, global growth failed to reach the level forecast at the beginning of the year, coming in at an estimated 3.1% compared with an expected 3.7% (based mainly on IMF forecasts). Developed country economies outperformed those of emerging and developing countries, which still account for 70% of global growth. Weak global demand contributed to the sharp decline in commodity prices, particularly that of oil. This fall-off weighed considerably on inflation rates, which moved temporarily into negative territory.

In order to eliminate deflation risk and create the conditions needed for more sustained growth, on 22 January 2015 the European Central Bank announced the broadening of its financial asset purchase programme to include sovereign bonds. This began on 9 March 2015 with the purchase of an average of €60 billion of financial assets (including asset backed securities, or ABS, and covered bonds) per month until inflation returns to near the 2% target level, and at the earliest September 2016. Faced with near-zero-% inflation and risks related to fresh falls in the oil price, on 3 December 2015 the ECB ramped up its asset purchase programme even further, extending it until at least March 2017, with redemptions of maturing securities to be reinvested as long as necessary.

Meanwhile, throughout the year the US Federal Reserve prepared investors for a normalisation of its monetary policy. On 16 December 2015, it ended the zero-rate policy pursued since December 2008 with its first key interest rate hike, of 25 basis points from 0.25% to 0.50%.

The slowdown of China's economy led its central bank, the People's Bank of China (PBoC) to relax its monetary policy and adjust its foreign exchange policy. In August, the PBoC devalued the yuan by 2% against the US dollar and changed the method of setting its reference rate to manage it from now on in relation to a basket of currencies, thus making it more flexible.

03.

SRI POLICY

TOWARDS THE ALIGNMENT
WITH INTERNATIONAL
GLOBAL WARMING
CONTAINMENT OBJECTIVES

03.

SRI POLICY

TOWARDS THE ALIGNMENT
WITH INTERNATIONAL
GLOBAL WARMING
CONTAINMENT OBJECTIVES

<u>5</u>	General ESG approach
<u>7</u>	ESG information provided to contributors
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<u>42</u>	Engagement strategy



SAGRIKA CHATTERJEE,
ASSOCIATE
DIRECTOR, POLICY
AND RESEARCH, PRI

The French Energy Transition for Green Growth Law sets new norms of ambition among global policy makers, business and investors. This ambition is critical to peaking emissions by 2020. PRI encourages asset owners in strong implementation of the law. Firstly, the disclosure process can prompt thoughtful internal discussion and better oversight of climate risk. Secondly, disclosure can assist beneficiaries and policy makers in understanding how climate risk and opportunity are being managed. We encourage ERAFP and like-minded investment managers in taking actions that contribute towards “below 2 degrees.” As an early adopter of disclosure and Montreal Carbon Pledge signatory, ERAFP is well-positioned for evolving beneficiary and policy maker expectations.

One of the provisions arising from international negotiations to limit global warming is particularly important for French institutional investors: article 173 of the law on energy transition for green growth. This law and its associated implementing decree require them, without exception and as from their 2016 annual reports next year, to publish information on their environmental and social approach, specifically as this relates to reducing global warming.

In this 2015 public report, ERAFP has decided to trial the publication of this information in the recommended format, notably to gauge the amount of progress it has yet to achieve. It presents the information in the following order:

- **presentation** of the general environmental, social and governance (ESG) approach;
- **ESG information** provided to contributors;
- **ESG analysis** method;
- **impact** of the ESG approach on the implementation of the investment policy, asset class by asset class;
- **shareholder engagement strategy** and related initiatives.

GENERAL ESG APPROACH

THE SCHEME'S SRI APPROACH IS ORIGINAL IN A NUMBER OF RESPECTS:

- **the board of directors has defined its own SRI guidelines:** while the board of directors and management naturally enlisted the services of outside providers such as consultants and rating agencies, it was the board itself that defined guidelines tailored to the directors' requirements and values, and placed under their permanent supervision;
- **the policy's content is '100% SRI'**, in other words the SRI Charter applies to all of the Scheme's investments and takes into account the specific features of each asset class.

THE SCHEME'S SRI APPROACH IS OVERALL:

- **it concerns** not only all of the Scheme's investments but also applies to all the investment phases, from the first stage of asset allocation to the post-investment stage of monitoring the companies whose shares are included in the portfolio;
- **it is based** on a wide, cross-cutting selection of stocks rather than a large number of single-themed sub-portfolios.

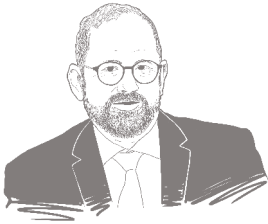
For an investor of ERAFP's size that wishes to adopt a uniform approach for all of the asset classes in which it invests, the best in class approach seems the most appropriate, as it focuses on the links between the various considerations and the various issuers rather than tackling each issue in isolation. Conversely, it might seem inconsistent to exclude certain business sectors completely given that the portfolio includes issuers from other sectors or other asset classes that have direct links to the excluded sectors.

The application of the best in class principle results in the inclusion in the guidelines of quantitative rules that make it possible to determine the eligible investment universe. These rules are defined for each asset class with the aim of encouraging each one to improve. Generally speaking this means:

- excluding no business sector, but promoting the most responsible issuers within each sector and, more generally, within groups of comparable issuers;
- showcasing progress made;
- monitoring and supporting issuers that have adopted a continuous improvement approach.

SRI CHARTER

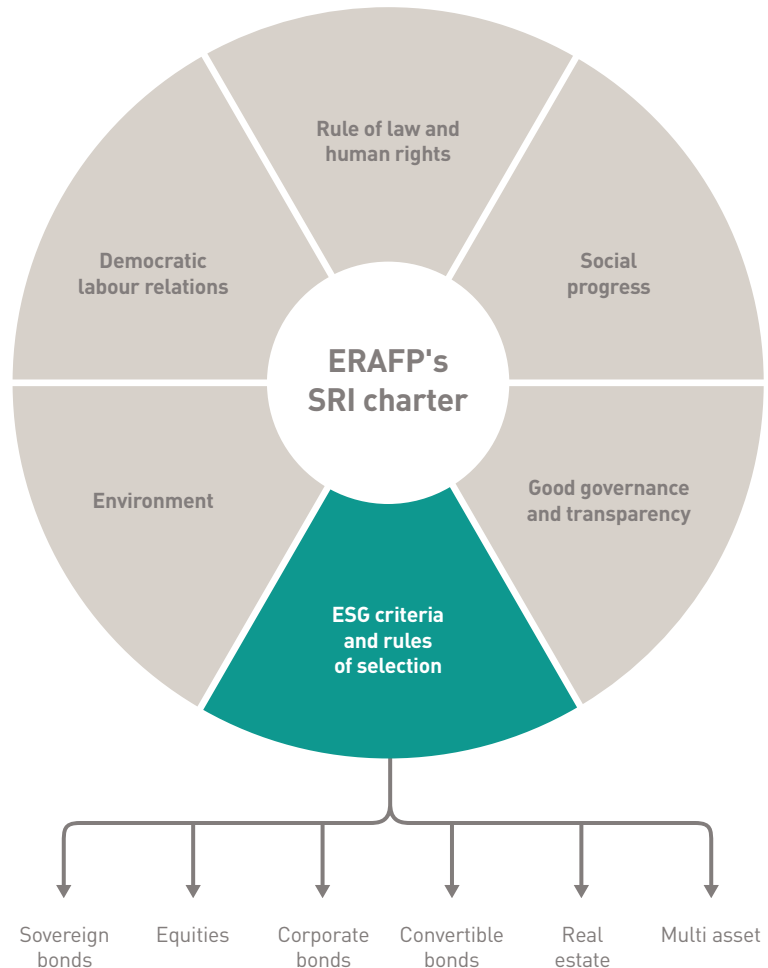
ERAFP's board of directors resolved on 10 November 2005 to adopt an investment policy that takes into account, firmly and permanently, the pursuit of the public interest. Adopted in March 2006, the Charter specifies the orientations, tools and resources needed to apply this socially responsible investment policy.



PHILIPPE LAURENT,
CHAIR OF THE INVESTMENT
POLICY MONITORING
COMMITTEE

The best in class SRI approach means we do not have to choose between short-view financial management that is indifferent to companies' social and environmental responsibilities and a principled moral stance. By selecting the best in each sector, it takes the world as it is; combined with shareholder engagement, it makes it possible to gradually improve issuers' practices.

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



ESG INFORMATION PROVIDED TO CONTRIBUTORS

Since ERAFP's inception, its socially responsible investment policy has been developed through the pro-active initiatives of its board of directors, on which the Scheme's active contributors are represented by union organisations, alongside contributing employers from the public sector.

Reporting to contributors on the implementation of environmental, social and governance criteria in issuer selection is therefore one of the very principles underlying the SRI policy.

In recent years, public expectations have increased as regards investors' role in the transition towards a carbon-free economy. Based on this observation, ERAFP has decided to raise the profile of its action and, through the public domain, communicate directly with its 4.5 million active contributors. These contributors are also citizens who care about such issues as the climate, and ERAFP intends, through this channel in particular, to draw their attention to the need to take into account the social and environmental consequences of the investments made for them and from which they benefit.

Every year, ERAFP publishes its public report, in which it describes its socially responsible investment approach and the integration of environmental, social and governance criteria in the various stages of issuer selection.

It promotes and offers to explain in detail its SRI policy when it meets public sector employers, an example of this being through trade shows.

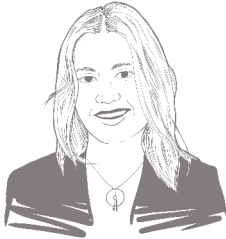
The purpose of overhauling ERAFP's website in 2015 was to offer contributors the chance to find out about, over and above pensions information, its investment policy, and thereby enable them to discover and even share with those that they are in contact with the uses to which their contributions are put.

This report, along with the initiatives launched to align the investment portfolio with international global warming limitation objectives, are also initial tools for exchanging with the organisations that most actively lobby institutional investors to factor climate considerations into their decisions.

ERAFP has a very long-term responsibility towards its contributors and beneficiaries. Global warming represents - among other things - risks for issuers and the investors that finance them. Driven by its fiduciary duty towards its contributors, ERAFP actively seeks to raise the awareness of the various stakeholders about the importance of changing economic structures with a view to decarbonization.

4.5 M **ACTIVE**
CONTRIBUTORS

ESG ANALYSIS METHOD



STÉPHANIE PFEIFER, IIGCC CHIEF EXECUTIVE

In personal thanks to IIGCC, Christiana Figueres, Executive Secretary of the U.N. Framework Convention on Climate Change, recognised the vital role played by investor networks in generating the momentum required to secure a successful outcome from the Paris climate talks. ERAFP played a big role in this through initiatives such as the Global Investor Statement, the event it hosted with the OECD and IIGCC during COP21, and via the real time comments given by Philippe Desfosses to the media only minutes after Laurent Fabius brought the gavel down on the Paris Agreement at Le Bourget on 12 December.

ADHERENCE TO CODES OR INITIATIVES

The financial sector can only adopt a longer-term vision in its practices and systematically take into consideration environmental, social and governance factors if responsible investors work together to put pressure on the sector as a whole.

With this in mind, in 2006 ERAFP became a signatory of the United Nations' Principles for Responsible Investment (PRI) and has duly undertaken to apply each of these principles.

- 1 - Take environmental, social and governance (ESG) criteria into consideration in their investment analysis and decision-making processes;**
- 2 - Be active investors and take ESG criteria into account in their shareholder policies and practices;**
- 3 - Request entities to publish appropriate information about ESG matters;**
- 4 - Encourage the acceptance and application of the Principles by asset managers;**
- 5 - Work together to apply the Principles more effectively;**
- 6 - Report on their activities and their progress as regards application of the Principles.**

Each year, in accordance with the sixth principle, ERAFP completes a questionnaire assessing its implementation of the Principles for Responsible Investment which is sent to the PRI's secretariat and published¹.

This report provides - non-exhaustively - the information that illustrates the effective application of these principles.

As well as the PRI, in 2012 ERAFP joined two international initiatives: the International Investors Group on Climate Change (IIGCC) and the Extractive Industries Transparency Initiative (EITI), which enable it to lobby issuers and regulatory bodies to promote more responsible practices as regards two key themes for ERAFP:

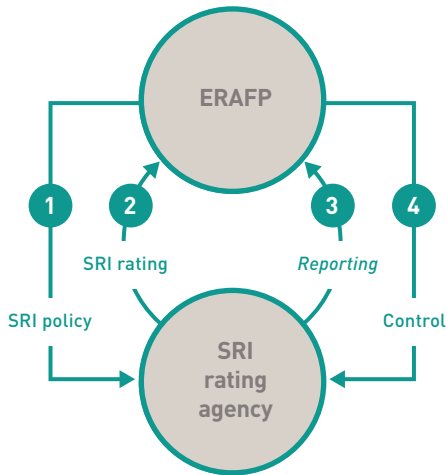
- reducing climate change;
- financial transparency.

Involvement in this type of initiative is borne out of ERAFP's shareholder engagement approach, which is described in more detail on page 42.

¹ http://www.unpri.org/viewer/?file=wp-content/uploads/Merged_Public_Transparency_Report_ERAFP-French-public-service-additional-pension-scheme_2014.pdf

ROLES OF THE VARIOUS ENTITIES AND CONTROL PROCEDURES

Direct bond management



1 - SRI policy

- Definition of the investment policy
- Decision regarding any differences of interpretation
- Decisions regarding changes to the Charter and guidelines

2 - SRI rating

- A priori SRI data for the management company

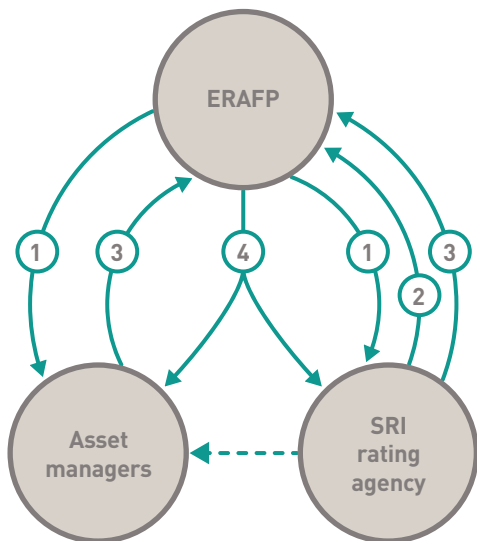
3 - Reporting

- Quarterly reporting
- Regular reporting

4 - Control

- Monitoring of application of the SRI approach controls and possible requests for corrections of investments
- Reviews of annual reports (managers, branches, committee, etc.)

Delegated management



[MORE DETAILS ABOUT THE ERAFP'S REPORTS AT THE PRI'S SECRETARIAT](#)



**ERAFP HAD 24
DEDICATED
MANDATES UNDER
MANAGEMENT
WITH MANAGEMENT
COMPANIES**

ERAFP

Board of directors (based on the CSPP's work)

The board of directors:

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

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

ERAFP's management

ERAFP's management plays a number of roles:

- **it directly implements the SRI guidelines** in the area of internal bond management, which, under the Scheme's currently applicable regulations, concerns sovereign and equivalent bonds;
- **it ensures** that the external asset management companies apply the SRI policy, whether in terms of using the best in class principle for securities selection or applying ERAFP's voting policy at general shareholder meetings;
- **it ensures** that contracts entered into with the SRI rating agencies are correctly performed;
- **it reports** to the board of directors and the CSPP on implementation of the SRI policy, and assists directors with the preparation of their business.

