

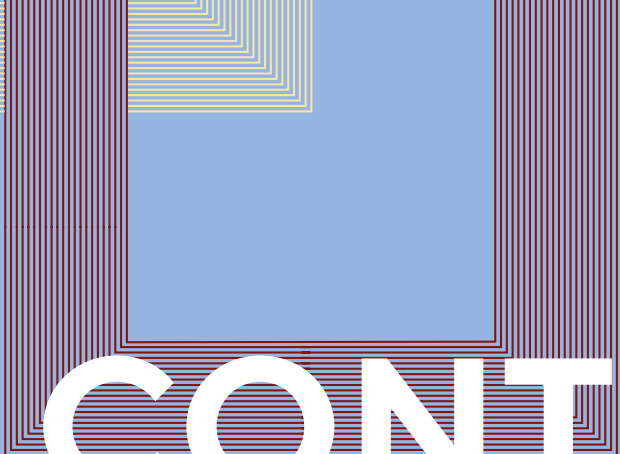
SUSTAINABILITY REPORT 2024 - SUSTAINA

BILITY REPORT 2024 - SUSTAINABILITY REPORT 2024 -



BILITY REPORT 2024 - SUSTAINABILITY REPORT 2024 -

SUSTAINABILITY REPORT 2024 - SUSTAINA



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

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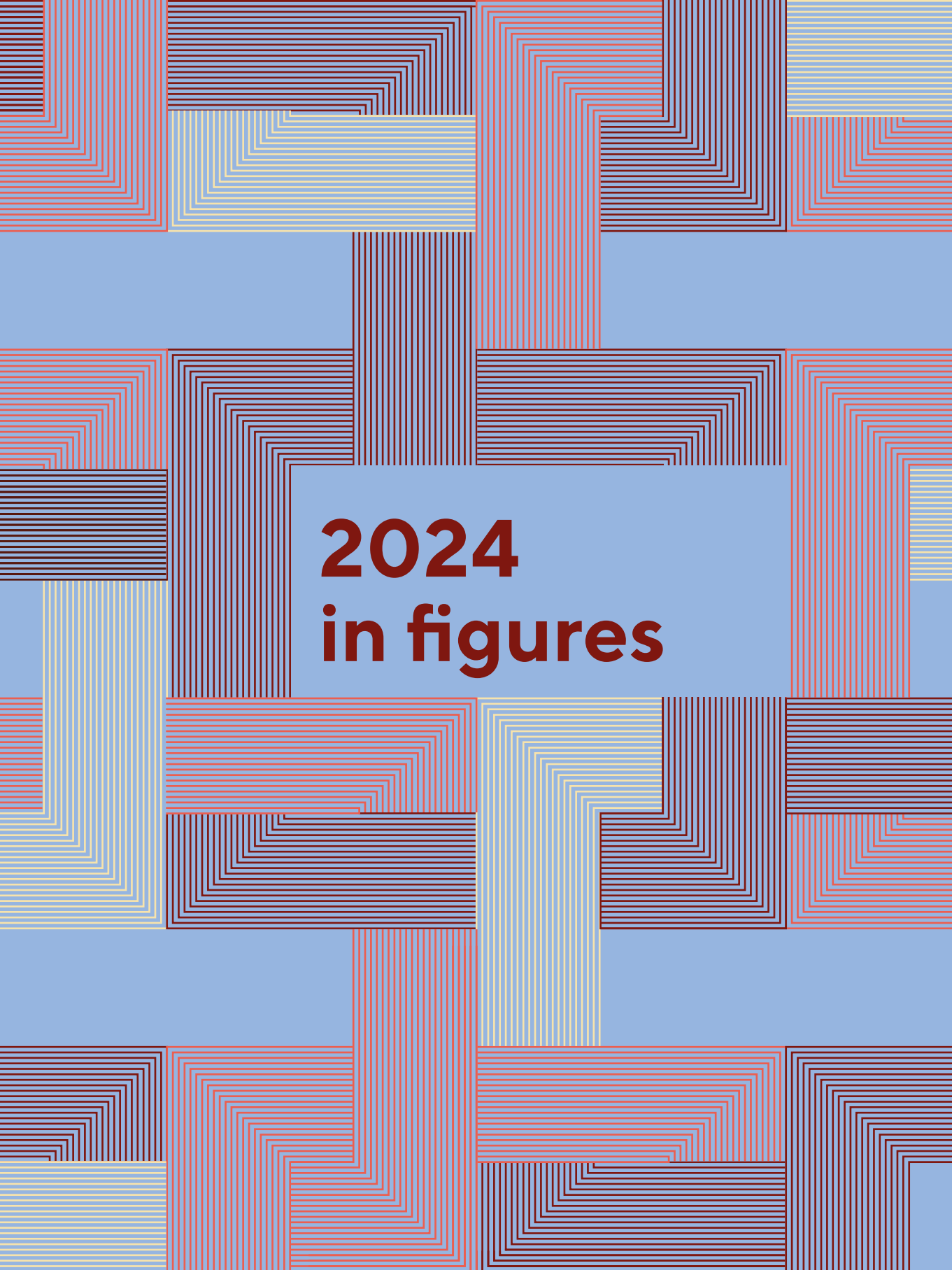
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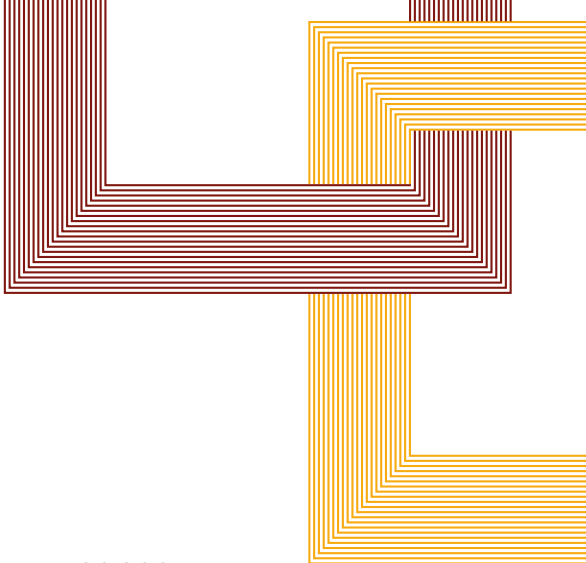
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The 3 priority areas of the SRI Strategy for the 2024-2028 period

