2023 ANNUAL REPORT

FONDS DE RESERVE POUR LES RETRAITES

Investing
to create
sustainable
value for the
major public
challenges
of tomorrow

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PREAMBLE

THE YEAR IN REVIEW

FINANCIAL INFORMATION

Foreword by the President of the Supervisory Board and the Executive Board

The FRR formalised its *"raison d'être"* in 2023

The FRR's Executive Board has recently undergone a significant phase of renewal. Adrien Perret, formerly Deputy Director of social policies and employment at the Direction Générale du Trésor (DGT), took over the reins in July 2023 from Yves Chevalier upon his retirement. In March 2024, the process of strengthening the Executive Board continued with the integration of Ms. Salwa Boussoukaya-Nasr, who was previously CIO of the FRR, after Mr. Olivier Rousseau's term of office came to an end. The aim of this renewal of the Executive Board is to pursue and intensify the FRR's endeavours in facing operational and strategic challenges in order to optimize management and contribute more effectively to financing the French economy and the pension system.

As a long-term investor, the FRR decided in 2023, through workshops bringing together its employees and governance representatives, to formalise a *"raison d'être"* that enshrines the importance of responsible investment in managing its assets. This *"raison d'être"* **"Investing to create sustainable value for the major public challenges of tomorrow"** reflects its ambition to adopt the most proactive standards and aligns with the commitments made by the FRR, in particular as a founding member of the Principles for Responsible

Investment. This *"raison d'être"* has been illustrated throughout 2023, whether in terms of strategy, or financial and non-financial results, validating it.

The strategic allocation in particular has, for the first time, incorporated the impacts of various climate change scenarios into its macroeconomic and financial assumptions. This global environment and reliance upon the usual optimisation processes have resulted in 5% of the non-hedged equities being reallocated to high-yield bonds, whilst maintaining the overall proportion of performance and intermediate risk assets at 70%. This rigorous approach has once again enabled advantage to be taken in 2023 of the significant returns on these assets, which have increased by a total of 112.8% since 2010, compared to only 21.8% for hedging assets.

SANDRINE LEMERY
President of the Supervisory Board

2023 marked a recovery in equity markets in a volatile interest rate environment

After 2022 which was marked by a sharp rise in interest rates, 2023 was characterised by a certain degree of stabilisation in the bond markets and a real recovery in the equity markets.

Advanced economies avoided contraction in 2023, with the United States demonstrating great resilience, Europe avoiding falling into recession, and growth elsewhere in the world remaining solid despite the continuing slowdown in China.

However, significant volatility in the interest rate markets continued throughout the year and dominated the fluctuations of the stock markets, which initially wondered what direction key rates would take before focusing, in the second semester, on the anticipated pace of interest rate cuts by the US Federal Reserve to end on an optimistic note in the fourth quarter.

The year 2023 ended with the FRR's assets more or less stable at 21.2 Bn€, after the annual 2.1 Bn€ payment to CADES, thanks to a market effect of 2 Bn€ driven by the rise in equity and bond indices against a backdrop of falling inflation. This management performance of +9.7% meant that almost all of the pullback in 2022 was erased. After this 13th payment of 2.1 Bn€ to CADES, the FRR has now repaid more than the total amount of its 32 Bn€ in allocations (including refunding the CNIEG balance in 2020) while generating a net value for the public finances of 13 Bn€ since 2010. Indeed, over the period, the annualised performance stands at 3.9% (64% cumulatively) while the cost of the public debt borne by CADES was 1.1% on average per year over the period.

ERIC LOMBARD
President of the Executive Board

This value was acquired simultaneously with the strengthening the portfolio's decarbonization strategy. As a responsible investor, the FRR has further extended the alignment of its portfolio with the Government and European aims of financing ecological and energy transition. The FRR's approach is fully consistent with the public authorities' desire to invest in the sphere of just energy transition which factors in the social dimension of this major shift. In 2023, the FRR further reinforced the responsibility requirements of its investments, in particular under the Net Zero Asset Owner Alliance (NZAOA), of which it became a member in 2019 and which commits it to eliminating net greenhouse gas emissions from its portfolio by 2050. This commitment includes an intermediate step of reducing the FRR's emissions in absolute terms by 20% compared to 2019 by the end of 2025, and then a next step of at least 40% by the end of 2028. The FRR has set out these ambitious targets in recent European small- and mid-cap equity and high-yield US dollar bond mandates.

This approach will continue to be extended as mandates are renewed, in line with the new responsible investment Strategy, particularly for US and Japanese equities management mandates, which help to broaden responsible management requirements across borders. In particular, through the adoption in 2023 of a new responsible investor strategy for the period 2024-2028 focusing on both the energy and ecological transition as well as on social justice and biodiversity, the FRR's Supervisory Board wished to consolidate its leadership by renewing its commitment to sustainable investment. The aim of this strategy is to limit the negative impact on the FRR's assets and is consistent with its financial objectives and risk management.

The FRR's expertise in risk management has also been recognized by the award by AGEFI of the prize for the best initiative in the sphere of risk management. The "Couronnes de l'AGEFI" reward institutional investors for adopting good practices in communication, asset management and various other areas. The jury, made up of independent personalities and chaired by Pierre-Maxime Duminil, underlined the soundness and cogency of the risk management conducted by all of FRR's various departments with the aim of adapting in recent years to the emergent risks (extremes such as Covid, but also linked to the geopolitical environment, the energy crisis and rising interest rates).

The deployment of investments in the French economy has continued and the performance of unlisted assets held up well after an exceptional year in 2022

Financing of small enterprises through private equity continued to grow with 103 M€ in commitments called net of distributions. In total, at the end of 2023, the net value of unlisted assets was 2.9 Bn€ (or 13.7% of the FRR's total assets), of which more than 78% were invested in France: this attests to the FRR's commitment to serving the French economy.

In 2022, unlisted assets outperformed listed assets by more than 600 M€, or 2.5% of the FRR's total portfolio, and held up very well in 2023, with a negative contribution compared to listed assets of only -1%, or +1.5% cumulatively over those two years. In particular, the overall solid performance in 2023 of investments in infrastructure funds linked to the energy and climate transition, following an absolutely exceptional year in 2022, favoured by some very solid divestments such as that from the green gas producer SFP Zeeland with a multiple of more than 5, illustrates the robust overall health of the FRR's unlisted assets portfolio and the soundness of the long-term decisions made by the FRR's governance bodies and teams.

ADRIEN PERRET
Member of the Executive Board

The FRR is delighted to be able to continue its action in support of the pension system and the French economy: the strategic allocation proposed in June 2024 will, for the first time, be based on a long-term timeline extended by the Government beyond 2033.

SALWA BOUSSOUKAYA-NASR
Member of the Executive Board

2023 in figures

21.2

billion euros

Amount of the FRR's assets at 31/12/2023

Changes in the FRR's net assets at 31/12/2023

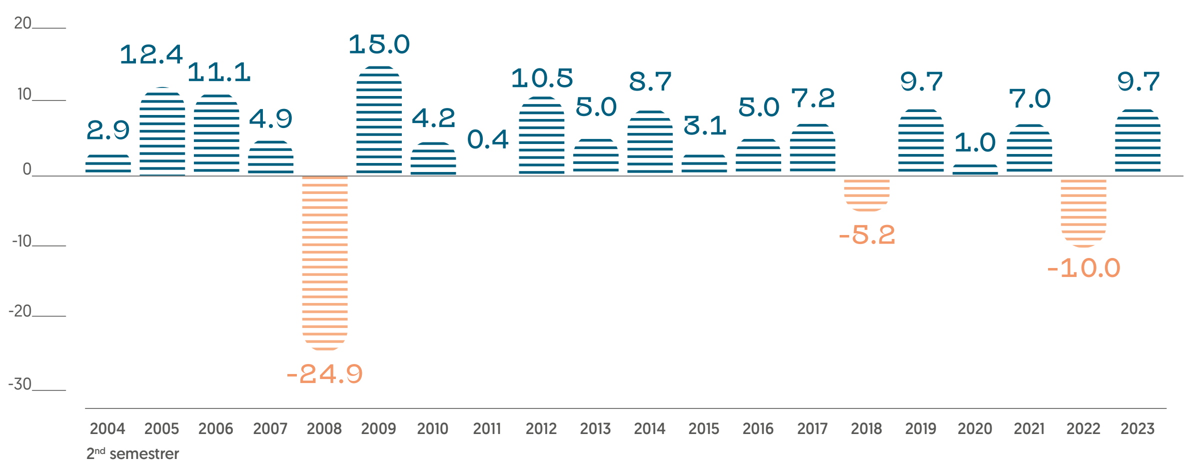
(billions of euros)

9.68%
2023 performance net of expenses

+3.59%
Annualised asset performance since June 2004

+3.88%
Annualised asset performance since December 2010[1]

FRR's net annual performance (%)



1. Since the 2010 pension reforms entered into force, the FRR's financial model has changed significantly:
– the FRR no longer receives any income (1.5 to 2 Bn€ per year up to 2010);
– the FRR pays 2.1 Bn€ each year until 2024 then 1.45 Bn€ from 2025 to 2033 to CADES.

1.

The FRR in its economic environment

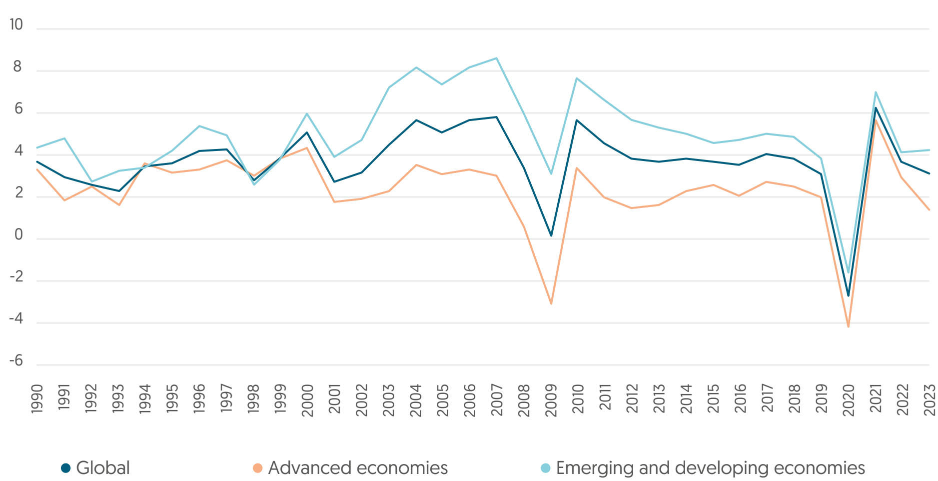
ECONOMIC AND FINANCIAL ASSESSMENT FOR THE YEAR 2023

Economic situation in 2023

In 2023, business resilience went hand in hand with falling inflation, resulting in a more favourable economic environment than anticipated. Indeed, **while global growth has slowed faced with the tightening of monetary policies globally, the dissipation of the major supply chain disruption of 2022 has generated significant support for business** and tempered this slowdown. The post-Covid reopening of the Chinese economy, the normalisation of supply chains and the fall in energy prices have helped to stabilise the manufacturing sector, with a sharp drop in inflation, which has to some extent sustained the robustness of the service sector. Moreover, the solid financial position of the private sector, in particular the excess savings set aside by households during to the Covid-19 crisis, and the overall less constrained fiscal position than in the previous year, were important factors underlying this resilience.

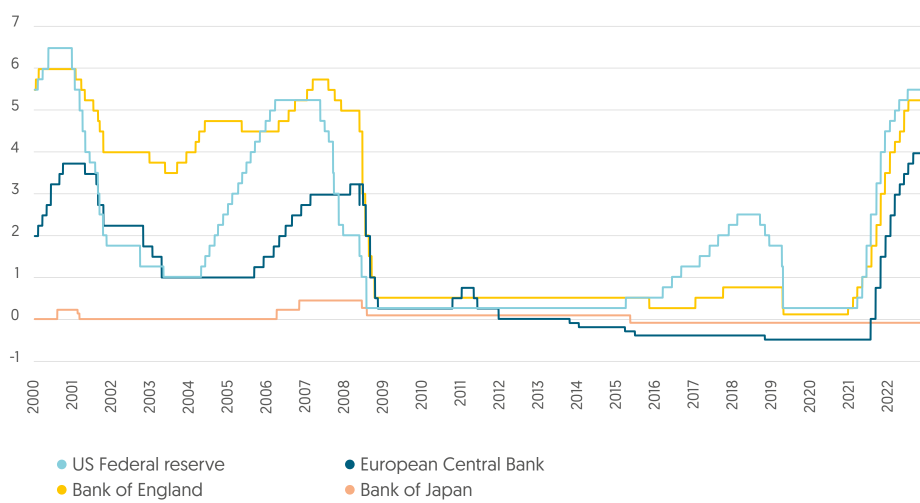
Overall, global growth is expected to slow from +3.4% in 2022 to +2.9% in 2023, according to the IMF's latest estimates, whereas headline inflation is anticipated to fall from +8.7% to +6.9% on an average annual basis (or year-on-year from +8.9% to +6.4% in the 4th quarter). The gap has widened between the advanced economies, which are expected to grow at a modest rate of +1.2% (+2.7% in 2022) and the emerging and developing economies, which are expected to grow at a still dynamic and stable pace of +4.0% (+3.9% in 2022), mainly linked to the recovery of the Chinese economy.

ANNUAL GROWTH IN GDP: GLOBAL, ADVANCED ECONOMIES AND EMERGING AND DEVELOPING ECONOMIES (%) – Source: FMI



In the advanced economies, ongoing tightening of monetary policy to curb inflation that had not seen such levels since the 1980s **resulted in a sharp slowdown in business activity without nevertheless causing a recession** (except in Germany). The disinflation that began in late 2022 also continued, due to the fall in the prices of food and energy raw materials and the significant drop in manufactured goods prices. However, the persistence of core inflation, fuelled by strong wage growth in stretched labour markets, has forced central banks to maintain a restrictive bias. The banking sector stresses that arose in March 2023, combined with the failure of three US banks (*Silicon Valley Bank, Signature Bank, Silvergate Bank*) and the rescue of Credit Suisse in Europe, were contained thanks to the action taken by the authorities. Financial conditions eased rapidly following this stressful episode without central banks having to deviate from their monetary tightening strategy. Between the February and July 2023 Monetary Policy Committee meetings, **the Fed delivered four 25 basis point hikes in the federal funds rate, bringing it to 5.5%. The ECB raised the deposit facility rate six times** (by 50 basis points on two occasions) **bringing it to 4%** by the end of the September monetary policy meeting.

CENTRAL BANK KEY RATES: UNITED STATES, EUROZONE, UNITED KINGDOM, JAPAN (%) – Source: Fed, ECB, BoE and BoJ

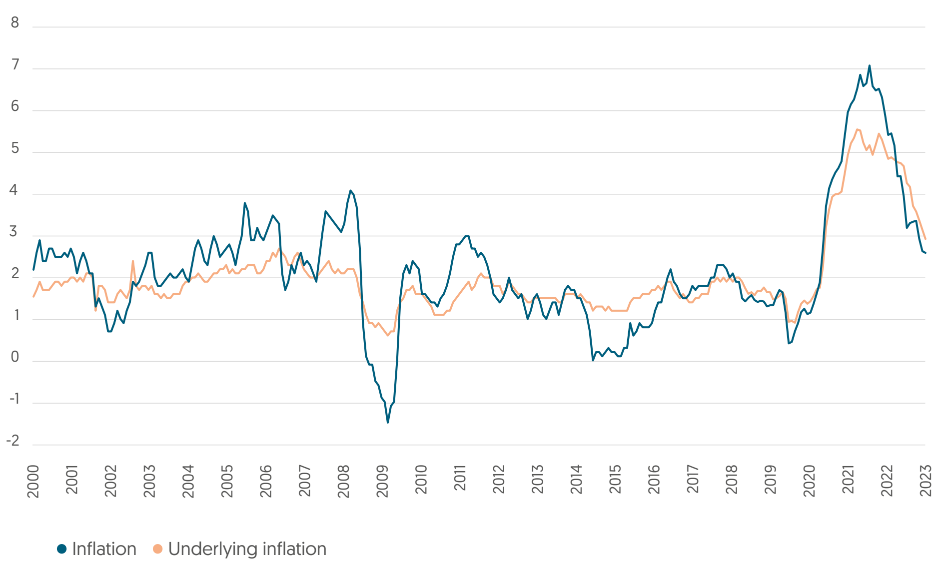


In 2023, in the advanced economies, economic performances have differed between the United States and the Eurozone.

In the **United States,** growth in activity continued to surprise, whereas inflation, although falling, remained well above the Fed's target. **Growth was more resilient than in most other advanced economies and was even better in 2023 than in 2022** [+2.5% following +1.9%], sustained by consumer spending by households which delved into their surplus savings and also benefited from robust jobs and wage growth. Inflation [in the sense of consumption deflator] has fallen sharply since the peak of +7.1% reached in June 2022, settling at below +3.5% year-on-year since June 2023, giving households some respite in terms of purchasing power. Core inflation remained above +4.5% in the 1st semester and then began gradually falling towards +3.0% at the end of the year [+2.9% year-on-year to December].

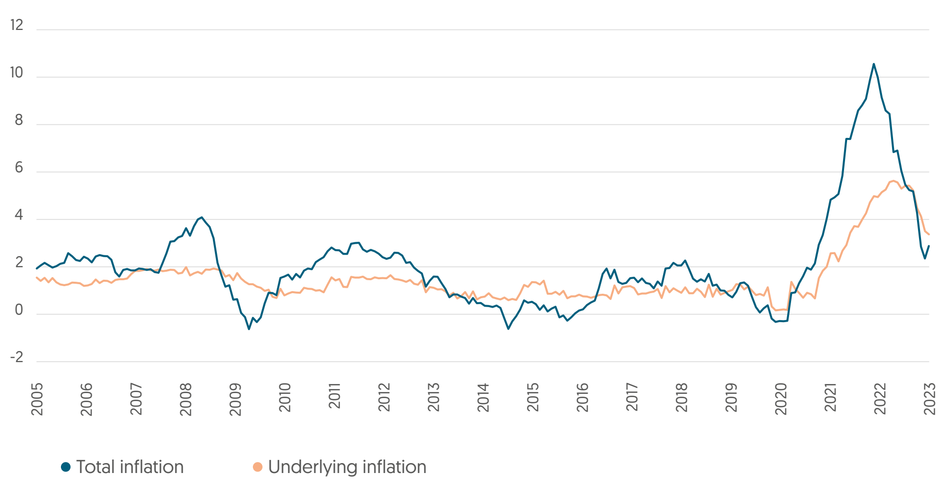
UNITED STATES: ANNUAL CHANGE IN INFLATION RATE [%]

Source: U.S. Bureau of Labor Statistics



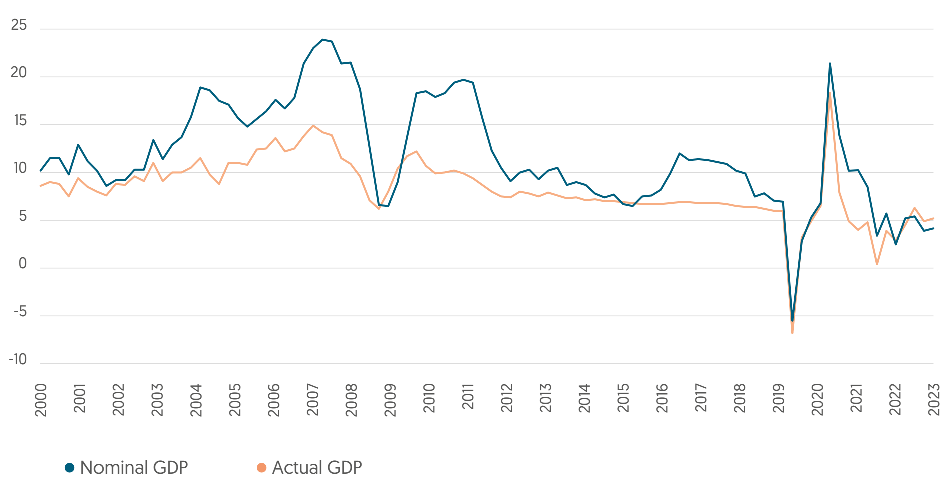
In the Eurozone, GDP slowed sharply, from +3.4% in 2022 to +0.5% in 2023. The inflationary shock dampened spending by households, which decided not to draw on their surplus savings and even continued accumulating savings out of caution. Despite the tightening of lending conditions, investment has held up due in particular to the support offered by the implementation of the national recovery and resilience plans (NRRPs), the easing of supply pressures which has enabled the backlog of capital goods orders to be met, and the sound financial position of businesses sustained by rising profits. Driven by lower energy prices and softening food prices, the consumer price index dropped from +8.6% year-on-year in January 2023 (having peaked at +10.6% in October 2022) to +2.9% in December. Underlying inflation began falling mid-year but remains at a sustained rate of +3.4% in December.

EUROZONE: ANNUAL CHANGE IN INFLATION RATE (%) – Source: Eurostat



In China, **the abandonment of the "zero Covid" policy in late 2022 helped business activity to rebound but the recovery proved volatile and uneven.** Performance in the first half of 2023 was disappointing with a weaker than anticipated uptick in consumer spending, hesitant private investment and persistent challenges in the real estate sector that continued to dampen private sector confidence. The onset of a deflationary outlook, with a significant drop in production prices and almost zero inflation since the 2nd quarter, combined with a sharp increase in the youth unemployment rate (21.3% for 16-24 year-olds from June to November 2023, according to the National Bureau of Statistics), has led the authorities to once again take measures to stabilise the economy (reduction in key rates, easing of home loan conditions, liquidity support for real estate developers, tax reductions for small and medium-sized enterprises, etc.). In October, they made the surprise announcement of a 1 trillion yuan fiscal stimulus intended for reconstruction in disaster zones. Overall, the unambitious target of 5% growth in 2023 (+5.2% after +3.0% in 2022) was achieved despite persistent fragility.

CHINA: ANNUAL GDP GROWTH (%) – Source: National Bureau of Statistics



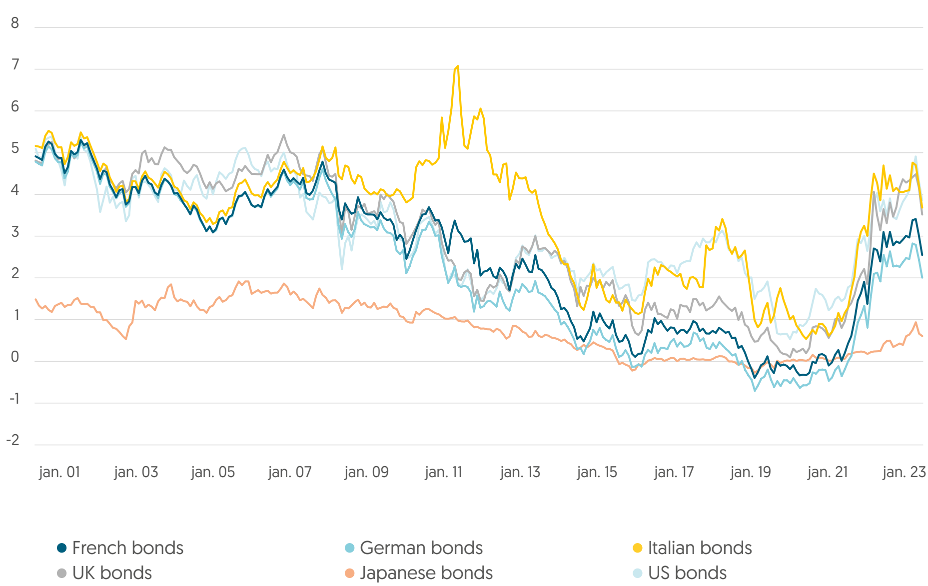
PERFORMANCE OF THE FRR'S ASSET CLASSES

Hedging assets have benefited from falling interest rates late in the year

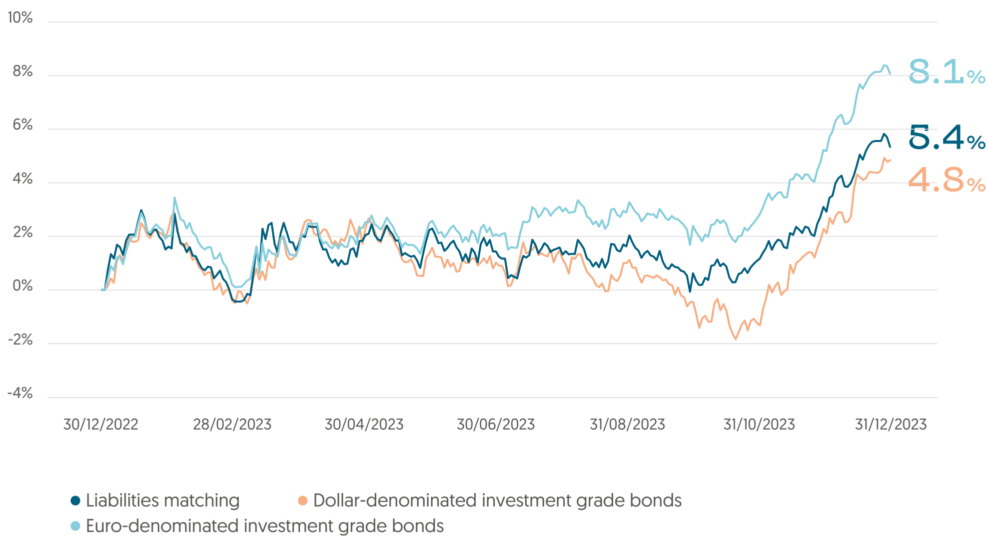
The trend in 10-year sovereign bond rates in 2023 has been varied. In Japan, thanks to an economy less impacted by high inflation, the BOJ managed to maintain an accommodatory position, despite a slight tightening at year-end. As a result, rates changed very little in 2023 (from 0.4% to 0.6%). Conversely, in the United States, 10-year rates initially rose significantly under the impetus of high inflation and the monetary tightening imposed by the Fed (peaking at 5%), before falling significantly in the last quarter. They returned to 3.9% at the end of 2023, as at the end of 2022. Finally, in the Eurozone, despite the ECB's restrictive measures, 10-year rates rose only slightly during the year before falling in the last quarter due to fears of potentially resilient inflation lifting. Thus, these rates have fallen from 3.1% to 2.6% in France, and from 2.6% to 2% in Germany.

The slightly downward trend in Eurozone sovereign rates has benefited to a greater extent euro-denominated investment grade corporate bonds and risk premiums have fallen comparably on both sides of the Atlantic (from 1.7% to 1.4% for euro-denominated investment grade corporate bonds and from 1.3% to 1% for those in US dollars). As a result, these asset classes posted increases of 8.1% and 4.8% respectively over the year.