Rating agencies

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

Asset management companies

The management of asset classes other than sovereign and equivalent bonds is almost entirely delegated to asset management companies.

At end-2015, ERAFP had 24 dedicated mandates under management with management companies, which were charged with investing on its behalf in listed company shares, corporate bonds, convertible bonds and real estate. Under these mandates, each management company must comply with ERAFP's SRI guidelines (*PRI - Principle 4*). ERAFP holds six-monthly investment committee meetings with each of its mandatees to discuss matters such as the mandates' SRI aspects.

GENERAL DESCRIPTION OF ESG RISKS

Like many pension funds and insurers, ERAFP makes a commitment to its contributors and beneficiaries lasting decades. Unlike some others, however, ERAFP enjoys a relatively unusual advantage: as a young, mandatory scheme it will benefit from significant net financial inflows (contributions net of benefits paid and investment income), which can also be quite accurately forecast, over at least the next 30 years. The Scheme will then move into 'cruising speed'. While these factors give it a very long-term responsibility with regard to its beneficiaries, they also provide it with the resources to implement a commensurate investment policy. This obligation and this capacity to take a very long view are what make ERAFP strive to integrate, in as detailed a way possible, environmental, social and governance criteria into its investment policy.

While the specific ESG factors to take into account vary depending on the category, geographical exposure and activity of the issuer in question, it can be said in general, non-exhaustive terms that:

- a given state's debt is sustainable only if all the conditions for lasting growth are met: an educated, trained population, high-quality infrastructures and controlled environmental impacts;
- a company will only be profitable over the long term if:
 - + it anticipates its future needs in terms of key skills and trains its employees accordingly,
 - + it puts in place the governance mechanisms needed to carry out its business efficiently,
 - + it controls the costs associated with the consumption of natural resources and anticipates future environmental regulations.

Lastly, in analysing issues on a whole-portfolio basis, a universal investor such as ERAFP can only insist on the necessity of adopting a cross-cutting approach. For example, the resources that states need to create the conditions for future growth depend partly on their ability to collect taxes from companies. Similarly, a territory can only attract companies if its population is well educated and trained. Lastly, the quality of life within a country cannot be assessed without taking into consideration the environmental impacts of the economic players that do business there.

THE QUALITY OF LIFE WITHIN A COUNTRY CANNOT BE ASSESSED WITHOUT TAKING INTO CONSIDERATION THE ENVIRONMENTAL IMPACTS OF THE ECONOMIC PLAYERS THAT DO BUSINESS THERE.

40 EVALUATION CRITERIA

SELECTION OF THE MAIN CRITERIA

ERAFP's SRI Charter, which was drawn up as a result of its board of directors' engagement, is based on French public service values. It is applied to all of the Scheme's investments and broken down into more than 40 evaluation criteria adapted to the specific features of each category of issuer. While each issuer's specific context systematically dictates the analysis of these criteria, the Scheme considers some to be key and therefore attributes more weight to them, regardless of the issuer's geographic location or activity.

A charter defining 5 key value areas

1 - Rule of law and human rights

- The absence of discrimination, in all its forms.
- Freedom of conscience and of expression.
- Human rights in the workplace.
- The fight against corruption and money laundering.

2 - Social progress

- Compliance with the fundamental rules of labour law.
- Contribution to employment development.
- Implementation of forward-looking employment strategies.
- Quality of contractual guarantees.
- Payroll/shareholder compensation ratio (for companies), *etc.*

3 - Democratic labour relations

- Respect for the rights of trade unions and the right to strike, freedom of affiliation and the allocation of resources for staff representatives.
- The existence and role of participatory or advisory bodies (works councils, group councils, joint technical committees or their equivalents, *etc.*).
- Resources allocated to the health and safety committee, or its equivalent, and the extent to which its opinions are followed.

4 - Environment

- Prevention of environmental impacts (water, air, waste, *etc.*).
- Environmental risk control (pollution risks, control of the impact of products and services during their life cycle).
- Limitation of greenhouse gas emissions.
- The preservation of biodiversity.

5 - Good governance and transparency

- Good governance (balance of powers and effectiveness of decision-making and executive bodies, effectiveness of audit and control mechanisms, decision-making process for executive compensation, traceability of decisions, *etc.*).
- Correct application of legal or fiscal rules or any higher standards to which the issuers bind themselves.
- Compliance with ethical rules (rejection of tax havens, the fight against money laundering, the existence of professional codes of conduct, *etc.*).
- An open approach to relations with all stakeholders, whether individuals or legal entities.
- Transparency about operations and financial performance.

BEST IN CLASS AND SHAREHOLDER ENGAGEMENT

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

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

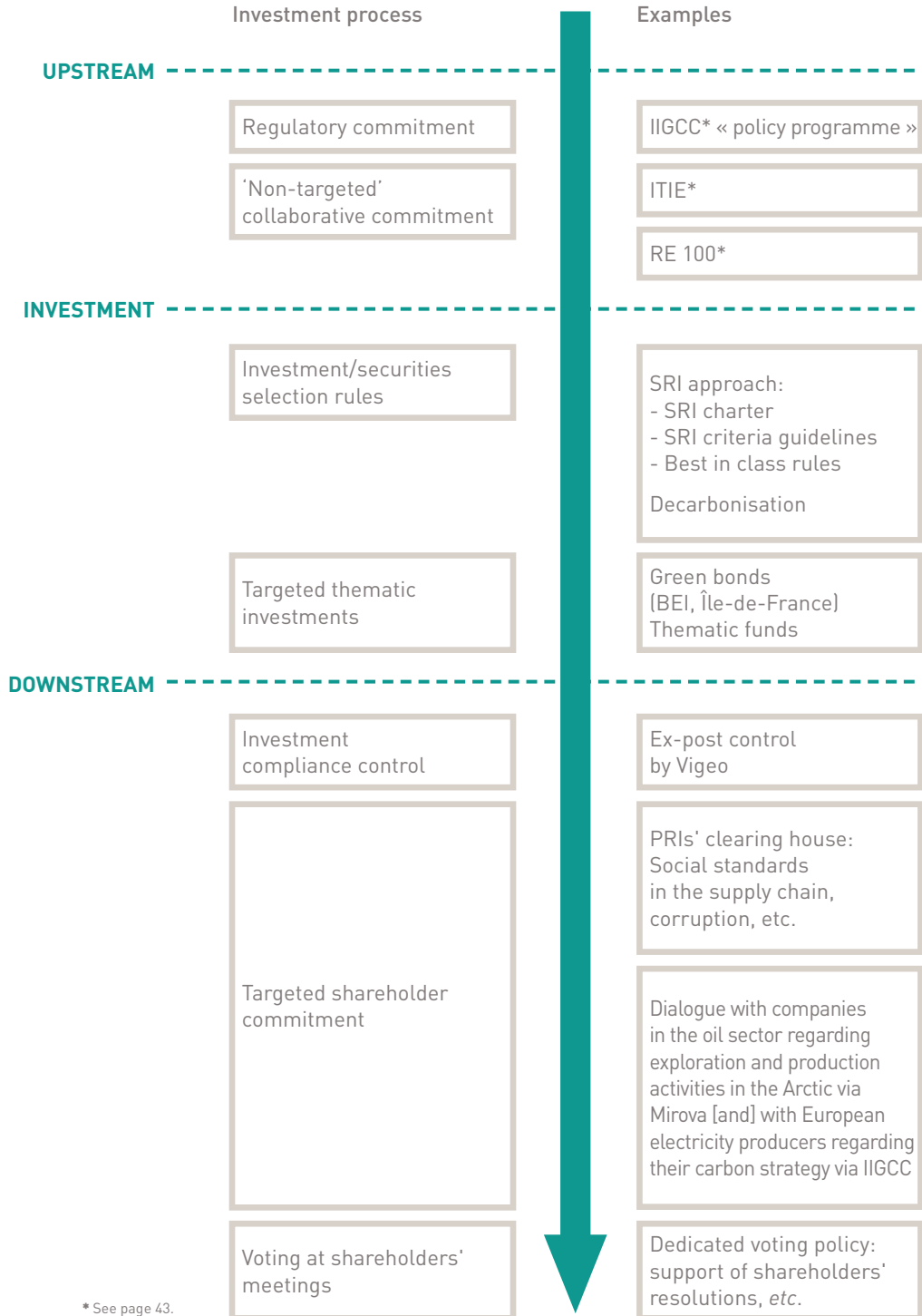
If this SRI approach were limited to the application of quantitative rules established to define an eligible investment universe, it would preclude part of ERAFP's responsibility as well as an important lever available to it as a shareholder or creditor.

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

ERAFP's SRI strategy is summarised in the following diagram:

[MORE DETAILS ABOUT ERAFP'S SRI POLICY](#)





* See page 43.

MEASURING THE PORTFOLIO'S EXPOSURE TO CLIMATE RISKS

The consequences of climate change are probably one of the risk factors most likely to have a long-term impact on the valuation of ERAFP's assets. That is why, in breaking down the SRI Charter into more detailed issuer evaluation rules, ERAFP integrated criteria designed to better determine the level of these issuers' exposure to the various dimensions of climate risk.

In particular, under the 'environment' value of ERAFP's SRI Charter, the **Limitation of greenhouse gas emissions** criterion makes it possible to assess the commitments that issuers have made, the measures they have adopted and the tangible results they have achieved as regards containing and reducing the greenhouse gas emissions associated with their activity. The listed and unlisted companies, the states and the other issuers that score most highly on this criterion will probably be the best placed to cope with the adjustments needed as a result of climate change measures, such as more stringent regulations, the introduction of a carbon price, client and investor expectations and increased vigilance by civil society.

In order to estimate the degree of control that issuers have over the physical risks associated with climate change (increasing scarcity of natural resources, especially water, increased occurrence of extreme weather events, impacts on biodiversity, etc.) ERAFP also has a number of criteria within its SRI guidelines, in particular **Impact prevention as regards water**, **Preservation of biodiversity** and **Management of pollution risks**.

Conversely, ERAFP's SRI environment value criterion relating to the **Innovative product and services offer** makes it possible to promote companies that offer innovative solutions to sustainable development challenges, particularly in the area of the energy and ecological transition.

Monitoring an asset portfolio's average consolidated scores for these criteria can be a way of estimating that portfolio's exposure to climate change-associated risks. Such an indicator is difficult to interpret, however, and does not provide a detailed picture of the real impact of ERAFP's assets on the environment.

The search for a better understanding of a portfolio's degree of exposure to the transitional risks associated with climate change has led investors to acquire specific monitoring tools. Measurement of a portfolio's **carbon footprint** is an example of this approach. It involves using greenhouse gas emissions data on portfolio issuers to calculate the carbon intensity of the consolidated portfolio.

ERAFP
INTEGRATED
CRITERIA
DESIGNED
TO BETTER
DETERMINE
THE LEVEL OF
THESE ISSUERS'
EXPOSURE TO
THE VARIOUS
DIMENSIONS
OF CLIMATE RISK

There are a number of different methods of measuring carbon footprint, each one including a certain number of biases.

	MEASUREMENT OF THE INVESTOR'S CARBON 'RESPONSIBILITY'	MEASUREMENT OF THE INVESTOR'S CARBON 'RISK' EXPOSURE
Calculation of absolute emissions	At issuer level: factoring in of non-normalised CO ₂ emissions	
	Allocation to the investor of some of these emissions in proportion to its share of the issuer's: <ul style="list-style-type: none"> - capital (for an equity investment) or - debt (for a bond investment) or - enterprise value (capital + debt, applicable to either a bond or an equity investment) 1	
	Aggregation at portfolio level: sum of the CO ₂ emissions attributable to the investor.	
	Unit: CO ₂ emissions per unit of invested amount	
Calculation of the carbon intensity	At issuer level: factoring in of carbon intensity, in terms of CO ₂ per unit of either revenue (companies) or GDP (countries)	At issuer level: factoring in of carbon intensity, in terms of CO ₂ per unit of either revenue (companies) or GDP (countries)
	Allocation to the investor of some of the emissions/ revenue in proportion to its share of the issuer's: <ul style="list-style-type: none"> - capital (for an equity investment) or - debt (for a bond investment) or - enterprise value (for either a bond or an equity investment) 2	3
	Aggregation at portfolio level: sum of the CO ₂ emission shares attributable to the investor.	Aggregation at portfolio level: average issuer carbon intensity weighted for their respective proportion of the portfolio
	Normalisation (unit): CO ₂ emissions per amount invested and per unit of revenue generated (attributable emissions / attributable revenue)	Normalisation (unit): CO ₂ emissions per unit of revenue generated (weighted average)

NB.: In 2013 and 2014, ERAFP used the second, investor carbon 'responsibility' measurement method, based on carbon intensity. In 2015, it used the third method, which measures the investor's carbon 'risk', based on carbon intensity.

Of the methods presented above, the third strikes us as the most appropriate for factoring in the exposure of ERAFP's portfolios to the transitional risk associated with climate change. There are a number of reasons for this:

- **Investor 'responsibility' measurements** involve allocating a share of portfolio issuers' CO₂ emissions to the investor, based on its respective ownership share of the capital, debt or enterprise value, as appropriate, of the portfolio security issuers.

The underlying idea is that as a shareholder or creditor, an investor is responsible for a share of the CO₂ emissions of the entity in question.

+ To our mind, these methods present a major limitation: at constant CO₂ emission and activity levels, the share of a company's emissions attributable to an investor fluctuates based on the company's capitalisation, debt level or, more generally, financial structure. For example, the holder of a bond in a company whose overall debt increased would be allocated a smaller share of that company's CO₂ emissions, whereas the company's emissions and activity levels may have remained the same.

Similarly, the contribution to a portfolio's carbon footprint of two companies that have the same weight in the portfolio, the same level of CO₂ emissions, the same activity, the same geographical exposure and the same revenue varies depending on the market capitalisation or level of debt of each company. Yet these two companies have the same exposure to the transitional risk associated with climate change: indeed, they would have to bear the same level of costs or constraints if a carbon 'tax' or binding regulation came into force.

For these reasons, these methodologies do not seem to us to be the most appropriate for factoring in a portfolio's exposure to the transitional risk associated with climate change.

+ Furthermore, for a universal investor such as ERAFP, which invests in various asset classes and seeks to adopt a cross-cutting approach that handles extra-financial considerations consistently across its entire portfolio, these methods have the disadvantage of being difficult to transpose into certain asset classes. In particular, to us they seem inappropriate for calculating a sovereign portfolio's carbon footprint, insofar as, at relatively equivalent levels of development, countries' debt levels can differ considerably; in a portfolio, the 'carbon' contribution of a country with very little debt that emits little CO₂ could be higher than that of a highly indebted country with a poor greenhouse gas emissions record.

**THE SO-CALLED
CARBON RISK
EXPOSURE
METHOD
SEEMS THE MOST
RELEVANT TO US**

IN 2015,
AN EXTENSION
OF THE SCOPE
OF CARBON
FOOTPRINT
MEASUREMENT

- **An alternative approach** consists in considering that a portfolio's exposure to climate risk is reflected by the average carbon intensity (CO₂ emissions normalised by revenue) of its constituent companies weighted by their respective weights in the portfolio. This measurement, while providing no information on indirect CO₂ emissions or those attributable to ERAFP's investments, circumvents the biases mentioned above and can be applied to all asset classes. ERAFP therefore decided to use this approach in the context of this report.