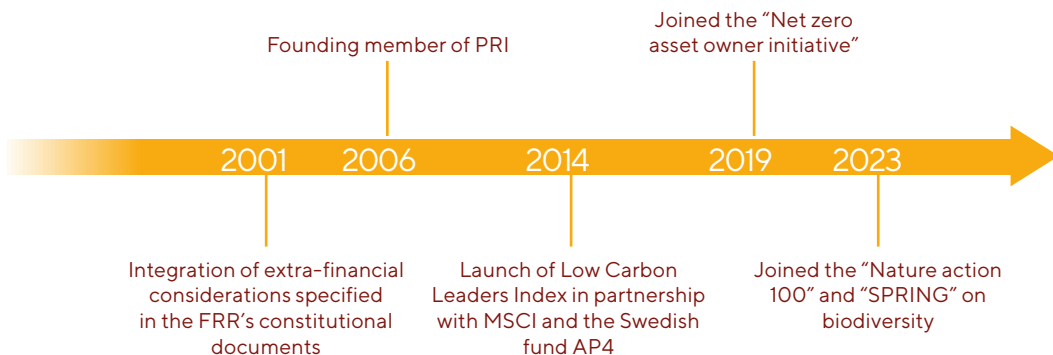
1. Facilitate energy and ecological transition
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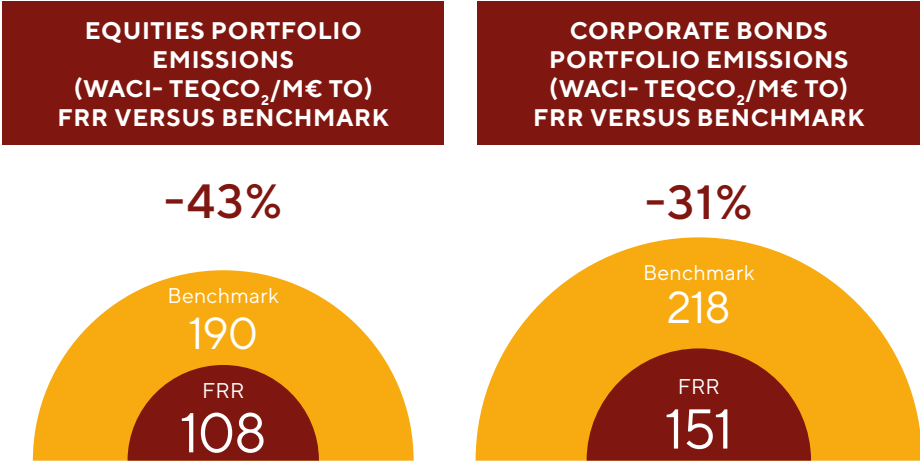
ESG SCOPE