10-YEAR INTEREST RATES ON SOVEREIGN BONDS SINCE 2000 (%)



PERFORMANCE OF HEDGING ASSETS IN 2023 – 29/12/2023



Note: these performances are 100% hedged for currency risk

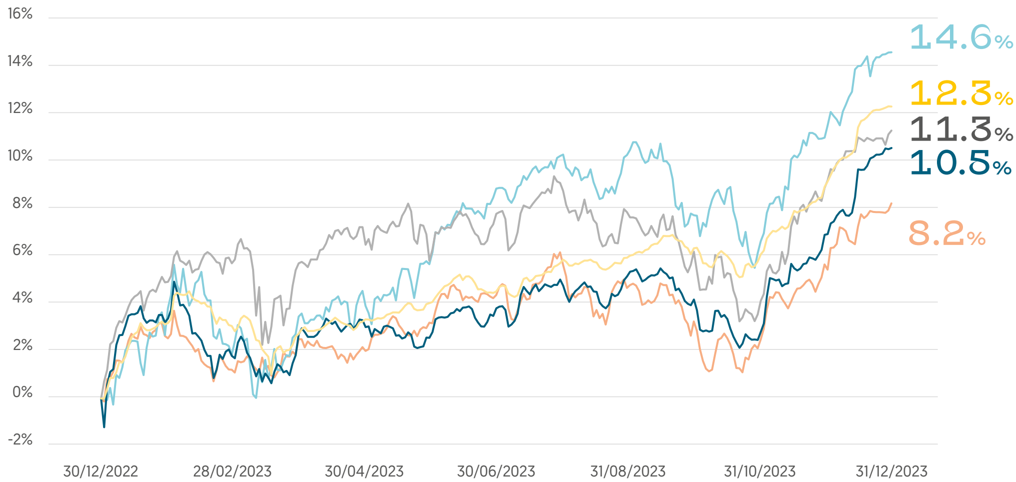
Similar position for intermediate-risk bond assets

The performance of intermediate risk assets (emerging market and high-yield corporate bonds) was also strong in 2023. Like investment grade bonds, risk premiums dropped (from 4.9% to 3.8% for issues in euros and 4.7% to 3.2% for US dollar issues). The stronger performance by euro issues in 2023 is therefore due to the fall in Eurozone interest rates.

Emerging market local currency and US dollar-denominated bonds also progressed in 2023 thanks to the favourable impact of the fall in US sovereign rates at the end of the year. US dollar-denominated bond risk premiums fell, from 3.7% to 3.2%, similarly to the yield on local currency issues, from 6.9% to 6.2%. Emerging market currencies had a negative significant impact on the annual performance of the asset class, although fairly modest at around -1%.

With the equities markets witnessing two phases of significant gains in January and November/December, **US and European option-hedged equities** underperformed non-hedged equities. Indeed, by hedging equities in 2023, their performance was reduced by around 8%. Naturally, such hedging should enhance the performance of equities during a downturn. For intermediate risk assets, the performance of hedged equities remains very attractive in 2023, being similar to that of high-yield corporate bonds.

PERFORMANCE OF INTERMEDIATE RISK ASSETS IN 2023



- US dollar high-yield bonds
- Euro high-yield bonds
- US option-hedged equities
- Emerging market debt (mixed)
- Eurozone option-hedged equities

Note: these performances are 90% hedged for currency risk

Equities have made up for their 2022 losses in developed countries

Finally, equities rose at a very strong pace in 2023, although at differing rates depending on the region. Japanese equities performed best, with a remarkable performance of 30.3%, compared to almost 22.9% for US equities, 19.2% for Eurozone equities, and only 6.1% for emerging market equities.

Comprising many exporting companies, Japanese equities benefited from the continued depreciation of the Yen, from 140.4 Yen/Euro at the end of 2022 to 155.7 Yen/Euro at the end of 2023. This phenomenon has persisted thanks to the accommodatory position adopted by Japan's central bank. Moreover, overseas investment was attracted by Warren Buffett's remarks and the introduction of regulations aimed at improving the governance, profitability and valuation of Japanese enterprises.

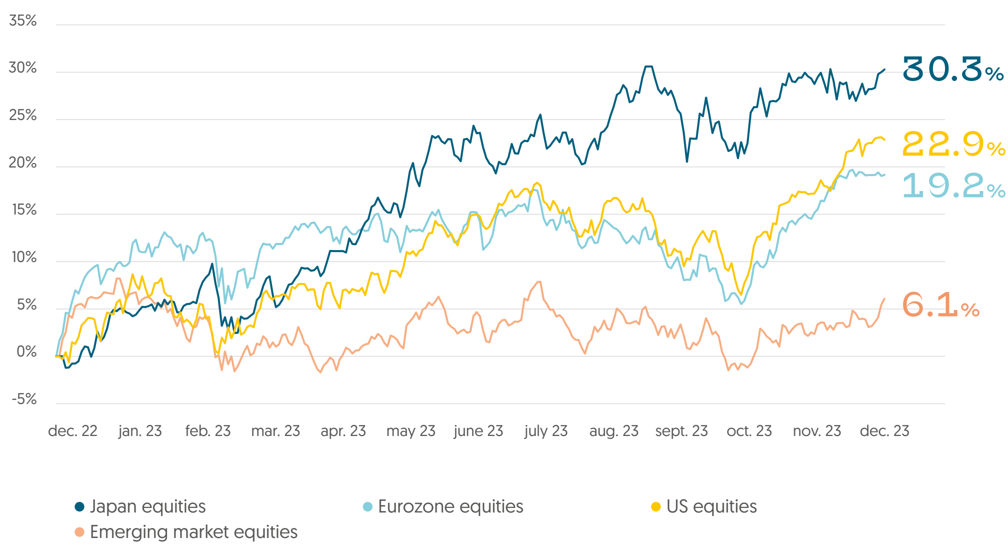
In the United States, the tightening of monetary policy and the significant rise in long-term rates initially dampened the returns on equities, and contributed to the failures of a number of regional banks. Nevertheless, interest rates fell in the second half of the year due to lower inflation, in a still resilient economy. In addition, the asset class was sustained by the returns on the magnificent 7[2] which were boosted by the enthusiasm for artificial intelligence and which posted excellent results. As a result, the overall market performance reached +22.9% in 2023.

2. Meta (+194%), Microsoft (+58%), Amazon (+81%), Apple (+49%), Alphabet (+58%), Nvidia (+239%) and Tesla (+102%)

In the Eurozone, equities also benefited from falling inflation and an economy that avoided recession. Corporate results were positive in an environment of weak growth and a more restrictive monetary policy. Conversely, the fragility of the banking sector has had more of an impact on this geographical zone, and there have been fewer drivers of performance in the technology sector. The performance of the asset class was nevertheless significant (+19.2%).

The trend in Chinese assets is the principal explanation for the declining performance of emerging market equities. In China, the impact of the slowdown in global trade and the weakness of the real estate sector have not triggered any real shift in monetary or fiscal policy. Economic activity has therefore slowed and the outlook in terms of results has deteriorated, which explains the recorded performance of 6.1%.

PERFORMANCE OF EQUITIES MARKETS IN 2023



Note: these performances are 90% hedged for currency risk

US equities buoyed by the “magnificent seven”

For 2023, the S&P 500 posted a performance of 24.2% (26.3% with dividends reinvested), which compensated for the drop of 19.44% (-18.11%) in 2022. Overall, the S&P 500 Index closed 0.56% from its 3 January 2022 high and up 40.86% from the pre-COVID-19 peak (19 February 2020).

However, the sources of this performance differ greatly from those of 2022.

In 2023, the information technology and communication services sectors were the big winners, rising by 56.39% and 54.36% respectively.

These gains follow on from the losses of 28.91% and 40.42% witnessed in 2022. Energy fell by 4.80% in 2023, but had been the only sector to rise in 2022 (with a gain of 59.05%). Utilities posted the worst performance in 2023, down 10.20%, and, following the 1.44% fall in 2022, have lost 11.49% over the past two years.

Overall at the sectoral level, eight sectors grew in 2023, compared to only one in 2022, and three have grown over the past two years.

As for the so-called “Magnificent Seven” stocks (Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia, and Tesla), these performed well in 2023 with an average total gain of 104.7%, accounting for 48% of the S&P 500’s total return of 26.3% (excluding this group, the index’s return was 9.94% for the full year).

This gain made up for last year during which all equities fell (by -45.31% on average), with only Amazon and Tesla still in the red measured against the end of 2021.

The year 2023 ended with a nine week streak of increases, of +15.85% (the last time being in January 1994, with an increase of 10.26%).

JAPANESE EQUITIES RETURN TO ALL-TIME HIGHS AFTER MORE THAN 30 YEARS

Japanese equities had an exceptional year with an increase of more than 30% achieving their highest levels in more than 30 years.

The Federal Reserve has fueled this optimism by slowing down its tightening of interest rates. In the second quarter, **the Nikkei 225 reached its highest level since 1990,** attracting funds from international investors. The prospect of increased investor pressure on corporate governance and the potential for value creation for shareholders in Japanese companies has also helped to revive investor interest.

The market alternated between value and growth stocks, **with value sytle markedly outperforming** over the year as a whole.

The FRR's asset position has therefore appreciated in 2023 generating an additional value of 1.7 Bn€ for the State

The overall performance of the portfolio's hedging assets was 6.4% whereas performance assets achieved 13.3%. Given this performance, the **FRR's assets grew by +9.7% in 2023** to 21.2 Bn€, more or less stable despite the annual payment of 2.1 Bn€ to CADES.

Since the end of 2010, performance assets (non-hedged equities) and intermediate risk assets have increased by 112.8% overall, whereas hedging assets have increased by 21.8%. The annualised performance of the portfolio, since 1st January 2011, therefore stands at +3.9% net of all expenses, a level well above the cost of the public debt borne by CADES of 1.1% over the period, **helping generate a cumulative net value for the public finances of 13 Bn€** (an increase of 1.7 Bn€ compared to the end of 2022).

Value creation represents the difference between the increase in the FRR's assets (adjusted for contributions and payouts since the end of 2010) and the average rate of French debt upon issue (taking into account the CADES financing premium).

FRR VALUE CREATION COMPARED TO AN INVESTMENT AT THE COST OF FRENCH DEBT (IN BN€)

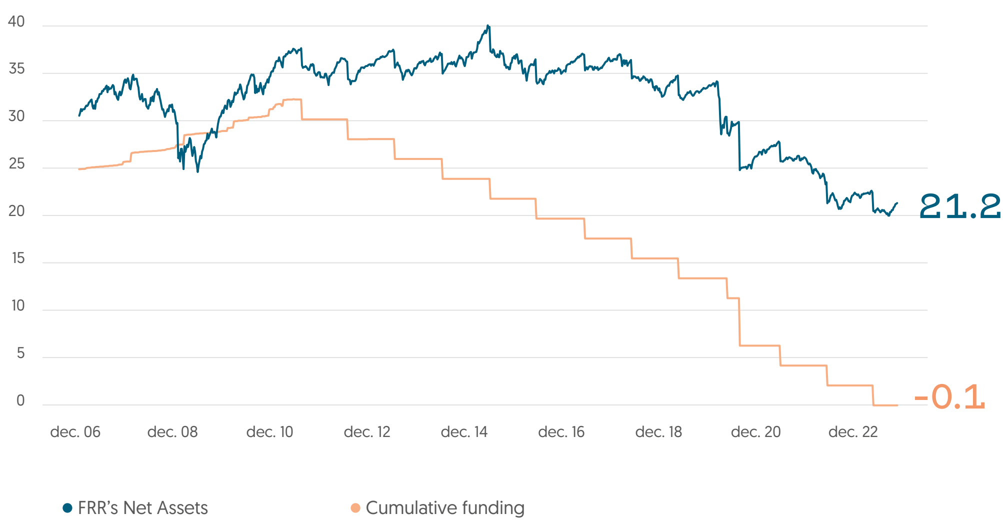
Since the end of 2010, the FRR's liabilities have comprised 14 annual payments of 2.1 Bn€, from 2011 to 2024. However, following the health crisis, the FRR's financial situation was altered in 2020 by a request for immediate payment of the CNIEG balance (approximately 5 Bn€) and by the addition of 9 annual payments of 1.45 Bn€ to the FRR's liabilities from 2025 to 2033. This automatically increased liabilities by more than 13 Bn€ in 2020 resulting in a sharp decrease in the Liabilities Coverage Margin (Assets – Liabilities) to 3 Bn€.

However, from mid-2020 to the end of 2023, it gradually recovered thanks to the rise in equities and intermediate risk assets. By year-end, **it had reached 7.7 Bn€, an increase of 1.3 Bn€ in 2023.**

The FRR has now repaid all amounts allocated to it (around 32 Bn€), and still retains 21.2 Bn€ in assets under management from the proceeds of its investments alone.

LIABILITIES COVERAGE MARGIN (IN BN€)

CHANGES IN THE FRR'S NET ASSETS AT 29/12/2023 (IN BN€)



2

A diversified portfolio to control risk

A DIVERSIFIED PORTFOLIO FOCUSED ON THE LONG TERM

A refined and robust asset allocation process

Asset allocation analysis is the responsibility of the Asset Allocation Department, which presents its research to the Executive Board forming the basis of its recommendations made to the Supervisory Board.

The long-term strategic allocation is reviewed annually after consultation with the various parties forming, and validation by, the Supervisory Board. The research is based primarily on two long-term macroeconomic scenarios: a reference near-to-consensus scenario, and a downgraded scenario. Forecasts ultimately include GDP growth, the unemployment rate, underlying and total inflation and equity earnings growth, both in France and the United States. Each scenario includes a margin for uncertainty. Finally, since 2022, climate scenarios are combined with each of the macro-economic scenarios.

Focus on the climate scenarios adopted by the FRR

The conceptual framework designed by the NGFS[3] for analysing climate scenarios has established itself as a common reference for financial institutions around the world. For the past two years, the FRR has relied on this framework to factor in the impacts of transition and climate change when developing its strategic allocation.

Referring to certain characteristics of the mitigation and adaptation trajectories assessed by the Intergovernmental Panel on Climate Change (IPCC), the NGFS representative scenarios combine, in various ways, transition risk (arising from climate policies and technological developments) and physical risk (related to the damage caused by climate change) to form "plausible" representations of the future climate.

Phase IV of NGFS's work, published in November 2023, introduces a number of changes to the narrative of these scenarios. Two new scenarios are described: an adverse climate impact scenario, *"Fragmented World"*, where delayed and divergent policies due to the lack of international cooperation lead to a temperature increase in excess of 2°C by the close of the century; and an orderly transition scenario, *"Low Demand"*, where a significant change in behaviour towards greater energy sobriety limits global warming to 1.5°C. The two "towards a warmer world" scenarios presented in the previous NGFS version, and characterising a status quo (*"Nationally Determined Contributions"* scenario) or failure to transition (*"Current Policies"* scenario), are renewed. Besides the *"Low Demand"* scenario, the three other scenarios contemplating compliance with the commitments of the Paris Agreement still characterize various transition situations: "orderly" thanks to ambitious, anticipatory and progressively strengthened policies (*"Net Zero 2050"* and *"Below 2°C"* scenarios) or "disorderly" due to policies introduced late (*"Delayed transition"* scenario). The *"Divergent Net Zero"* scenario, which assumed the introduction of policies differently across sectors, has been abandoned.

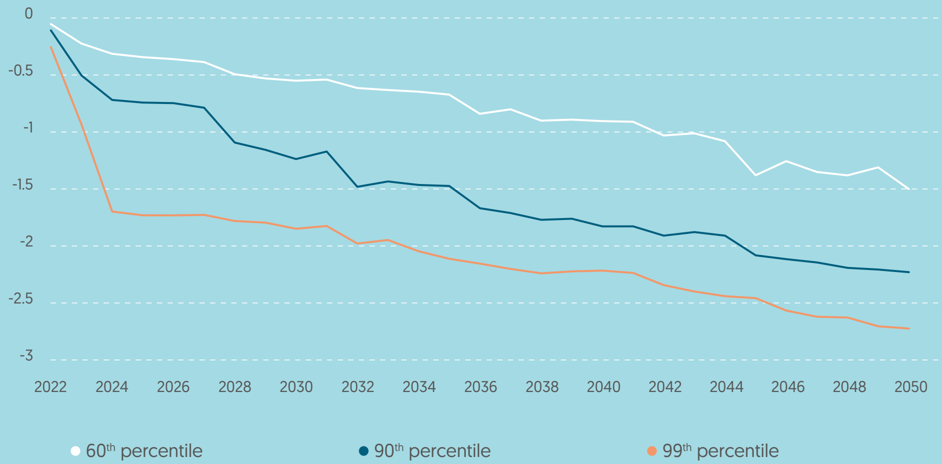
Phase IV of NGFS's work also makes improvements in the modelling of chronic and acute physical risks that **exacerbate the impact of climate loss and damage** in representative scenarios. Indeed, under the *"Current Policies"* scenario, the estimated cumulative global GDP loss by 2050, linked entirely to the increase in physical risks, has increased from 8% in the previous version to 14% in phase IV.

Acute physical risk in particular is a significant source of risk, both in the short and long term. It is introduced based on a calculation of the potential damage caused by four types of extreme weather events: cyclone, flood, drought and heat wave. The impacts on GDP by 2050 of such damage are estimated using the NiGEM global macro-econometric model and are published for the *"Current Policies"*, *"Net Zero 2050"* and *"Delayed Transition"* scenarios[4]. The effects on inflation are not available at present.

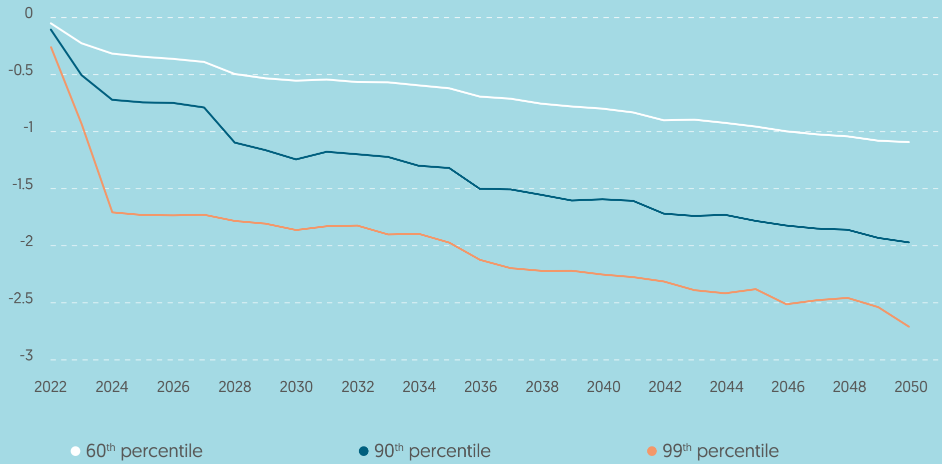
The estimated impacts of acute physical risk under the *"Net Zero 2050"* and *"Delayed Transition"* scenarios only really diverge from 2030 onwards and present a great margin of uncertainty. By 2050, the 90th percentile estimate suggests that the U.S. would suffer a physical risk-related GDP loss of between 2% and 2.2% depending on the type of transition. For France, the estimate is 2.6% in the *"Net Zero 2050"* scenario and 3.5% in the *"Delayed Transition"* scenario. **This greater impact can be explained by the fact that by 2050, Europe would suffer the acute impacts of heat waves to a greater extent than North America.** In the context of the FRR's strategic allocation, factoring these risks into the climate issues tends to distort the long-term economic scenarios even further.

3. The central banks' Network for Greening of the Financial System.
4. National Institute Global Econometric Model.

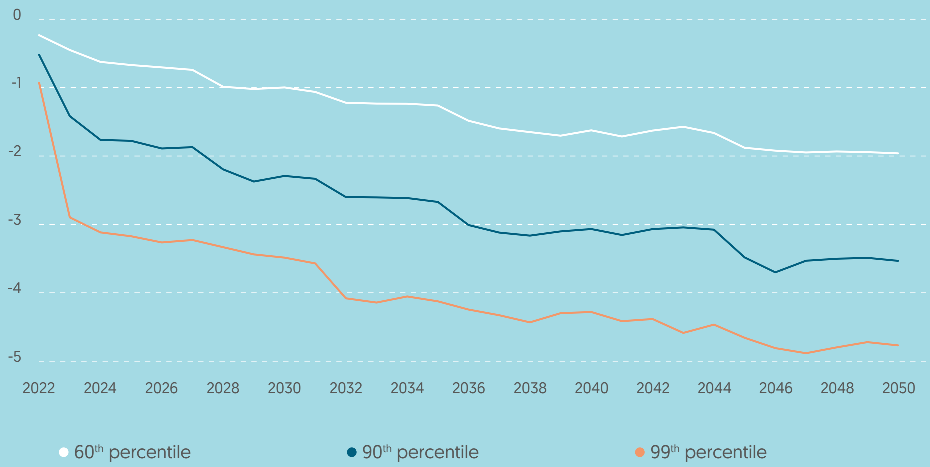
UNITED STATES: 60TH-99TH PERCENTILE INTERVALS OF THE ESTIMATED IMPACT OF ACUTE PHYSICAL RISKS UNDER THE DELAYED TRANSITION SCENARIO – Source: NGFS



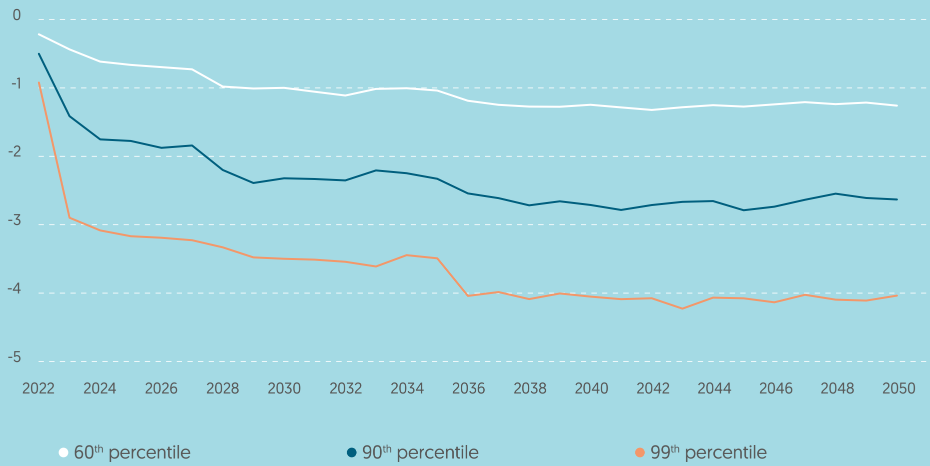
UNITED STATES: 60TH-99TH PERCENTILE INTERVALS OF THE ESTIMATED IMPACT OF ACUTE PHYSICAL RISKS UNDER THE NET ZERO 2050 SCENARIO – Source: NGFS



FRANCE: 60TH-99TH PERCENTILE INTERVALS OF THE ESTIMATED IMPACT OF ACUTE PHYSICAL RISKS UNDER THE DELAYED TRANSITION SCENARIO – Source: NGFS



FRANCE: 60TH-99TH PERCENTILE INTERVALS OF THE ESTIMATED IMPACT OF ACUTE PHYSICAL RISKS UNDER THE NET ZERO 2050 SCENARIO – Source: NGFS

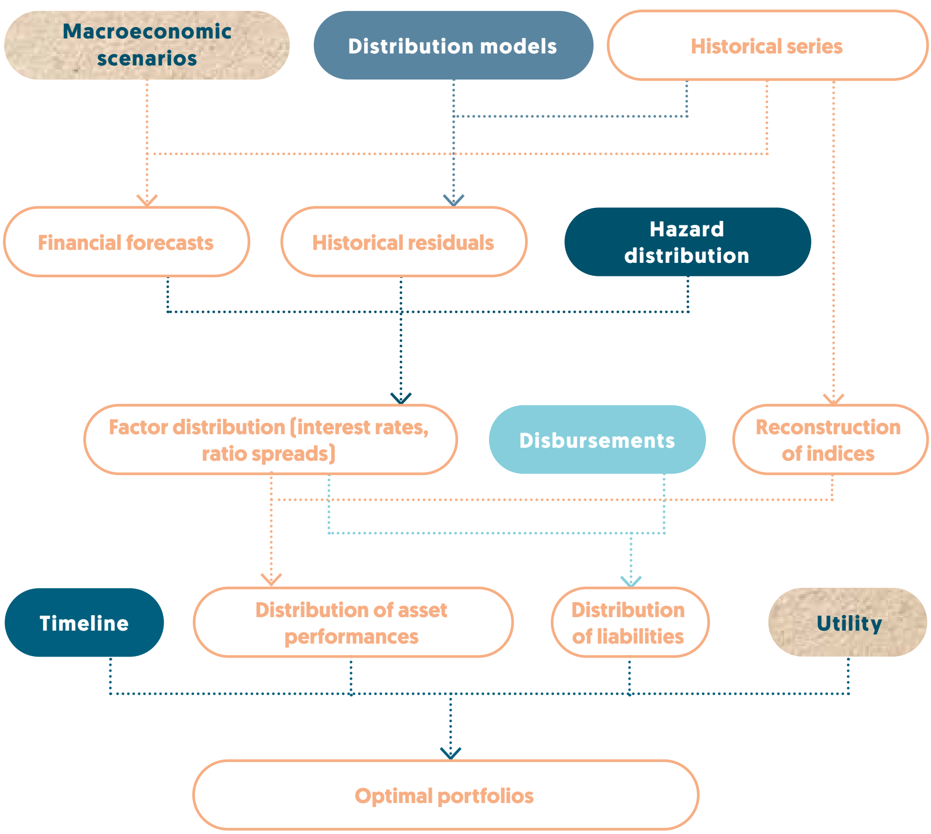


The economic forecasts for the two scenarios are then translated into average effects on the main market variables:

- short-term interest rates and long-term interest rates in France and the United States,
- risk premiums and default rates on the various bonds assets,
- equity valuations and dividend growth.

These average effects are then distributed according to several possible trajectories of the various factors by modeling the hazards[5], determined with reference to both historical distributions and deterministic choices. This is then used to simulate different possible market variable trends, depending on whether the situation that materializes is more or less favorable compared to the anticipated average.

Factor distributions are used to obtain asset class performance distributions. Combined with the FRR's financial position (assets and liabilities, timeline) and its utility (management objectives and risk aversion), they will produce the optimal portfolios for presentation to the Executive Board and recommendation to the Supervisory Board.



The coloured boxes represent "Input Assumptions"

5. The models used include the Diebold-Li interest rates model (based on the Nelson Siegel factors of interest rate level, slope and curvature), the Black-Karasinski risk premiums model and the Campbell-Shiller equities model.

These optimum portfolios are split between the FRR's various asset classes, forming three groups[6]:

- Hedging assets, highly correlated with liabilities, with low expectation of performance and risk level (Government bonds including mainly liabilities-matching OAT, liquid assets, investment grade corporate bonds denominated in euros and dollars);
- Non-hedged developed and emerging market equities, with a high expectation of performance and risk level;
- Intermediate risk assets (high-yield corporate bonds, emerging market bonds, option-hedged developed market equities), presenting an expectation of performance and intermediate risk level between those of hedging assets and non-hedged equities.

Optimal strategic allocations enable the FRR to achieve its objectives:

- meeting its payment obligations to CADES: 2.1 Bn€ per year from 2022 to 2024, then 1.45 Bn€ from 2025 to 2033. Satisfying this duty involves a very low probability, over the long-term, of insufficient funds.
- achieving a worthwhile return and in particular greater than the cost of French national debt. The significant proportion of non-hedged equities and intermediate risk assets (around 70% in total for these two categories) satisfies this ambition.

The FRR superimposes tactical positions on its strategic allocation, decided by the Executive Board based upon macroeconomic and market forecasts. These tactical choices are intended ex-ante to optimise positioning in the economic cycle over a timeline of 3 months to 1-2 years, and to manage portfolio risk, with the aim, for example, of protecting the gains accumulated during periods of high volatility.

HIGHLY DIVERSIFIED ALLOCATION IMPLEMENTATION

The FRR's portfolio comprises both management mandates for index replication (against smart beta indices aiming, over the medium/long term, to outperform the standard capitalisation-weighted indices) and active management mandates which seek consistent relative outperformance.

A number of asset classes (emerging market debt, emerging market equities, unlisted assets and monetary management) are invested in via mostly actively managed OPC (UCI).

Two specific transversal or "Overlay" management mandates are used to hedge the FRR's foreign exchange risk and, via investments in simple derivatives (stock or bond index futures traded on a regulated market), to adjust the allocation without intervening in the management of the securities portfolios or putting in place option hedging strategies on regulated markets.