ERAFP decided to appoint Trucost to measure its portfolio's carbon footprint at end-2015. As regards companies, this agency prioritises the use of data that they provide on their direct greenhouse gas emissions (scope 1) and indirect greenhouse gas emissions (scope 2 and first-tier suppliers). As regards countries, Trucost has partnered with Beyond Ratings in order to calculate the carbon footprint of ERAFP's sovereign portfolio: this involves factoring in not only countries' territorial greenhouse gas emissions but also the emissions associated with the carbon content of their imports and exports.

IMPLEMENTATION OF THE **INVESTMENT POLICY**

For ERAFP, which has been a fully socially responsible investor since inception, SRI comes into play less in terms of making changes to our investment policy than in assessing the consequences of our choices.

Asset class by asset class, mirroring the portfolio's financial profile, it measures issuers' consolidated ESG rating results and analyses changes therein over the year. It is worth noting that ERAFP's best in class approach remains selective for issuers, as almost half of the companies in the benchmark indices are excluded from its investment universe.

When available, the sub-portfolio's carbon footprint is presented after this analysis and a brief explanation made of how it was measured. In 2015, this approach was extended from the equity portfolio to the public sector and corporate bond portfolios, excluding convertible bonds, thereby covering around 87% of ERAFP's total assets. Based on the initial results, the scale of improvement is quite clearly visible, particularly for corporate bonds.

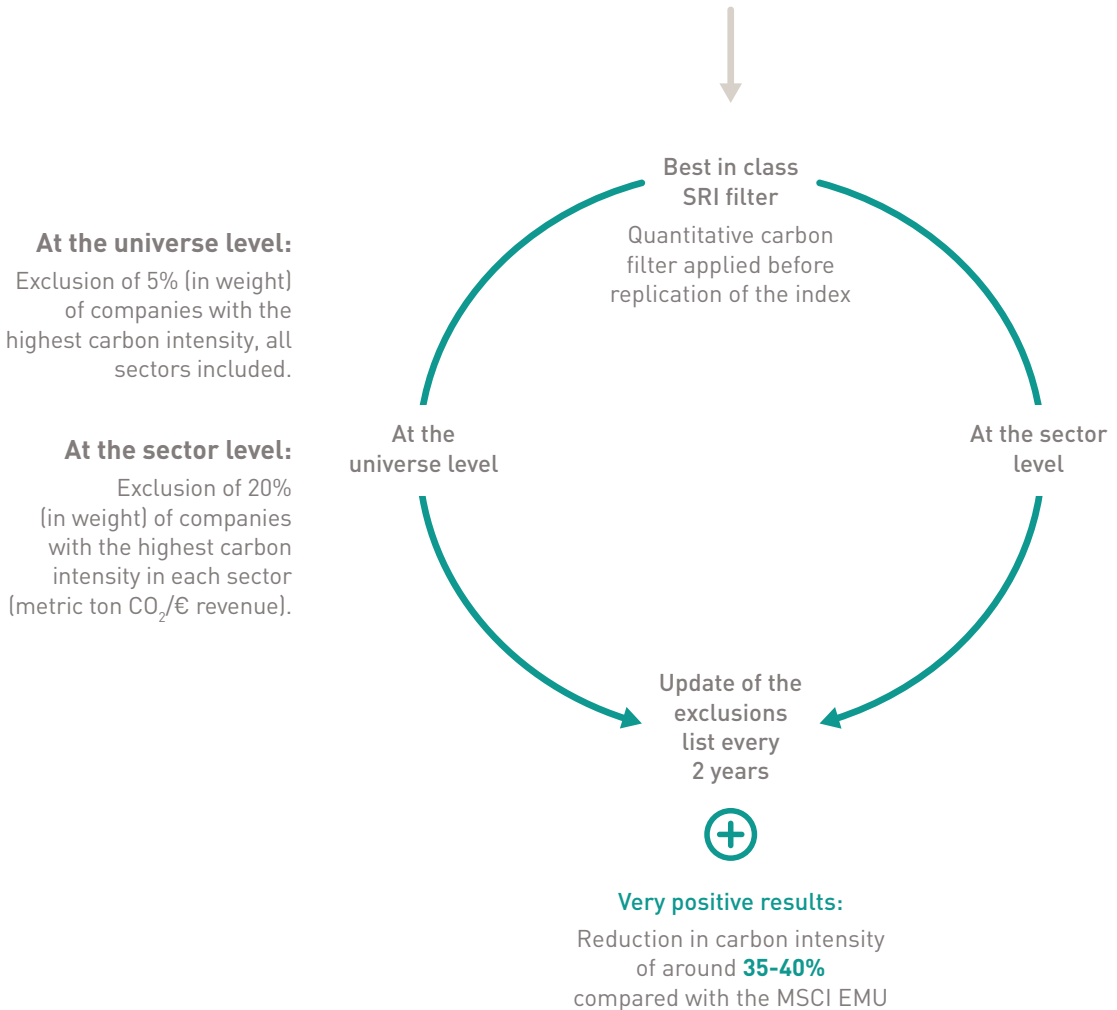
Taking this expansion further, in 2015 the public report presents for the first time a comparison of the energy mix attributable to ERAFP's equity portfolio with that of a current typical portfolio, firstly, and secondly with an energy generation breakdown for the International Energy Agency's '2°C' scenarios between 2030 and 2050.

This measurement is the first step in the definition of ERAFP's zero-carbon strategy. In coming years it will rely not only on the development of appropriate tools to manage climate challenges but also on the experience it has already accumulated, particularly in the area of decarbonization, such as for the low-carbon equity mandate awarded to Amundi.

ERAFP:
A 100% SRI
INVESTOR

DECARBONIZATION METHOD APPLIED TO THE ASSETS OF THE LOW-CARBON, INDEX-LINKED MANAGEMENT MANDATE

Amplify the positive results of **best in class** ★



Advantages:

Simple method that complies with the SRI guidelines and the **best in class** philosophy with a very limited impact on the risk/return profile.

Leverage for joining the PDC.

IMPACT OF THE SRI APPROACH ON INVESTMENTS' FINANCIAL PERFORMANCE

The subject's relatively short history and complexity make it impossible to draw any definitive conclusions. While it is difficult to demonstrate that the SRI approach has had a positive impact on the performance of ERAFP's investments, it would be just as misplaced to assert that the opposite was true. Nevertheless, within the framework of its monitoring of investments, ERAFP strives to monitor the signals that are most likely to shed light on the financial impact of its SRI approach.

Sovereign bonds

There is a strong negative correlation between a state's SRI rating and the cost of its debt (from a statistical point of view, the SRI score 'accounts for' the vast majority of the yield). These indicators can prove complementary in the evaluation of a state's debt 'quality'. For example, while it is obvious that a low SRI score is the reflection in a different shape of weakness that could come to light in a financial crisis, a high SRI score does not guarantee that a country's public finances will be well managed.

Equities and corporate bonds

ERAFP's SRI guidelines are applied in all of its mandates, based on procedures that may vary from one manager to the next. While the mandatees notably use different sources for their extra-financial research, they must analyse and select issuers using the criteria and rules that ERAFP has drawn up.

The monitoring of the managers' performance since the launch of the first equity mandates in 2007 shows that, on average, the managers have created value, as ERAFP's equity portfolio has generated a relatively pronounced outperformance relative to its benchmark index. This leads to the conclusion that SRI is not a handicap to financial performance. Intuitively, one could even consider that the factoring in of environmental, social and governance criteria should lead to the selection first and foremost of securities in companies that use natural resources efficiently, seek to manage their human resources proactively and in a forward-thinking way, have corporate governance practices that conform to the most advanced standards and are therefore better placed to generate positive, stable results over the long term.

Nevertheless, over the period of observation, the outperformance of ERAFP's portfolio has not been uniform across all its mandates, nor has it been constant over time; this is because the SRI approach is only one of many factors that can influence a fund's financial performance, others being management style and quality, behavioural biases and market conditions, for example, which makes it particularly difficult to isolate SRI's specific impact.

**ERAFP'S EQUITY
PORTFOLIO
SIGNIFICANTLY
OUTPERFORMS
THE BENCHMARK
INDEX**

THE BOND PORTFOLIO

THE BOND PORTFOLIO TOTALLED €12.512 MILLION AT AMORTISED COST

At 31 December 2015, the bond portfolio (excluding convertible bonds) totalled €12,512 million at amortised cost, representing 63.6% of ERAFP's total assets. It is split between fixed-rate sovereign and equivalent bonds (35.3% of total assets, or €6,953 million), inflation-indexed bonds (10.1%, or €1,993 million) and corporate bonds (18.1%, or €3,566 million).

At end-2014, the bond portfolio held unrealised gains equivalent to 17.5% of its amortised cost.

Public sector bonds

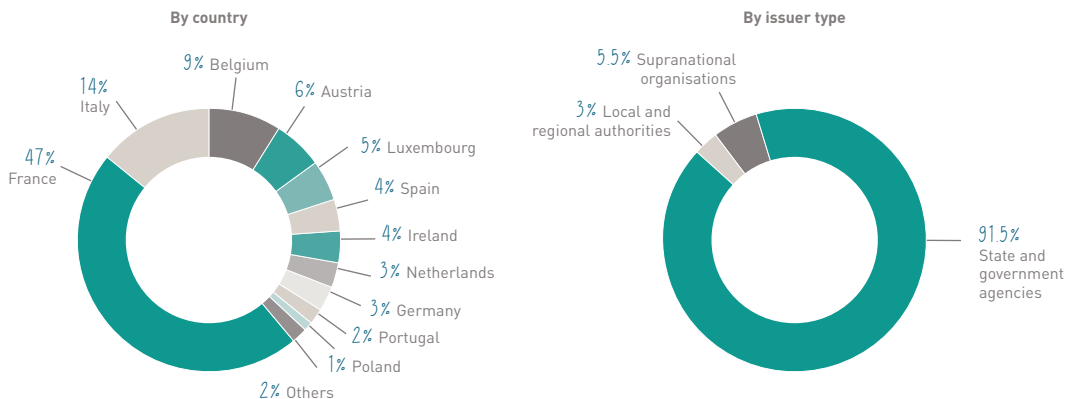
ERAFP manages all public sector bonds directly; their value at amortised cost at end-2015 was €8,946 million.

Sovereign bonds accounted for 92% of this portfolio, more than 40% of the Scheme's total investments. They include fixed-rate bonds and inflation-indexed 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 and regional authorities and supranational institutions.

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

Source — ERAFP



Euro-denominated corporate bonds

In 2015, ERAFP renewed the mandates for euro-denominated corporate bonds, awarding three active mandates to Amundi, La Banque Postale AM and Natixis AM. In addition to delegated management, which remains preponderant, ERAFP invested for the first time in external subordinated debt funds, in the amount of €35 million, with the objective of gaining exposure to a bond segment not covered by the mandates and which requires active management.

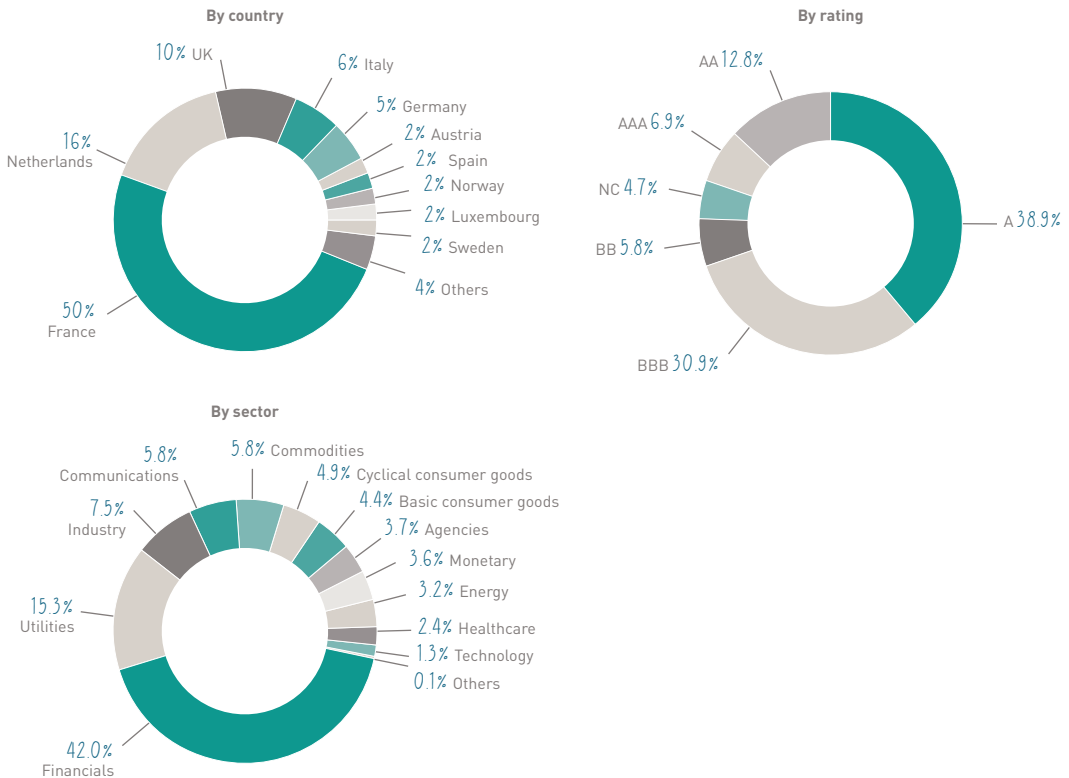
At the year-end, the 'euro credit' class, consisting of euro-denominated corporate bonds, totalled €3,245 million at amortised cost, or 16.4% of ERAFP's total assets.

Note that the euro credit managers also manage a part of the Scheme's cash and cash equivalents.

€3,245 M
OF EURO-DENOMINATED
CORPORATE BONDS
AT AMORTISED
COST

BREAKDOWN OF EURO-DENOMINATED CORPORATE BONDS BY COUNTRY, BY RATING AND BY SECTOR AT 31 DECEMBER 2015 (AT AMORTISED COST)

Source — ERAFP

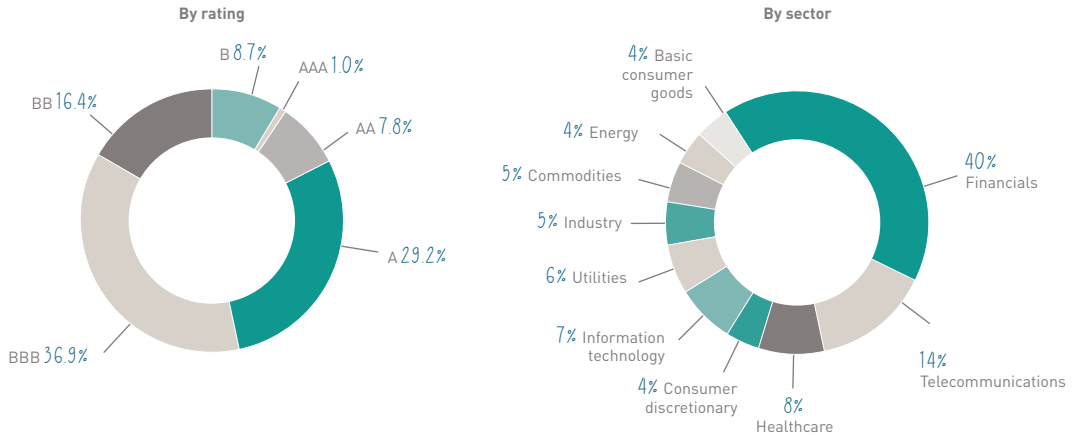


Dollar-denominated corporate bonds

The dollar-denominated corporate bond sub-portfolio was created in 2014, and at 31 December 2015 it totalled €320 million at amortised cost, representing 1.6% of ERAFP's total assets.