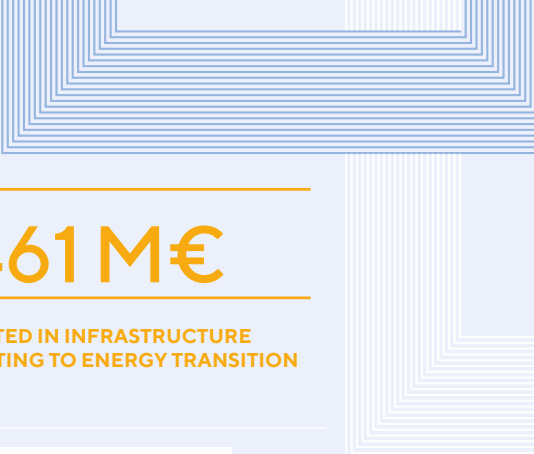
100%

(SHARE OF ASSETS UNDER
MANAGEMENT INVESTED IN LISTED
EQUITIES AND BONDS FACTORING
IN ESG CRITERIA)

KEY DATES







608 M€

INVESTED IN "GREEN" BONDS

461 M€

INVESTED IN INFRASTRUCTURE
CONTRIBUTING TO ENERGY TRANSITION

NATURAL COST OF CAPITAL (RATIO OF ENVIRONMENTAL
FOOTPRINT PER MEUR IN TURNOVER)

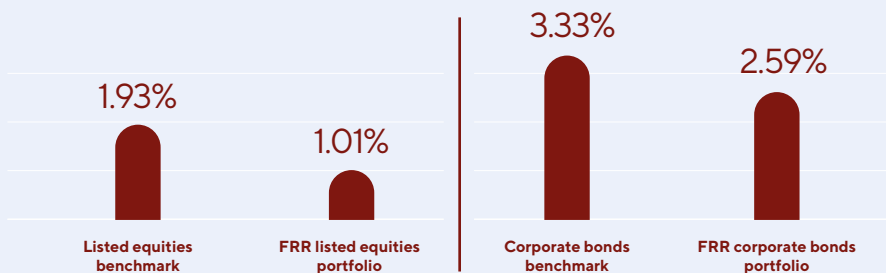
2.6%

FOR THE DEVELOPED MARKETS
EQUITIES PORTFOLIO

3.5%

FOR THE BENCHMARK

EXPOSURE OF THE PORTFOLIO TO COMBUSTIBLE
FOSSIL FUELS % INCOME



918

attendance at General
Meetings

+13,000

resolutions

21%

objections to
resolutions proposed
by management

The background is a complex geometric composition. It features several large, solid-colored rectangular blocks in shades of blue, yellow, and light blue. Overlaid on these are numerous concentric, nested lines in red, purple, and blue, forming a series of stepped, L-shaped patterns that create a sense of depth and movement. The lines are most prominent in the corners and along the edges of the colored blocks.

THE FRR'S OVERALL APPROACH

SUSTAINABILITY POLICY

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 Fonds de Réserve pour les Retraites 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 an SRI strategy 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.

RESPONSIBLE INVESTMENT STRATEGY

To implement its commitment as a responsible investor, the FRR laid the groundwork in 2003, then formalised it via five-year strategies demonstrating its growing ambition in terms of responsibility and the desire to advance and support the participants in its ecosystem (management companies, businesses, index suppliers, extra-financial research providers). These strategies, bringing together the general principles, concrete objectives, stages and resources, are presented by the Executive Board to the Supervisory Board which approves them 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 extra-financial risks in the FRR's portfolios.