The aim of this management mandate "core-satellite" approach is to guarantee exposure to the main markets, at the lowest possible cost, with selection risk focused primarily on active strategies deemed best positioned to reward it. At the end of 2023, around 63% of the FRR's total net assets and 72% of its equity investments are actively managed.

INDEX SELECTION

All indices are selected through a competitive tender in line with the Asset Allocation Department's recommendations.

A significant proportion of the investments made in developed marked equities are through index management, aimed in particular at alignment with the Paris Agreement and improving the portfolio's ESG quality.

6. The FRR's unlisted assets are a hybrid of these three groups.

Unlike passive equities management, all indices are non-capitalisation weighted "smart beta" type indices. Their goal, in the medium to long term, is to outperform the standard capitalisation-weighted indices.

The FRR's other investments are implemented through active management. The selected managers are required to outperform the benchmark indices over the medium/long term. Nowadays, these are all capitalisation weighted and selected by the department depending on their method of construction, representativity among managers or cost to the FRR.

RIGOROUS SELECTION OF MANAGEMENT COMPANIES

The FRR then implements the allocation decisions by allocating the appropriate amounts to the various selected managers.

The FRR's investments are made entirely through investment service providers, with the exception of day-to-day cash management. "Portfolio" investments comprise management mandates, awarded by request-for-proposal process, or OPC (UCI) chosen after a rigorous selection procedure. Service providers are selected by the Delegated Management and Responsible Investment Department, for the purpose of implementing the adopted asset allocation, overseeing and reporting on the investments, defining and implementing ESG policy and, finally, managing the FRR's treasury. For the purpose of selecting the best proposals, analysis is regularly conducted on performance drivers and their replicability, and on portfolio risk indicators. It is based on sophisticated internal financial and non-financial reports.

The analyses are then submitted for the opinion of the Manager Selection Committee, composed of independent experts from outside the FRR, and chaired by a member of the Executive Board.

The selection procedure comprises four major phases whose aim is to **identify the best proposals:**

1. Defining the investment framework: this process culminates in a launch memorandum that defines the terms of the request-for-proposals in line with the investment framework defined by the strategic allocation.
2. Selection of applications: based mainly on quantitative elements, a ranking of the best applications is established for the purpose of inviting a limited number of applicants to take part in the proposal phase.
3. Selection of proposals: based mainly on qualitative elements, the proposals submitted are analysed and ranked with a view to inviting a limited number of applicants to take part in the on-site due diligence phase.
4. On-site due diligence: the FRR's teams examine in detail the elements of the management proposal, the legal structure, the operational aspects and risk control to finalise selection of the asset management providers.

Following each request-for-proposals, the FRR meets with **the companies whose proposals were not selected** to apprise them of the strengths of their applications and the weaknesses in absolute terms or compared to other bidders or having regard to the FRR's expectations, to enable them, should they consider it appropriate, to **take improvement action.**

INTEGRATING ESG INTO THE REQUEST-FOR-PROPOSAL PROCESS

For all manager selections via requests-for-proposals (RFP), ESG matters have become an increasingly important part of the provider selection criteria in various aspects.

a) Within the various selection stages:

As part of the RFP manager selection process, the three phases of analysis now include increasingly significant ESG-related aspects:

- during the application stage, to assess a number of quantitative criteria related to the extent to which management companies have covered ESG aspects;
- in the proposals stage, to deepen the analysis of the resources implemented as well as the process for incorporating ESG aspects, including portfolio decarbonisation, into management decisions;
- finally, the on-site visit stage to assess the involvement of the dedicated teams in factoring in ESG criteria, the capabilities and methodologies for analysing these aspects and measuring their incorporation within the management process.

b) Through responsible active management:

For all of its active management mandates, the FRR requires "responsible active management". This is defined as the factoring-in by asset managers of ESG aspects into the analysis and management process whilst also integrating the FRR's exclusions (banned weapons, tobacco and coal), voting and engagement policies and, in particular, its decarbonisation objectives as detailed below.

Managers must therefore demonstrate, in particular through the structuring of their analysis, integration of the management teams and processes put in place:

- consideration of non-financial criteria in the investment assessment process (ESG scores and controversies in particular);
- consideration of CO_2eq emissions, alignment of portfolios with a 1.5°C trajectory, the green energy and transition (gas and nuclear) share, physical and transition risks and biodiversity;
- dialogue with companies held in the portfolio.

They must also produce both quantitative and qualitative reports on the actions taken and the progress made in this area.

More broadly, managers must favour companies whose strategy is in line with the Paris Agreement.

Managers must therefore twice a year, on 30 June and 31 December of each year, provide the FRR with the GHG emissions level of the portfolio (and the benchmark) in order to monitor the trajectory followed.

HIGH-LEVEL REPORTING REQUIREMENTS

Reporting is used to measure the level of achievement of targets and to assess the possible corrective measures. For the purpose of monitoring portfolios invested in different asset classes and different geographical zones, the FRR has since 2020 required qualitative reports focused on ESG aspects, which must include at least the following elements:

- Reporting on the commitments made by the manager in terms of socially responsible investment indicating on what Environmental, Social and Good Governance (ESG) aspects it focuses its attention within the investment universe; how it takes these non-financial aspects into account in its company research and analysis, and whether they are considered to have an impact on stock selection or portfolio construction; how the commitments made under the management mandates are followed-up, including in terms of resources and organisation (team development, technical resources...).
- Qualitative reporting highlighting in particular investments in the eco-technologies sector ("clean technology") or those contributing to energy transition, dialogue or engagement with issuers on non-financial aspects, participation in think tanks or international initiatives relating to ESG, carbon, energy transition, etc..
- Reporting on the ESG ratings of companies in the portfolio with summary information on the ESG ratings attributed by non-financial research analysts, external or internal, for each security under the management mandates.
- Quantitative reporting on standard indicators for the purpose of comparing mandates against each other.
- Reporting confirming compliance with the FRR's exclusions policy.
- Regular reporting on the exercise by the various managers of voting rights must be performed in compliance with the "Voting Guidelines" published by the FRR on its website.

For all new mandates, additional reporting elements, both quantitative and qualitative, covering the actions implemented on ESG matters are now required. Over and above these elements, other aspects are likely to be incorporated into ESG reporting as the market evolves and are discussed regularly between the Manager and the FRR.

Asset management requests-for-proposals in 2023

The year 2023 saw the launch and finalisation of several important requests for proposals to manage the FRR's funds. All mandates are **responsible management mandates with objectives consistent with the Paris Agreement.**

FINALISED

In January 2023, the FRR finalised an open request-for-proposals to select managers specialist in **managing US dollar high-yield corporate bonds** for an indicative amount of 1.5 Bn€ benchmarked against the "ICE BofA US High Yield Constrained Index". Analysis had indeed been conducted to confirm the FRR's ability to invest the high-yield compartment via mandates and not via open-end funds as was previously the case.

In November 2023, the FRR finalised the manager selection for **responsible active management European small and mid-cap equities** mandates for an indicative amount of 450 M€ benchmarked against the MSCI Europe Small Caps Net NR index within the limit of an authorised ex-ante (tracking-error) asset risk budget of 10% per year.

LAUNCHES

In March 2023, a new request-for-proposals for a **responsible active management French small and mid-cap equities mandate,** with the objective of outperforming the benchmark index "MSCI France Small Caps Net NR", was launched for an indicative amount of 350 M€ on average over the duration of the mandate. Final selection took place in March 2024.

Operations continued in June 2023 with the launch of a new restricted request-for-proposals, firstly **for responsible active management US large and mid-cap equities** for 450 M€ and, secondly, **responsible active management US small cap equities** for 200 M€. These different modes of intervention in the US equities market will provide a decent level of market approach diversification, offer potential alpha and guarantee the proper ability to react to varying market configurations. For this RFP, the final manager selection took place in June 2024.

THE FRR'S STRUCTURING MANAGEMENT DECISIONS IN 2023

The FRR's structuring management decisions in 2023 resulted in the following changes to the portfolio between the end of 2022 and the end of 2023.

CHANGES TO THE FRR'S PORTFOLIO FROM 2022 TO 2023

	End of 2022	End of 2023
European equities	9.70%	10.6%
Non-European developed market equities	6.3%	8.3%
Emerging market equities	4.5%	5.2%
Unlisted assets, share of non-hedged equities	6.65%	7.45%
Non-hedged equities	**27.15%**	**31.55%**
Developed market option-hedged equities	19.7%	9.4%
High yield corporate bonds in euros	7.6%	10.6%
High yield corporate bonds in dollars	2.8%	8.1%
Emerging market bonds	6.8%	7.5%
Unlisted assets, share of intermediate risk assets	3.55%	3.1%
Intermediate risk assets	**40.45%**	**38.70%**
Investment grade corporate bonds in euros	13.3%	10.8%
Investment grade corporate bonds in dollars	7.1%	6.8%
Liabilities matching	9.2%	8.4%
Liquid assets	-0.5%	0.5%
Unlisted assets, share of hedging assets	3.3%	3.25%
Hedging assets	**32.4%**	**29.75%**

STRATEGIC ALLOCATION 2023

The strategic allocation adopted in June 2023 has maintained a heavy proportion of assets with high performance expectations such as equities and high-yield corporate bonds, the outlook for which is still perceived as attractive in the long term. In order to crystallise part of the gains captured from October 2022 to June 2023, the proportion of non-hedged equities fell by 5 points, in favour of high-yield corporate bonds. The weight of the latter in the portfolio even increased by 8 points, due also to the launch of the US dollar high-yield corporate bond mandates, which enabled the implementation of the 2022 strategic allocation to be finalised.

TACTICAL MANAGEMENT

The most important flexible management shift was the unhedging of Eurozone equities to the tune of around 2.2 Bn€ decided in mid-March, which remained considerable in late 2022 due to the FRR's caution at that time surrounding the outlook for inflation and growth. This move was extremely beneficial, as Eurozone equities gained around 11% by the end of 2023. As a result, the proportion of hedged equities fell by 10 points between the end of 2022 and the end of 2023.

3

Responsibility at the heart of the FRR's asset management

SUSTAINABILITY POLICY

The FRR's SRI strategy was reviewed in 2023

Factoring sustainability criteria into its management decisions is in the FRR's DNA. Indeed, since 2001, the FRR's constitutional documents state that *"The Executive Board regularly reports to the Supervisory Board and describes how the general investment policy guidelines have factored in social, environmental and ethical considerations"*. The Supervisory Board demands from the FRR a strong commitment towards responsible investment: as a public investor, and inter-generational vector of solidarity, the FRR must set the example by factoring Environmental, Social and Governance (ESG) considerations into its management process.

This preoccupation is reflected through multi-year SRI strategies characterised by growing ambitions in terms of responsibility and a desire to advance and support the operators in its ecosystem (asset management companies, businesses, index providers, non-financial analysis providers), and the desire to exert influence over the businesses in which the FRR invests through numerous engagement initiatives and adopting voting guidelines for shareholders' general meetings.

These strategies, bringing together the general principles, concrete objectives, stages and resources, are designed by the Executive Board and approved by the Supervisory Board having sought the opinion of the Responsible Investment Committee whose role is to implement the guidelines defined by the Board to prevent and control the non-financial risks in the FRR's portfolios.

The FRR has gradually laid the foundations upon which to have regard throughout its portfolio to Environmental, Social and Governance responsibility criteria in selecting its asset managers and the enterprises in which they invest. It has also introduced an overall policy for the exercise of voting rights.

In 2023, the SRI strategy has been redesigned for the period 2024-2028 in order to strengthen commitment. In particular, the FRR has toughened its strategy regarding fossil fuels and decided to take more concrete action in factoring in biodiversity.

This strategy will be deployed by focusing on the following three priority areas:

- Facilitating the energy and ecological transition:
- Promoting social equity:
- Preserving biodiversity:

and by relying on 3 main levers:

- Directing investment:
- Acting on the asset management ecosystem (managers, index providers, non-financial rating agencies, etc.):
- Exerting influence over the business community.

KEY MILESTONES

2001

Factoring in of extra-financial considerations under the law establishing the FRR

2003

1st RFP to select managers: incorporating ESG criteria

2005

SRI Strategy - period 2005-2008

Publication of voting Guidelines

2006

Founding member of the PRI

CDP membership

Implementation of an approach to assessing entire portfolio having regard to extra-financial criteria

2007

Funding the "Sustainable Finance and Responsible Investment" Chair

Support for the PRI-FIR

Academic Research Prize

2008

SRI strategy - period 2008-2012

2009

Joined the CDP water

Support for the Extractive Industries Transparency Initiative [EITI]

2013

SRI Strategy - period 2013-2017

2014

Membership of the International Corporate Governance Network [ICGN]

Support for an initiative on supply chain risk management in the textile sector

2014

Signing of the PRI Montréal Pledge

Signing of the UN Summit Declaration on Climate Change

2017

Signing of the French public investors climate charter

Joined the CDP FOREST

2017

Joined the CA100+

Joined the IIGCC

2017

Signing a declaration addressed to WHO members and health ministers supporting stronger tobacco control regulation

2018

Support for the United Nations Environment Programme Finance Initiative [UNEPFI]

Commitment to follow the TCFD recommendations*

Membership of the Forum for Responsible Investment [FRI]

2019

SRI Strategy - period 2019-2023

Commitment to support a fair transition*

2019

Signing of the French public investors SDG charter

"Women's Empowerment Principles" collaborative initiative

Signing of the "Gender initiative" declaration

2019

Membership of the "Net zero asset owner initiative"

2021

Signing of the "Bangladesh Accord" declaration

Support for the engagement action on TotalEnergies presence in Myanmar

2022

Support for the IIGCC Net Zero Commitment initiative

2023

Supporting the Nature Action 100 and SPRING biodiversity initiatives

* SDG: Sustainable Development Goals.
* TCFD [Task Force on Climate-related Financial Disclosures]: working group on financial transparency of climate-related risks.
* Just transition: having regard to social aspects in decisions related to energy transition.

The FRR's commitments

One of the main ways for institutional investors to promote sustainable development is to exert their power of influence over the issuers they help finance but also vis-à-vis their ecosystem. From this standpoint, the FRR has been involved since its inception in many engagement initiatives, both internationally and nationally. It has been among the founders of some of the most structural of these initiatives (notably the PRI, principles for responsible investment). Moreover, the FRR has chosen to support dialogue with companies through collaborative initiatives, in collaboration with its mandate and fund managers and also, when necessary, directly with the companies themselves.

GLOBAL INITIATIVES	ENVIRONMENTAL INITIATIVES	SOCIETAL INITIATIVES	GOVERNANCE INITIATIVES
PRI Principles for Responsible Investment	CDP	Women's Empowerment Principles	ICGN
French Public Investors Sustainable Development Goals (SDGs) Charter	Climate Action 100+	Investor statement on the Bangladesh accord	EITI Extractive Industries Transparency Initiative
FIR Forum pour l'Investissement Responsable	IIGCC	Statement on tobacco	
	Net-Zero Asset Owner Alliance	Gender initiative	
	French public investors climate charter		
	Nature Action 100		
	Spring A PRI stewardship initiative for nature		

The FRR's voting guidelines

The FRR's responsible investor approach involves adopting a shareholder position at all general meetings. Given the global and international nature of the FRR's investments, the guidelines with regard to the exercise of voting rights involve three aspects:

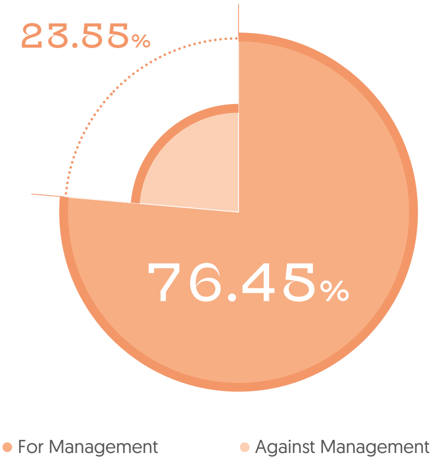
- The FRR's interest in actively contributing towards improving governance in the companies in which it invests. Indeed, the aim here is to promote clarity and a balance of power between the governing bodies as well as quality in terms of the information supplied to shareholders, respect for their rights and voting integrity. This aspect is, therefore, one of the factors that contributes strongly to the sustainability of the business community, to the continuity of the strategy they conduct, to the manner in which they exercise their responsibilities in relation to all of their stakeholders. All of these elements contribute directly to their future worth.
- The fact that the FRR is a long-term investor. It has elected to prioritise, in structuring its portfolios and in its management mandates, in accordance with the asset allocation strategy adopted by the Supervisory Board, an active approach based upon an analysis of the fundamental valuation prospects of the equity and debt securities issued by the various categories of issuers. It is therefore logical that this approach is also taken into account by the managers in their case-by-case implementation of the voting guideline principles, in particular when considering the appropriateness of transactions affecting a company's share capital.
- Finally, efforts to improve corporate governance, whether by the companies themselves, by the legislator or the regulatory bodies, have increased in recent years. These must continue. The active exercise of the FRR's voting rights must, however, take a pragmatic view of the actual conditions on the ground in each market, having regard in particular to issuer capitalisations, the significant differences in company law and practice in terms of corporate governance in the relevant countries.

In early 2023, the voting guidelines were updated to provide clarity on a number of topics and to reflect recent regulatory developments. The following in particular were highlighted:

- The importance of establishing within their Boards a **Committee dedicated to Corporate Social Responsibility (CSR) matters.**
- The desire to introduce a **regular vote at General Meetings on climate goals and climate reporting.**
- Encouraging companies to **publish a fairness ratio,** including in countries where this is not mandatory. This refers to the ratio between the company's highest remuneration and the average and median remuneration of employees. Moreover, in order to maintain corporate cohesion within the company, the FRR proposes that the overall annual remuneration of senior executives be capped at 100 times the minimum salary in the country where the head office is located, or where there is no minimum salary, 50 times the median remuneration calculated at Group level.
- The need to analyse dividend distribution by portfolio companies:
  - having regard to changes in the company's wage bill to ensure fairness between employees and shareholders over the long-term
  - in line with the challenges of energy transition and associated investments.

In accordance with its founding documents, the FRR's voting rights are exercised by the asset managers it has selected and in the FRR's sole interests.

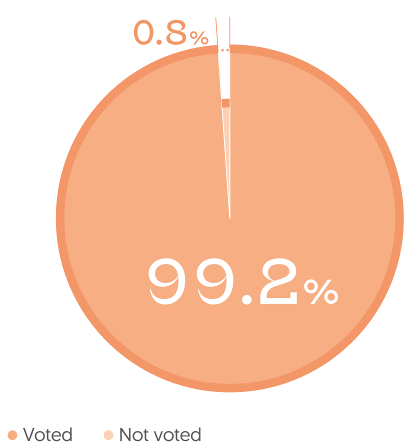
The guidelines on the exercise of voting rights, available for consultation on the FRR's website, incorporate all of these elements and must therefore be sufficiently wide to account for jurisdictional particularities (both in France and internationally). The FRR's aim is to capitalise on managers' knowledge and ability to respect the practices prevalent in the various financial markets. Managers may also have regard to these local practices on matters that are not covered by the FRR's voting guidelines.



EXERCISE OF VOTING RIGHTS

To help with its monitoring, the FRR is working on rating the quality of the governance of its developed markets equities portfolio. This new and analytical approach gives the FRR a better understanding of the essential components of the governance of this portfolio. This process, conducted through its asset managers, enabled it to take part in 1,336 shareholder general meetings in 2023 and to vote on more than 19,000 resolutions in the countries comprised in its developed markets equities portfolio. Its managers took part in 99.2% of the voting general meetings.

NUMBER OF GENERAL MEETINGS AT WHICH THE FRR VOTED IN 2023



The FRR's Managers voted on resolutions proposed by management at general meetings at a ratio of 76.45% FOR and 23.55% AGAINST.

Note that there were also a significant number of resolutions on exceptional executive compensation and on climate, diversity and inclusion. Resolutions on *"Say on climate"* continued their progress. Shareholders' demands are reflected by gradually diminishing levels of support.

The FRR pays close attention to the factoring in of non-financial aspects, particularly social, societal and environmental, by boards of directors, to consideration of the recommendations of the TCFD and diversity not only on boards of directors, but also within the executive committees of the companies of which it is a shareholder.

Integration of new standards

The regulatory landscape surrounding ESG (Environment, Social and Governance) investment is developing rapidly, with the introduction of new guidelines and requirements that have a significant impact on businesses and investors. These regulations aim to increase transparency, accountability and to promote sustainable commercial practices.

One of the most important developments is the adoption of the European Directive on the reporting of non-financial information (CSRD – *Corporate Sustainability Reporting Directive*) by the European Parliament in February 2023. The CSRD significantly expands the scope of ESG reporting requirements, obliging more companies to disclose detailed information on their environmental, social and governance performance.

In addition, the European Securities and Markets Authority (ESMA) has published guidelines clarifying ESG disclosure requirements for investment funds and sustainable investment products. The aim of these guidelines is to ensure that the ESG information supplied to investors is comparable, reliable and relevant.

These new ESG regulations have important implications for businesses and investors. Businesses will need to adapt to new reporting requirements and strengthen their ESG practices to meet investors' and stakeholders' expectations. The FRR, for its part, will have at its disposal more comprehensive and comparable information to make informed investment decisions taking ESG factors into account.

The FRR publishes each year a Sustainability Report initially in accordance with Law No. 2015-992 of 17 August 2015 on the energy transition for green growth (Article 173) and now pursuant to article 29 of the Energy and Climate Law (LEC) of 8 November 2019. This is voluntary, since the FRR is under no obligation to publish such a report. This article 29 integrates regulatory changes and experience derived from best market practices:

- The *European Sustainable Finance Disclosure Regulation* (SFDR), including in particular the incorporation of the concept of "double materiality": concerning both the potential risks of ESG criteria on investments, and conversely the Principal Adverse Impacts (PAI) of investments on sustainability factors:
- The EU Taxonomy Regulation on sustainable activities, which partially entered into force at the beginning of 2022:
- The TCFD[7] recommendations.

Article 29 of the LEC also contains a number of provisions specific to France:

- Details on the integration of ESG factors into risk management frameworks, with a focus on climate and biodiversity related risks:
- Publication of strategies to align with the temperature targets of the Paris Agreement, as well as with the long-term international objectives on biodiversity conservation:
- Evolution of the "comply or explain" principle towards a requirement for a continuous improvement plan with setting of targets and corrective measures.

7. TCFD (Task Force on Climate-related Financial Disclosures): working group on financial transparency of climate risks.

CONTRIBUTING TO ENERGY TRANSITION

Energy transition, a major challenge of the early part of the 21st century, essential if human living conditions are to be maintained in an acceptable environment, is one of the FRR's major commitments. As such, while maintaining an essential level of vigilance on all other ESG issues, responding to the climate emergency is one of the FRR's priorities. Membership of the Net Zero Asset Owners Alliance commits the FRR to alignment with the Paris Agreement, using three levers:

- Adopting ambitious targets for reducing portfolio greenhouse gas emissions
- Pursuing engagement initiatives to encourage companies to adopt strategies for alignment with the Paris Agreement, via its managers but also through collaborative initiatives such as the Climate 100+
- Contributing towards the financing of energy transition, by continuing to make a long-term contribution to creating a net zero economy through "financing the transition".

Decarbonisation of the portfolio

GOAL OF REDUCING EMISSIONS IN ABSOLUTE TERMS

As a member of the Net Zero Asset Owners Alliance, the FRR has adopted new targets for reducing portfolio emissions. To achieve a trajectory limiting global warming to 1.5°C, the Alliance has identified a range of asset class emission reduction targets of between -20% and -32% by the end of 2024 as a first step.

At the beginning of 2021, the FRR finalized the research necessary to set its targets, which it published on 30 September 2021. This is the continuation of a long-standing process that has already reduced emissions by 40% between 2013 and 2019.

The FRR has decided to pursue its ambitions and set itself the target of a further 20% reduction, by the end of 2024 compared to 2019, in the emissions of its developed markets equities and corporate bonds portfolios.

The target set is absolute and not relative to benchmark, it is therefore a significant reduction to which the FRR is pleased to contribute.

As part of the Net Zero Asset Owners Alliance, these targets will be reviewed every five years.

In 2023, the FRR began to calibrate its next target for 2029 and in anticipation, ongoing RFPs are setting more ambitious goals. Indeed, the FRR is targeting a 40% reduction in the emissions of its overall portfolio from 2019 to 2025 and a 60% reduction from 2019 to 2029 for each new equities or corporate bonds management mandate where possible.

In addition, the FRR has launched a plan to gather and calculate the CO_2 emissions of its unlisted securities portfolios.

AWARD OF NEW CREDIT MANDATES WITH DECARBONISATION TARGETS

In 2023, the FRR awarded four US dollar high-yield corporate bonds responsible management mandates. The FRR remains committed to integrating responsibility into its asset managemnet whatever the asset class. The FRR has explicitly requested in these mandates that the selected candidates must factor climate change issues into their management, including reducing CO_2 emissions, contributing to ecological and energy transition and alignment of portfolios with a 1.5°C trajectory. They must also seek to develop specific expertise and/or strategies on impact bonds. The 4 managers demonstrate strong and often real expertise on these crucial aspects of the FRR's responsible investor policy.

The 4 mandates began in March 2023 with the target of a 35% reduction in emissions compared to the GHG emissions level of the benchmark index recorded on the date of activation of the mandates, and by 60% by 2028.

SETTING INCREASINGLY AMBITIOUS DECARBONISATION TARGETS AS MANAGEMENT MANDATES ARE RENEWED

Under requests-for-proposals launched by the FRR, the new mandates now systematically include quantified decarbonisation targets.

Initially set only for equities index replication mandates at -50% compared to the relevant benchmark, the FRR now seeks decarbonisation in absolute terms.

Since their activation, the Investment Grade credit contract mandates have included decarbonisation requirements. The European investment grade credit contract, the mandates for which were activated in October 2021, requires decarbonisation of -30% by mid-2024, whereas their US equivalents activated in July 2022 have a target set at -40% from the outset.

At the end of December 2023, all portfolios easily exceed these desired decarbonisation levels. The European investment grade credit contract was decarbonised by around 59% at the end of 2023, the equivalent contract for US dollar denominated bonds by 66%. This reduction is generally achieved by under-exposure to the most intensive sectors.

The euro denominated high yield corporate bond mandates also activated in the last quarter of 2021 include, for the first time, a responsible dimension. The five managers selected for this mandate have achieved very positive results in terms of responsibility and all are meeting the ambitious decarbonisation target set by the FRR. In this regard, at 31/12/2023, the reduction in carbon emissions on the HY EUR compartment is -44% compared to the benchmark level upon activation, whereas the target on that date, following a linear reduction throughout the duration of the mandate, would have been a decarbonisation of -25%. The managers are therefore ahead and even going beyond the decarbonisation target of -30% for this asset class.

The US dollar denominated high yield corporate bond mandates were activated in 2023. These include a decarbonisation target of -35% compared to the level of the benchmark index on the date of activation of the mandates upon transfer of the securities, as well as a target of -70% at the end of the contract scheduled for 2028. This decarbonisation target is ambitious for an asset class where data coverage and quality is generally lower than in Europe, although it is improving, and for which the energy industry is one of the most important. All of the managers are meeting the decarbonisation target at the outset with two managers going even further. Finally, the USD high-yield corporate bond compartment shows a -50% decarbonisation level at the end of December 2023 compared to the benchmark level at the time of activation.

Note that additional targets will be applied to all these contracts for the remainder of their term, in line with the FRR's commitments up to 2029.

In addition, under the RFPs launched in 2022 and 2023, the carbon emission reduction target for the European small-cap equities mandate compared to the 2024 benchmark has been set at 40% at start-up and 75% before June 2029.

For the French small-cap equities mandate the target is -40% compared to the 2024 benchmark and 70% by the end of 2028. These mandates will be activated in summer 2024.