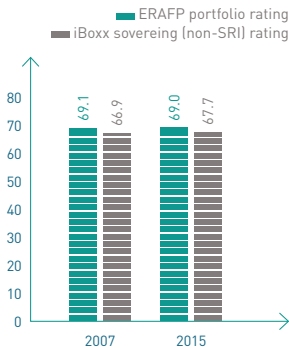
BREAKDOWN OF US DOLLAR-DENOMINATED CORPORATE BONDS BY SECTOR AND RATING AT 31 DECEMBER 2014 (AT AMORTISED COST)

Source — ERAFP



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

Source : Vigeo-Oekom



SRI PROFILE

Sovereign bonds

All issuers in ERAFP's portfolio pass its SRI criteria, according to the ratings produced by Oekom². Indeed, all the countries whose bonds are part of ERAFP's portfolio have obtained an average SRI score of more than 50/100, the minimum rating defined in ERAFP's SRI guidelines for this asset class. In absolute terms, the portfolio's performance on the extra-financial front remained relatively stable between 2007 and 2015. The performance gap with the index (iBoxx Euro Sovereigns Eurozone) has narrowed, however, to 1.3 points at 31 December 2015 compared with 2.2 points at the end of 2007, when the first extra-financial assessment of the portfolio was carried out. This is attributable to the increase in the index's average rating, reflecting changes in its composition; before the financial crisis, the index included securities from countries whose financial rating has since been downgraded, whereas now it consists exclusively of securities issued by euro-zone countries that the financial rating agencies consider to be 'investment grade'. The former countries, whose

² Rating agency partner of Vigeo, together responsible on ERAFP's behalf for analysing its asset portfolio quarterly and providing detailed reports on each of its sub-portfolios.

THE BOND PORTFOLIO

average SRI ratings are lower than those of other euro-zone countries, are no longer represented in the index today, which has therefore resulted in an automatic increase in the index's average SRI rating since 2007.

The portfolio's outperformance on extra-financial criteria relative to its benchmark is attributable mainly to the underweighting in the portfolio, relative to the index, of securities issued by countries with a below-average SRI rating and credit quality. The fact that there is a relatively strong correlation between the financial and extra-financial assessments of sovereign issuers supports this argument. It should also be noted that, given that the investment universe of euro-denominated securities issued by OECD countries is restricted and relatively homogeneous 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.

CARBON FOOTPRINT

The carbon intensity of ERAFP's portfolio is 2.1% lower than that of the iBoxx Euro Sovereigns Eurozone index. This positive difference is mainly attributable to the portfolio's overweighting of French government-issued securities. This relates to the fact that nearly three-quarters of the energy produced in France is from a low-carbon, nuclear source. So while the share of renewable energies in its energy mix remains relatively low, France's ratio of greenhouse gas emissions to GDP is one of the euro zone's lowest.

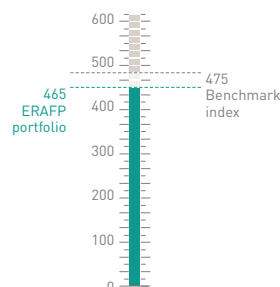
Local and regional authority bonds

As in 2014, ERAFP did not subscribe to any local or regional authority bond issues in 2015, given the very low interest-rate environment and often relatively small size of their bond issues. The average SRI rating of ERAFP's portfolio has increased by nearly 50% since 2007 and is now significantly higher than that of the benchmark index. This is due not only to an improvement in the SRI ratings of the local and regional authorities represented in ERAFP's portfolio but also to the sale in previous years of local and regional authority issues that, from an SRI standpoint in particular, did not meet ERAFP's requirements, specifically in the area of extra-financial reporting. This very wide spread relative to the index thus reflects mainly the lack of portfolio representation of local and regional authorities that do not publish formal reporting on environmental, social and governance issues – which drags down their SRI rating – but which nevertheless form part of the index.

Carbon footprint not calculated for this sub-portfolio owing to a lack of available data.

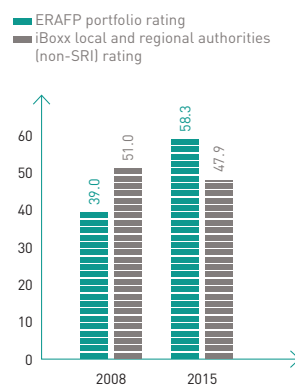
CARBON FOOTPRINT OF ERAFP'S SOVEREIGN PORTFOLIO AT 31 DECEMBER 2015

Source: Beyond Ratings - Trucost³



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

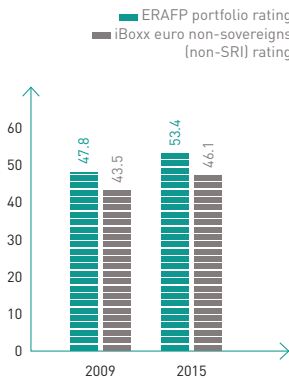
Source — Vigeo-Oekom



³ Beyond Ratings has developed a methodology that makes it possible to take into consideration not only countries' territorial emissions but also those associated with their specific imports and exports.

EURO-DENOMINATED CORPORATE BOND PORTFOLIO'S AVERAGE SRI RATING COMPARED WITH THAT OF THE INDEX

Source — Vigeo



Euro-denominated corporate bonds

The SRI performances of both ERAFP’s euro-denominated corporate bond portfolio and the benchmark index (iBoxx Euro Non-Sovereigns) have improved since the launch of the first mandates in 2009. The portfolio’s SRI rating of 53.4/100 now stands 7.3 points above that of the index.

The significant positive average SRI rating spread between the portfolio and the benchmark illustrates the relevance of the best in class approach in a universe of issuers with diverse ESG practices. Issuers of the bonds that make up the investment universe are split between four categories:

- **financial companies;**
- **non-financial companies;**
- **issuers of collateralised bonds⁴;**
- **agencies⁵,** which are private or public sector bodies more or less controlled by central governments or local or regional authorities.

The investment universe therefore comprises issuers of varying size, both listed and unlisted, that are attuned to varying degrees to the expectations of a wide range of SRI investors. In this context, the best in class analysis is particularly important because the SRI performance spreads between the best issuers and the remaining issuers are wider than in a relatively homogeneous investment universe, such as that of European large listed corporates.

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

⁴ 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.
⁵ For example, local authority banks such as Bank Nederlandse Gemeenten (BNG) in the Netherlands and Caisse des Dépôts et Consignations in France.

CARBON FOOTPRINT

The carbon footprint of ERAFP's euro-denominated corporate bond portfolio is significantly higher (60%) than that of its benchmark index, the iBoxx Euro Non-Sovereigns. This difference results mainly from the portfolio's strong overweighting (9.2%) relative to the index of the utilities sector, which on average produces higher greenhouse gas emissions than other sectors. Indeed, in contrast with most of ERAFP's equity management mandates, bond mandates are not suited to a benchmarked management approach and can therefore diverge significantly from the composition of the index used as a benchmark for SRI rating or carbon footprinting.

The fact that the portfolio contains a significant proportion of utility sector securities is attributable to:

- **its defensive nature** (non-cyclical activity, regularity of financial flows, etc.), which managers favour in times of market volatility, of which 2014 to 2015 is an example;
- **the not-inconsequential number of undated bonds** issued by companies in this sector, these bonds offering relatively attractive yields.

Moreover, it should be stressed that, while the sector itself has a much higher than average carbon intensity, ERAFP's mandatees have prioritised the selection of companies with the best SRI and carbon track record within the sector; on average, the companies from the sector represented in the portfolio are 10% less carbon intensive than those of the index.

Dollar-denominated corporate bonds

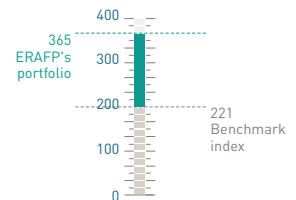
This portfolio also has an average SRI rating that is quite significantly higher than that of its benchmark index; as mentioned with reference to the euro-zone corporate bond portfolio, this illustrates the relevance of the best in class approach in investment universes that are composed of issuers with relatively heterogeneous environmental, social and governance practices, notably because of marked differences in terms of size and legal status.

It should also be noted that on average, this portfolio obtains significantly lower SRI scores than the euro-zone corporate bond portfolio. This is because North American companies are generally less effectively assessed than their European counterparts in terms of environmental and social issues, notably because of poorer transparency in the US. Moreover, ERAFP's assessment system assigns a preponderant importance to social aspects, in particular relating to the promotion of labour-management dialogue and protection of the rights of employee representatives, in respect of which North American companies score less highly than their European counterparts.

CARBON FOOTPRINT OF THE EURO-DENOMINATED CORPORATE BOND PORTFOLIO AT 31 DECEMBER 2015

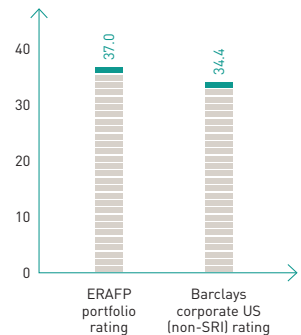
Source: Trucost

ton CO₂/M€ of turnover



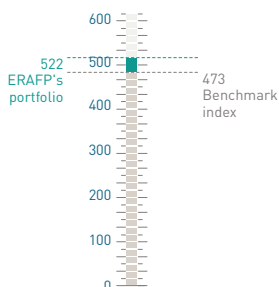
COMPARISON OF THE DOLLAR-DENOMINATED CORPORATE BOND PORTFOLIO'S AVERAGE SRI RATING WITH THAT OF THE INDEX

Source — Vigeo



**CARBON FOOTPRINT OF ERAFP'S
DOLLAR-DENOMINATED
CORPORATE BOND PORTFOLIO**

Source: Trucost
ton CO₂/M€ of turnover



CARBON FOOTPRINT

As is the case for euro-zone bonds, ERAFP's portfolio has a higher carbon footprint than its index, although the gap is considerably narrower (10%). Again this is attributable to its overweighting of the utilities sector. As securities selection within this sector has also adversely affected the fund's carbon footprint, this subject will be monitored in 2016, notably at the investment committee meetings with the mandatee in charge of this portfolio.

**MORE DETAILS
ABOUT ERAFP'S
INVOLVEMENT
IN CLIMATE CHANGE**



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.

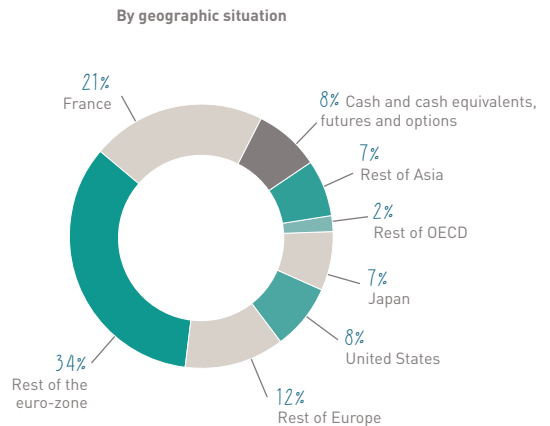
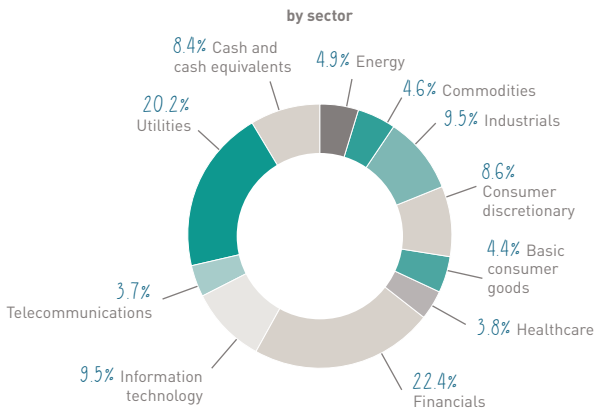
The two convertible bond mandates have expanded gradually since their introduction in 2012. At 31 December 2015, the convertible bond portfolio totalled €446 million at amortised cost, representing 2.3% of ERAFP's total assets.

At end-2015, it had generated unrealised capital gains equivalent to 10.1% of its amortised cost.

THE CONVERTIBLE BOND PORTFOLIO TOTALLED €446 MILLION AT AMORTISED COST

BREAKDOWN OF CONVERTIBLE BONDS BY SECTORS AND GEOGRAPHIC REGION AT 31 DECEMBER 2015 (AT MARKET VALUE)

Source — ERAFP



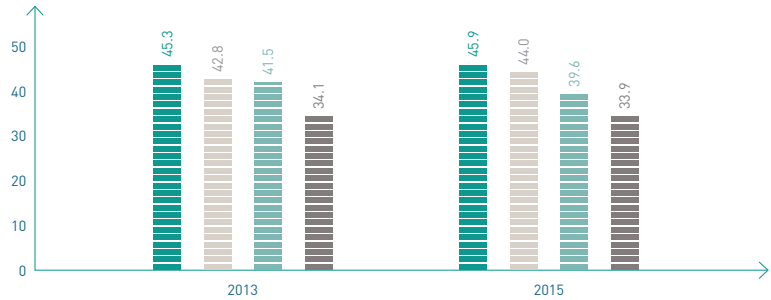
SRI PROFILE

As the regions covered by each mandate are different, two separate benchmark indices are used to assess the SRI quality of these two portfolios.

CHANGE IN THE SRI RATING OF THE CONVERTIBLE BOND PORTFOLIOS COMPARED WITH THE INDEX

Source : Vigeo

■ ERAFP portfolio rating (Europe)
 ■ Barclays Capital EMEA Convertible index rating (Europe)
■ ERAFP portfolio rating (World)
 ■ Barclays Capital Global Convertible Typical index rating (World)



The European convertible bond portfolio posted an improved SRI performance whereas the international convertible bond 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 European and international 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 labour-management dialogue, which European companies generally take more into account in day-to-day management than their US and Asian counterparts, enabling them to achieve higher scores.

Carbon footprint not calculated for this sub-portfolio owing to a lack of available data.

THE EQUITY PORTFOLIO

At 31 December 2015, the equity portfolio totalled €4,966 million at amortised cost, representing 25.2% of ERAFP's total assets. It is split between euro-zone company equities (20.4% of total assets, or €4,017 million) and international blue chips (4.8%, or €949 million).

At 31 December 2015, ERAFP had delegated the management of its equity portfolio, with the exception of €20 million of direct investments in listed real estate funds, which enable it to benefit from diversified exposure to the European real estate sector and the liquidity of the stock market.

As regards the rest of the portfolio, the two asset classes were split between 13 mandates, including eight euro-zone equity mandates entrusted to Amiral Gestion, Amundi, AXA Investment Managers Paris, BNP Paribas Asset Management (two mandates), Edram, Rothschild et Cie Gestion, Sycamore AM and Tobam AM, and four international equity mandates entrusted to Comgest SA, Robeco Institutional Asset Management (North America region) and, since this year, Natixis-Loomis and Robeco Institutional Asset Management (Pacific region).