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

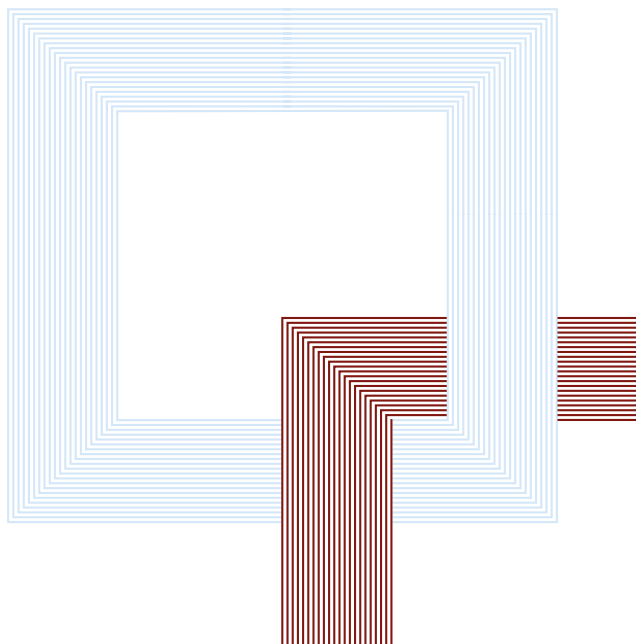
IMPLEMENTATION OF RESPONSIBLE INVESTMENT STRATEGY

Factoring ESG criteria into the decision-making process for awarding new management mandates

Management of the FRR's portfolio is entirely delegated. Implementation of the FRR's Responsible Investment Strategy essentially relies upon managers selected through requests for proposals. Bid selection questionnaires systematically include a section concerning the human and technical resources devoted to ESG/Climate aspects. They include questions in particular on the experience of the ESG management and research teams, the information sources relied upon, the ability to adapt engagement and voting policy to the FRR's specific requirements. The more specifically climate-related questions concern, for example, how the manager implements the TCFD's recommendations, the scope for which the following information is available: GHG emissions, Companies contributing to energy and ecological transition, Physical risks, Transition risks, 1.5 °C alignment of the portfolio, Companies exposed to the coal sector, Companies developing new thermal coal capacity.

Since 2020 the FRR has launched requests for proposals for credit mandates which, in addition to ESG criteria, include decarbonisation targets. By the end of 2024, all mandates invested in developed market listed equities must contribute to the GHG emission reduction commitments made by the FRR.

In order to monitor a mandate's ESG criteria, the FRR's managers are required to submit half-yearly ESG reports. These reports cover the items listed above with a commentary provided at least once per year, at a management Committee meeting.



Overall share of assets under management factoring in ESG considerations, as a percentage of total assets managed by the entity

The FRR's management mandates require managers to have regard to its Responsible Investment Strategy in their management

process, by in particular systematically incorporating ESG analysis into the issuer selection process across all asset classes.

Table of assets factoring in ESG criteria (end of 2024)

ASSET CLASS (MANDATES)	AUM (M€)	% OF TOTAL ASSETS
Listed equities	4,391	33%
Corporate bonds	6,741	50%
Sovereign bonds	1,516	11%
Unlisted assets	787	6%
Total	13,435	100%

For the purpose of implementing the SFDR regulation, the FRR produces an inventory categorising these open-ended UCI. Of 65 UCI, 26 fell under SFDR article 8, 10 under article 9 and 29 under article 6. Compared to the previous year, the percentage of UCI falling under articles 8 or 9 has increased (+5).

As regards the mandates, 77% are classified under article 8 and no mandates classify as article 9. 13% of the mandates are classified as article 6 and 10% consider that the SFDR does not apply. This change in the number of mandates falling under article 8 to the detriment of article 6 is due to the renewal of the active management equities compartment. All mandates in this compartment are henceforth subject to much stricter decarbonisation targets and disclosure requirements. The absence of any article 9 mandates is explained by the fact that these mandates are expressly linked to traditional indices. Observing the tracking error limits relative to these indices is not consistent with the adoption of article 9 standards. However, the FRR is considering the idea of creating specific climate indices, potentially leading to the design of mandates classified under article 9 referencing such indices.

EXTRA-FINANCIAL PORTFOLIO ANALYSIS

Extra-financial analysis of the portfolio is a two-stage process:

- upstream: the managers conduct extra-financial analysis when selecting issuers and monitor issuer ESG scores whilst they are held in the portfolio;
- downstream: once per year, the FRR arranges extra-financial, and also Climate, analysis to be performed by two external service providers selected by invitation-to-tender (Morningstar France Fund Information and S&P Global Market Intelligence).