DECARBONISATION REQUIREMENTS BY ASSET CLASS

	Goal at start-up	Final goal
Equities index - Paris Agreement	-50%	-50%
Euro denominated investment grade corporate bonds	-0%	-30% before 30 June 2024*
USD denominated investment grade corporate bonds	-40%	-40%*
Euro denominated high yield corporate bonds	-0%	-30% before 30 June 2024*
USD denominated high yield corporate bonds	-35%	-60% before 31 December 2028
European small and mid cap equities	-40%	-75% before 30 June 2029

*New, more ambitious targets consistent with carbon footprint reductions in other asset classes will be set from the second semester 2024.

Climate-related engagement initiatives undertaken in 2023

AT MANDATE LEVEL

Improving metrics is one aspect of the FRR's responsible investor policy, but it also highlights the need to encourage companies through dialogue to achieve a more virtuous trajectory. These commitments are supported by the management companies and contribute to the sustainable approach promoted by the FRR.

1. The euro-denominated **high yield corporate bonds mandates,** launched at the end of 2021, have once again throughout 2023 demonstrated results that are extremely encouraging for a bonds asset class. Indeed, managers have taken numerous steps to engage with the issuers in their portfolio or universe, whether directly or through collaborative initiatives. Overall, there is a significant level of climate engagement, notwithstanding the managers having a good grasp on the other social and governance aspects.

2. **The equities index management mandates consistent with the Paris Agreement** also incorporate to a significant extent the theme of engagement with the companies in the portfolio. Indeed, the 3 managers have taken steps to engage with almost all of the companies forming their investment universe. This engagement takes the form of direct dialogue or taking part in collaborative initiatives and the topics highlighted often cover environmental issues. Indeed, amongst others, the topics discussed include biodiversity conservation, transition towards a low carbon economy, validation of SBTi commitments or the adoption of good practices from a tax perspective.

3. The European and US investment grade and high yield bonds mandates also include a specific half-yearly reporting requirement on various matters including, in particular, engagement initiatives undertaken with certain issuers in the portfolio (the number of issuers in the portfolio with which it has engaged, the topics covered, the type of engagement whether direct or part of a collective initiative…).

AT FRR LEVEL

COLLECTIVE ENGAGEMENT INITIATIVES

Climate Action 100+, the largest investor engagement initiative on climate change, continued developing in 2023. Climate Action 100+ now has more than 700 signatories, representing 68,000 Bn$ in assets under management, engaging in dialogue with 170 of the world's largest listed private issuers and drive corporate climate action in line with the global goal of net zero emissions by 2050 or earlier.

The 2023 report of the Net-Zero Company Benchmark shows contrasting results. Indeed, it shows that the targeted companies continue to make progress on setting net neutrality targets for 2050 or earlier. These are now 77% compared to 75% a year previously. In addition, 90% of the companies now follow the TCFD recommendations compared to 91% the previous year (the number of companies has increased from 167 to 170).

However, these positive developments on the stated objectives and transparency should not obscure the need to translate this into concrete steps to reduce emissions. However, publishing emission reduction targets in the short and medium term remains in the minority (21% and 11% of companies respectively). Finally, the alignment of investments with the stated ambitions remains marginal: 1% of companies fully meet this criterion and 42% only partially. Significant progress therefore remains to be made.

ENGAGEMENT ACTIONS UNDERTAKEN AT THE FRR'S INITIATIVE

As part of the NZAOA, the FRR has requested two managers to engage with a selection of portfolio companies. The 26 targeted companies were selected in accordance with the NZAOA's "Target Setting Protocol" rules. This provides for the selection of at least 20 portfolio companies, with a focus on those responsible for emissions "generated by companies held in the portfolio" or those responsible for a total of 65% of the emissions generated by portfolio companies. The desired outcome of these engagement initiatives is alignment with trajectories tending towards not exceeding, or not significantly exceeding, the 1.5°C threshold.

These two managers shall use the analysis matrix developed by the CA 100+ initiative (the "Climate Action 100+ Net-Zero Company Benchmark"), to perform their own analysis. By using this analysis matrix, it is possible to measure as objectively as possible the positioning of the target companies, and the progress made over the duration of the engagement (planned until the end of 2024). It can also be used to compare companies' levels of progress on various matters: neutrality targets, decarbonisation strategy, alignment of capital allocation, climate lobbying, climate governance, just transition and compliance of disclosure with TCFD recommendations.

EXCLUSION OF THE MOST POLLUTIVE COMPANIES

In addition to dialogue with companies, and financing for activities that promote energy transition, the FRR decided, as from 2017, to exclude from its portfolios companies whose thermal coal extraction operations or generation of electricity, heat or steam using coal exceeds a threshold initially set at 20% of their revenues then reduced to 10% in 2018 in order to commit even further towards a low carbon intensity economy. As part of its new responsible investor strategy, this threshold is set to fall further.

SUPPORTING BUSINESSES ON ESG ISSUES

Whatever the asset class, the FRR's management mandates, following a selection process that places ever increasing emphasis on ESG, require the FRR's managers to factor its responsible investment strategy into their management, in particular by systematically integrating ESG analysis into the issuer selection process, and by exercising voting rights and through dialogue and reporting at biannual management committee meetings as well as in the annual reports.

SUPPORTING BUSINESSES ON THEIR ESG ISSUES

SUPPORTING COMPANIES THROUGH PRIVATE EQUITY

Since its first private equity mandates in 2007, the FRR has required comprehensive reporting from its managers, in particular by imposing a significant ESG component in order to develop, measure and verify the impact of its investments on companies and their ecosystem. In practice, the FRR strives to ensure that its managers conduct a pre-acquisition ESG assessment, draw executives' attention to ESG issues, define areas for improvement in forthcoming years to promote a company's development and prepare it for the highest possible level of ESG requirements and thereby facilitate its disposal. The FRR's requirements have been a driving force for management companies, which have increasingly developed and boosted the monitoring of ESG aspects, with the support of the executive teams in portfolio companies.

Whereas, in recent years, the main focus of intervention has been on governance, management companies have increased their action on the other two pillars, namely environmental and social. With the implementation of the SFDR regulation, management companies have been very active in deploying their ESG policies, which is recognized as a central issue for all of the FRR's managers.

One of the leading managers in the adoption of ESG matters, Swen Capital Partners has produced a best practices guide geared to the unlisted sector and has for the past 9 years bestowed an annual award to reward organisations on the steps they have taken and the progress they have made. Several of the FRR's managers have already been nominated or rewarded in recent years and, in 2023, the jury included an FRR team member.

ASSESSMENT ON ENGAGEMENT INITIATIVES IN 2023 (NON-CLIMATE RELATED) AT FRR LEVEL

Following the annual analysis by a third party, having regard to universally recognized principles such as the United Nations Global Compact, good governance practices or under international treaties ratified by France, 139 companies involved in one or more controversies of critical or high severity have been identified at the beginning of 2023 in the FRR's equities and bonds portfolios.

Of these, the FRR selected, for its 2023 dialogue plan via its managers, the following 5 companies: JBS, Bunge, BMW, BALFOUR BEATTY and TELENOR, and has engaged in dialogue with 8 of its managers on these 5 controversial companies.

This dialogue campaign has demonstrated that managers' levels of involvement are increasingly uniform, of good quality and improving year-on-year. The following points characterize the 2023 dialogue campaign: Managers have clearly identified the controversies and are in dialogue with companies on one in two cases. The responses received were considered satisfactory in the majority of cases (9/10). As a result, no manager is proposing to divest.

MAIN ENGAGEMENT INITIATIVES IN 2023 (NON-CLIMATE RELATED) AT MANDATE LEVEL

As asset management contracts are renewed, mandates now include an **enhanced half-yearly reporting requirement** on various matters including, in particular, **engagement initiatives undertaken with certain issuers in the portfolio.**

As part of the information required by the FRR, management companies must specify the number of issuers in the portfolio with which it has engaged, specifying the topics covered and indicating whether the engagement was direct or part of a collective initiative.

EXCLUSIONS POLICY

In accordance with its strategy, the FRR has established exclusion criteria concerning:

- Certain corporate practices that fail to respect universally recognized principles, such as those of the United Nations Global Compact, the Principles of Responsible Investment and good governance principles such as the International Corporate Governance Network (ICGN).
- Activities that do not comply with certain international conventions ratified by France, in particular those on non-conventional weapons and tobacco, or companies whose registered office is in a country on the French and European lists of non-cooperative States and territories for tax purposes.
- Coal-related activities, which are particularly damaging to the climate. These controversial practices and activities were analysed by Morningstar in late 2023.

Excluded contraversial weapons include anti-personnel mines (banned by the Ottawa Convention in 1997, signed by 164 countries), cluster munitions (banned by the Oslo Convention in 2008, signed by 108 countries), chemical weapons (Chemical Weapons Convention 1992) and biological weapons (Biological Weapons Convention 1972).

Each year, the FRR updates its exclusion list validated by the Responsible Investment Committee of the Supervisory Board based on a methodology whose aim is to identify companies involved in the development, production, maintenance, use, distribution, stockpiling, transport of or trade in cluster munitions, anti-personnel mines, chemical and bacteriological weapons or their key components.

In 2023, 17 companies identified in the FRR's investment universe are placed on the exclusion list:

Manufacturer / Developer	Country
Aerospace Long-March International Trade Co., Ltd.	China
Anhui GreatWall Military Industry Co., Ltd.	China
China North Industries Corp.	China
Compania Nationala ROMARM SA	Romania
Defense Research & Development Organization	India
Electromechanical Ordtech Ltd.	Greece
Global Industrial & Defence Solutions	Pakistan
LIG Nex1 Co., Ltd.	South Korea
Makine ve Kimya Endüstrisi AS	Turkey
Nityanand Udyog Pvt Ltd.	India
Poongsan Corp.	South Korea
POONGSAN HOLDINGS Corp.	South Korea
Rostec Corp.	Russia
SNT DYNAMICS Co., Ltd.	South Korea
SNT Holdings Co., Ltd.	South Korea
The Day & Zimmermann Group, Inc.	USA
Yugoimport-SDPR	Serbia

4

The FRR's impact on its ecosystem

IMPACT ON SUPPORT FOR DECARBONISATION AND ECOLOGICAL AND ENERGY TRANSITION

Main climate indicators

In 2007, and for the first time, the FRR calculated the environmental footprint of its portfolio. Since then, in line with its responsible investment strategy, the commitments it has made and the decarbonisation efforts made on a number of its portfolios, the FRR now measures the carbon footprint of its mandates and funds annually.

In 2023, the FRR launched a request for proposals to appoint its service provider responsible for measuring and analysing the environmental and climate footprint of the FRR's portfolio. Following this process, the FRR selected S&P Global Market Intelligence LLC for a 4-year period, with a possible renewal for one year.

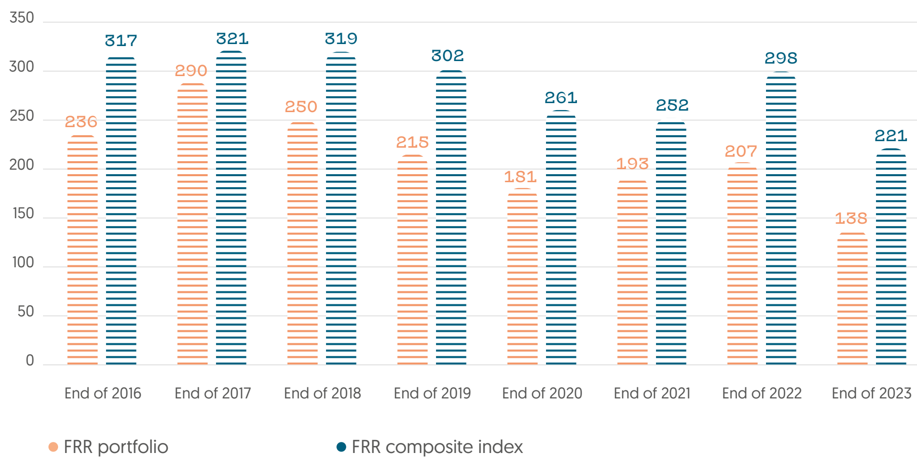
The methodology used covers the **emissions generated by the operations of companies and their direct suppliers.** Carbon emissions are **estimated by weighted average carbon intensity (or WACI)** and expressed in tonnes equivalent CO_2 per million euros in revenue.

CARBON FOOTPRINT OF THE EQUITIES PORTFOLIO

At the end of 2023, the weighted average carbon intensity (WACI method) of the companies within the FRR's global Equities portfolio totalled 138 tonnes equivalent CO_2 per million euros in revenue. This was 38% below the FRR's benchmark index. **From 2016 to 2023, the carbon footprint of the FRR's equities portfolio had fallen by 41% (around 5% per year)** whereas the FRR portfolio's representative benchmark had fallen by only 30%.

CHANGE IN THE CARBON FOOTPRINT OF THE GLOBAL EQUITIES PORTFOLIO IN TONNES EQUIVALENT CO_2 PER MILLION EUROS IN REVENUE

Source: S&P Global Sustainable 1



The table below compares the total decarbonisation of the FRR's equities portfolios between 2016 and 2023. There is a marked trend in the decarbonisation of the developed and emerging market equities portfolio despite benchmarks retreating in particular in emerging markets (-42.2% compared to -7.5%).

	Portfolio	Benchmark
Global equities	-41.5%	-30.3%
Developed market equities	-43.7%	-41.0%
Emerging market equities	-42.2%	-7.5%

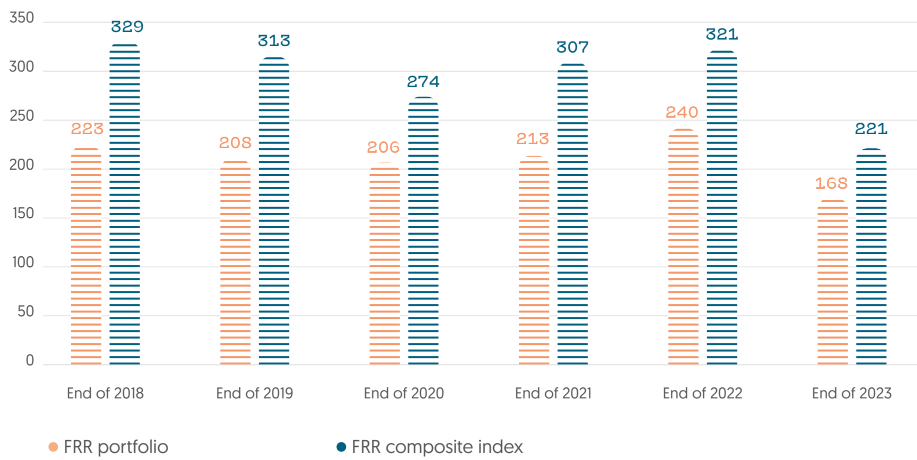
CARBON FOOTPRINT OF THE CORPORATE BONDS PORTFOLIO

Green bonds finance projects with a positive environmental impact, such as renewable energy or green transport. As such, they may be considered as producing no net CO_2 emissions. However, it is important to note that projects financed by green bonds are not always CO_2 emissions-free. For example, a renewable energy project may generate CO_2 emissions during its construction phase. Moreover, an issuer of green bonds may have other operations that generate CO_2 emissions.

At this stage, the FRR assigns the issuer's footprint to green bonds, which is in line with the provider's methodology. This is a conservative approach. Nevertheless, the FRR requires its managers to take exposure on green bonds beyond their representative proportion in the benchmarks. These exposures therefore appear in the portfolio footprints declared by the FRR, which are, as a matter of fact, increased.

CHANGE IN THE CARBON FOOTPRINT OF THE CORPORATE BONDS PORTFOLIO IN TONNES EQUIVALENT CO_2 PER MILLION EUROS IN REVENUE

Source: S&P Global Sustainable 1



At the end of 2023, the carbon footprint of the FRR's corporate bonds portfolio equalled 168 tonnes equivalent CO_2 per million euros in revenue. This is 24% lower than that of the benchmark index. Between 2018 and 2023, the portfolio's carbon footprint fell by 25% whilst that of the benchmark index fell by 33%. This difference stems from a greater asset allocation towards high-yield bonds (which have a higher carbon content) due to the investment strategy, to the detriment of lower-carbon investment grade bonds. This "allocation effect" should be offset by the FRR's ambitious goals set out in each mandate and its desire to shift towards carbon neutrality.

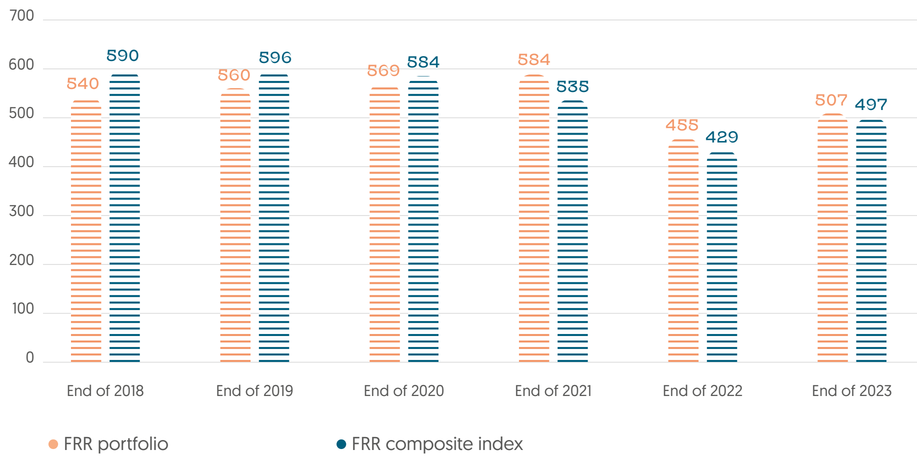
CARBON FOOTPRINT OF THE SOVEREIGN BONDS PORTFOLIO

The portfolio carbon footprint analysis methodology used by S&P Global Sustainable 1 for a portfolio of sovereign assets is based on the total greenhouse gas emissions by country, reflecting the specific role of the public sector as a provider of key services for the economy and as legislator having an influence on carbon footprint. The scope covers:

- domestic emissions: emissions generated by goods and services produced and consumed in a given territory;
- direct imports: emissions generated by goods and services directly imported by a country;
- direct exports: emissions generated by goods and services produced in a country and exported to a foreign economy.

The graph on the following page shows the weighted average carbon intensities of the sovereign bonds portfolio and its benchmark: this indicator quantifies the average intensity of the portfolio by reference to the weighting of each country within it. It measures the allocation of the portfolio to more or less carbon-intensive economies. The difference in the carbon intensity level of the portfolio compared to that of its benchmark can be explained by the overweighting of emerging countries, in particular Indonesia (4.12% in the portfolio compared to 3.72% in the benchmark) in the FRR's portfolio compared to France (54.06% for France in the portfolio compared to 55.97% for the benchmark).

CARBON INTENSITY (WACI METHOD)



Impact on energy transition financing

The FRR also aims to contribute to the financing of the energy transition through its listed asset mandates, with decarbonisation targets evolving as mandates are renewed, and through infrastructure financing and green bonds.

The express aims surrounding energy transition in all mandates have prompted management companies to incorporate it ever deeper into the management process.

LISTED EQUITIES MANAGEMENT MANDATES

In particular, Equity index replication mandates for management consistent with the Paris Agreement promote companies that contribute to energy transition from different angles and via innovative metrics. Portfolios may **favour companies with a temperature scenario aligned with the Paris Agreement, and a number of portfolios indeed reflect temperatures of below 1.8°C,** a marked improvement compared to their benchmark. A number of portfolios overweight companies whose energy transition policy has been validated by the Science Based Target Initiative. Finally, various mandates direct **their investments primarily towards companies for which Greentech represents a significant proportion of their revenue.** In addition, certain mandates also incorporate targets for improving transition scores based on a methodology specific to the management company. The results of these portfolios in promoting energy transition are very positive, without nevertheless distorting index replication-type management.

The managers of other mandates invested in European and French small-cap equities, as well as in Japanese and US equities, are also required to demonstrate the integration of ESG aspects, in particular climate change issues, into their management process, and to report to the FRR by producing a quantitative and qualitative report evidencing the changes implemented and progress made by both the manager itself and the companies.

Whereas regulation of the asset management industry in Japan and the US on these matters is less onerous than in Europe, all managers have made significant progress in factoring these issues into their management and in developing their reporting.

Although these mandates were not given quantified GHG emission reduction targets, which will be the case for the new generation of mandates once they expire, efforts have continued to be made, particularly on analysing alignment with the 1.5°C target and its operational impact.

BONDS MANDATES

The bonds mandates also incorporate an approach favouring energy transition. The FRR has requested its management companies to factor these matters into their analysis of the securities and construction of the portfolio and one of the clearest results favouring energy transition is the **ever greater representation of green bonds** both in the investment universe and also in the euro-denominated investment grade and high yield and US dollar investment grade and high yield portfolios.

At the end of 2023, Green Bonds accounted for **556 M€, equivalent to 2.62% of the FRR's total assets and 7.24% of credit mandate assets.**

More specifically, 13.28% of the assets of the Euro Investment Grade Credit mandates fall within this bonds category compared to 13.70% for their benchmark. The Euro High Yield mandates hold 9.60% of green bonds compared to 8.25% for their benchmark. The managers of Euro High Yield mandates therefore favour this type of sustainability bond under their management.

In the United States, green bonds are relatively under-developed. The proportion is 1% for US Investment Grade Credit mandates, whereas the benchmark holds 1.86%.

Finally, US High Yield managers nevertheless slightly overweight these bonds with 1.27% in the compartment as compared to only 1.13% for the benchmark.

The FRR's green bonds portfolio mainly finances projects related to green buildings and renewable energy.

INFRASTRUCTURE CONTRIBUTING TO ENERGY TRANSITION

The FRR has committed a total amount of 485 M€ to infrastructure aimed mainly towards financing energy transition. 436 M€ has been called of which 9 M€ in 2023 for a total infrastructure asset value of 600 M€. By the end of 2023, this asset class provided the FRR with returns well above its listed proxy, as illustrated by several exits from the portfolio (see below).

Exits from the Infrastructure portfolio

In November 2023, a biogas plant in the Netherlands (SFP Zeeland), in which a 40% stake had been held since 2021 by the fund SWIFT I (categorised as Article 9) managed by Swen Capital Partners alongside SFP Group, was sold to Cargill, a world leader in commodity trading. This transaction generated **a very high IRR and a multiple of over 5X.** This nominal repayment, equivalent to 20% of the fund's commitments, brings the total distributions to 32% of the amounts called (DPI) after only 4.5 years in existence.

In addition to this equity stake in SFP Zeeland, the SWIFT fund has also invested in shareholder loans, which are to a large extent maintained in the fund at this stage.

SFP Zeeland is a 40 MW biomethane plant processing 300,000 tonnes of inputs per year, mainly manure and residual streams from the agri-food industry. The plant produces 20,000 tonnes of liquefied CO_2 and 200,000 tonnes of digestate. A wastewater treatment facility was introduced at the plant to facilitate the post-treatment of digestate.

The SFP Group's assets help accelerate energy transition, particularly in the transport and industrial sectors, by increasing the production of green gas. The inputs employed in the methanisation process are local waste, the digestate is then sold to local farmers and the biomethane output is injected into the local network. A proportion of the plant's electricity usage is supplied by a solar park owned by SFP. Finally, the biogenic CO_2 co-produced in the methanisation process is sold to neighbouring greenhouses.

The goals assigned to this asset by the impact committee, of which the FRR is a member, are monitored over time. Since SFP Zeeland joined the portfolio two years ago, cumulative **net CO_2 emissions avoided have reached 108,172 tonnes.** 6,482 tonnes of nitrogen fertilisers have been substituted and **8 direct jobs have been generated.** These impact targets, which are initially set for 7 years, will be assessed pro rata the exit date and the final impact performance will be based on 2023 data gathered in 2024.

PRIVATE EQUITY FINANCING INNOVATIVE TECHNOLOGIES CONTRIBUTING TO ENERGY AND ECOLOGICAL TRANSITION

The innovation capital funds and mandates selected by the FRR finance disruptive innovations, of which some contribute to the energy transition, such as Jimmy Energy, a French company developing a small modular reactor ("SMR") based on High Temperature Reactor ("HTR") technology to provide industrial sites with zero carbon heat. The company has been selected by France 2030, and has secured a grant that will enable it to submit orders to build a first industrial nuclear boiler in 2026.

Investment in impact funds

INFRASTRUCTURE IMPACT FUNDS

When selecting infrastructure funds, the FRR pays close attention to ensuring that each management company is able to communicate data on the materiality of environmental impacts (reduction of CO_2 emissions, air depollution, waste recovery, etc.) and social impacts (job creation measurement, number of potential patients covered by a hospital, etc.) of each funded project and of the portfolio as a whole.

This approach allows management companies to intervene in these areas and maximize the impacts of their holdings while limiting the potential negative impacts of the facilities financed.

Certain management companies go even further by benchmarking the Carried Interest of their funds against the anticipated impact criteria, specific to the sectors and themes financed for which indicators are set. Impact governance is put in place by bringing certain investors together on an impact committee whose role is to approve the impact objectives of each investment in a given sector, verify their achievement over time and select beneficiaries (associations, foundations, NGOs, ...) of the share of Carried Interest obtained when the fund is liquidated.

This approach was implemented in particular in the two vintages of the Swen Impact Fund for Transition (SWIFT I and II), managed by Swen Capital and aimed at financing the anaerobic digestion and hydrogen sectors.

The reports on the infrastructure funds publish these impacts in a special document (ESG and/or Impact reporting) in which these indicators are generally categorized in accordance with the 17 Sustainable Development Goals defined by the United Nations.

INVESTMENT IN REAL ESTATE WITH SOCIAL AND ENERGY IMPACT

The investment made in FLI, intermediate housing fund, has a positive impact on the environment, by building low energy housing in, or as an extension of, city centres thereby avoiding urban sprawl.

Indeed, 96% of residences are located in the city centre or as an extension of the existing city and 71% of new buildings have been designed in accordance with a new RT2012 standard without derogation or above. More than 69% of these projects are certified (NF Habitat – NF Habitat HQE™ or equivalent).

It has also had a positive impact from a social perspective, by enabling more than 11,000 people to be housed on a means-tested basis with a rent saving of almost 13%, or €1,313 per household accommodated, equivalent to nearly 2 months' rent.

Given the aim of achieving sustainable investment through building intermediate housing, the FLI fund was classified as a product meeting the requirements of Article 9 of the SFDR Regulation.

The aim of this investment is also to align its real estate assets with the environmental "Climate Change Mitigation" and "Climate Change Adaptation" goals for FLI fund eligible operations, namely "Acquisition and management of buildings".

In addition, the investment in the Brownfields fund, whose aim is to depollute and convert urban and industrial wastelands, helps towards rehabilitating polluted sites and thereby to avoid urban sprawl and soil artificialization. By helping to densify town centres and limit new construction on urban outskirts, the conversion of urban wastelands contributes towards reducing travel-related CO_2 emissions by about 33%. It has been estimated that converting one hectare of wasteland into urban spaces prevents the artificialization of around 2 hectares. Indeed, Brownfields 3 has contributed to preserving more than 300 hectares of natural spaces..

FINANCING THE FRENCH ECONOMY: AN INTER-GENERATIONAL SOCIAL RESPONSIBILITY

As of 31 December 2023, assets under management were deployed in 125 investment vehicles [mandates and funds] distributed between 78 business relationships.

Of these 78 management companies entrusted with one or more investment vehicles, 44 are French and 46% of total assets under management are entrusted to teams located in France. The impact of the FRR's operations on the French ecosystem is therefore significant, however it also extends outside the national borders, with 22% to teams based in the United States, 21% in the United Kingdom being among the most represented regions that respect the FRR's demanding standards and have shown continuous improvement as contracts are renewed.