The stand-by mandate awarded to Amiral Gestion for the management of a French small cap equity portfolio was activated in 2015.

The equity portfolio had generated unrealised capital gains at end-2015 equivalent to 30.1% of its amortised cost, an increase from 2014 in a favourable market context.

In terms of risk dispersion, the ten largest investment lines in the various euro-zone equity mandates represented 19.8% of the asset class at the year-end, a lower percentage than that for the ten largest lines in the MSCI EMU SRI benchmark index at that date (28.7%). Risk dispersion was even more marked in the international equities asset class: the ten largest investment lines represented just 18.2%. In contrast, the MSCI World benchmark index was even more dispersed than the portfolio (9.83% in the ten largest lines).

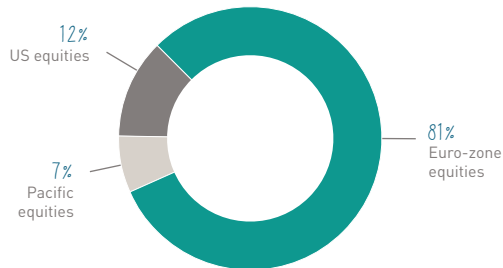
THE EQUITY PORTFOLIO TOTALLED €4.966 MILLION AT AMORTISED COST

THE EQUITY PORTFOLIO HAD GENERATED UNREALISED CAPITAL GAINS AT END-2015 EQUIVALENT TO 30.1% OF ITS AMORTISED COST

THE EQUITY PORTFOLIO

BREAKDOWN OF EQUITIES BY GEOGRAPHIC REGION AT 31 DECEMBER 2015 (AT AMORTISED COST)

Source — ERAFP



CHANGE IN THE SRI RATING FOR THE EURO-ZONE EQUITY PORTFOLIO COMPARED WITH THAT OF ITS INDEX

Source — Vigeo



SRI PROFILE

Euro-zone equities

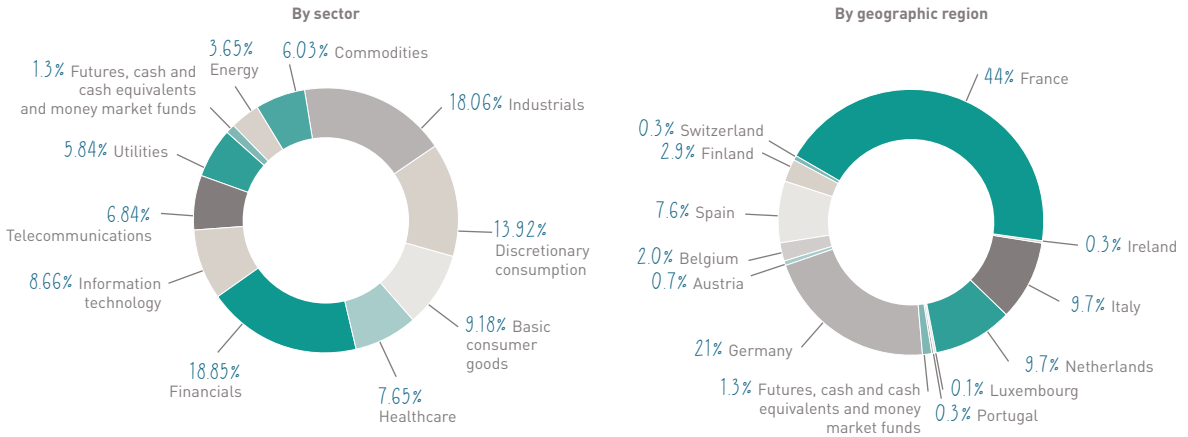
ERAFP's European equity portfolio's SRI rating has improved virtually continuously since 2007, as has its spread against the benchmark index's SRI rating. In both absolute terms (average SRI rating of 53.5/100) and relative to the index (positive 4.1 point spread), the portfolio's SRI performance is 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 ERAFP's specific SRI approach. On this point, regular meetings between ERAFP 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 gap between the portfolio's average SRI rating and that of the index is lower than the gap for the euro-denominated corporate bond management mandates (see page 48). 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 benchmark index's relatively high score tends to show that they have reached a level of maturity in this regard.

BREAKDOWN OF EURO-ZONE EQUITIES BY SECTOR AND COUNTRY AT 31 DECEMBER 2015 (AT MARKET VALUE)

Source — ERAFP



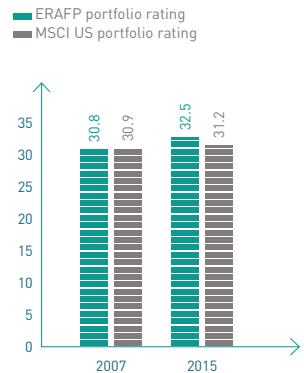
North American equities

The first investments in listed North American equities were carried out in 2014 under two management mandates. In absolute terms, the portfolio's 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.

However, the portfolio's average SRI rating improved in 2015 and is now higher than that of its benchmark index, the MSCI EMU³⁷. This increase can be partly attributed to ERAFP's continuing efforts to maintain dialogue with its delegated asset managers so that its guidelines and, more generally, its SRI expectations are duly taken into account.

CHANGE IN THE SRI RATING FOR THE NORTH AMERICAN EQUITY PORTFOLIO COMPARED WITH THAT OF ITS INDEX

Source — Vigeo



SRI RATING OF THE PACIFIC REGION EQUITY PORTFOLIO COMPARED WITH THE INDEX

Source : Vigeo

■ ERAFP portfolio rating
■ MSCI US portfolio rating



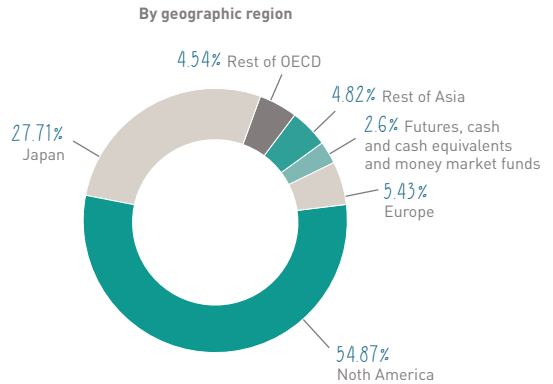
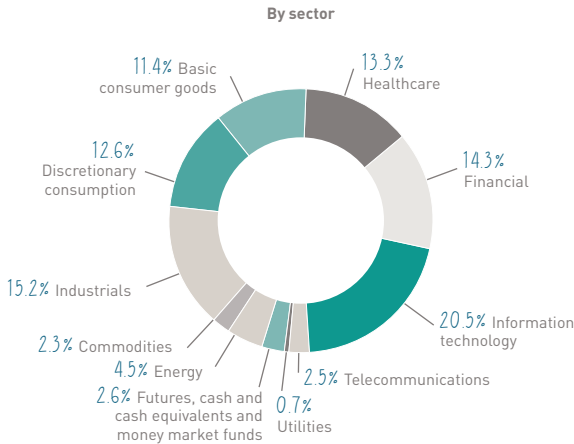
Pacific-region equities

In 2015, ERAFP awarded two mandates for the management of equities of listed Pacific-region companies. According to the assessment carried by Vigeo at end-2015, on average the consolidated portfolio scored less highly for SRI than its benchmark index. These results should be interpreted with circumspection insofar as Vigeo's coverage of the companies represented in the portfolio is less extensive than for the other asset classes it analyses.

This bias related to the rating agencies' lower coverage of a part of the investment universe is particularly marked for one of ERAFP's two delegated asset managers, which invests in mid-sized Asian companies. In the case of this mandatee, the management process relies largely on dialogue with the portfolio companies aimed at increasing their transparency. For its part, ERAFP ensures at its regular meetings with the managers that its expectations are duly taken into consideration, although this is not explicitly reflected in the ratings that Vigeo awards.

BREAKDOWN OF INTERNATIONAL EQUITIES BY SECTOR AND GEOGRAPHIC REGION AT 31 DECEMBER 2015 (MARKET VALUE)

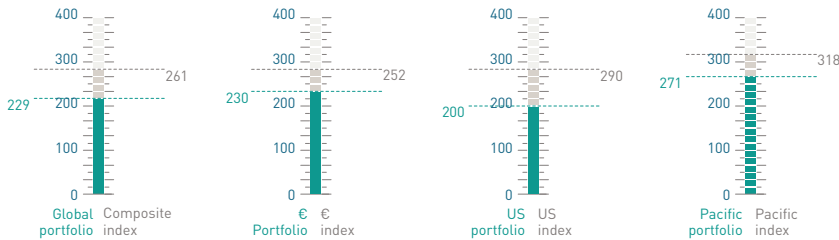
Source — ERAFP



CARBON FOOTPRINT

CARBON FOOTPRINT OF ERAFP'S EQUITY PORTFOLIOS

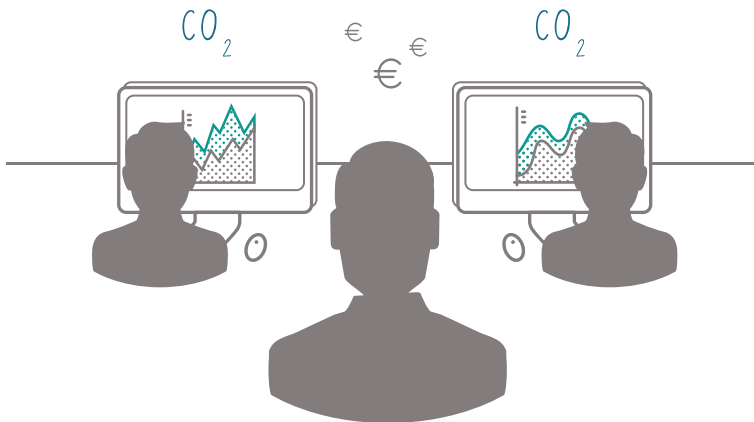
Source: Trucost



Composite index: index reconstituted to take into account the portfolio's allocation between the euro-zone and the North American and Pacific regions.

Whether at consolidated level or for each geographical region, ERAFP's portfolio has a lower carbon footprint than its benchmark index. At the aggregate level, the portfolio's carbon intensity is 12% lower than that of the index. This strong relative performance can be attributed almost exclusively to a positive stock-picking effect within each sector, which is a sign of the effectiveness of ERAFP's best in class SRI approach.

CEDRUS-AMLEAGUE PLATFORM INITIATIVE



VIRTUAL MANAGEMENT PLATFORM CEDRUS/AMLEAGUE

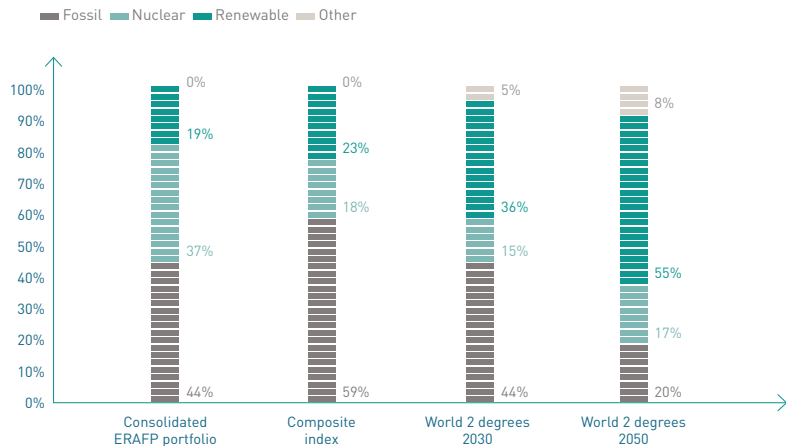
The ERAFP has commissioned amLeague and Cedrus AM to implement a platform that allows asset managers to demonstrate their ability to reduce the carbon intensity of a notional portfolio of international equities over a significant time period.

A FIRST STEP TOWARDS COMPLIANCE WITH INTERNATIONAL CLIMATE OBJECTIVES: MEASURING THE 2°C ALIGNMENT OF ERAFP'S EQUITY PORTFOLIO

ENERGY MIX OF ERAFP'S EQUITY PORTFOLIO COMPARED WITH THE INTERNATIONAL ENERGY AGENCY'S SCENARIOS (AT AMORTISED COST)

Source — Trucost, based on the IEA's scenarios

Alignment with the milestones of a 2°C scenario of ERAFP's consolidated equity portfolio and the benchmark index



Measured using the method described above, the carbon footprint illustrates the exposure of ERAFP's portfolios to the transitional risk associated with climate change. A portfolio with a lower carbon footprint than its benchmark index is made up of shares in companies that, all other things being equal, will on average be better placed than their competitors to tackle the challenges brought about by the necessary energy transition.

However, this measurement cannot provide information on the portfolio's level of alignment with the various climate scenarios drawn up by the Intergovernmental Panel on Climate Change (IPCC). As a reminder, the 195 countries that took part in COP 21 at the end of 2015 undertook to limit global warming to 2°C above the pre-industrial temperature - and to use their best endeavours to limit it to 1.5°C.

The International Energy Agency breaks these climate scenarios down into energy road maps, which define coherent energy mixes at the global level at various dates. Although it consists simply of a snapshot at a given moment, the comparison of the portfolio's energy mix (consolidated energy mixes³⁹ of the portfolio companies that generate electricity) with the IEA's energy mix scenarios for 2030 and 2050 provides an initial basis for reflexion on the changes that ERAFP will need to factor into its equity investments in order to gradually align its portfolio with a '2°C scenario':

- at the end of 2015, the proportion of fossil fuels in ERAFP's portfolio was already aligned with that advocated by the IEA for 2030;
- the proportion of renewable energies, on the other hand, will have to almost double in order to reach the target level for 2030;
- conversely, the proportion of nuclear energy will have to be significantly reduced between now and 2030;
- the transition to much less carbon-dependent methods of power generation will need to accelerate from 2030 in order to achieve alignment with the 2050 target energy mix.

Over the coming years, the gradual rebalancing of ERAFP's portfolio for better alignment with the most favourable climate scenarios can be envisaged through several approaches:

- **changes to the energy strategies and mixes** of the electricity generating companies already in ERAFP's portfolio: with this in mind, ERAFP is involved in an IIGCC shareholder engagement initiative aimed at promoting strategies to European utility companies that enable them to significantly reduce their greenhouse gas emissions. Through its support of the RE100 initiative, ERAFP is also encouraging listed companies to obtain all of their energy from renewable sources over the long term and thereby increase demand in this sector (see page 43);
- **the selection for the portfolio of companies** that have a low-carbon energy mix or a long-term strategy based on the development of renewable energies; accordingly, in 2015 ERAFP launched a project to review its SRI guidelines, with as one projected change an increase in the weighting of climate considerations;
- **continual dialogue** with ERAFP's delegated asset managers in order to ensure that they duly factor climate considerations into their management decisions.



CHRISTIANA FIGUERES,
EXECUTIVE SECRETARY
OF THE UNITED NATIONS
FRAMEWORK CONVENTION
ON CLIMATE CHANGE

The Paris Climate Change Agreement has broken all records for the number of governments signing on the opening day of an international treaty book. There can hardly be a better or more decisive signal to investors that the global transformation towards a low-carbon, sustainable world is now irreversible. The closer the speed and direction of policy and investment, the faster we will achieve that essential transformation. That is why, at a time when it is critical that all financial and business models align with the goals in the new Agreement, I welcome the efforts by ERAFP to meet their fiduciary responsibility as the world moves towards a new growth and development model finally decoupled from greenhouse gas emissions.