Upstream extra-financial analysis

This extra-financial analysis employs various methodologies and resources deployed by the managers. The main extra-financial criteria assessed during the life of the mandates include:

- ESG analysis: the information resources and sources, a detailed description of the analysis and rating methodology and its implementation in the investment process, the indicators used, the data quality control process as well as the dialogue and engagement policy;
- a focus on the topic of climate change, for which additional information is requested on the following matters:
 - GHG emissions;
 - companies contributing to energy and ecological transition;
 - physical risks;
 - transition risks;
 - 1.5 °C alignment of the portfolio;
 - companies exposed to the coal sector;
 - companies developing new thermal coal capacity;
 - green share

The managers also have regard to the exclusion criteria put in place by the FRR, concerning:

- 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;
- activities that do not comply with certain international conventions ratified by France, in particular those on non-conventional weapons and tobacco (see pages 20 and 21), or companies whose registered office is in a country appearing 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 (see page 79).

ESG analysis reporting requirements

For the purpose of monitoring portfolios invested in different asset classes and different geographical zones, further information requested by the FRR as from the end of 2021 has been added. Indeed, additional reporting information, both quantitative and qualitative, on ESG actions undertaken is now required.

Firstly, managers must supply monthly reports confirming their compliance with the FRR's various exclusions.

Since 2020, the FRR requires qualitative reporting on ESG aspects that must include at least the following items:

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;
- the manner in which it takes such 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 extra-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 extra-financial research analysts, external or internal, for each security under the management mandates.

Finally, the various managers must exercise voting rights in compliance with the "Voting Guidelines" published on its website by the FRR. Regular reporting on voting is also required.

In addition to the above, other information may be required to be incorporated as part of ESG reporting during the life of the mandate following regular discussions held between the manager and the FRR.

DOWNSTREAM EXTRA-FINANCIAL ANALYSIS

The extra-financial analysis performed for the FRR by its ESG measurement and analysis external service provider includes several components:

- ESG risk analysis;
- assessment of controversies;
- identification of issuers potentially falling within the FRR's exclusion criteria.

The SFDR (Sustainable Finance Disclosure Regulation), and also the adoption of the CSRD (Corporate Sustainable Reporting Directive) in November 2022, have introduced into the regulations the concept of double materiality. This double materiality approach aims to go further than financial materiality by also taking into account impact materiality.

Financial materiality, being a "simple materiality" concept, studies the impact of environmental and societal issues on a company's economic performance; whereas **impact materiality** assesses the impact of a company's operations on society and the environment.

Morningstar France Fund Information incorporates this "double materiality" concept into its analysis.

Principle of Double Materiality

ESG analysis focused on impact: What is the impact of my investments on the environment or society?



To ensure that its responsible management is properly implemented by the management companies to which it awards mandates, the FRR regularly assesses the quality of its portfolio, in particular through the ratings of the corporations of which it is formed, not only at global level but also on a mandate-by-mandate basis.

Extra-financial analysis is provided by Morningstar France Fund Information, whose ESG Risk Rating approach is based on a bi-dimensional architecture: exposure, which measures the degree of ESG risk to which a company is exposed, and management, a reflection of the quality of the company's management of this risk. The idea behind this ESG rating methodology is that sustainability is linked to greater long-term value if a company's management focuses on ESG issues that are actually relevant 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).

Unmanaged risk is measured on an open-ended scale starting at zero corresponding to zero risk. In 95% of cases, this score is below 50. The score severity scale is as follow:

Negligible	Low	Medium	High	Severe
0-10	10-20	20-30	30-40	40+

With an ESG risk score of 20.2 at the end of 2024, the FRR's consolidated portfolio (equities, corporate and sovereigns bonds) presents a fairly low unmanaged risk level (lower range of the "medium" risk category) and is close to its benchmark which has a risk score of 20.7. There has been little change compared to the end of 2023, however the decrease is nevertheless greater for the portfolio than for the benchmark (- 0.5 for the consolidated portfolio, -0.3 for the benchmark).

With a score of 19.15, the FRR's global equities portfolio sits in the low risk category and slightly below its benchmark (19.99). The FRR's corporate bonds portfolio is in the medium risk category and slightly below its benchmark (21.09 compared to 21.38). In these 2 categories, the portfolio's ESG risk has fallen further than in the benchmark.