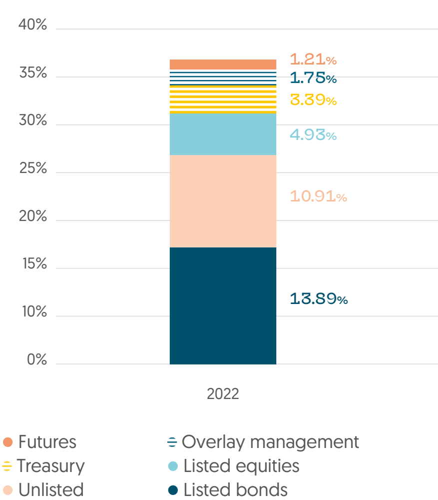
Assets invested in France represent a very significant portion of the FRR's portfolio

Acting as an instrument of solidarity between generations, a long-term investor and an actor managing public funds for the collective benefit, the FRR is increasing its efforts little by little each year to support French companies. In this way it contributes towards consolidating the equilibrium of the social security system through the jobs created and income generated by the companies it supports.

As of 31 December 2023, **France's weighting as a proportion of the FRR's investments amounted to 30.9%** and reaches 32.1% when taking into account investments in futures.

In order to pay its annual contribution to Caisse d'Amortissement de la Dette Sociale [CADES] each year, the FRR has to sell a portion equal to 2.1 Bn€ of its assets. The FRR has once again this year reduced the size of its euro and US dollar denominated investment grade bond mandates, as well as its Eurozone and French equities optimised management mandates in particular. No sales were made on the French small cap mandates for which the FRR preferred to preserve these assets under management.

SUPPORT FOR THE FRENCH ECONOMY AS % OF FRR'S TOTAL INVESTMENTS AT 31/12/2023



As at 31/12/2023, across all funds and mandates 60.4% of the FRR's investments are made in Europe. In terms of the distribution of the FRR's investments in France, a major proportion of the investments derive from investments in listed bonds (OAT matching 8.3% - EUR IG Credit 2.8% - EUR HY Credit 2.6% - Other 0.19%) and unlisted assets (private equity + private debt: 10.9%).

Of the 14% invested in unlisted assets, nearly 10.9% are invested in France (2.3 Bn€) as at 31/12/2023, of which 68% (1.4 Bn€) in private equity compared to 32% (850 M€) in private debt.

Financing French SME and ISE: a primary objective

LISTED SHARES OF SMALL AND MEDIUM-SIZED FRENCH AND EUROPEAN COMPANIES

The FRR's 2023 asset allocation has boosted the proportion of performance assets by 70%. However, due to the reduction in the asset base following the payment to CADES, it has been necessary to make adjustments in various asset classes.

To this end, European small-cap mandates were sold for an amount of 300 M€ in June 2023.

This asset class, dedicated to French and European companies, represents 4.6% of the FRR's total assets at the end of 2023.

Worthy of note for this asset class during this year are a number of standout transactions made by various small capitalisation companies held in the mandates such as the Manutan takeover (family group established in 1966 specialising in commercial distribution), launched by its founders, attracting a premium of 51.1%, or indeed the friendly takeover in July by the KKR fund of Albioma, a French renewable energy producer, which also attracted a premium of more than 50% on the price prevailing before rumours of this transaction emerged.

PRIVATE EQUITY

Private equity represents a very important form of support for the growth and development of unlisted businesses, by providing the necessary capital to accompany start-up (innovation capital), to help grow (growth capital) and to contribute towards business transfer (buyout capital).

This capital support helps companies increase strength in their markets and promotes their development, particularly internationally. This **contributes towards job creation and helps national champions emerge.**

Indeed, in total by the end of 2023, more than 1.4 Bn€ was committed to private equity funds in the buyout capital, innovation capital and growth capital segments targeting **French companies, with 90% of these amounts going to support their development and job creation in France.** These include:

- 315 M€ in innovation capital, of which 71% on average has been called contributing to the financing of young innovative companies from the earliest stage of their development in the digital (low-tech and deep tech), biotechnology, medtechnology and fintechnology sectors: the biotech or medtech funds selected by the FRR finance innovations targeting unmet medical needs thereby enabling therapeutically denied patients to be treated;

- 290 M€ in tech growth capital as part of the Tibi initiative, of which an average of 63% has been called:
- 415 M€ in development/buyout capital of which an average of 66% has been called and used for the most part to finance SME in their expansion strategy :
- 400 M€ in private equity through funds of funds, of which an average of 72% has been called and is invested in medium-sized development/buyout capital funds for French, mostly regional, SME and ISE.

The deployment of these funds and mandates has continued, with an average call rate having increased to 70%.

THE "TIBI" PROGRAMME AIMS TO DEVELOP FRENCH AND EUROPEAN LEADERS IN TECHNOLOGY

In parallel with the deployment of the 2015 2 Bn€ and the 2020 750 M€ programmes for investment in unlisted French companies, the FRR participated in the **"Tibi" initiative aimed at France becoming a leader in the technological revolution** by investing in disruptive technologies developed by French companies. The aim is to fill a funding gap by providing broad access to finance for these innovative and risky technology companies. These companies typically achieve strong revenue growth and aim to become regional or global leaders.

As part of this initiative, the FRR committed to invest 250 M€ of unlisted growth capital in technology companies and 250 M€ in listed equity funds. In 2023, the FRR continued rolling out these investments through an additional subscription in a closed-end fund bringing the cumulative commitment under this initiative to 300 M€ through 7 closed-end funds.

Having deployed the unlisted vehicles, the FRR undertook in 2023 the task of selecting funds for the listed element. This selection process, following the rigorous RFP procedures, resulted in the selection of and investment in 4 funds certified by the initiative's Technical Committee, which had demonstrated to the FRR a real added value in defining their investment universe, expertise in the field, solid results, clear complementarity and a real commitment to the goals of the initiative, including that of boosting the ecosystem for investment in technology in France.

The entire envelope earmarked for the listed equities programme for future leaders in technology was deployed in the summer of 2023.

These investments made a significant contribution to the FRR's performance over the year. In addition, all of the selected funds have committed to the French technology ecosystem, one of the primary goals of the listed component of the initiative, by participating in the marketplace work and meetings focused on the initiative and by boosting the teams operating in France with the recruitment of managers and analysts. The teams analysed the French IPOs launched in 2023 such as Planisware, Pluxee, OVH Group or Exclusive Network, although not all culminated in investment. They remain in continual contact with the companies, including outside the IPO programmes, to both advise and support them.

Exits from the private equity portfolio

In 2023, the mandates enjoyed a number of successful exits, particularly the growth capital/buyout mandate managed by LBO France. Indeed, the sale of Infodis, a specialist in facilities management and systems and network engineering, illustrated the manager's ability to support a company in its managerial transition: the recruitment of a new CEO, a Sales Director, an Administrative and Finance Director, and a Human Resources Director simultaneously with the departure of the founder and the two previous managing directors helped restore the company's growth trajectory. Based on the company's solid fundamentals, this new team has breathed new life into the business by improving CRM and sales monitoring tools and overhauling the recruitment process for productive staff (employer branding). **These steps have resulted in a 27% growth in sales between 2020 and 2022, and the creation of more than 120 positions,** including recruitment as part of return-to-work programmes in the new service centre established in Amiens. This trajectory has allowed the mandate to achieve a return of 2.2x and an IRR of above 21%.

In addition, the sale of Passman has demonstrated the manager's ability in supporting business transformation. Indeed, at the time of the acquisition in 2019, Passman was one of the leaders in digital solutions in France and Belgium, mainly in the hospitality sector (traditional and outdoor hotels and accommodation). Despite the impact of the Covid crisis, the company pursued a **strong growth strategy with an expanded product range,** including the introduction of an "energy saving" offer, the establishment of sales teams focused on the healthcare and tertiary sectors, and the acquisition of the Belgian group Taktik, a software publisher.

Overall, since its acquisition by LBO France, the Passman group has undergone a profound transformation and has increased market share, which now offers it healthy growth prospects, reflected in a significantly higher valuation multiple in the context of the exit made, generating a multiple of 3x and IRR of 28%.

PARTICIPATION IN COVID MARKET INITIATIVE FUNDS

Since 2020, the FRR has also participated in two market initiatives put in place at the beginning of the Covid 19 health crisis, one relating to tourism and the other to health, through two market funds dedicated to supporting these sectors (the Nov Santé and Nov Tourisme funds). These initiatives form part of a huge 2.2 Bn€ programme.

The **Nov Tourisme fund,** with around 170 M€ intended for the financing of French VSE, SME and ISE enterprises in the tourism, hotel, restaurant and leisure sectors and solutions for the tourism industry, through equity or quasi-equity investments, has made 16 investments for an amount of 150 M€ (more than 88% of the funds' commitments).

Most of the investments are made through preference shares or convertible bonds, a strategy which offers greater protection than a purely equity investment. The businesses financed have little financial leverage.

The fund, which is advanced in terms of ESG monitoring, in particular by promoting support mechanisms for companies on such matters, has progressed the fund's classification from SFDR article 6 to article 8.

The **Nov Santé fund** with 420 M€ to support the development of French SME/ISEs in the health sector through equity and quasi-equity financing by taking minority stakes by way of capital development and late stage/growth at a minimum level of 70%. These investments are mainly (80%) targeted at France: objectives that are fully in line with the FRR's targets.

Unlike the "Tourism initiative" in which the FRR has also invested, **the aim here is to help strengthen health sovereignty** by financing amenities, health operators, biotechnology, etc. Therefore disposals of investments by the fund must primarily benefit French entities. In addition, the fund **aims to increase the share of output, employment and R&D in France,** in conjunction with ESG monitoring as required by the "Label Relance" and by **classification under article 9** under the SFDR regulation.

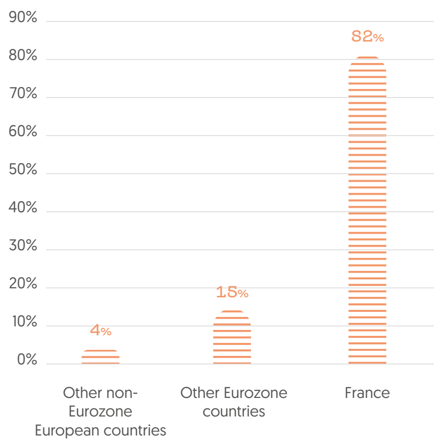
Launched only several months after the Nov Tourisme fund, the Nov Santé fund is, in late 2023, invested in only 5 projects and has deployed 152 M€, or 36% of the available commitments.

CORPORATE FINANCING THROUGH PRIVATE DEBT

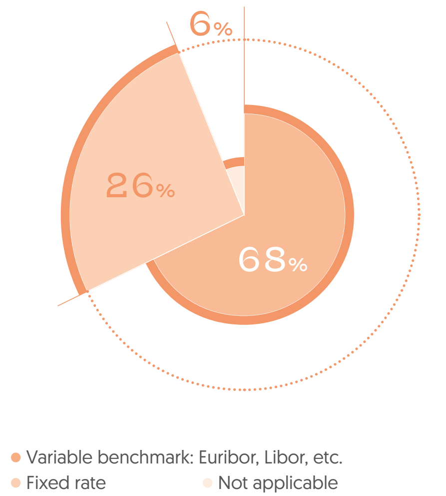
The FRR's private debt investments represent slightly under 1.9 Bn€ committed in 2023, with total investments at such date of around 850 M€ in financing through private debt funds. This therefore forms an important element in the FRR's policy for financing the French economy in place since 2013.

These investments are made through 24 funds of 12 management companies. 80% of the companies financed through these investments are French companies. Their average size is around 60 M€ in EBITDA and they employ less than 3,000 people. More than 75% of this portfolio is comprised of senior debt, with the remaining 25% being mezzanine debt. The average credit rating of the investments is around B, and over 50% are directed towards three economic sectors: industry, business services and consumer goods and services.

FRR PORTFOLIO EXPOSURES BY COUNTRY



FRR PRIVATE DEBT PORTFOLIO INTEREST RATE EXPOSURES



The number of companies financed is down given the termination of the FRR's private debt investment programme, of which only the latest investments through mezzanine funds remain active. The number of companies is now 273 in 2023 compared to 301 in 2022 with a peak of 360 in 2020.

In 2023, the private debt market saw a sharp rise in returns, which more than doubled compared to 2019. This increase is mainly due to the rise in interest rates, which were raised by central banks to combat inflation.

Unlike fixed-rate listed bonds, the rise in rates also benefited the private debt secondary market due to the majority of financial transactions having a variable component (65% of the FRR's portfolio benefited from this rise in rates). However, the inflationary background has, on the one hand, **caused company valuations to fall and requires closer attention on the ability of companies to create sufficient value to repay** their debt, which, in the private debt universe, is almost exclusively at term.

Although not all managers disclose ESG reports specific to the private debt funds in which the FRR is invested, due to their age, the funds' rules incorporate an exclusion policy for responsible investment. For the most recent funds, the managers have implemented an ESG policy that includes a fairly exhaustive rating of their investments.

With a few exceptions, analysis of ESG and its perceived quality have improved significantly over time.

IMPACT ON NON-FINANCIAL ESG FACTORS

The portfolio's ESG score and controversies 2023

To ensure that its responsible management is properly implemented by the management companies to which mandates have been awarded, the FRR regularly assesses the quality of its portfolio, in particular through the ratings of the portfolio companies, both at global level and also mandate-by-mandate.

In 2023, the FRR launched a request for proposals to **renew its ESG measurement and analysis service provider.** Following this process, it selected the proposal submitted by Morningstar France Fund Information for a period of 4 years, with a possible one-year renewal.

The assessment method has therefore changed with reference to Moody's ESG research methods employed in 2022 (delivered in 2023). Indeed, Morningstar France Fund Information's ESG Risk Ratings approach is based on a bi-dimensional architecture: exposure, which measures the degree of ESG risk to which a company is exposed, and management, which reflects the quality of the company's management of that risk. The rationale of this ESG rating methodology is that sustainability is linked to greater value over the long-term if a company's management focuses on ESG issues that actually relate to its business model and operations.

The ESG Risk Rating score attributed to the issuer is construed as the ESG risk not managed by the company (exposure to material ESG risks minus the company's ability to manage these risks).

The quantitative score represents units of unmanaged ESG risk, with the lowest scores representing an unmanaged risk. Unmanaged risk is measured on an open scale starting at zero (no risk) and such that, in 95% of cases, the maximum score is below 50.

With an ESG risk score of 20.7 as of December 2023, **the FRR's consolidated portfolio (equities, corporate and sovereign bonds) is in the "medium" risk category** with a result close to its benchmark which has a risk score of 20.99.

With a score of 20.82, the FRR's global equities portfolio sits in the medium risk category and below its benchmark (21.57). The FRR's corporate bonds portfolio is also in the medium risk category and below its benchmark (22.01 compared to 22.15).

The breakdown of the ESG risks of the FRR's "Corporate" portfolio by pillars E, S and G highlights that the FRR portfolio's greatest exposure is in social aspects. Indeed, 42% of the ESG risks in the global equities portfolio and 45% in the corporate bonds portfolio relate to societal issues. Social issues also account for the majority (54%) of the controversies impacting portfolio companies.

Some portfolio companies are in violation of the UN Global Compact standards in both of the equities and corporate bonds portfolios. Nevertheless, the proportion they represent is limited (1.4% for the global equities portfolio and 0.7% for the corporate bonds portfolio).

With an ESG risk score of 17.35 in December 2023, the FRR's sovereign bonds portfolio sits in the "low" risk category. It is marginally riskier than its benchmark, which has an ESG risk score of 17.20 at the same date. This is due to France being slightly underweight in the portfolios compared to the benchmark.

Contribution to Sustainable Development Goals

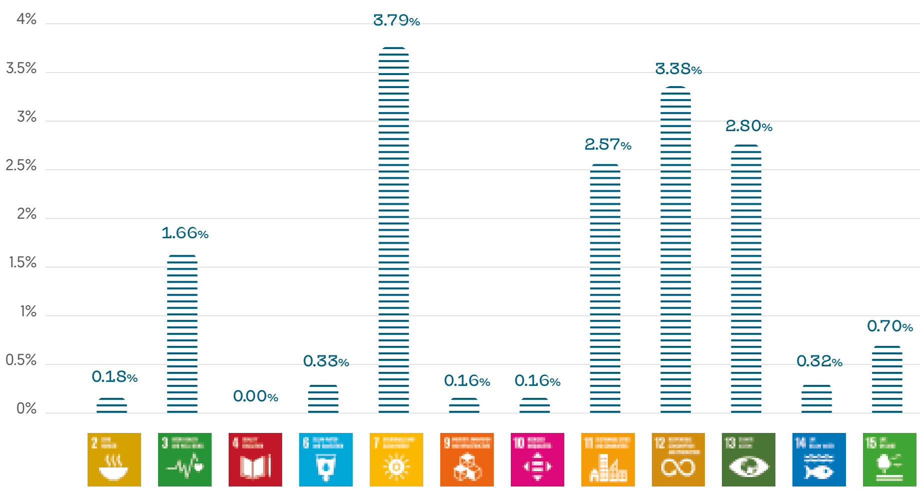
The Sustainable Development Goals, sometimes referred to as the Global Goals, are an action plan adopted by all United Nations member countries in 2015. They form a call to action to eradicate poverty, protect the planet and guarantee prosperity for all by 2030.

These 17 interconnected goals cover a wide range of global challenges, including poverty, hunger, health, education, gender equality, clean water, clean energy, climate change, peace and justice. The idea is to work together so no one is left behind.

Of the companies in the global equities portfolio, the 5 sustainability themes with the highest representation in the portfolio are:

- Responsible consumption and production [SDG 12] - 3.38%
- Affordable and clean energy [SDG 7] - 3.79%
- Climate action [SDG 13] - 2.80%
- Sustainable cities and communities [SDG 11] - 2.57%
- Good health and well-being [SDG 3] - 1.66%.

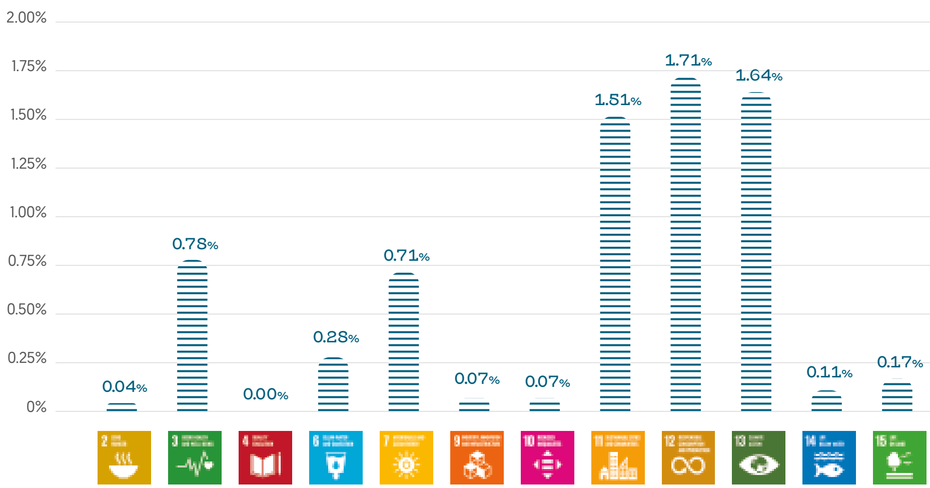
SDGS WITH THE GREATEST CONTRIBUTIONS FROM PORTFOLIO COMPANY REVENUES (%)



The 5 sustainability themes with the highest representation in the corporate bonds portfolio are identical to the global equities portfolio albeit in a different order and with lower contributions:

- Responsible consumption and production [SDG 12] - 1.71%
- Climate action [SDG 13] - 1.64%
- Sustainable cities and communities [SDG 11] - 1.51%
- Good health and well-being [SDG 3] - 0.78%
- Affordable and clean energy [SDG 7] - 0.71%

SDGS WITH THE GREATEST CONTRIBUTIONS FROM PORTFOLIO COMPANY REVENUES (%)



Environmental footprint

Beyond estimating portfolio carbon footprint, S&P Global Sustainable 1 conducts an annual assessment of the overall environmental footprint of the portfolio companies and their supply chains. The scope of analysis includes the direct impacts of the company, those of its direct suppliers and indirect suppliers (including the extraction of raw materials).

At the end of 2023 portfolio analysis found that, for each 1 M€ euros of investment made by the FRR, a natural cost of capital was generated ranging from 1.52% for the actively managed developed equities porfolio to 2.30% for the emerging market equities portfolio. The environmental impact of the FRR's portfolios nevertheless remains below that of their benchmarks, at a natural cost of capital equal to 1.84% and 2.55% respectively.

Contribution towards financing research on responsible investment

The FRR supports the FRI (Forum for Responsible Investment) and sponsors its annual prize organised in collaboration with the PRI (Principles for Responsible Investment). Since 2007, it also finances academic research into sustainable finance and responsible investment at the Toulouse School of Economics and the *École Polytechnique*.

In 2023, the FRR supported in particular the work of Patricia Crifo (*École Polytechnique*) on inequalities and carbon neutrality. More specifically, she examined how to commit to a just transition. Indeed, can the goal of carbon neutrality for States, and the green investment this requires to achieve it, be a source of higher incomes, job creation and reduced inequalities?

5 Risk management and control

RISK MANAGEMENT GOVERNANCE

Since the 2010 pension reforms, the Supervisory Board each year adopts a strategic allocation based on a management model designed to ensure a high liabilities coverage level. The FRR's investments mainly take the form of mandates delegated to managers. The FRR is also authorised to invest directly in OPC (UCI), within the limit of 25% of its assets, excluding money market OPC. The exposure of the FRR's portfolio via OPC was 22.94% in December 2023 (compared to 22.64% at the end of 2022).

A risks committee reviews on a monthly basis the performance of the portfolios and the FRR, as well as changes to key financial and operational risks. In addition, this committee reviews the investments in new asset classes and defines the risk frameworks applicable in each case. It is chaired by a member of the Executive Board and led by the risk management teams. More generally, it is responsible for broadening the risk culture throughout the FRR. Presentations on risk committee matters are then given at Executive Board meetings.

The financial performance and risk department (DPRF) is also invited to various FRR specialist committees (Investment Strategy Committee, Manager Selection Committee, Responsible Investment Committee) and issues an opinion when needed. It also participates in various internal bodies (Tactical Investment Committee, Strategic Allocation Steering Committee, etc.). Finally, it issues opinions on the strategic allocation review, presented at the Supervisory Board meeting devoted to this matter.

The FRR rewarded for good risk management

In 2023, the Fonds de Réserve pour les Retraites was awarded the prize for best risk management initiative by AGEFI. The *Couronnes de l'AGEFI* rewards institutional investors (pension funds, providential societies, insurers, health insurance providers, foundations and enterprises) for adopting good practices in the spheres of communication and financial management and in various other areas. The jury, made up of independent personalities and chaired by Pierre-Maxime Duminil, underlined the high quality of the entries analysed and the soundness of the risk management conducted by the FRR with the aim of adapting over recent years to the emerging types of risks encountered (extremes such as Covid, but also linked to the return of war in Europe, the energy crisis or the spike in interest rates). The distinction bestowed on the FRR confirms its commitment to risk management and its constant desire to adapt to its environment.

FINANCIAL RISKS

Assets-liabilities management risk

This involves the risk of mismatch between the FRR's strategic allocation and compliance with its commitments to CADES, as the FRR's only identified beneficiary. The FRR must pay an amount of 2.1 Bn€ to CADES in 2024 then 1.45 Bn€ per year from 2025 to 2033. Over the year, the liabilities coverage margin has increased by 1.3 Bn€ and equalled 7.7 Bn€ at 29 December 2023, which is a liabilities coverage margin performance of 19.6% over the year 2023.

Portfolio market risk

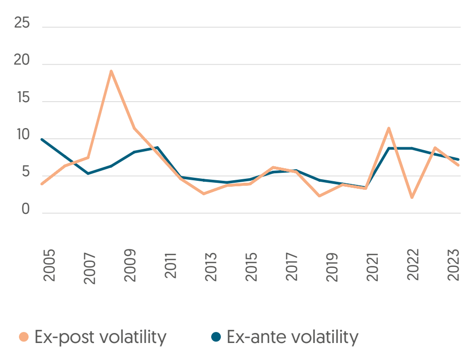
The portfolio's volativity level decreased in 2023 compared to 2022. Volatility dropped sharply in late 2023, affecting both ex-post and ex-ante calculations. Ex-post volatility is within the FRR's long-term average, while ex-ante volatility is slightly above its average level.

The ex-post annual volatility of the value of the FRR's assets was 7.18% in 2023 (compared to 9.47% in 2022) for an annual return of -9.68% (compared to -10.03% in 2022). The average ex-ante volatility was 8.05% in 2023, compared to 8.71% in the previous year.

The risk of an adverse variation in the value of the portfolio (loss) is assessed over a short-term timescale of one year, which is the same period for which the strategic allocation is updated in consultation with the FRR's governance bodies.

Accordingly, the estimated average potential loss over one year in the 1% worst case scenarios, measured by "Conditional Value at Risk" (CVaR) at 99% over one year, is 19.76% of the FRR's assets (compared to 23.39% at the end of 2022), or 4.2 Bn€.

ANNUAL RECORDED VOLATILITY (%)



Performance asset risk

The performance assets represent the greatest CVaR risk factor. At the end of 2023, their contribution to the potential average loss related to price fluctuations in the 1% worst case scenarios was 18.0% of the FRR's assets, or 3.91 Bn€ (compared to 21.1% at the end of 2022).

Equities risk

The FRR analyses the exposure of the Strategic Allocation, the tactical Portfolio and the Portfolio to Barra Risk factors on a monthly basis. In 2023, the portfolio had a slight small caps bias and also a slight value bias compared to the strategic allocation's long-term benchmark.

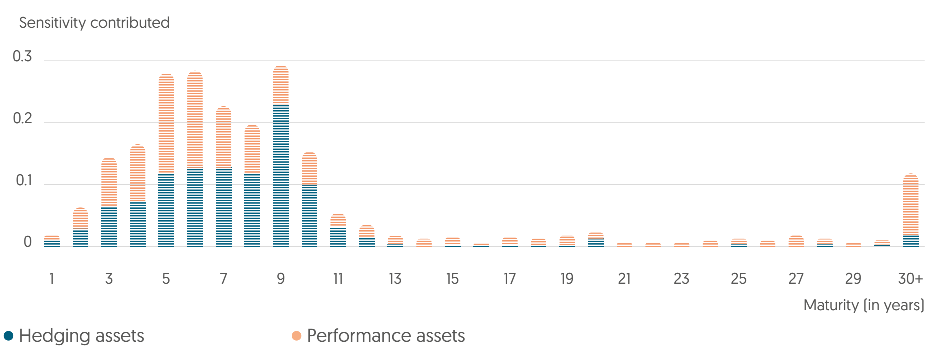
Interest rate risk

At the end of the year, the contribution to the potential average loss related to interest rate curve fluctuations, measured by a CVaR at 99% over one year, is 1.7% on the FRR's hedging assets, or 0.63 Bn€ on the market value of the FRR's portfolio (compared to 2.3% at the end of 2022).

The sensitivity of the value of the FRR's portfolio to rate curve fluctuations has remained stable, ranging from 2.25[8] at the end of 2022 to 2.27 at the end of 2023. Therefore, henceforth, for a consistent increase across all rate curves of 100 basis points, the value of the FRR's portfolio would decrease by 2.27%, or around 0.48 Bn€.

Reciprocally, a 100 basis point increase in interest rates would result in a fall in the value of the FRR's balance sheet liabilities of 4.49% (sensitivity of 4.71 at the end of 2022).