⁶ Breakdown of current electricity production by primary energy source; this breakdown is expected to change given in particular the investments made by various operators to reduce their dependence on fossil energies.

THE MULTI-ASSET PORTFOLIO

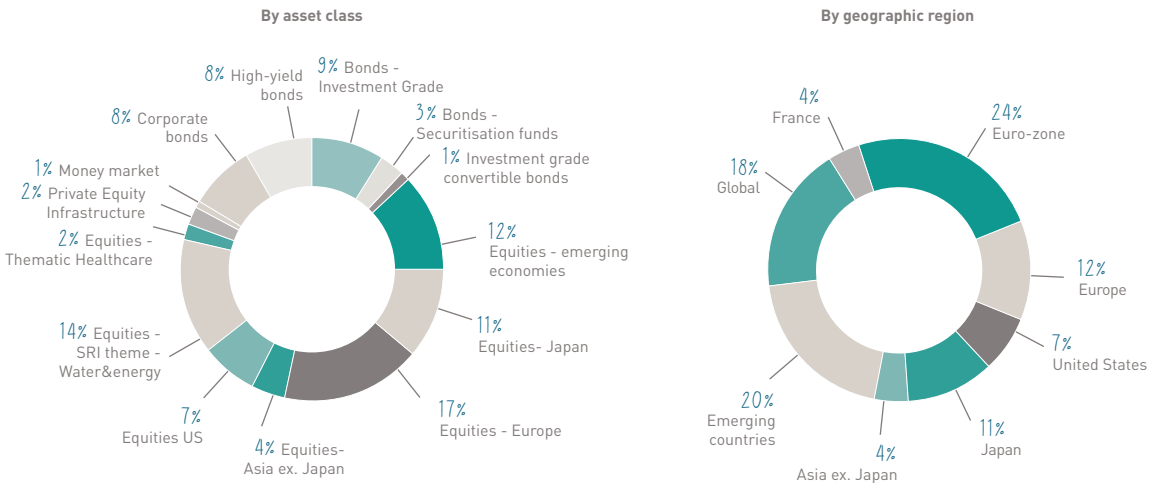
THE MULTI ASSET PORTFOLIO
TOTALLED € 518 MILLION AT AMORTISED COST

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 fund has been set at 25% for 2015.

At 31 December 2015, the multi-asset portfolio totalled €518 million at amortised cost, representing 2.6% of ERAFP's total assets. It had generated unrealised capital gains equivalent to 5.8% of amortised cost, down from their level in 2014. The fund benefited essentially from its exposure to Japanese and European equities, whereas emerging assets, to which its exposure was reduced, underperformed.

BREAKDOWN BY ASSET CLASS AND GEOGRAPHIC REGION AT 31 DECEMBER 2015 (AT AMORTISED COST)

Source — ERAFP



SRI PROFILE

ERAFFP 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:

- **an analysis of the management process** put in place; the only funds eligible are those based on a best in class SRI approach or adopting a particular environmental (reduction of climate change, protection of water resources, etc.) or social (healthcare, combating poverty, etc.) approach;
- **or an analysis of the fund's SRI quality** based on the SRI rating of each issuer represented in the fund.

THE REAL ESTATE PORTFOLIO

THE REAL ESTATE PORTFOLIO TOTALLED €980 MILLION AT AMORTISED COST

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

- **three French real estate mandates**, two of which are managed by AEW Europe SGP (including ERAFFP’s headquarters building) and one by La Française REM;
- **two European real estate mandates**, one managed by AXA Real Estate IM SGP, the other by LaSalle IM.

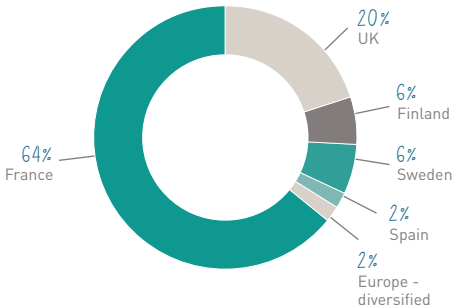
At 31 December 2015, the real estate portfolio totalled €980 million at amortised cost, representing 5.0% of ERAFFP’s total assets. The portfolio’s unrealised capital gains increased, representing 5.4% of its amortised cost, and resulting from a significant increase in the value of independently appraised assets.

The real estate portfolio committed to investing €60 million in the Fonds de Logement Intermédiaire.

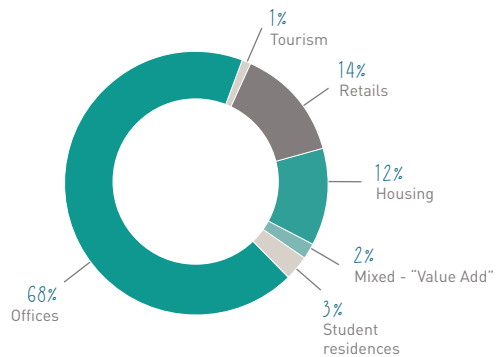
BREAKDOWN BY SECTOR AND GEOGRAPHIC REGION AT 31 DECEMBER 2015 (AT AMORTISED COST)

Source – ERAFFP

By geographic region



By sector



SRI PROFILE

ERAFP has developed a demanding and innovative SRI process for real estate assets, adapting the five values of its SRI Charter to the asset class. It not only focuses on the real estate assets' environmental impact, but also integrates the challenges of social progress, respect for human rights, democratic labour relations and good governance into their management. 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 span of the assets. In practical terms, this is reflected in a dual SRI performance dimension for 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.

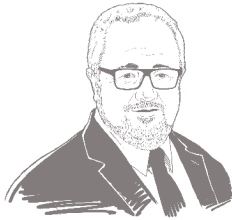
In summary, only real estate assets with a high SRI performance within their category at the time of acquisition or those with high potential for improvement can be selected for ERAFP's portfolio.

AVERAGE SRI RATING OF THE CONSOLIDATED REAL ESTATE PORTFOLIO

Asset managers



ENGAGEMENT STRATEGY



ÉRIC LOISELET, DIRECTOR OF THE FORUM POUR L'INVESTISSEMENT RESPONSABLE

When it was drawn up in 2012, ERAFP's shareholder engagement policy was an innovation in the French institutional investment arena. Today, faced in particular with the challenge of climate change, we need to carry on the work of alerting society to controversial corporate practices and to measure the results of initiatives aimed at changing them. In concert with other SRI stakeholders, ERAFP can magnify this engagement's impact.

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

- **a group of investors** can exert more influence capitalistically on a company than an investor in isolation;
- **the resources needed** to carry out the engagement (research, time, etc.) can be pooled between the participants;
- **it facilitates the sharing of good practice** among investors.

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

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

Dialogue can also be initiated with a regulatory authority in order to bring about change in the regulatory framework governing investors' activity, in which case the engagement is generally collaborative, as investors join forces to exert more influence on the regulator. Within the IIGCC, specifically in connection with preparations for COP 21 in Paris, ERAFP lobbied in support of:

- **the mandatory publication** - in the public domain particularly - of institutional investors' exposure to climate risks;
- **the introduction of a price for carbon.**

COLLABORATIVE INITIATIVES

In 2015, ERAFP continued its shareholder engagement initiatives on a number of environmental, social and governance fronts, via both collaborative initiatives and various investor networks and platforms, including:

- **the United Nations Principles for Responsible Investment (PRI)** on the themes of fighting corruption, managing human resources, and supply chain working conditions;
- **the Extractive Industries Transparency Initiative (EITI);**
- **Mirova**, Natixis Asset Management's dedicated responsible investment subsidiary, on hydrocarbon exploration in the Arctic and supply chain working conditions in the textile and IT industries.

At the same time, ERAFP joined two collaborative engagement initiatives in 2015:

- the first, initiated by the Institutional Investors Group on Climate Change (IIGCC), aiming to promote strategies to European utility companies that enable them to significantly reduce their greenhouse gas emissions;
- the second, initiated by ShareAction/RE100 and run by the Climate Group and the Carbon Disclosure Project, encouraging listed companies to develop a 100% renewable energy supply over time.

In order to tackle the 'Combating aggressive tax optimisation practices' priority engagement theme, in 2015 ERAFP joined the working group set up by the PRI to identify tax-related corporate governance risks. Within the framework of this initiative, ERAFP helped to draft a guide designed to

- **describe** the existing situation;
- **propose a list of questions** to ask companies in the context of shareholder engagement;
- **and identify good practice** in the area of tax responsibility.

2 COLLABORATIVE ENGAGEMENT INITIATIVES IN 2015

ENGAGEMENT STRATEGY

BREAKDOWN OF COLLABORATIVE INITIATIVES SUPPORTED BY ERAFP, BY PRIORITY ENGAGEMENT THEME

1- Fight against climate change <ul style="list-style-type: none">- IIGCC- Mirova- RE100 / ShareAction	2- Prevention of social risks in the supply chain <ul style="list-style-type: none">- PRI- Mirova- ICCR
3- Consistency between companies' commitments to sustainable development and their lobbying practices <ul style="list-style-type: none">- IIGCC- ITIE	4- Fight against aggressive tax optimisation practices <ul style="list-style-type: none">- PRI

Generally speaking, the objective of these collaborative initiatives is to question issuers about their practices, asking them to explain and, if necessary, improve them.

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

ENGAGEMENT STRATEGY

INTERIM RESULTS (31 DECEMBER 2015) OF ENGAGEMENT ACTIONS CARRIED OUT BY ERAFP AS PART OF THESE COLLABORATIVE INITIATIVES:

		Number of letters signed by ERAFP	Number of dialogues coordinated by ERAFP with issuers
PRI	Combating corruption	23	1
	Working conditions in the agricultural supply chain	34	1
	Employee relations	27	1
Mirova	Hydrocarbon exploration in the Arctic	2	0
	Working conditions in the textile industry supply chain	3	2
	Working conditions in the IT industry supply chain	2	0
IGCC	<i>Lobbying</i>	67	4
	Carbon risk management in the European utilities sector	3	3

In 2015, as part of collaborative initiatives, ERAFP:

- **signed** 161 letters requesting explanations of issuers' practices;
- **coordinated** the resulting dialogue with 12 issuers.

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 positions expressed are consistent by coordinating voting by the asset managers for a number of companies. In 2015, this sample comprised 40 major French companies and 20 major international companies.

For the 40 French GMs that ERAFP monitors in depth, at around 6% the average rate of shareholder opposition to management-proposed resolutions remains low, and essentially in line with previous years.

In this, France's second year of 'Say on Pay', the average rate of shareholder opposition to corporate officer remuneration resolutions increased (90% approval rate in 2014 compared with 88% in 2015), which is partly attributable to the near-3% average increase in executive pay over the period in question.

On other governance subjects, ERAFP welcomes in particular the increasing proportion of women on boards of directors (up to 36% in 2015 from 31% in 2014) as well as that of independent directors, which nevertheless remains below 50% (46% in 2014 and 47% in 2015).

For the 20 international GMs that ERAFP monitors in depth, at 4% the average rate of shareholder opposition to management-proposed resolutions is slightly lower than that observed on the French sample.

Resolutions relating to remuneration policies attract little opposition internationally (5.9%), whereas pay levels are significantly higher than those seen in France, the average overall pay package of chief executives in the international sample being 2.3 times higher than that of their French counterparts.

Meanwhile, at 59% the proportion of independent directors remains higher than that observed in France, whereas conversely, the process of increasing gender balance on boards is at a less advanced stage, with on average only 26% women directors.

Concerning more specifically voting in respect of shares held by ERAFP, the asset management companies voted more frequently against the resolutions proposed. Indeed, via its delegated management companies, ERAFP voted against 32% and 41%, respectively, of the resolutions tabled by the management of the French and international companies it monitors in detail. The main themes opposed concerned:

- **managers' remuneration;**
- **appropriation of earnings** (dividend distribution) in cases where the company's proposal seemed 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.

Lastly, in 2015 ERAFP supported various outside resolutions, including six relating to the fight against climate change.

[MORE DETAILS
ABOUT ERAFP'S](#)





**GILLES SCHNEPP,
LEGRAND CHIEF
EXECUTIVE
OFFICER**

The compensation of Legrand's executives and managers is set with the aim of creating long-term value for all the Group's stakeholders by retaining and empowering talented individuals. The details of this compensation, which is subject to stringent financial and non-financial performance criteria, are provided annually in our registration document.

THE LEGRAND GROUP IS ONE OF THE ONLY CAC 40 COMPANIES FOR WHICH ERAFP RECOMMENDED VOTING IN FAVOUR OF THE CHIEF EXECUTIVE OFFICER'S COMPENSATION

FRANCE

Governance indicators for the sample	2015	2014
Gender balance of boards	36%	31%
Independence of boards	47%	46%
Average pay of chief executive (€)	3,689,856	3,588,105

	2015	2014	2013	2012	
Resolutions (excluding those submitted by shareholders) under close review by ERAFP	772	821	658	309	Overall results
Average adoption rate per GM of resolutions proposed by management	94%	94%	96%	94%	
Resolutions (excluding those submitted by shareholders) rejected by the GM	4%	0%	0%	1%	
Resolutions (excluding those submitted by shareholders) adopted by less than 90% of the votes	17%	20%	13%	18%	
Resolutions (excluding those submitted by shareholders) adopted by less than 70% of the votes	6%	5%	1%	4%	
ERAFP votes (excluding resolutions submitted by shareholders) in favour of the resolution	68%	61%	62%	66%	ERAFP votes
ERAFP votes in favour of a dividend distribution	61%	44%	43%	-	
Average adoption rate per GM of resolutions concerning a dividend distribution	96%	99%	-	-	
ERAFP votes in favour of resolutions concerning executives' remuneration	17%	20%	-	-	
Average adoption rate per GM of resolutions concerning executives' remuneration	88%	90%	-	-	
ERAFP votes in favour of appointments of directors	67%	72%	-	-	
Average adoption rate per GM of resolutions to appoint directors	95%	94%	-	-	

INTERNATIONAL

	2015	2014
Gender balance of boards	26%	25%
Independence of boards	59%	64%
Average pay of chief executive (€)	8,522,796	7,345,514

	2015	2014	
	Resolutions (excluding those submitted by shareholders) under close review by ERAFP	196	287
Overall results	Average adoption rate per GM of resolutions proposed by management	96%	95%
	Resolutions (excluding those submitted by shareholders) rejected by the GM	0%	0%
	Resolutions (excluding those submitted by shareholders) adopted by less than 90% of the votes	12%	13%
	Resolutions (excluding those submitted by shareholders) adopted by less than 70% of the votes	0%	5%
ERAFP votes	ERAFP votes (excluding resolutions submitted by shareholders) in favour of the resolution	59%	62%
	ERAFP votes in favour of a dividend distribution	54%	33%
	Average adoption rate per GM of resolutions concerning a dividend distribution	93%	100%
	ERAFP votes in favour of executives' remuneration	0%	10%
	Average adoption rate per GM of resolutions concerning executives' remuneration	94%	93%

AT COP 21,
 ERAFP JOINED
 38 INVESTORS
 FROM ALL OVER
 THE WORLD
 TO SIGN THE
 ENERGY
 EFFICIENCY
 INVESTOR
 STATEMENT.