The breakdown of the ESG risks of the FRR's "Corporate" portfolio by components E, S and G highlights that the FRR's portfolio's greatest exposure is in social matters, like at the end of 2023. Indeed, 45% of the ESG risks in the global equities portfolio and 48% in the corporate bonds portfolio relate to social issues. This trend was even more pronounced than at the end of 2023 where the respective scores in this regard were 42% and 45%. Social issues also represent the majority (54%) of the controversies impacting portfolio companies. As a reminder, the social dimension includes not only relations with employees, but also the supply chain, the quality and safety of products and services, business ethics and relations with society and local communities.

Also with the aim of promoting more sustainable and responsible business practices, the FRR identifies companies that do not comply with the principles of the UN Global Compact through its ESG data provider. Some companies in the portfolio are in breach of these UN standards in both equities and corporate bonds portfolios. However, they represent a limited

proportion: 1.14% for the global equities portfolio and 0.38% for the corporate bonds portfolio. This proportion decreased slightly compared to the end of 2023 for both portfolios (1.4% and 0.7% respectively). In the equities portfolio, these are emerging market companies, in which the FRR invests through funds but cannot impose all of its restrictions. However, the FRR then engages in dialogue with the relevant fund managers to assess the level of holdings in these assets and their monitoring of progress towards meeting these standards. The progress made by these companies is thus continuously monitored. In addition, the FRR of course takes into account the ESG policy of the funds it selects and aims to hold only funds classified under article 8 within the next few years.

With an ESG risk score of 18.61 at the end of 2024, the FRR's sovereign portfolio is in the "low" risk category. It is marginally riskier than its benchmark, which has an ESG risk score of 18.33 on the same date. Compared to last year, there has been a slight increase in the risk score of the sovereign portfolio (+1.26) and that of the benchmark (+1.75). France's slightly smaller presence in the FRR's portfolio compared to last year (-5%, offset by exposure to emerging markets) largely explains the increased risk score of the sovereign portfolio. As France's rating is low-risk, its preponderant weight within the portfolio and the benchmark has a positive impact on their ESG risk scores.

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.

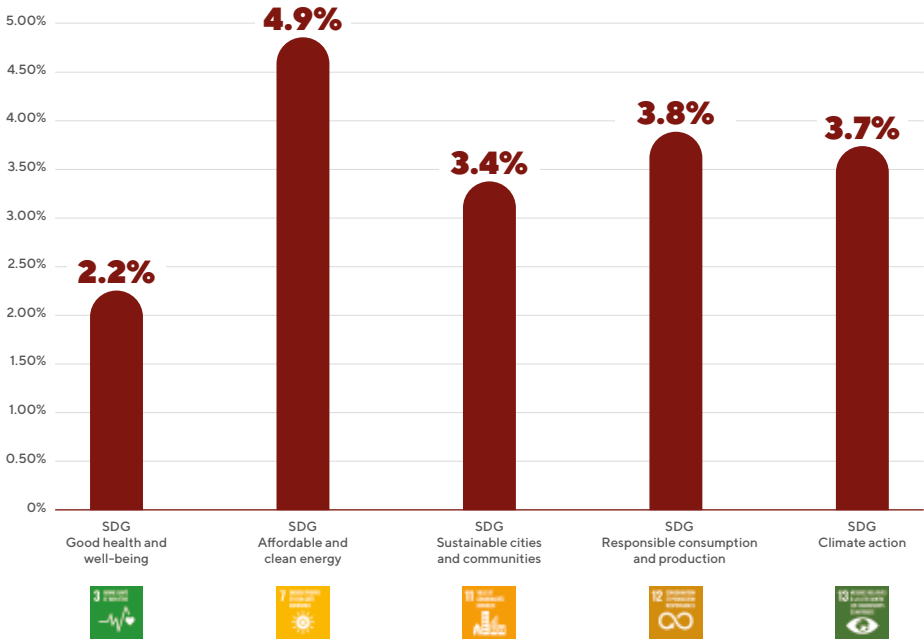
These 17 interconnected goals cover a wide range of global challenges, including poverty, hunger, health, education, gender equality, clean water, clean energy, climate change, peace and justice. The idea is to work together so no one is left behind.

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

- good health and well-being (SDG 3);
- affordable and clean energy (SDG 7);
- sustainable cities and communities (SDG 11);
- responsible consumption and production (SDG 12);
- climate action (SDG 13).