CONTRIBUTIONS TO PORTFOLIO SENSITIVITY BY ASSET TYPE AND MATURITY



8. Including interest rate assets in the performance compartment.

Portfolio credit risk

The table below shows the breakdown in the FRR's fixed income assets by rating at financial year-end 2022 and 2023. The majority of these assets are invested in "Investment Grade" category securities.

	AAA	AA	A	BBB	<BBB- and NR
31/12/22	3%	19%	20%	26%	32%
31/12/23	1%	17%	19%	23%	40%

The credit risk of the portfolio increased slightly between late 2022 and the end of 2023. Three main asset class categories were selected in implementing the 2023 strategic allocation: hedging assets, non-hedged equities and intermediate risk assets. The proportion of high-yield corporate bonds, forming part of the intermediate risk assets, increased compared with the 2022 strategic allocation, resulting in an increase in less highly-rated securities in the bonds portfolio. Indeed, 60% of this portfolio is invested in securities with good credit quality ("investment grade"), compared to 68% at the end of 2022.

The average rating[9] of the FRR's interest rate portfolio in 2023 is BB- (BB in 2022). The anticipated rate of loss over one year for such average rating is 0.62% (0.44% in 2022).

To help credit risk monitoring, the FRR uses a system enabling it to monitor rating downgrades, independently of the FRR's asset managers, on a weekly basis for the Euro Credit and US Credit compartments. This tool enables the FRR to anticipate sharp downgrades to the issuers or issues held under its mandates. Any alarming downgrades are notified by the financial risk management department at the monthly Risks Committee meeting. In 2023, 8 alerts were triggered by this system (compared to 6 alerts in 2022).

Furthermore, the potential loss associated with the correlated migration of issuer credit quality[10] is also measured on the FRR's Credit portfolio. At 29/12/2023, the Credit CvaR at 99% over one year of the Credit portfolio was 5.7% (compared to 6.7% in 2022), whereas that of the performance compartment was 8.2% and 3.4% for the hedging compartment (vs 14.6% and 4.5% respectively in 2022). Performance assets contributed 75.3% to the Credit CVaR (compared to 62.6% in 2022), with hedging assets contributing 24.7% (compared to 37.4% in 2022).

Counterparty risk concerns the risk of managers trading forward financial instruments OTC with bank counterparties (swaps, forward exchange). This is greatly reduced by implementing various measures: minimum rating of authorised counterparties, margin calls, use for foreign exchange purposes of the clearing services of CLS Bank[11], limits per counterparty. At the end of 2023, the FRR's overall risk exposure to counterparty risk was 530 M€ (compared to 579 M€ at the end of 2022), derived from forex hedging.

9. This is an average of the portfolio assets by rating weighted by the one year cumulative default rates observed between 1983 and 2022 for this same rating.
10. Credit CVaR takes into account historic probabilities of issuer rating migration by sector whereas market CVaR only considers changing credit spreads (assuming stable credit quality) to assess risk.
11. "Continuous Linked Settlement": clearing and settlement system that reduces counterparty risk.

Signature risk diversification ratios

The regulations applicable to the FRR contain specific ratios relating to diversification of portfolio signature risk on debt and equity issuers. In addition to these ratios, the FRR has, since 2011, set an internal limit on its maximum exposure to a single signature (issuer or OTC transaction counterparty) of 3.5% of the FRR's net assets, excluding sovereign issuers, for which special limits have been set depending on the issuer's rating, and excluding OPC which have a limit of 5% of net assets. Since the Order dated 24 May 2016, the applicable regulatory issuer or counterparty concentration limits also take into account indirect positions held via collective investment undertakings (OPC).

The FRR made its positions held in OPC transparent on a quarterly basis (work performed by an external service provider) to verify that the simulation assumptions used to determine potential exposures in OPC were conservative. This task has been performed on a monthly basis since late 2023.

Foreign exchange risk

Part of the FRR's portfolio is invested in foreign currencies. The strategic allocation is fully hedged except for performance assets which are 90% hedged. Assets denominated in emerging market currencies are not hedged since the currency price is intrinsic to performance. Nevertheless, the FRR maintains a margin of flexibility over its hedging level, provided that its overall currency risk exposure remains below 20% of its total overall assets (regulatory limit). Foreign exchange risk exposure at the end of 2023 represents 16.83% (compared to 14.77% at the end of 2022).

Risks of tracking error between FRR or managers' performance and that of their benchmarks

The volatility of the spread between the performance of the strategic allocation and that of the actual portfolio allocation is measured by tracking error-type indicators (ex-ante TE). This is defined as the annualised standard deviation of the gap in performance between the actual portfolio and the benchmark target allocation.

In 2023, all managers observed the TE limits set out in the management mandates. In renewing the Small/Mid Cap equities mandates, the FRR has ensured that the methodologies for calculating ex-ante tracking-error are harmonised, thereby enabling the manager to control effectively its risk budget, in line with the FRR.

The FRR has developed new approaches to best assess the level of risk and the management style (Barra factors) of the selected managers. This includes, in particular, in the selection process, an in-depth analysis of the ex-ante risk parameters and levels of sensitivity to Barra factors of the portfolios. The overall exposure of the portfolio compared to the strategic allocation was also presented to the risks Committee and is now incorporated monthly. This approach helps to identify differences in exposure to Barra risk factors between the managers' portfolios and their benchmarks, and therefore their ability to manage within the framework of their ex-ante tracking-error budget.

At the end of the year 2023, the ex-ante TE between the FRR's actual portfolio and that of the strategic allocation was 155 basis points (compared to 179 basis points the previous year). This gap can be explained, firstly, by selection effect (managers' active management, selection of indices other than those of the strategic allocation ...), and, secondly, the flexible management effect (technical over- or under-exposure depending on the asset class and hedging adjustments for interest rate and foreign exchange risk). This gap is mainly due to the prudent tactical decisions made for the portfolio compared to the strategic allocation.

In parallel with the authorised margin, granted to managers of investment grade credit mandates, to diversify into securities of lower "quality of signature", the FRR regulates their management through a defined limit relative to their benchmark. This regulation is based upon a measurement of the spread weighted sensitivity (SWS) of the value of all of the securities in the portfolio. This sensitivity reflects the level of credit risk taken based on the following two elements: the remuneration received by investors in exchange for the risk taken (the "spread" or risk premium) and the duration of exposure to such risk (the "duration"). A comparison between the SWS of the portfolio of each manager and that of its benchmark enables its over- or under-exposure to credit risk relative to its benchmark to be assessed and controlled.

Since 2020, the ex-ante financial risk measures adopted by the FRR to steer the management of its service providers have been analysed in-depth (in particular the "Tracking-Error" or TE, and the "Spread-Weighted Sensitivity" SWS) or "Duration Times Spread" DTS), which has led to the managers' and the FRR's various approaches and methodologies for ex-ante risk measurement calculation (TE and DTS) being harmonised where possible.

The desire to harmonise the managers' and the FRR's methodologies stems from the environment in recent years, in particular the increased volatility and spreads witnessed during the Covid crisis, as well as the integration of ESG constraints in mandate management, not present in the benchmarks.

The SWS (or DTS) measurement methodology, used to limit the bonds managers' credit risk, has been standardised across all of the FRR's bonds mandates. Taking extension risk[12] for securities with options, in particular quasi-capital, into consideration is now systematic for all these mandates. Feedback has been received on US IG Credit and US HY Credit, highlighting the impact of these harmonisation efforts.

Risk on financial contracts especially derivatives

The FRR can only invest in financial contracts where there is a high level of security: its regulatory framework comprises the Monetary and Financial Code and the General Regulations of the AMF[13] concerning French coordinated OPC.

The FRR therefore applies the risk monitoring principles applicable to transactions on forward financial instruments set forth in the AMF regulation of June 2018 on the methodology for calculating overall risk on OPC.

The method for calculating the commitment under a financial contract involves calculating the effective commitment under all financial contracts compared to the total net value of the fund. The commitment at the end of 2023 represents 7.96% of the FRR's assets, which is below the regulatory limit of 100%.

12. Risk of early redemption of the security by its issuer.
13. *Autorité des Marchés Financiers.*

Liquidity risk on assets under management

An overall limit on OPC was defined in the Order dated 24 May 2016, which sets a maximum limit for holdings in OPC of 20% (this level was previously an internal limit). Since September 2022, this limit has increased from 20% to 25%.

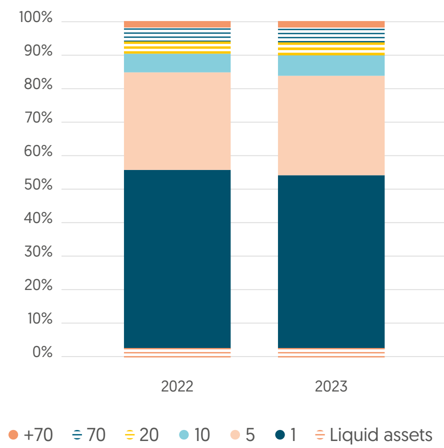
The FRR also manages an overall limit on holdings in the share capital of companies: the FRR may not hold more than 3% of the shares of any single issuer (except for the unlisted assets portfolio: real estate, private equity and infrastructure).

In 2023, the FRR also published its best practices for liquidity monitoring of Small/Mid Cap mandates currently being renewed. The aim is to harmonise liquidity measurement methodologies, which is particularly essential, especially in Europe and France where liquidity risk requires closer attention.

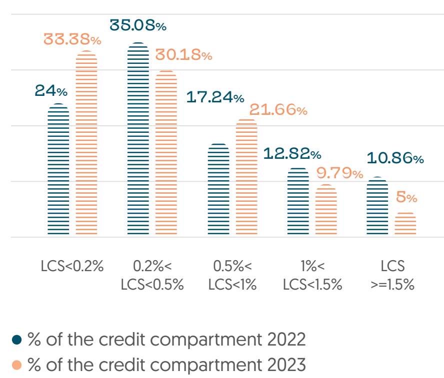
To estimate the liquidity of the FRR's portfolio, various independent management measurements were taken at the end of December 2023:

- For French, European and US small and mid capitalisation equities, 84% of the portfolio could be disposed of with no price impact in less than 5 days[14], compared to 85% at the end of 2022 (cf. chart below).
- For the FRR's Credit portfolio (invested in the Euro IG Credit, Euro HY Credit, US IG Credit and OAT Matching compartments), the least "liquid" part of the portfolio is defined[15] by the securities in respect of which a sale-repurchase transaction would attract a discount rate of greater than or equal to 0.5%. Whereas this part was at around 36.4% at the end of 2023 (discount rate of mainly between 0.5% and 1%), compared to 40.9% at the end of 2022. 5.0% of the securities are considered illiquid, with a discount rate on sale of more than 1.5%, compared to 10.9% at the end of 2022 (cf. chart below).

MEASUREMENT OF THE LIQUIDITY OF FUNDS INVESTED IN FRENCH, EUROPEAN AND US SMALL AND MID CAPITALISATION EQUITIES
% of small and mid-capitalisation assets sellable in a given number of days, at 29/12/2023



ESTIMATE OF THE LIQUIDITY OF THE FRR'S CREDIT PORTFOLIO



14. Based on the assumption that 25% of the daily average volume of transactions over the last 3 months may be liquidated in one day without impacting on the price of the securities analysed.
15. Definition based on the Liquidity Cost Score (or LCS) method. LCS is an indicator measuring the cost of liquidation and is calculated using the following formula: LCS = (Sale Price – Purchase Price) / Purchase Price of the security.

EXTRA-FINANCIAL RISKS

Each year S&P Global Sustainable 1 produces a climate risk and ESG audit report, which includes amongst other things an analysis of the risks relating to climate change. These risks are twofold:

- transition risks, meaning the risks to which companies that are heavy greenhouse gas emitters are exposed, due to potential regulatory developments and carbon market pricing. S&P Trucost makes estimations of potential losses based on three scenarios for future trends in more or less high carbon prices. These estimates factor in both the risks associated with greenhouse gas emissions by companies and with the indirect repercussions through suppliers.

  The transition risks analysis reveals, like last year, that the EBITDA at risk across all of the FRR's portfolios is below that of its benchmarks (7.08% compared to 10.18% for global equities and 12.11% compared to 18.40% for corporate bonds).

- physical risks, which may have a considerable impact on the financial markets. These physical risks combine localised risk (on-site) and risks to the value chain of the affected companies. More than 2 million assets have been linked to over 15,000 companies in S&P Trucost's CorePlus universe. These assets are then assessed with reference to their exposure and vulnerability to 7 climate events: water stress, fire, flood, heat wave, cold spell, hurricanes, and rising water levels. Following their assessment, the physical risks analysis reveals that the FRR's portfolios' exposure to these risks is relatively similar to that of their benchmarks. In an "moderate/severe" climate scenario, the potential financial impact associated with these risks is estimated at between 3.55% for equities and 3.91% for corporate bonds.

The risk department has produced a study analysing the impact of improving the ESG score and carbon intensity of the securities to which the FRR is exposed or of their benchmark on their level of risk (level of volatility or potential loss, credit spread, sensitivity to management styles and/or Barra risk factors).

The main findings of the study were as follows:

- There is a relationship between securities' ESG scores and their financial risk level (volatility for equities, credit spread for bonds): the securities with the highest ESG score are the least risky from a financial point of view. This relationship is particularly strong for the Governance element.
- There is no particular statistical relationship when the ESG score is replaced by Carbon intensity.
- There are positive correlations between the quality of a security's ESG score and its exposure to the Size factor and the Value factor, and negative correlations with the Growth and Volatility factors.
- Tactical and selection decisions (benchmarks and managers) have an impact on the extra-financial risk level (ESG score and carbon intensity) of the portfolio.

OPERATIONAL RISKS

These are the risks associated with failed or inadequate internal processes or external events, whether of a deliberate or accidental nature or natural cause.

The FRR's operational risk management system relies on regular risk self-assessment exercises designed to establish an updated residual risks map and also on following-up on the action plans made subsequent to this mapping. The implementation of new processes (or redesign as necessary of key processes related to dematerialisation, business continuity or broadening the use of electronic approvals and signatures) also contributes towards upstream mitigation of operational risks. The system was further improved in 2022 to strengthen the operational security of internal processes.

In performing its mission, it is important that the FRR is able to conduct its principal activities without interruption in the event of serious incident (supplier failure, physical damage to buildings, cyber attack, industrial action, pandemic, flooding of the Seine, etc.). The various prevention, crisis management and continuity management measures (crisis management organisation and procedures, recovery site, analysis of essential supplier continuity arrangements, technological resilience including cyber events) are regularly updated and monitored by the Risk Committee. All of the FRR's staff are remote access enabled allowing them to work securely in hybrid mode. In addition to the ability to work remotely, The FRR ensures that its continuity system remains available, particularly during an annual business recovery test held at an external site conducted by the FRR's teams in October 2023.

All significant operational incidents affecting the FRR, whether of internal or external origin, are identified and analysed on an ongoing basis. They are analysed and monitored by the Risk Committee (corrective measures, impacts, compensation, monitoring of improvement plans). In this regard, the FRR also pays close attention to following-up on any operational incidents and regulatory penalties affecting its management companies as well as its essential suppliers. In 2023, the FRR identified two significant operational incidents of external origin which, after analysis, resulted in corrective measures being taken and compensation being paid by the responsible managers of the delegated management mandates.

COMPLIANCE

Professional ethics

The FRR takes special care to ensure that its employees comply with a very strict ethical framework which involves a programme of specific mandatory training in the form of e-learning and group sessions.

The professional ethics framework applicable to the three members of the Executive Board is contained in the Social Security Code, that applicable to Manager Selection Committee and Supervisory Board members is set forth in their respective codes of professional ethics.

The FRR is resolutely committed to participating in international efforts to combat money laundering and terrorist activity financing. The FRR is implementing a programme for compliance with anti-money laundering regulations founded on risk management. Ethical, money-laundering, terrorism financing and international sanction compliance risks all form part of a programme of internal mandatory training, policies, procedures, and an internal system for control of and specific due diligence on the manager and investment selection process. The FRR ensures in particular that its investments comply with this policy.

Portfolio and investment compliance

Compliance risk is the risk of failure to comply with legislative, regulatory or contractual requirements and obligations.

Monitoring the compliance of investments is an essential element of the internal control framework. As such, the FRR:

- daily monitors compliance by the managers of delegated management mandates with their contractual obligations;
- also verifies that investments made via OPCs and funds are in compliance with the internal rules;
- ensures compliance with its regulatory ratios (diversification by issuer, exposure to markets outside the European Economic Area or non-organised markets, position limit on shareholdings in companies, position limit on OPC, exposure to currency risk, exposure to mutual funds, the various commitment ratios);
- verifies that the FRR's exclusion policy is implemented and adhered to by its managers.

The analysis of potential incidents of failure to observe compliance rules, impact assessments, corrective measures and potential compensation claims are entered in an incident report and followed-up by the Risks Committee.

6

Organisation and costs

HUMAN RESOURCES AND ORGANISATION

In 2023, the FRR employed 49 permanent staff, of which 41 under contract with Caisse des Dépôts.

All perform their functions under the authority of an Executive Board to which a finance department, an operations and risks department and a legal and communications department report.

The FRR maintains it processes under stringent levels of security, thanks to effective and reliable management and analysis systems, and continually reflects on the efficiency of its organization.

THE FRR'S COSTS

Costs for the 2023 financial year amounted to 92.2 M€ compared to 87.1 M€ in 2022.

Included in these, expenses such as staff costs, real estate costs, IT and general overheads form the FRR's recurring costs budget (*"enveloppe limitative"*). These totalled 16.0 M€, slightly up compared to 2022, and represent 17% of expenditure compared to 16% the previous year. Of these costs, which are uncorrelated to assets under management and represent around 7.5 basis points of net assets, most of the increase is due to measures to maintain purchasing power implemented during 2023.

The FRR's assessment-based budget (*"enveloppe evaluative"*) is 76.12 M€. This is essentially made up of management fees, which represent 75% of the operating costs for the financial year. In 2023, no outperformance fees were paid due to the term of the European small-cap mandates being extended until 2024. As of 31 December, the estimated final (*in fine*) fees, which cover all outperformance fees payable on unexpired mandates, is 30.72 M€. This is up by around 21% compared to 2022, mainly as a result of the overall portfolio performance of 9.7% over the period.

As a reminder, since 2022 the difference between the final (in fine) fees estimated at year-end and the amount actually paid during the following financial year is now is recognised for accounting purposes under operating income.

Back-office and custodial fees – which also form part of the FRR's assessment-based expenses – relate to services provided by Caisse des Dépôts under the terms of an agreement between the two entities. These have continued to fall due both to the decrease in the FRR's net assets, and also to the application of more favourable custodial fee rates over the full year (6.96 M€ compared to 7.70 M€ in 2022).

7

FRR Governance

GOVERNING BODIES

SUPERVISORY BOARD AT 31 DECEMBER 2023

PRESIDENT
Sandrine LEMERY

MEMBERS OF THE NATIONAL ASSEMBLY
Bénédicte Auzanot, Belkhir Belhaddad

MEMBERS OF THE SENATE
Jérôme Bascher *(until September)*
Philippe Mouiller *(since 12 January 2024)*
Patricia Schillinger
Solanges Nadille *(since 12 February 2024)*

QUALIFIED PERSONALITY
Philippe Tibi, Vice-President of the Supervisory Board
Sandrine Lemery, President of the Supervisory Board

REPRESENTATIVES OF INSURED PERSONS NOMINATED BY THE INTER-PROFESSIONAL TRADE UNION BODIES REPRESENTATIVE AT NATIONAL LEVEL

Confédération générale du travail
Pierre-Yves Chanu, Vice-President of the Supervisory Board, alternate Hélène Guerra

Confédération générale du travail Force ouvrière
Philippe Soubirous, alternate Éric Gautron

Confédération française démocratique du travail
Laetitia Tankwe, alternate Thibaut Sellier

Confédération française des travailleurs chrétiens
Isabelle Sancerni, alternate Pierre-Alexis Van Den Boomgaerde

Confédération française de l'encadrement – CGC
Jean-Arnaud Guyard, alternate Christine Diebold

EMPLOYERS' REPRESENTATIVES AND SELF-EMPLOYED PERSONS

Mouvement des entreprises de France
Eric Pinon, alternate Jacques Vessaud
Florent Sarrazin, alternate Eric Andrieu
Philippe Poiget, alternate Nicolas Bondonneau

Confédération des petites et moyennes entreprises
Alain Duffoux, alternate Michel Giordano

Union des entreprises de proximité
Corinne Postel, alternate Michel Bressy

REPRESENTATIVES OF THE MINISTER FOR SOCIAL SECURITY APPOINTED BY ORDER OF THE MINISTER FOR SOCIAL SECURITY

Franck von Lennep, alternate Morgan Delaye
Paul-Antoine Georges, alternate Thomas Ramilijaona

REPRESENTATIVE OF THE MINISTER FOR THE ECONOMY AND FINANCE AND INDUSTRY APPOINTED BY ORDER OF THE MINISTER FOR THE ECONOMY, FINANCE AND INDUSTRY

Christophe Bories, alternate Martin Landais

REPRESENTATIVE OF THE MINISTER RESPONSIBLE FOR THE BUDGET APPOINTED BY ORDER OF THE MINISTER RESPONSIBLE FOR THE BUDGET

Marie Chanchole, alternate Olivier Dufreix

EXECUTIVE BOARD

PRESIDENT
Éric Lombard

MEMBERS OF THE EXECUTIVE BOARD
Yves Chevalier
[until 30 April 2023]
Adrien Perret
[as from 8 July 2023]
Olivier Rousseau

MANAGER SELECTION COMMITTEE

PRESIDENT
Olivier Rousseau

MEMBERS OF THE MANAGER SELECTION COMMITTEE

Catherine Guinefort
Samia Khallaf
Thierry Coussieu
Patrick Savadoux

STEERING COMMITTEE

Yves Chevalier: *Member of the Executive Board [until 30 April 2023]*

Adrien Perret: *Member of the Executive Board [as from 8 July 2023]*

Olivier Rousseau: *Member of the Executive Board*

Salwa Boussoukaya Nasr: *Finance Director*

Rachel Cascajo: *Operations and Risk Director*

Sidonie Freoa Dhekaier: *Legal and Communications Director*

Pierre Leygue: *Head of the Financial Risk and Performance Department*

THE FRR'S TEAMS

The FRR's operations are organised around three departments: a finance department, an operations and risk department and a legal and communications department. There are also independent control functions.

FINANCE DEPARTMENT

DELEGATED MANAGEMENT AND RESPONSIBLE INVESTMENT DEPARTMENT

Oversees the external manager selection process and is also responsible for monitoring all of the FRR's management mandates, and in particular for analysing the performance of the portfolios and monitoring delivery by the managers of all financial services required under their mandates. It is also responsible for investments in UCI (OPC), monitoring investments in unlisted asset classes (private equity, private debt, infrastructure, real estate, etc.) and overseeing them. It also steers the responsible investor strategy laid down by the Supervisory Board and ensures its implementation by the managers through their investments.

FINANCE DEPARTMENT

ASSET ALLOCATION DEPARTMENT

Performs the functions related to the FRR's long-term investment strategy and is responsible for managing the tactical allocation and steering the FRR's foreign exchange risk hedging.

LEGAL AND COMMUNICATIONS DEPARTMENT

Has responsibility for all legal matters concerning the FRR's mandates and contracts and the investments made via OPC, in particular through the organisation of selection procedures, as well as monitoring the exercise of the FRR's voting rights. It is also responsible for the FRR's communications.

INDEPENDENT FUNCTIONS: ACCOUNTING AGENCY

Is responsible for maintaining the FRR's accounts, and for safe-keeping of accounting records and documents. Once mandated by the authorising officer, it actions the receipts and orders representing the FRR's income and expenses. It prepares an annual report on the accounts for the financial year. The FRR is subject to financial control by the State, and by the court of accounts [*Cour des Comptes*], the general inspectorate of finances [*Inspection Générale des Finances*] and the general inspectorate of social affairs [*Inspection Générale des Affaires Sociales*].

OPERATIONS AND RISKS DEPARTMENT

HR AND MANAGEMENT CONTROL DEPARTMENT

Is responsible for the operational oversight of human resources and management control and deploys the FRR's internal social and environmental responsibility approach.

MIDDLE OFFICE DEPARTMENT

Is responsible for operational relations with the management companies and external service providers, confirming valuations and compliance verification.

OPERATIONS AND RISKS DIRECTOR

PERFORMANCE, FINANCIAL AND OPERATIONAL RISKS DEPARTMENT

Measures financial performance and oversees the FRR's financial and operational risks and prepares the work of the Risks Committee.

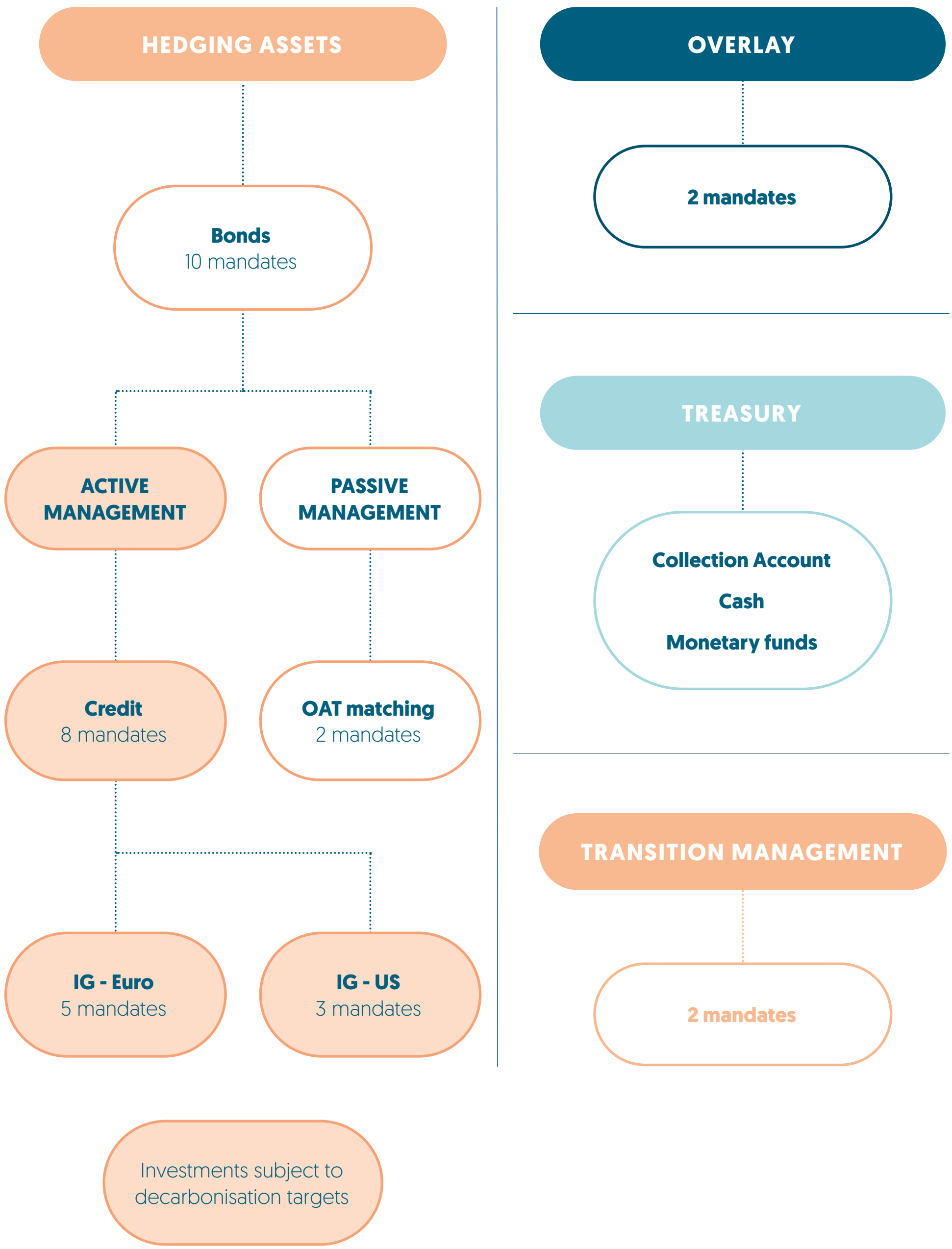
INFORMATION SYSTEM, ORGANISATION AND PROJECTS DEPARTMENT

Is responsible for general project management, the availability and budgetary monitoring of all applications and services forming the FRR's information systems map, in relation not only with the Caisse des Dépôts group's internal service providers but also with all external providers, financial information suppliers and software publishers.