[MORE DETAIL
 ABOUT THE
 STATEMENT](#)



ERAFP JOINED TWO INVESTOR COALITIONS IN 2015

The Portfolio Decarbonization Coalition

On 22 May 2015, within the framework of Climate Finance Day⁷, ERAFP joined the Portfolio Decarbonization Coalition (PDC), an initiative run by the United Nations Environment Programme (UNEP), and the Carbon Disclosure Project.

This initiative reflects:

- **the continuation** of the Montreal Protocol commitment that ERAFP made in September 2014 at the annual Principles for Responsible Investment conference, to calculate and disclose the carbon footprint of its equity portfolio;
- **its intention to increase** its research into and action on decarbonization.

In December 2015, subsequent to COP 21, the PDC was made up of 25 investors managing total assets of more than \$600 billion, considerably more than the \$100 billion target set at the coalition's September 2014 launch.

G20 Energy Efficiency Investor Statement

In December 2015, at COP 21, ERAFP joined 38 investors from all over the world to sign the Energy Efficiency Investor Statement. Through this statement investors recognised the need to increase the inclusion of energy efficiency considerations in their investment process⁸.

ERAFP: AN INVESTOR RECOGNISED BY ITS PEERS

ERAFP: first place in the 15th IPE Awards for the best SRI investment policy in Europe

Widely acknowledged as the largest annual gathering of European pension funds, the IPE Awards ceremony is a showcase for excellence in the European pension fund industry. This award recognised ERAFP's commitment to the consideration of extra-financial criteria, which have always been and remain to this day at the very core of the Scheme's investment decision-making and portfolio management processes.

⁷ Finance and climate conference sponsored by Caisse des Dépôts, the European Investment Bank and Paris Europlace, aimed at showcasing finance sector best practice, commitments and innovative thinking and how this supports public and private sector investment in favour of the climate.

⁸ <http://www.unepfi.org/fileadmin/documents/EnergyEfficiencyStatement.pdf>

04. APPENDICES

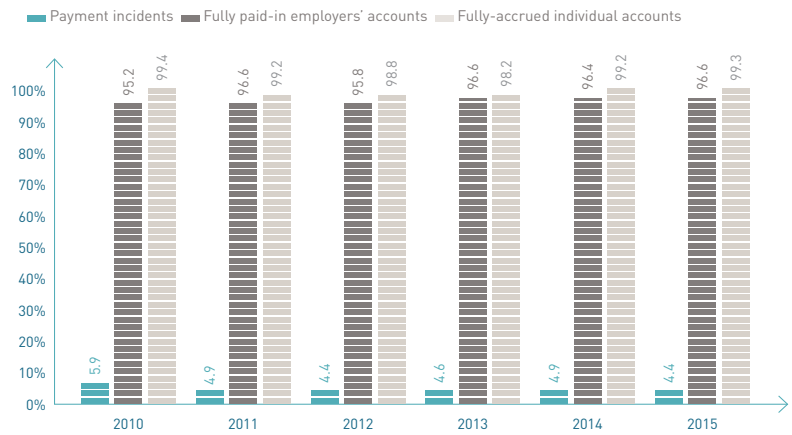
04. APPENDICES

- [4](#) Previous figures
- [13](#) Annual financial statements for 2014
- [19](#) Glossary

PREVIOUS FIGURES

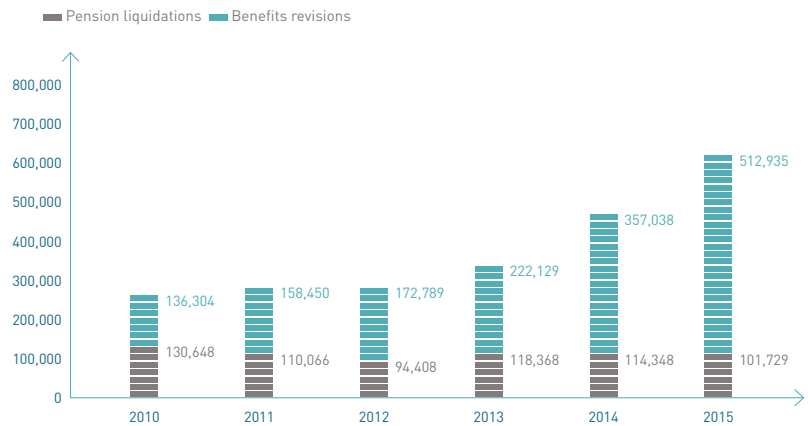
EMPLOYER ACCOUNTS AND INDIVIDUAL RETIREMENT ACCOUNTS

Source — CDC GA



NUMBER OF LIQUIDATIONS AND BENEFITS REVISIONS, 2010-2015

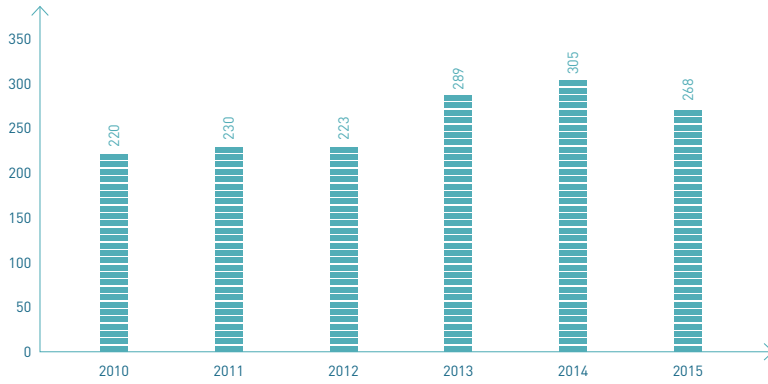
Source — CDC GA



PREVIOUS FIGURES

BENEFIT PAYOUT AMOUNTS (IN MILLIONS OF EUROS)

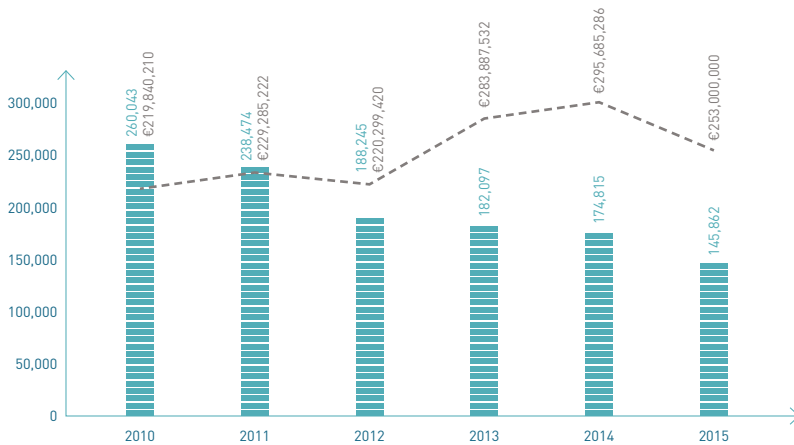
Source — CDC GA



NUMBER AND AMOUNT OF ANNUAL LUMP SUM BENEFIT PAYOUTS (IN MILLIONS OF EUROS)

Source — CDC GA

■ Number ■ Amount

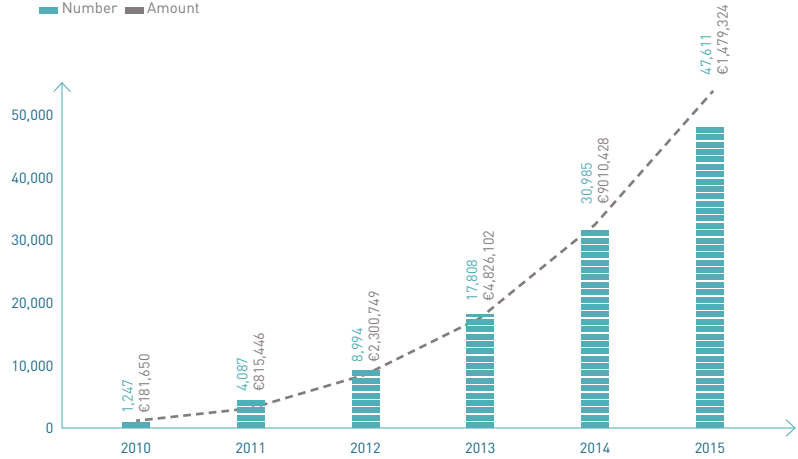


PREVIOUS FIGURES

OVERALL NUMBER AND AMOUNT OF ANNUAL ANNUITY PAYOUTS (EUROS)

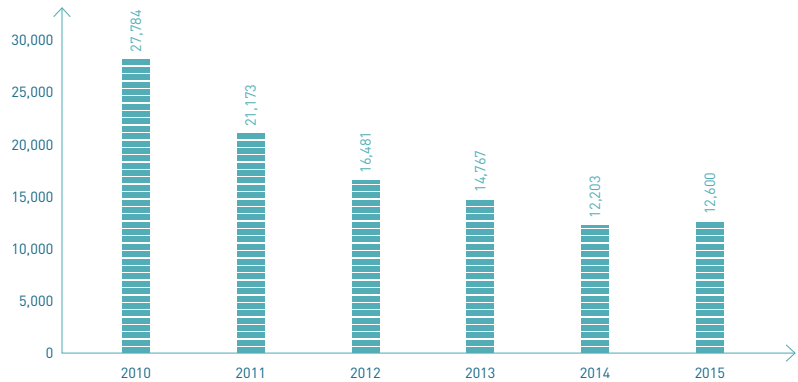
Source — CDC GA

■ Number ■ Amount



NUMBER OF TELEPHONE CALLS HANDLED FROM EMPLOYERS

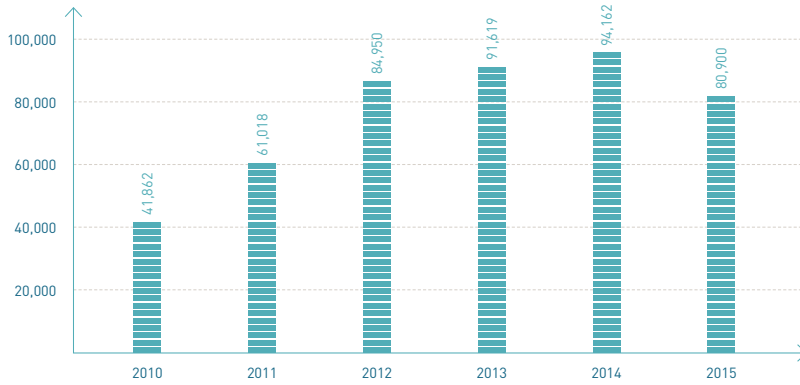
Source — CDC GA



PREVIOUS FIGURES

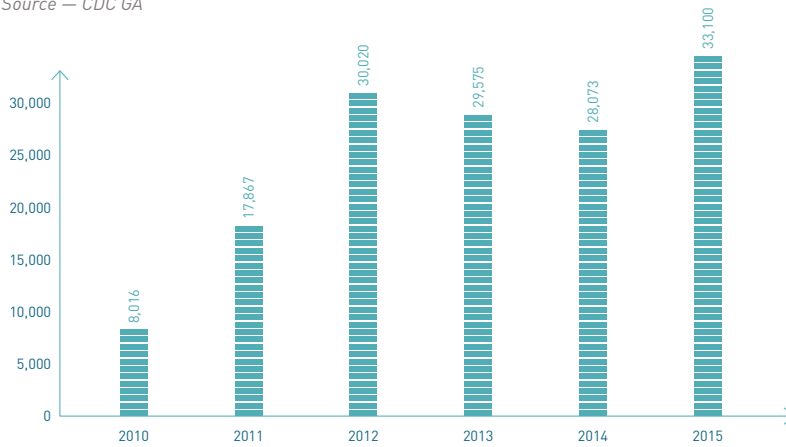
NUMBER OF TELEPHONE CALLS HANDLED FROM RETIRED BENEFICIARIES

Source — CDC GA



NUMBER OF TELEPHONE CALLS HANDLED FROM ACTIVE CONTRIBUTORS

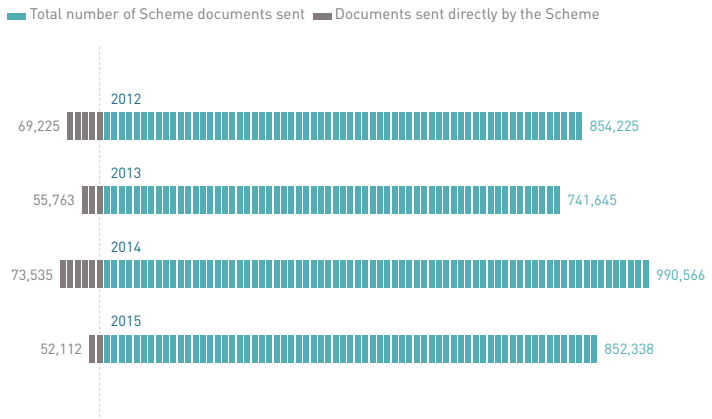
Source — CDC GA



PREVIOUS FIGURES

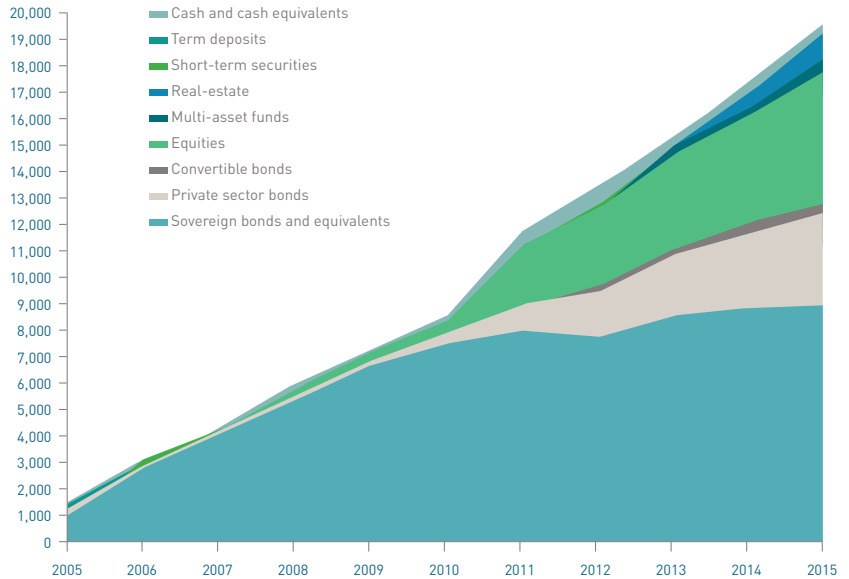
NUMBER OF "RIGHT TO INFORMATION" DOCUMENTS SENT