SDGs with the greatest contributions from global equities portfolio company revenues (%)

SOURCE: MORNINGSTAR FRANCE FUND INFORMATION.

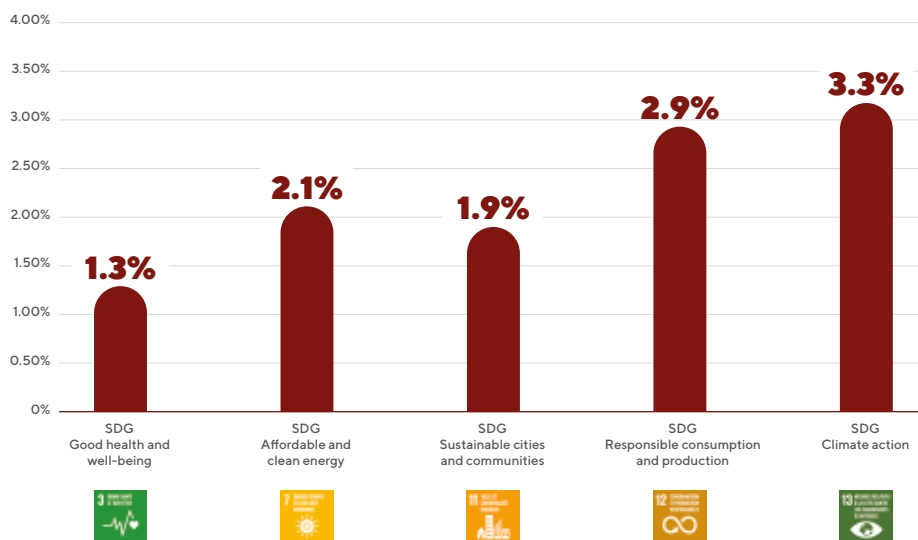


Compared to the end of 2023, there has been a slight increase in the contribution of portfolio companies to the Sustainable Development Goals. This increase is largely due to methodological reasons. Indeed, in 2024, the analysis carried out by Morningstar France Fund Information covered a greater number of activities than in 2023, which helped identify more contributing companies.

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:

SDGs with the greatest contributions from corporate bond portfolio company revenues (%)

SOURCE: MORNINGSTAR FRANCE FUND INFORMATION.



ASSESSMENT OF CONTROVERSIES¹

Note on Methodology

Morningstar France Fund Information assesses companies' involvement in incidents with negative environmental, social and governance (ESG) implications. Controversy involvement is one key measure of ESG performance that may inform the investment decisions of our clients. The controversy rating reflects a company's level of involvement in incidents and how it manages these incidents.

Incidents

An Incident is the building block to a controversy rating. It is a company activity with unintended and/or undesired negative environmental and/or social impacts on stakeholders.

Incidents are primarily assessed based on the negative environmental and/or social impact of the company activity as well as the reputational risk that this activity poses to the company. Incidents are tracked through various media and NGO sources and typically inform the controversy rating for a period of three years. In exceptional cases, long-running high-impact incidents continue to inform the Controversy Rating for more than three years until it no longer poses a risk to the company.

Events

Events are series of isolated or related incidents that pertain to the same ESG issues. Events are classified into 40 event indicators which speak to these ESG issues. For example, a series of employee strikes in various locations of a company's operation forms an event under one of the event indicators, "Labour Relations". To assess an event, an analyst looks at the series of underlying incidents from a holistic perspective and assesses based on the following factors:

- **Impact:** Negative impact that the incidents have caused to the environment and society;
- **Risk:** Business risk to the company as a result of the incidents;
- **Management:** A company's management systems and response to incidents.

An event is assessed on a scale of 5 levels:

Category 5 – Severe

The Event has a severe impact on the environment and society, posing serious business risks to the company. This category represents exceptional egregious corporate behaviour, high frequency of recurrence if incidents, very poor management of ESG risks, and a demonstrated lack of willingness by the company to address such risks.

Category 4 – High

The Event has a high impact on the environment and society, posing high business risks to the company. This rating level represents systemic and/or structural problems within the company, weak management systems and company response, and a recurrence of incidents.

¹ • Summary.

Category 3 – Significant

The Event has a significant impact on the environment and society, posing significant business risks to the company. This rating level represents evidence of structural problems in the company due to recurrence of incidents and inadequate implementation of management systems or the lack of.