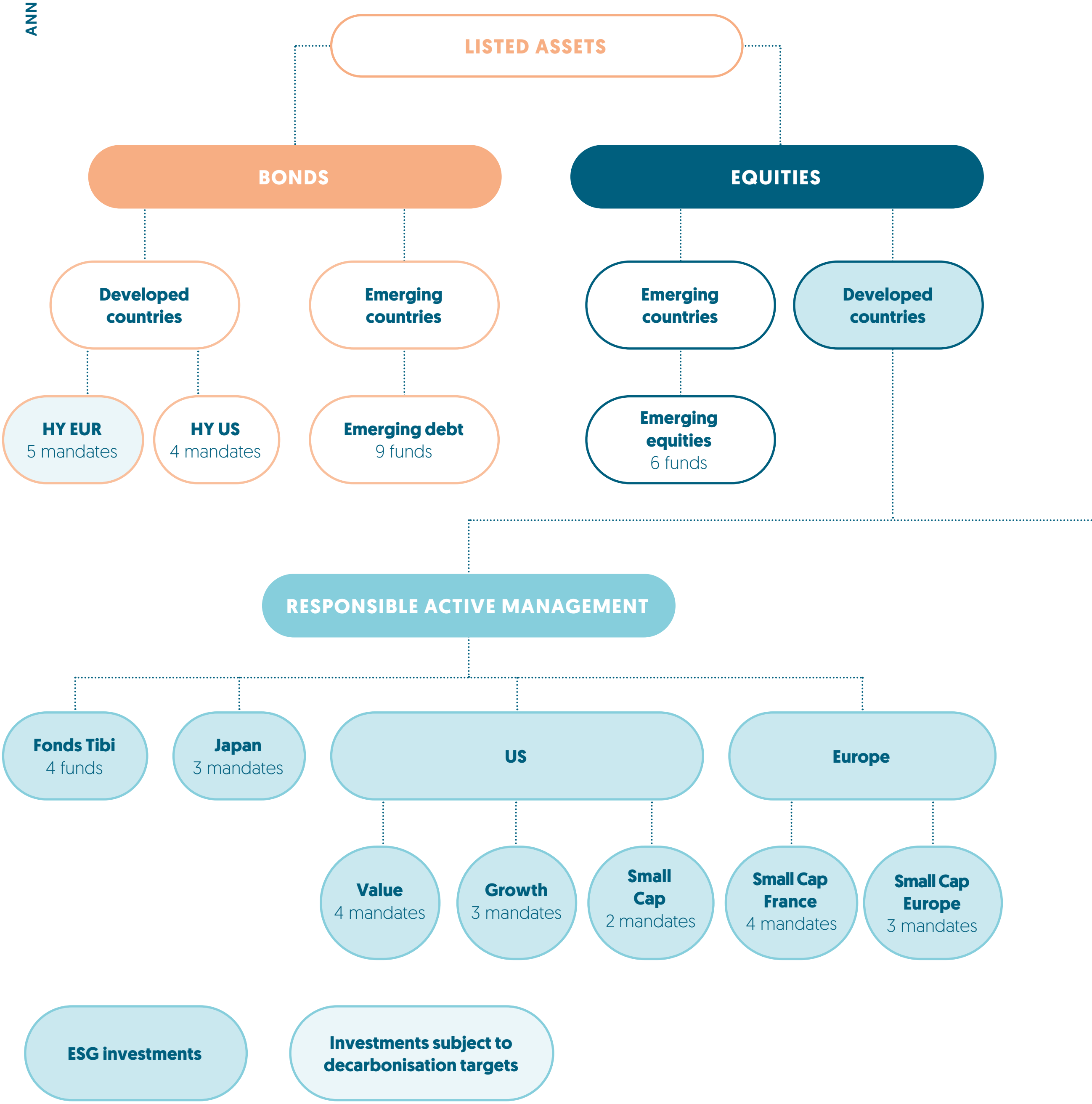
8

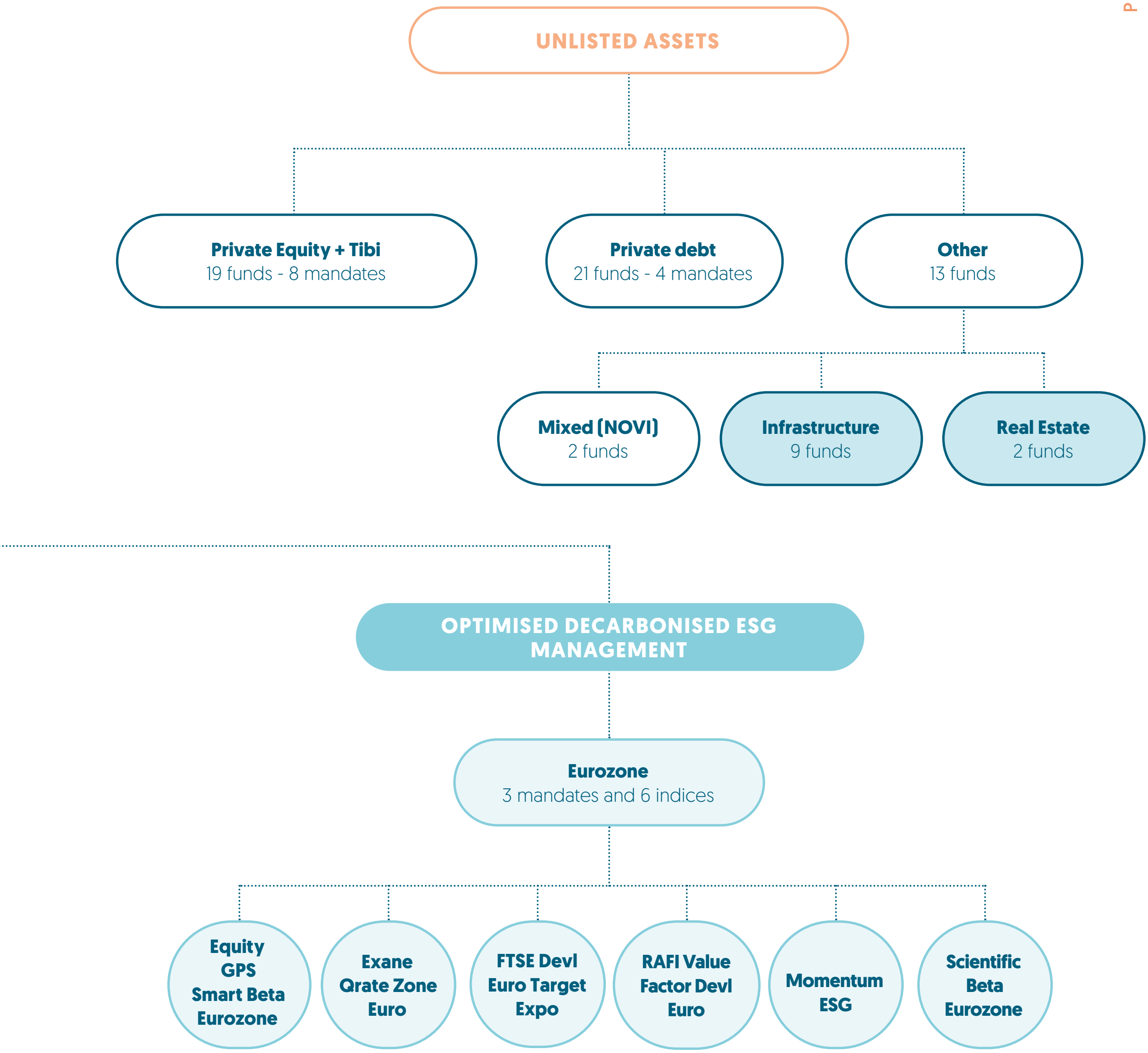
Portfolio map

Map of hedging assets, Overlay, transition management and treasury at 31/12/2023



Map of performance assets at 31/12/2023 (physical investments)




UNLISTED ASSETS
Private Equity + Tibi
19 funds - 8 mandates
Private debt
21 funds - 4 mandates
Other
13 funds
Mixed (NOVI)
2 funds
Infrastructure
9 funds
Real Estate
2 funds
OPTIMISED DECARBONISED ESG MANAGEMENT
Eurozone
3 mandates and 6 indices
Equity GPS Smart Beta Eurozone
Exane Qrate Zone Euro
FTSE Devl Euro Target Expo
RAFI Value Factor Devl Euro
Momentum ESG
Scientific Beta Eurozone

9

FRR's service providers

FRR'S MANAGEMENT COMPANIES AS AT 31 DECEMBER 2023

The following companies were selected through requests for proposals:

2005FRR05

PRIVATE EQUITY PROGRAMME

- PANTHEON VENTURES (UK) LLP (EUROPEAN DIVERSIFIED FUND)

2016FRR02

DEDICATED FUND MANDATES – FRENCH CORPORATE PRIVATE DEBT - LOT 1 – PRIVATE PLACEMENTS

- BNP PARIBAS ASSET MANAGEMENT
- SCHELCHER PRINCE GESTION

2016FRR02

DEDICATED FUND MANDATES – FRENCH CORPORATE PRIVATE DEBT - LOT 2 – ACQUISITION DEBT

- EURAZEO GLOBAL INVESTOR SAS (formerly IDINVEST PARTNERS)
- AMUNDI ASSET MANAGEMENT (formerly LYXOR INTERNATIONAL ASSET MANAGEMENT SAS)

2016FRR03

DEDICATED FUND MANDATES - PRIVATE EQUITY FUNDS SELECTION

- ARDIAN FRANCE
- SWEN CAPITAL PARTNERS
- LGT CAPITAL PARTNERS LIMITED

2016FRR05

DEDICATED FUND MANDATES – INNOVATION EQUITY FRANCE

- EURAZEO GLOBAL INVESTOR SAS (formerly IDINVEST PARTNERS)
- TRUFFLE CAPITAL SAS
- OMNES CAPITAL

2017FRR02

MANAGEMENT MANDATES – OAT MATCHING

- AXA INVESTMENT MANAGERS
- AMUNDI ASSET MANAGEMENT

2017FRR03

DEDICATED FUND MANDATES - GROWTH EQUITY FRANCE

- LBO FRANCE
- ISATIS CAPITAL

2018FRR02

ACTIVE MANAGEMENT MANDATES – LOT 1 – EUROPEAN SMALL CAPITALISATION EQUITIES

- JPMORGAN ASSET MANAGEMENT (EUROPE) S.A.R.L.
- FIL GESTION
- BNP PARIBAS ASSET MANAGEMENT FRANCE

2018FRR02

ACTIVE MANAGEMENT MANDATES – LOT 2 – FRENCH SMALL CAPITALISATION EQUITIES

- HSBC GLOBAL ASSET MANAGEMENT (France)
- BFT INVESTMENT MANAGERS
- AMIRAL GESTION
- SYCOMORE ASSET MANAGEMENT

2018FRR03

RESPONSIBLE ACTIVE MANAGEMENT MANDATES - US EQUITIES - LOT 1: US EQUITIES, ACTIVE MANAGEMENT, “VALUE”

- AMUNDI ASSET MANAGEMENT
- DEGROOF PETERCAM ASSET
- MANAGEMENT SA
- LAZARD FRERES GESTION SAS
- T ROWE PRICE (LUXEMBOURG) MANAGEMENT SARL

2018FRR03

RESPONSIBLE ACTIVE MANAGEMENT MANDATES - US EQUITIES - LOT 2: US EQUITIES, ACTIVE MANAGEMENT, “GROWTH”

- IQ EQ FUND MANAGEMENT (IRELAND) LIMITED (formerly DAVY INVESTMENT FUND SERVICES LIMITED) / William Blair Investment Management LLC
- FRANKLIN TEMPLETON INTERNATIONAL SERVICES SARL (formerly LEGG MASON INVESTMENTS IRELAND LIMITED)
- T ROWE PRICE (LUXEMBOURG) MANAGEMENT SARL

2018FRR03

RESPONSIBLE ACTIVE MANAGEMENT MANDATES - US EQUITIES - LOT 3: US EQUITIES, ACTIVE MANAGEMENT, “SMALL CAPITALISATIONS”

- ABERDEEN STANDARD INVESTMENTS IRELAND LIMITED
- IQ EQ FUND MANAGEMENT (IRELAND) LIMITED (formerly DAVY INVESTMENT FUND SERVICES LIMITED) / William Blair Investment Management LLC

2019FRR01

RESPONSIBLE ACTIVE MANAGEMENT MANDATES – JAPANESE EQUITIES

- BFT INVESTMENT MANAGERS (Wellington Management Japan Private Limited)
- COMGEST SA
- NOMURA ASSET MANAGEMENT EUROPE KVG MBH (NAM EUROPE)

2019FRR02

OVERLAY MANAGEMENT MANDATES

- AXA INVESTMENT MANAGERS PARIS
- RUSSEL INVESTMENTS FRANCE

2020FRR01

RESPONSIBLE ACTIVE MANAGEMENT MANDATES: CORPORATE BONDS – LOT 1 – EURO DENOMINATED INVESTMENT-GRADE CORPORATE BONDS

- AXA INVESTMENT MANAGERS PARIS
- BFT INVESTMENT MANAGERS (M&G INVESTMENTS)
- BFT INVESTMENT MANAGERS (UNION INVESTMENT INSTITUTIONAL GmbH)
- BLACKROCK NETHERLANDS B.V.
- DWS INTERNATIONAL GMBH

2020FRR01

RESPONSIBLE ACTIVE MANAGEMENT MANDATES: CORPORATE BONDS – LOT 2 – EURO DENOMINATED HIGH YIELD CORPORATE BONDS

- BLACKROCK NETHERLANDS B.V.
- CANDRIAM
- DEGROOF PETERCAM ASSET MANAGEMENT SA
- DWS INTERNATIONAL GMBH
- THREADNEEDLE MANAGEMENT LUXEMBOURG SA

2021FRR01

RESPONSIBLE MANAGEMENT MANDATES: EQUITY INDEX REPLICATION FOR MANAGEMENT CONSISTENT WITH THE PARIS AGREEMENT

- AMUNDI ASSET MANAGEMENT
- BNP PARIBAS ASSET MANAGEMENT France
- CANDRIAM

2021FRR02

RESPONSIBLE ACTIVE MANAGEMENT MANDATES – US DOLLAR DENOMINATED INVESTMENT-GRADE CORPORATE BONDS

- ALLSPRING GLOBAL INVESTMENTS LUXEMBOURG SA (formerly WELLS FARGO ASSET MANAGEMENT LUXEMBOURG SA)
- FRANKLIN TEMPLETON INTERNATIONAL SERVICES SARL
- BFT INVESTMENT MANAGERS (METLIFE INVESTMENT MANAGEMENT LLC)

2021FRR03

TRANSITION OPERATIONS MANAGEMENT

- RUSSEL INVESTMENTS FRANCE
- BLACKROCK NETHERLANDS B.V.

2022FRR01

RESPONSIBLE ACTIVE MANAGEMENT MANDATES: US DOLLAR-DENOMINATED HIGH YIELD CORPORATE BONDS

- BFT INVESTMENT MANAGERS (PGIM FIXED INCOME)
- JPMORGAN ASSET MANAGEMENT (EUROPE) S.A.R.L.
- NOMURA ASSET MANAGEMENT (EUROPE) KVG MBH
- ALLIANCEBERNSTEIN (LUXEMBOURG) SARL

Other providers

2020FRR02

STATUTORY AUDITORS

- MAZARS SA
- GRANT THORNTON SAS

2022FRR02

SELECTION OF LEGAL SERVICES PROVIDERS

- FIELDFISHER (FRANCE) LLP AND CABINET ÉMILIE MAZZEI
- KRAMER LEVIN NAFTALIS & FRANKEL LLP

2022FRR04

PRODUCTION OF FRR WRITTEN COMMUNICATION MEDIA

- LUCIOLE

2023FRR01

PROVISION OF MEASUREMENT AND ANALYSIS OF FRR PORTFOLIO ENVIRONMENTAL AND CLIMATE FOOTPRINT

- S&P GLOBAL MARKET INTELLIGENCE LLC

2023FRR05

PROVISION OF MEASUREMENT AND ANALYSIS OF FRR PORTFOLIO ESG FOOTPRINT

- MORNINGSTAR FRANCE FUND INFORMATION

10

Financial information

ACCOUNTING AND FINANCIAL SUMMARY

The 2023 result shows a profit of 1,007 M€, following a negative result of 562 M€ in 2022.

Financial assets, transferable securities and cash equalled the same level as 2022 at 20.8 Bn€.

The valuation differences recorded in the balance sheet show the difference between the purchase price of the assets and their market value as at 31 December. These positive differences, of 1,563 Bn€ at 31 December 2023, have increased by 965 M€ compared to 2022 (598 M€).

The 2023 financial result is positive at 1,073 M€, after a negative 2022 financial result of 507 M€.

By analysing the financial result, the contribution of each income or expense category to the financial year's result can be assessed.

Income from transferable securities totalled 514.40 M€ compared to 443.20 M€ in 2022.

Foreign exchange transactions generated a positive result of 175.60 M€, compared to -714.50 M€ at 31 December 2022.

Forward financial instruments posted a gain of 207.10 M€, compared to a loss of 1.10 M€ in 2022.

Financial instrument disposals produced a profit of 250.00 M€, compared to a deficit of 277.8 M€ in 2022.

Finally, the result on option hedging was negative at -106.5 M€ compared to the positive result of 36.3 M€ in 2022.

BALANCE SHEET AT 31/12/2023

ASSETS

	2023			2022
	Gross	Depreciation and amortisation	Net	Net
FIXED ASSETS				
Intangible assets				
Other intangible assets	7,174,476.44	-6,056,872.17	1,117,604.27	1,000,909.27
Tangible fixed assets				
Technical installations, plant and equipment	12,712.31	-12,712.31	0.00	0.00
Total I	**7,187,188.75**	**-6,069,584.48**	**1,117,604.27**	**1,000,909.27**
CURRENT ASSETS				
Operating receivables	85,393.34		85,393.34	91,462.17
Miscellaneous receivables				
Financial instruments	15,427,531.25		15,427,531.25	13,828,526.46
Foreign exchange transactions	5,572,003,364.52		5,572,003,364.52	5,157,698,877.99
Forward financial instruments	206,522,887.56		206,522,887.56	315,361,920.73
Financial instruments				
Equities and similar securities	4,314,904,309.74		4,314,904,309.74	5,759,320,326.32
Bonds and similar securities	9,108,923,538.58		9,108,923,538.58	7,576,189,769.72
Negotiable debt instruments (TCN)	666,325,474.24		666,325,474.24	602,467,622.83
Undertakings for collective investment (OPC)	6,297,840,360.35		6,297,840,360.35	6,207,731,025.41
Cash and equivalent	532,175,135.70		532,175,135.70	737,159,980.97
Prepaid expenses			0.00	0.00
Total II	**26,714,207,995.28**	**0.00**	**26,714,207,995.28**	**26,369,849,512.60**
OVERALL TOTAL (I + II)	**26,721,395,184.03**	**-6,069,584.48**	**26,715,325,599.55**	**26,370,850,421.87**

LIABILITIES

	2023	2022
OWN CAPITAL		
Allocations	1,742,655,311.70	1,742,655,311.70
Reserves	1,724,340,245.55	2,286,323,232.06
Valuation differences	1,562,956,519.43	598,216,579.05
Profit/(loss) for the financial year	1,007,402,186.72	-561,982,986.51
Total I	**6,037,354,263.40**	**4,065,212,136.30**
PAYABLES		
Financial payables		
CADES debt - 1 yr	2,100,000,000.00	2,100,000,000.00
CADES debt + 1 yr	13,050,000,000.00	15,150,000,000.00
Operating payables	46,401,964.29	40,474,796.75
Miscellaneous payables		
Financial instruments	11,083,082.35	62,755,717.52
Foreign exchange transactions	5,451,579,874.09	4,911,421,831.14
Forward financial instruments	18,906,415.42	40,985,795.72
Deferred income		144.44
Total II	**20,677,971,336.15**	**22,305,638,285.57**
OVERALL TOTAL (I + II)	**26,715,325,599.55**	**26,370,850,421.87**

INCOME STATEMENT AT 31/12/2023

EXPENSES

		2023	2022
OPERATING EXPENSES			
External services		90,800,328.65	85,657,201.64
Management company fees	67,904,705.56		
CDC administrative management	20,586,723.00		
Other	2,308,900.09		
Duties, taxes and similar payments		90,685.72	91,298.31
Payroll tax	90,685.72		
Staff costs		999,809.42	1,038,816.20
Wages and salaries	746,902.19		
Social security contributions	252,907.23		
Depreciation and amortisation expense		277,152.00	289,294.00
Depreciation and amort. expense	277,152.00		
Total I	**92,167,975.79**	**92,167,975.79**	**87,076,610.15**
FINANCIAL EXPENSES			
Financial expenses		1,530,457,417.64	2,679,887,908.78
Foreign exchange losses	282,034,707.05		
Forward financial instrument expenses	138,414,075.77		
Financial instrument disposal costs	750,794,960.36		
Option expenses	358,380,845.52		
Other financial expenses	832,828.94		
Total II	**1,530,457,417.64**	**1,530,457,417.64**	**2,679,887,908.78**
EXTRAORDINARY EXPENSES			
Extraordinary expenses		0.00	0.00
On management operations	0.00		
Total III	**0.00**	**0.00**	**0.00**
Profit/(loss) for the financial year		1,007,402,186.72	-561,982,986.51
OVERALL TOTAL		**2,630,027,580.15**	**2,204,981,532.42**

INCOME

		2023		2022
OPERATING INCOME				
External services			26,068,393.52	32,484,030.87
	Other	26,068,393.52		
Total I		**26,068,393.52**	**26,068,393.52**	**32,484,030.87**
FINANCIAL INCOME				
Financial income			2,603,792,184.64	2,172,325,812.76
	Income	514,450,181.47		
	Foreign exchange gains	457,628,607.12		
	Income on forward financial instruments	345,561,403.18		
	Income on disposal of financial instruments	1,000,872,192.73		
	Income on options	251,852,352.22		
	Other financial income	33,427,447.92		
Total II		**2,603,792,184.64**	**2,603,792,184.64**	**2,172,325,812.76**
EXTRAORDINARY INCOME				
Extraordinary income			167,001.99	171,688.79
	On management operations	167,001.99		
Total III		**167,001.99**	**167,001.99**	**171,688.79**
OVERALL TOTAL			**2,630,027,580.15**	**2,204,981,532.42**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31/12/2023

Accounting principles and methods used

The FRR's accounts are prepared in accordance with the general principles applicable under the social security entities' single chart of accounts (plan comptable unique des organismes de sécurité sociale) and the opinion n° 2003- 07 dated 24 June 2003 issued by the Conseil National de la Comptabilité (CNC), as amended by the opinion n° 2008-10 dated 5 June 2008.

The general accounting conventions have been applied in compliance with the principles of prudence, regularity, sincerity and true and fair view under the key going-concern, consistency of accounting methodologies and independent financial year assumptions.

Since the FRR's accounts are kept in euros, the FRR mandates' foreign currency position valuations are recognised at their equivalent in euros, calculated using the WM/ Reuters closing spot rates of exchange.

Transactions are recorded on the trade date. Since 30 November 2006, transactions on investment securities are recorded inclusive of expenses, in accordance with the CNC opinion dated 31 March 2006.

The WACP (weighted average cost price) rule is applied to determine gains or losses on transferable securities, and the FIFO (first in first out) rule, for futures.

Position valuations are determined on Friday evenings or on the last TARGET business day of the week, and on the last TARGET business day of the month, by default based on the closing price on the issuer's reference venue, on a case-by-case basis, on the principal place of listing.

If no price is available on the valuation date, the valuation is made based on the latest known price or using a preset procedure using an old rate.

Bond valuations are based upon the principle of BID quotations based on contributed prices communicated by various financial services providers.

Accrued coupons on sale or purchase, as well as end-of-period coupons, are expressed by value date; this accounting method reflects recognition of transactions as from their trade date.

French Government treasury bills or bonds (BTF and BTAN) are valued by reference to the rate published by the *Banque de France*, on the valuation date.

Negotiable debt instruments (TCN) or equivalent with low transaction volumes are valued using an actuarial method based on identical maturity zero-coupon rates, plus, if applicable, an issuer spread.

UCITS (OPCVM) are valued by reference to the latest known net asset value. ETF (Exchange Traded Funds) are valued by reference to the latest listed price.

Private equity funds are valued on the basis of the latest valuations communicated by the managers.

Unlisted asset UCI (OPC) are valued on the basis of the latest valuations communicated by the managers if below their acquisition cost, or at par if above such cost.

Forward financial instruments traded on regulated or equivalent markets and their related commitments are valued by reference to the clearing price.

Forward foreign exchange positions are valued both, by linear depreciation of the initial premium/discount and by valuation of the currency position using the WM/Reuters closing spot rates of exchange.

Swaps are valued based upon the prices submitted by the counterparty, verified by the manager, and also subject to various levels of control imposed by the FRR.

Unrealised gains or losses and latent foreign exchange differences are recognised in the balance sheet under valuation differences and do not affect the FRR's results.

Recoveries of withholding tax are recognised as and when collected.

Realised gains or losses and definitive exchange differences are recorded in the income and expenses accounts.

Tangible fixed assets are depreciated on a straight line basis over a period of 3 years.

Intangible assets, essentially the right to use the SPIRRIS software and related maintenance, are amortised on a straight line basis over 5 years.

Management company remuneration is based on a tariff scale divided into tranches for amounts of assets under management to which basis-point fees are ascribed.

Certain mandates attract variable fees for outperformance defined as the positive arithmetical difference between the performance of the portfolio and that of its benchmark. Such fees become payable at the end of the management mandate provided that the outperformance is confirmed for the relevant periods, capped in accordance with the contractually agreed limits.

Presentation of the financial statements

To facilitate a reading of the financial statements, certain items have been grouped together:

BALANCE SHEET

The various headings are presented in terms of net values having regard to depreciation made for fixed assets or valuation differences for financial assets and liabilities.

"Receivables" and "Payables on financial instruments" include transactions on financial instruments made by investment companies for which the amounts due or payable have yet to be paid or received (coupons due, sales or purchases pending settlement).

"Receivables" and "Payables on foreign exchange transactions" include pending transactions whether spot foreign exchange transactions or forward foreign exchange contracts.

"Receivables" and "Payables on forward financial instruments" include pending transactions relating to futures (margin payable or receivable, security deposit), option premiums and swaps (amounts payable or receivable).

"Financial instruments" are divided into 4 categories: shares and similar securities, bonds and similar securities, negotiable debt instruments (TCN), undertakings for collective investment (OPC), including private equity funds and unlisted asset OPC. These appear in the balance sheet at their market value taking into account coupons accrued on bonds, TCN and unlisted asset OPC.

"Cash and cash equivalent" includes all of the FRR's cash accounts in euros and foreign currencies (valued at their price on the last day of the financial period) and accrued interest by way of remuneration on such current accounts and fixed-term (deposit) accounts.