Source — CDC GA



**PORTFOLIO COMPOSITION
(AT AMORTISED COST IN MILLIONS OF EUROS)**

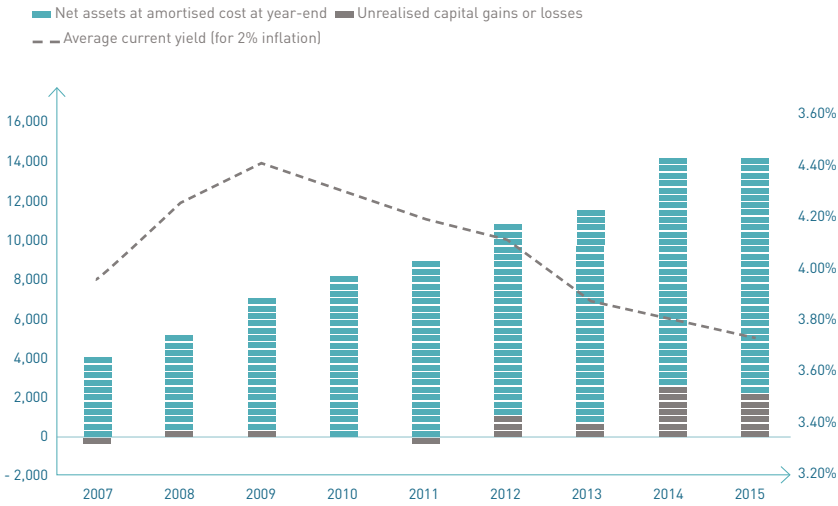
Source — ERAFP



PREVIOUS FIGURES

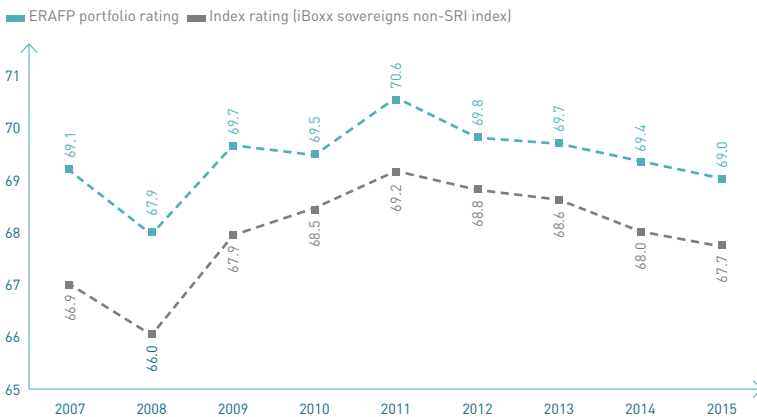
AVERAGE YIELDS AND UNREALISED CAPITAL GAINS AND LOSSES ON THE BOND PORTFOLIO SINCE 2007

Source — ERAFP



AVERAGE SRI RATING FOR THE SOVEREIGN AND SIMILAR BOND PORTFOLIO COMPARED WITH THE AVERAGE INDEX RATING

Source — Vigeo

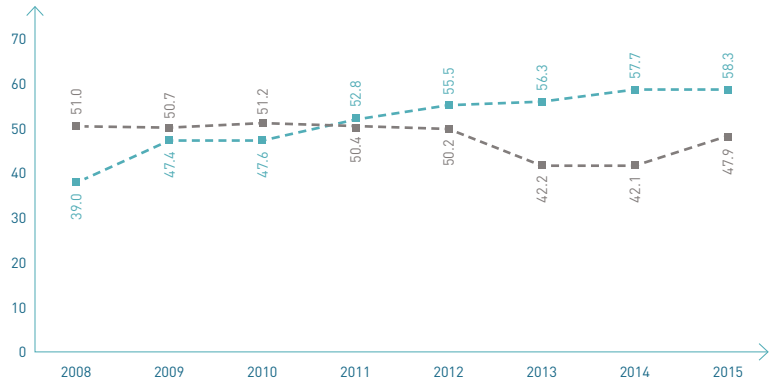


PREVIOUS FIGURES

AVERAGE SRI RATING FOR THE LOCAL AND REGIONAL AUTHORITY BOND PORTFOLIO COMPARED WITH THE AVERAGE INDEX RATING

Source — Vigeo

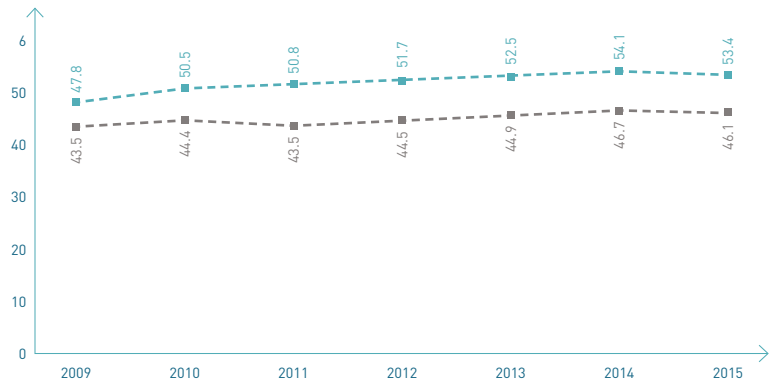
■ ERAFP portfolio rating ■ Index rating iBoxx local and regional authorities (non-SRI)



AVERAGE SRI RATING FOR THE CORPORATE BOND PORTFOLIO IN EURO COMPARED WITH THE AVERAGE INDEX RATING

Source — Vigeo

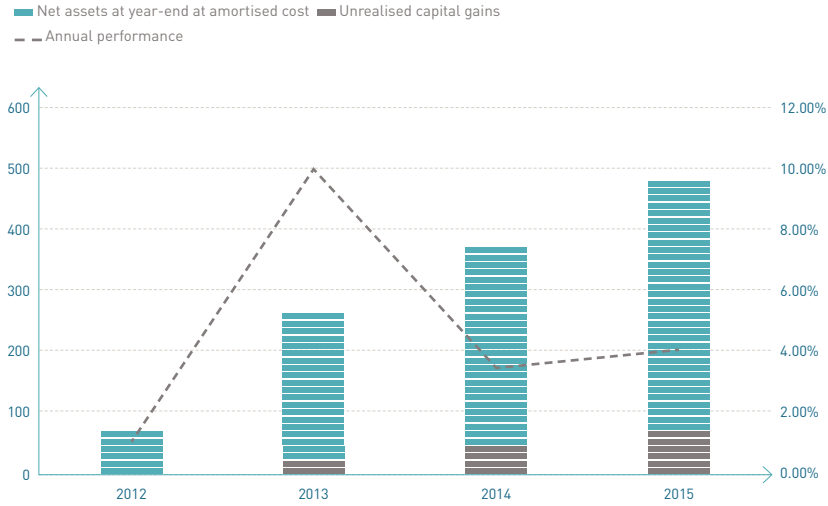
■ ERAFP portfolio rating ■ Index rating iBoxx euro non-sovereign (non-SRI)



PREVIOUS FIGURES

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

Source — ERAFP



AVERAGE SRI RATING FOR THE CONVERTIBLE BOND PORTFOLIOS COMPARED WITH THE AVERAGE INDEX RATINGS

Source — Vigeo

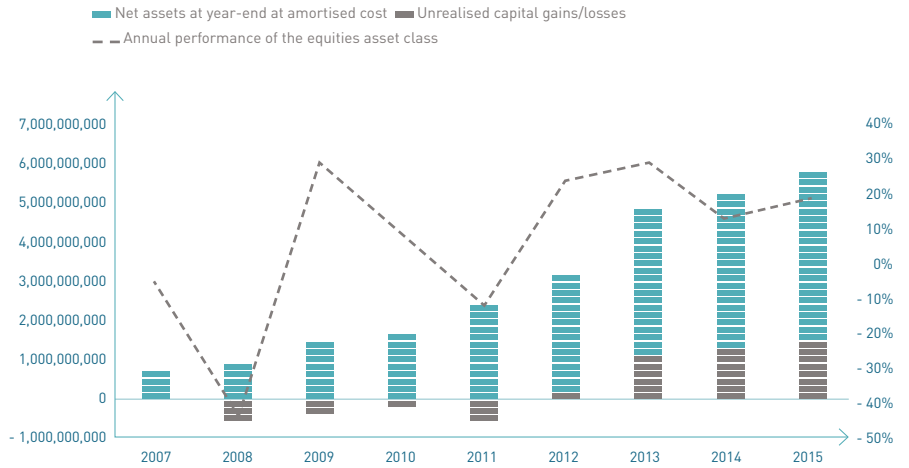
ERAFP portfolio rating (Europe) Barclays Capital EMEA Convertible index rating
 ERAFP portfolio rating (global) Barclays Capital Global Convertibles Typical index rating



PREVIOUS FIGURES

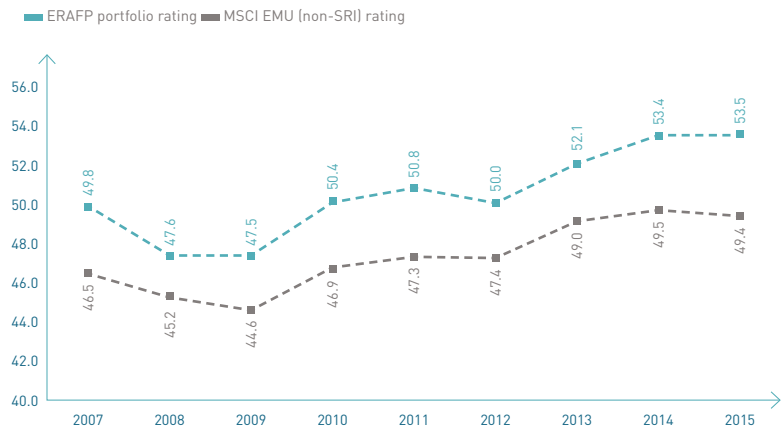
ANNUAL PERFORMANCE AND UNREALISED CAPITAL GAINS/LOSSES POSTED BY THE EQUITIES PORTFOLIO

Source — ERAFP



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

Source — Vigéo



ANNUAL FINANCIAL STATEMENTS FOR 2014

ASSETS (€)	31/12/2014			31/12/2013
	Gross	Depreciation & impairment	Net	Net
I - INVESTMENTS	17,153,729,109.11	-4,770,503.33	17,148,958,605.78	15,127,791,796.00
Shares in real estate investment companies	547,021,239.60	-4,770,503.33	542,250,736.27	64,616,248.49
Bonds, negotiable debt instruments and other fixed-income securities	11,669,184,840.24		11,669,184,840.24	10,897,293,676.82
Shares and units in UCITS	4,937,523,029.27	0.00	4,937,523,029.27	4,165,881,870.69
II - ACTIVE CONTRIBUTORS AND BENEFICIARIES	110,130,631.32	-7,936,314.05	102,194,317.27	76,499,629.19
Active contributors and related accounts	64,433,295.98	-4,280,527.22	60,152,768.76	46,292,907.91
Beneficiaries	45,697,335.34	-3,655,786.83	42,041,548.51	30,206,721.28
III - OTHER RECEIVABLES	986.82	0.00	986.82	45,138.84
Trade receivables, advances and down-payments	0.00		0.00	2,505.68
Other receivables	986.82		986.82	42,633.16
IV - OTHER ASSETS	280,162,753.88	-33,898.83	280,128,855.05	218,395,216.37
Intangible assets				
Property, plant and equipment	153,906.04	-33,898.83	120,007.21	13,479.29
Cash and cash equivalents	280,008,847.84		280,008,847.84	218,381,737.08
V - ACCRUALS				
GENERAL TOTAL	17,544,023,481.13	-12,740,716.21	17,531,282,764.92	15,422,731,780.40

ANNUAL FINANCIAL STATEMENTS FOR 2014

LIABILITIES (€)	31/12/2014	31/12/2013
I - EQUITY		
II - SCHEME RESERVES	15,860,848,513.10	14,415,873,006.25
Accruing rights	15,470,802,069.31	14,185,141,856.00
Rights being exercised	390,046,443.79	230,731,150.25
III - NON TECHNICAL RESERVES	1,658,666,157.00	989,274,352.07
Reserves for use of surpluses	1,658,533,201.26	989,188,372.67
Reserves for time-savings accounts	132,955.74	85,979.40
IV - ACTIVE CONTRIBUTORS AND BENEFICIARIES	2,868,022.56	3,128,065.85
Active contributors	507,912.42	1,173,465.26
Beneficiaries and related accounts	2,360,110.14	1,954,600.59
V - OTHER LIABILITIES	8,900,072.26	14,456,356.23
Trade and other payables	8,766,845.75	14,376,750.13
Staff and related accounts	6,372.04	35,261.85
Social security and other employment benefits	89,507.91	22,967.22
State – taxes and duties		
Other creditors	37,346.56	21,377.03
VI - ACCRUALS		
GENERAL TOTAL I+II+III+IV+V+VI	17,531,282,764.92	15,422,731,780.40

ANNUAL FINANCIAL STATEMENTS FOR 2014

€	31/12/2014	31/12/2013
Contributions	1,839,843,576.23	1,785,352,122.03
Changes in impairment on contributions	122,605.56	2,730,994.87
Late penalties	164,999.35	263,590.38
Other technical income	0.00	0.00
TECHNICAL INCOME	1,840,131,181.14	1,788,346,707.28
Investment income	417,049,663.52	387,386,313.45
Income from realisation of investments	198,215,915.27	57,802,527.53
Other investment income	23,336,558.14	22,482,069.18
Reversals of impairment on investments	832,523.26	45,775,296.80
GROSS INVESTMENT INCOME	639,434,660.19	513,446,206.96
Expenses related to realisation of investments	(181,450.90)	(12,375,771.59)
Other investment expenses	(42,000,985.47)	(36,165,807.48)
Impairment charges on investments	(3,832,025.48)	(212.55)
INVESTMENT EXPENSES	(46,014,461.85)	(48,541,791.62)
NET FINANCIAL INCOME	593,420,198.34	464,904,415.34
Benefits paid	(290,770,275.07)	(274,802,050.98)
Changes in impairment on benefits	(1,029,115.41)	(2,626,671.42)
Other benefits (discounts of bonus factors)	(137,105.44)	(226,915.13)
BENEFITS	(291,936,495.92)	(277,655,637.53)
Changes in Scheme reserves	(2,114,320,335.44)	(1,948,079,557.14)
TECHNICAL EXPENSES	(2,406,256,831.36)	(2,225,735,194.67)
SCHEME'S NET CURRENT INCOME	27,294,548.12	27,515,927.95
Non-technical income	0.00	35,914.64
Reversals of depreciation and impairment	0.00	0.00
OTHER NON-TECHNICAL INCOME	0.00	35,914.64
Overall outsourcing of administrative management	(14,244,962.02)	(15,771,271.77)
Third-party investment management expenses	(1,807,636.33)	(1,490,974.13)
Personnel expenses	(4,057,200.54)	(3,424,741.90)
Other expenses	(7,103,109.31)	(6,830,776.86)
Provision and depreciation charges	(58,416.38)	(17,166.63)
OPERATING EXPENSES	(27,271,324.58)	(27,534,931.29)
Non-recurring income	54.06	0.00
Non-recurring expense	(23,277.60)	(16,911.30)
NET NON-RECURRING INCOME (EXPENSE)	(23,223.54)	(16,911.30)
INCOME TAX		
NET INCOME	0.00	0.00

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

ERAFP
*Statutory auditors' report on
the annual financial statements
31 December 2014*

ERAFP

Registered office: 12, rue Portalis, 75008 Paris

Statutory auditors' report on the annual financial statements

Financial year ended 31 December 2014

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 2014 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.

Financial year ended 31 December 2014

ERAFP
*Statutory auditors' report on
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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.

ERAFF
*Statutory auditors' report on
the annual financial statements
31 December 2014*

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 and Paris La Defense, 16 February 2016

Tuillet Audit
Member of Grant Thornton



Brigitte Vaira Bettencourt
Partner

Mazars



Pascal Parant
Partner

Financial year ended 31 December 2014

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.

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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.