"Own Capital" includes:

- "Allocations" meaning the balance of the funds received by the Fonds de Réserve pour les Retraites since its establishment in 1999, less the amounts allocated to CADES,
- "Reserves" representing the cumulative results generated by the FRR since its inception, less the amounts applied towards CADES debt,
- "Valuation differences" representing the latent gains and/or losses recorded across all assets as at the closing date,
- the financial year profit or loss.

RESULT

Since 2022, the result records under operating income the difference between the accrued liability reversal for variable "in fine" fees in the previous financial year and the actual amount of such fees paid during the financial year.

Thus, the balance of the "management fees" account at the accounting year-end date balances with the non-accounting management fee calculations determined by the middle-office of the Operations Department.

Noteworthy events

For the record, the one-off, lump-sum contribution in full discharge referred to in article 19 of the law n° 2004-803 dated 9 August 2004 paid to the FRR by CNIEG, pursuant to a decision of the High Inter-ministerial Council for social security entity accounting dated 20 April 2005, recognised in the FRR's accounts as a debt, was settled in full and repaid on 31/07/2020 in accordance with the law n° 2020-992 dated 7 August 2020 on the social security debt and autonomy.

The "CADES debt" is presented as a "debts of less than one year" and as a "debts of over one year". The law n° 2020-992 dated 7 August 2020 on the social security debt and autonomy also provides that as from 2025, the FRR shall pay each year to CADES, an amount of 1.45 Bn€ towards financing the repayment of social security debt.

The additional debt of 13,050,101,020,000.00 € is recorded in the FRR's balance sheet under "debts of over one year" by reconciling the Own Capital "reserves" and "allocations" items.

Additional information relating to assets

FIXED ASSETS

	Gross book value opening balance	Increase	Decrease	Gross book value closing balance
Intangible assets	6,779,629.44	481,400.00	-87,553.00	7,173,476.44
Equity holding	1,000.00	0.00	0.00	1,000.00
I Total	**6,780,629.44**	**481,400.00**	**-87,553.00**	**7,174,476.44**
Tangible fixed assets	12,712.31	0.00	0.00	12,712.31
II Total	**12,712.31**	**0.00**	**0.00**	**12,712.31**
OVERALL TOTAL	**6,793,341.75**	**481,400.00**	**-87,553.00**	**7,187,188.75**

DEPRECIATION AND AMORTISATION

	Cumulative opening balance	Depreciation/ amortisation expense	Decrease	Cumulative closing balance	Net book value
Intangible assets	-5,779,720.17	-277,152.00	0.00	-6,056,872.17	1,116,604.27
Equity holding	0.00	0.00	0.00	0.00	1,000.00
I Total	**-5,779,720.17**	**-277,152.00**	**0.00**	**-6,056,872.17**	**1,117,604.27**
Tangible fixed assets	-12,712.31	0.00	0.00	-12,712.31	0.00
II Total	**-12,712.31**	**0.00**	**0.00**	**-12,712.31**	**0.00**
OVERALL TOTAL	**-5,792,432.48**	**-277,152.00**	**0.00**	**-6,069,584.48**	**1,117,604.27**

FIXED ASSETS

FINANCIAL MANAGEMENT-RELATED RECEIVABLES

Receivables	31/12/2023
RELATED TO FINANCIAL INSTRUMENTS	
Coupons due for collection	6,111,011.64
Sales pending settlement	8,389,586.92
Fees/rebates receivable	926,932.69
Total	**15,427,531.25**
RELATED TO FOREIGN EXCHANGE TRANSACTIONS	
Forward purchases	416,507,525.12
Forward foreign currency receivable	5,143,985,293.27
Spot foreign currency receivable	418,049.74
Discount	11,092,496.39
Total	**5,572,003,364.52**
RELATED TO FORWARD FINANCIAL INSTRUMENTS	
Security deposits	196,941,790.63
Margin receivable	1,977,517.31
Option premium	7,603,579.62
Total	**206,522,887.56**

FINANCIAL INSTRUMENTS

CHANGES IN THE VALUE OF THE SECURITIES PORTFOLIO

PORTFOLIO AS AT 31 DECEMBER 2022

	Acquisition value	Valuation difference	Accrued coupons	Balance sheet value
Equities	5,502,744,169.41	256,576,156.91		5,759,320,326.32
Bonds	8,616,131,286.87	-1,120,238,776.61	80,297,259.46	7,576,189,769.72
TCN	607,304,972.37	-4,837,349.54		602,467,622.83
Undertakings for collective investment	5,130,335,651.58	1,077,395,373.83		6,207,731,025.41
OPCVM	4,625,035,745.05	1,054,483,649.54		5,679,519,394.59
Other OPC	505,299,906.53	22,911,724.29		528,211,630.82
Private Equity Fund	*0.00*	*32,712,458.91*		*32,712,458.91*
Unlisted asset OPC	*505,299,906.53*	*-9,800,734.62*		*495,499,171.91*
Total	**19,856,516,080.23**	**208,895,404.59**	**80,297,259.46**	**20,145,708,744.28**

PORTFOLIO AS AT 31 DECEMBER 2023

	Acquisition value	Valuation difference	Accrued coupons	Balance sheet value
Actions	3,738,851,004.75	576,053,304.99		4,314,904,309.74
Obligations	9,414,340,390.22	-421,354,392.16	115,937,540.52	9,108,923,538.58
TCN	658,367,466.66	3,547,313.64	4,410,693.94	666,325,474.24
Organismes de placements collectifs	5,130,046,336.71	1,167,794,023.64		6,297,840,360.35
OPCVM	4,741,832,428.11	1,134,986,600.89		5,876,819,029.00
Autres OPC	388,213,908.60	32,807,422.75		421,021,331.35
Fonds de Capital Investissement	*0.00*	*32,720,218.64*		*32,720,218.64*
OPC d'actifs non cotés	*388,213,908.60*	*87,204.11*		*388,301,112.71*
Total	**18,941,605,198.34**	**1,326,040,250.11**	**120,348,234.46**	**20,387,993,682.91**

	31/12/2022	31/12/2023
Equities	5,759,320,326.32	4,314,904,309.74
Bonds	7,576,189,769.72	9,108,923,538.58
TCN	602,467,622.83	666,325,474.24
Undertakings for collective investment	6,207,731,025.41	6,297,840,360.35
OPCVM	5,679,519,394.59	5,876,906,233.11
Other OPC	528,211,630.82	421,021,331.35
Private Equity Fund	*32,712,458.91*	*32,720,218.64*
Unlisted asset OPC	*495,499,171.91*	*388,301,112.71*
Total	**20,145,708,744.28**	**20,387,993,682.91**

PORTFOLIO BREAKDOWN BY RESIDUAL MATURITY

	31/12/2022	31/12/2023
< 3 months	3.69%	2.28%
> 3 months < 1 year	7.08%	5.59%
1 to 3 years	19.61%	15.00%
3 to 5 years	22.76%	18.17%
5 to 7 years	17.84%	15.87%
7 to 10 years	18.90%	13.52%
10 to 15 years	2.91%	1.29%
> 15 years	7.21%	7.39%
	100.00%	**100.00%**

PORTFOLIO BREAKDOWN BY TYPE OF INTEREST RATE

	31/12/2022	31/12/2023
Fixed rate	93.06%	92.96%
Index-linked rate	0.02%	0.00%
Variable rate	6.92%	7.04%
	100.00%	**100.00%**

BREAKDOWN OF FINANCIAL INSTRUMENTS PORTFOLIO BY QUOTE CURRENCY

Currency	Equities	Bonds	TCN	Undertakings for collective investment			Total
				OPCVM[1]	Others OPC		
					ULA OPC[2]	LP and FCPR[3]	
AUD							0.00
CAD							0.00
CHF	21,699,465.93						21,699,465.93
DKK	9,031,859.96						9,031,859.96
EUR	2,318,482,150.46	6,040,467,302.12	666,325,474.24	3,962,761,683.00	388,301,112.71	32,484,907.00	13,408,822,629.53
GBP	156,190,621.90						156,190,621.90
HKD	0.00						0.00
JPY	541,602,141.99						541,602,141.99
NOK	13,208,477.37						13,208,477.37
NZD							0.00
SEK	26,516,581.22						26,516,581.22
SGD	0.00						0.00
USD	1,228,173,010.91	3,068,456,236.46		1,914,057,346.00		235,311.64	6,210,921,905.01
					495,499,171.91	**32,712,458.91**	
TOTAL NET OF IRA[4]	**4,314,904,309.74**	**9,108,923,538.58**	**666,325,474.24**	**5,876,819,029.00**	**421,021,331.35**		**20,387,993,682.91**
IRA on Treasury bills (BT)							
IRA on foreign Treasury bills							
IRA on certificates of deposit							
Total IRA							
TOTAL	**4,314,904,309.74**	**9,108,923,538.58**	**666,325,474.24**			**6,297,840,360.35**	**20,387,993,682.91**

1. of which Exchange Traded Funds.
2. Unlisted asset OPC.
3. Limited Partnership(LP)/ Venture capital fund (FCPR).
4. IRA: interest received in advance.

DETAILED TABLE OF FINANCIAL INSTRUMENTS AS AT 31 DECEMBER 2023

Financial instruments	Total net of IRA	IRA	Portfolio total
EQUITIES			
Eurozone European	2,318,482,150.46		2,318,482,150.46
Non-Eurozone European	226,647,006.38		226,647,006.38
America	1,228,173,010.91		1,228,173,010.91
Asia excluding Japan	0.00		0.00
Japan	541,602,141.99		541,602,141.99
	4,314,904,309.74		**4,314,904,309.74**
BONDS			
European Eurozone	6,040,467,302.12		6,040,467,302.12
America	3,068,456,236.46		3,068,456,236.46
	9,108,923,538.58		**9,108,923,538.58**
NEGOTIABLE DEBT INSTRUMENTS (TCN)			
European Eurozone	666,325,474.24		666,325,474.24
America			0.00
	666,325,474.24	**0.00**	**666,325,474.24**
UNDERTAKINGS FOR COLLECTIVE INVESTMENT (OPC)			
OPCVM			
European Eurozone	3,962,761,683.00		3,962,761,683.00
Non-Eurozone European			0.00
America	1,914,057,346.00		1,914,057,346.00
	5,876,819,029.00		**5,876,819,029.00**
OTHER OPC			
Private equity funds			
Europe	32,484,907.00		32,484,907.00
America	235,311.64		235,311.64
	32,720,218.64		**32,720,218.64**
Unlisted asset OPC			
Europe	388,301,112.71		388,301,112.71
	388,301,112.71		**388,301,112.71**
	421,021,331.35		**421,021,331.35**
	6,297,840,360.35		**6,297,840,360.35**
OVERALL TOTAL	**20,387,993,682.91**		**20,387,993,682.91**

CASH AND EQUIVALENT

Currencies	Total
AUD	6,580,958.83
CAD	0.00
CHF	881,532.65
DKK	99,065.80
EUR	320,588,102.87
GBP	2,557,023.61
HKD	2,665,913.02
JPY	25,140,261.83
NOK	94,118.26
NZD	0.00
SEK	239,269.86
SGD	1,059,630.17
USD	172,269,258.80
Total	**532,175,135.70**

Additional information on liabilities

CHANGES IN PERMANENT CAPITAL

Own capital	31/12/2022	Allocation of 2022 profit/(loss)	Profit/(loss) 2022	[+]	[-]	31/12/2023
Allocations	1,742,655,311.70					1,742,655,311.70
Reserves	2,286,323,232.06	-561,982,986.51				1,724,340,245.55
Valuation differences	598,216,579.05			964,739,940.38		1,562,956,519.43
Profit/(loss) for the financial year	-561,982,986.51	561,982,986.51	1,007,402,186.72			1,007,402,186.72
Sub-Total	**4,065,212,136.30**	**0.00**	**1,007,402,186.72**	**964,739,940.38**		**6,037,354,263.40**
Long-term debts	**31/12/2022**					**31/12/2023**
CADES + 1 year	15,150,000,000.00				2,100,000,000.00	13,050,000,000.00
Sub-Total	**15,150,000,000.00**	**0.00**	**0.00**	**0.00**	**2,100,000,000.00**	**13,050,000,000.00**
Total permanent capital	**19,215,212,136.30**	**0.00**	**1,007,402,186.72**	**964,739,940.38**	**2,100,000,000.00**	**19,087,354,263.40**

RECENT FINANCIAL YEAR RESULTS

	2020	2021	2022	2023
Financial year profit/(loss)	722,543,052.97	1,563,780,179.09	-561,982,986.51	1,007,402,186.72

The profit/(loss) of financial years prior to closing date are allocated to reserves.

Payables

DEBT REPAYMENT SCHEDULE

Payables	Total	- 1 yr	+ 1 yr	Of which 1 to 5 yrs	Of which + 5 yrs
CADES debt	15,150,000,000.00	2,100,000,000.00	13,050,000,000.00	7,250,000,000.00	5,800,000,000.00
Operating payables	46,401,964.29				
Payables on financial instruments	11,083,082.35				
Payables on forex transactions	5,451,579,874.09				
Payables on forward financial instruments	18,906,415.42				
	20,677,971,336.15	**2,100,000,000.00**	**13,050,000,000.00**	**7,250,000,000.00**	**5,800,000,000.00**

FINANCIAL MANAGEMENT - RELATED PAYABLES

Payables	31/12/2023
RELATED TO FINANCIAL INSTRUMENTS	
Purchases pending settlement	11,083,082.35
Total	**11,083,082.35**
RELATED TO FOREIGN EXCHANGE TRANSACTIONS	
Forward sales	5,029,145,315.68
Forward foreign currency deliverable	421,456,578.08
Spot foreign currency deliverable	417,942.04
Premium	560,038.29
Total	**5,451,579,874.09**
RELATED TO FORWARD FINANCIAL INSTRUMENTS	
Margin payable	2,138,942.83
Option premium	16,767,472.59
Total	**18,906,415.42**

Additional information on the income statement

OPERATING EXPENSES

	Amount
EXTERNAL SERVICES	**90,800,328.65**
Administrative Management (Caisse des Dépôts et Consignations)	20,586,723.00
Investment company fees	67,904,705.56
Other external services	2,308,900.09
Of which trading fees on forward financial instruments	*1,257,614.59*
DUTIES AND TAXES	**90,685.72**
PAYROLL	**999,809.42**
DEPRECIATION AND AMORTISATION	**277,152.00**
Total	**92,167,975.79**

OPERATING INCOME

EXTERNAL SERVICES	**26,068,393.52**
Other external services	26,068,393.52

TABLE OF FRR'S DIRECT PAYROLL EMPLOYEES

EMPLOYEES AND THEIR BREAKDOWN BY CATEGORY

Category	Open-end contract contract (CDI)	Fixed term contract (CDD)	Temp.	Other	Total
Senior executives	2				2
Managerial staff	2				2
Employees	3				3
Total	**7**				**7**
Others[5]				2	

5. Accountant and President of the Supervisory Board.

Off-balance sheet commitments

FORWARD FOREIGN EXCHANGE CONTRACTS

Currency symbol	Currency receivable	%	Currency deliverable	%
AUD	4,424,197.24	0.09%	9,508,720.60	2.26%
CAD	7,131,051.07	0.14%	306,793.43	0.07%
CHF	22,557,112.69	0.44%	1,360,676.92	0.32%
DKK	9,671,001.74	0.19%	777,928.08	0.18%
GBP	153,524,289.10	2.98%	1,626,601.03	0.39%
HKD	4,848,113.52	0.09%	0.00	0.00%
JPY	8,157,738.05	0.16%	163,130,795.09	38.71%
NOK	12,291,693.42	0.24%	882,907.49	0.21%
NZD	19,797.53	0.00%	220,241.69	0.05%
SEK	29,957,404.66	0.58%	6,450,552.52	1.53%
SGD	37,555.89	0.00%	792,832.94	0.19%
USD	4,891,365,338.36	95.09%	236,398,528.29	56.09%
Total	**5,143,985,293.27**	**100.00%**	**421,456,578.08**	**100.00%**

STATUTORY AUDITORS' GENERAL REPORT

mazars

61, rue Henri Regnault
92075 Paris La Défense Cedex

Grant Thornton

29, rue du Pont
92578 Neuilly-sur-Seine Cedex

FONDS DE RESERVE POUR LES RETRAITES

Rapport des commissaires aux comptes sur les comptes annuels

Exercice clos le 31 décembre 2023

Société Anonyme d'expertise comptable et de commissariat aux comptes à directoire et conseil de surveillance
Capital de 8.320.000 €
RCS Nanterre 784 824 153

Société par Actions Simplifiée d'expertise comptable et de commissariat aux comptes
Capital de 2.297.184 €
RCS Nanterre 632 013 843

FONDS DE RESERVE POUR LES RETRAITES

56, rue de Lille
75007 Paris

Rapport des commissaires aux comptes sur les comptes annuels
Exercice clos le 31 décembre 2023

Aux membres de Conseil de Surveillance,

Opinion

En exécution de la mission qui nous a été confiée par le Conseil de Surveillance, nous avons effectué l'audit des comptes annuels du Fonds de Réserve pour les Retraites relatifs à l'exercice clos le 31 décembre 2023, tels qu'ils sont joints au présent rapport.

Nous certifions que les comptes annuels sont, au regard des règles et principes comptables français, réguliers et sincères et donnent une image fidèle du résultat des opérations de l'exercice écoulé ainsi que de la situation financière et du patrimoine du Fonds de Réserve pour les Retraites à la fin de cet exercice.

Fondement de l'opinion

Référentiel d'audit

Nous avons effectué notre audit selon les normes d'exercice professionnel applicables en France. Nous estimons que les éléments que nous avons collectés sont suffisants et appropriés pour fonder notre opinion.

Les responsabilités qui nous incombent en vertu de ces normes sont indiquées dans la partie « Responsabilités des Commissaires aux comptes relatives à l'audit des comptes annuels » du présent rapport.

Indépendance

Nous avons réalisé notre mission d'audit dans le respect des règles d'indépendance prévues par le code de commerce et par le code de déontologie de la profession de commissaire aux comptes, sur la période du 1er janvier 2023 à la date d'émission de notre rapport.

Justification des appréciations

En application des dispositions des articles L.821-53 et R.821-180 du code de commerce relatives à la justification de nos appréciations, nous portons à votre connaissance les appréciations suivantes qui, selon notre jugement professionnel, ont été les plus importantes pour l'audit des comptes annuels de l'exercice.

Les appréciations ainsi portées s'inscrivent dans le contexte de l'audit des comptes annuels pris dans leur ensemble et de la formation de notre opinion exprimée ci-avant. Nous n'exprimons pas d'opinion sur des éléments de ces comptes annuels pris isolément.

Comme il est précisé à la note 1 de l'annexe des comptes « Règles et méthodes comptables utilisées », les comptes sont établis selon les principes et méthodes du plan comptable unique des organismes de sécurité sociale et l'avis CNC n°2003-07 du 24 juin 2003 modifié par l'avis n°2008-10 du 5 juin 2008 relatif à la comptabilisation des instruments financiers du Fonds de Réserve pour les Retraites.

Dans le cadre de notre appréciation des règles et méthodes comptables suivies par votre Etablissement, en particulier de celles relatives à l'évaluation des instruments financiers en portefeuille, nous avons vérifié le caractère approprié de ces règles et méthodes et des informations fournies dans les notes de l'annexe, et nous nous sommes assurés de leur correcte application.

Vérifications spécifiques

Nous avons également procédé, conformément aux normes d'exercice professionnel applicables en France, aux vérifications spécifiques prévues par les textes légaux et réglementaires.

Informations données dans le rapport de gestion et dans les autres documents sur la situation financière et les comptes annuels adressés aux membres du Conseil de Surveillance

Nous n'avons pas d'observation à formuler sur la sincérité et la concordance avec les comptes annuels des informations données dans le rapport de gestion du Directoire et dans les autres documents sur la situation financière et les comptes annuels adressés aux membres de Conseil de Surveillance.

Responsabilités de la direction et des personnes constituant le gouvernement d'entreprise relatives aux comptes annuels

Il appartient à la direction d'établir des comptes annuels présentant une image fidèle conformément aux règles et principes comptables français ainsi que de mettre en place le contrôle interne qu'elle estime nécessaire à l'établissement de comptes annuels ne comportant pas d'anomalies significatives, que celles-ci proviennent de fraudes ou résultent d'erreurs.

Lors de l'établissement des comptes annuels, il incombe à la direction d'évaluer la capacité du Fonds de Réserve pour les Retraites à poursuivre son exploitation, de présenter dans ces comptes, le cas échéant, les informations nécessaires relatives à la continuité d'exploitation et d'appliquer la convention comptable de continuité d'exploitation, sauf s'il est prévu de liquider le Fonds ou de cesser son activité.

Les comptes annuels ont été arrêtés par le Directoire.

Responsabilités des commissaires aux comptes relatives à l'audit des comptes annuels

Il nous appartient d'établir un rapport sur les comptes annuels. Notre objectif est d'obtenir l'assurance raisonnable que les comptes annuels pris dans leur ensemble ne comportent pas d'anomalies significatives. L'assurance raisonnable correspond à un niveau élevé d'assurance, sans toutefois garantir qu'un audit réalisé conformément aux normes d'exercice professionnel permet de systématiquement détecter toute anomalie significative. Les anomalies peuvent provenir de fraudes ou résulter d'erreurs et sont considérées comme significatives lorsque l'on peut raisonnablement s'attendre à ce qu'elles puissent, prises individuellement ou en cumulé, influencer les décisions économiques que les utilisateurs des comptes prennent en se fondant sur ceux-ci.

Comme précisé par l'article L.821-55 du code de commerce, notre mission de certification des comptes ne consiste pas à garantir la viabilité ou la qualité de la gestion de l'Etablissement.

Dans le cadre d'un audit réalisé conformément aux normes d'exercice professionnel applicables en France, le commissaire aux comptes exerce son jugement professionnel tout au long de cet audit.

En outre :

- il identifie et évalue les risques que les comptes annuels comportent des anomalies significatives, que celles-ci proviennent de fraudes ou résultent d'erreurs, définit et met en œuvre des procédures d'audit face à ces risques, et recueille des éléments qu'il estime suffisants et appropriés pour fonder son opinion. Le risque de non-détection d'une anomalie significative provenant d'une fraude est plus élevé que celui d'une anomalie significative résultant d'une erreur, car la fraude peut impliquer la collusion, la falsification, les omissions volontaires, les fausses déclarations ou le contournement du contrôle interne ;
- il prend connaissance du contrôle interne pertinent pour l'audit afin de définir des procédures d'audit appropriées en la circonstance, et non dans le but d'exprimer une opinion sur l'efficacité du contrôle interne ;

- il apprécie le caractère approprié des méthodes comptables retenues et le caractère raisonnable des estimations comptables faites par la direction, ainsi que les informations les concernant fournies dans les comptes annuels ;
- il apprécie le caractère approprié de l'application par la direction de la convention comptable de continuité d'exploitation et, selon les éléments collectés, l'existence ou non d'une incertitude significative liée à des événements ou à des circonstances susceptibles de mettre en cause la capacité de l'Etablissement à poursuivre son exploitation. Cette appréciation s'appuie sur les éléments collectés jusqu'à la date de son rapport, étant toutefois rappelé que des circonstances ou événements ultérieurs pourraient mettre en cause la continuité d'exploitation. S'il conclut à l'existence d'une incertitude significative, il attire l'attention des lecteurs de son rapport sur les informations fournies dans les comptes annuels au sujet de cette incertitude ou, si ces informations ne sont pas fournies ou ne sont pas pertinentes, il formule une certification avec réserve ou un refus de certifier ;
- il apprécie la présentation d'ensemble des comptes annuels et évalue si les comptes annuels reflètent les opérations et événements sous-jacents de manière à en donner une image fidèle.

Les Commissaires aux comptes

Mazars

Courbevoie, March 22, 2024

Grant Thornton

Neuilly-sur-Seine, March 22, 2024

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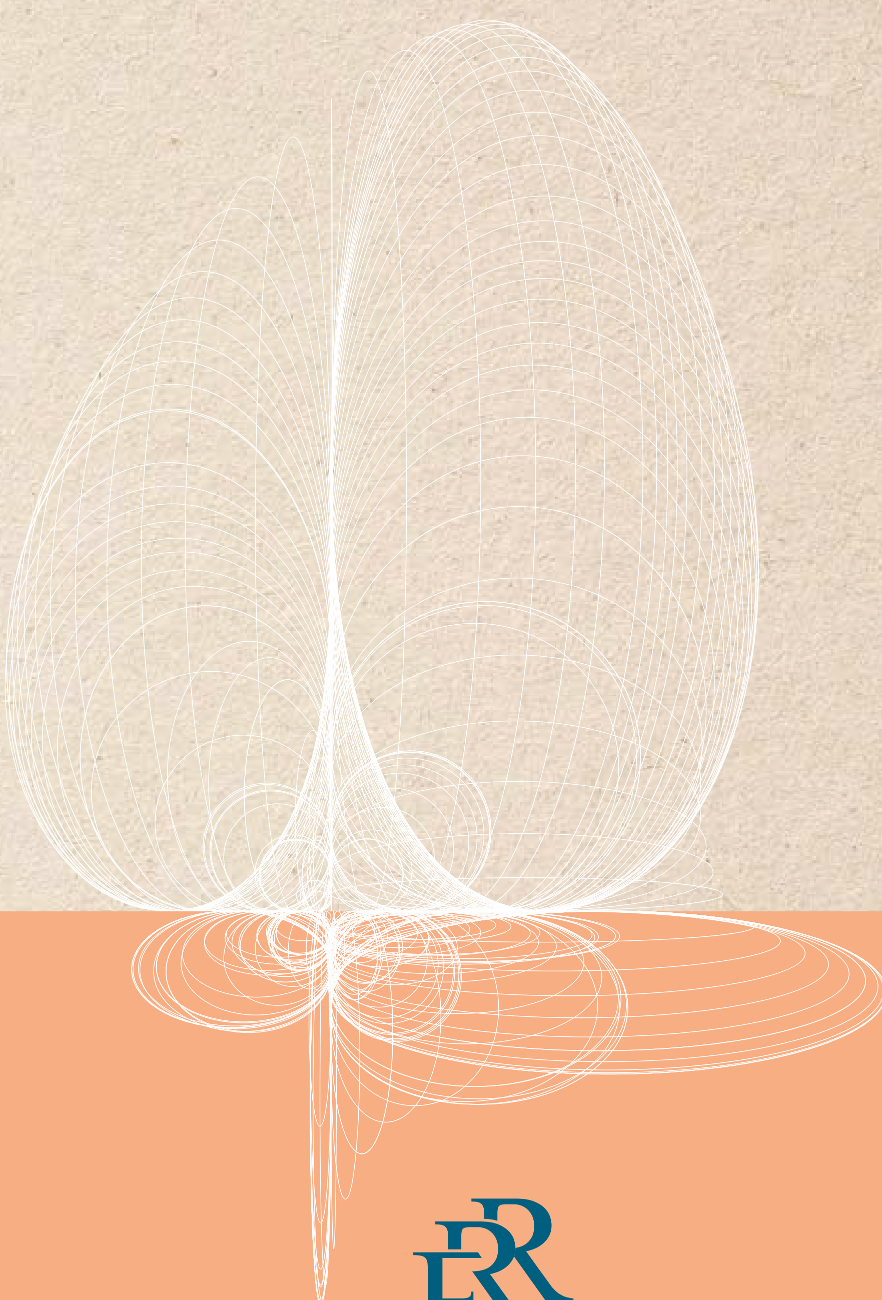
Creation and production: Agence Luciole

Photo credits: Patrick Sordoillet, Unsplash (AnnieSpratt, MagicPattern)

Printed on Nautilus SuperWhite, a 100% recycled FSC certified paper

August 2024



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