Category 2 – Moderate

The Event has a moderate impact on the environment and society, posing moderate business risks to the company. This rating level represents low frequency of recurrence of incidents and adequate or strong management systems and/or company response that mitigate further risks.

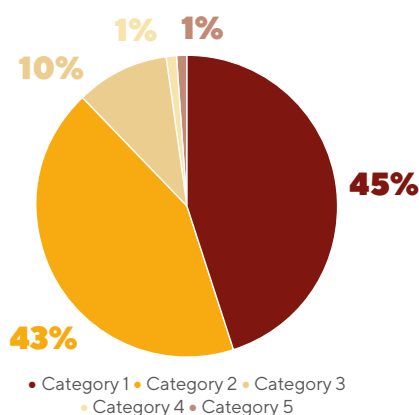
Category 1 – Low

The Event has a low impact on the environment and society, and risks to the company are minimal or negligible.

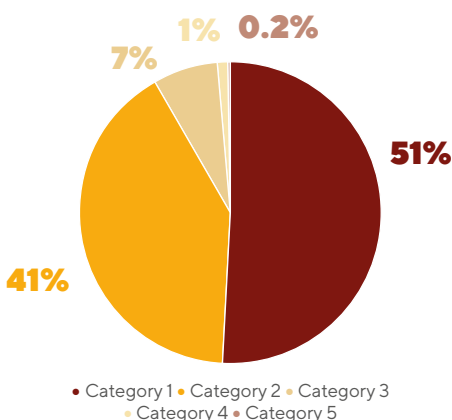
In terms of controversies, the FRR's Global Equities portfolio is comparable to the benchmark, with 1% of companies presenting one or more controversies in categories 4 or 5. This represents 39 companies (among 4,707) with a level 4 or 5 controversy, of which 8 companies for level 5 alone. These percentages are similar to those at the end of 2023.

The FRR's Corporate Bonds portfolio has similar controversy levels, comparable to those of the benchmark, with 1% of companies presenting one or more controversies in categories 4 and 5. This is the case for 33 companies, of which five for category 5 alone.

Breakdown of controversies by severity – Corporate Bonds Portfolio



Breakdown of controversies by severity – Global Equities Portfolio



IDENTIFICATION OF ISSUERS FALLING WITHIN THE FRR'S EXCLUSION CRITERIA

The FRR has established exclusion criteria relating to 3 types of activities:

- non-conventional weapons;
- tobacco;
- coal.

The FRR strengthened its exclusion policy relating to fossil energies in 2024.

Non-conventional weapons²

Morningstar France Fund Information provides a report on the participation of companies in the development, production, maintenance, use, distribution, stockpiling, transportation of or trade in non-conventional weapons or their key components.

Excluded non-conventional weapons include anti-personnel mines (banned by the Ottawa Convention in 1997, signed by 164 countries³), cluster munitions (banned by the Oslo Convention in 2008, signed by 108 countries⁴), chemical weapons (1992 Chemical Weapons Convention) and biological weapons (Biological Weapons Convention 1972). These exclusions have been implemented since the FRR was established.

Each year, the FRR revises its exclusion list on approval by the Responsible Investment Committee of the Supervisory Board. This list is updated during the first half of each year and then published on the FRR's website. Today, it is 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.

2 • Summary

3 • Except the United States, Russia, etc.

4 • Except the United States, Russia, etc.

In late 2024, the FRR identified 17 companies in the FRR's investment universe. These will be placed on the FRR's exclusion list at the

close of the first Responsible Investment Committee meeting of 2025:

Table of assets taking into account ESG criteria (end of 2024)

MANUFACTURER / DEVELOPER	COUNTRY
Aerospace Long-March International Trade Co., Ltd.	China
Anhui Great Wall 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
SNT DYNAMICS Co., Ltd.	South Korea
SNT Holdings Co., Ltd.	South Korea
The Day & Zimmermann Group, Inc.	United States of America
Yugoimport-SDPR	Serbia

Compared to the previous year, the company Rostec is no longer on this list: it is a Russian

company which as such is no longer within the investible universe.

Tobacco

The tobacco exclusion, implemented by the FRR since 2016, is based on the 2003 WHO Framework Convention on Tobacco Control, signed by France. This is the first treaty negotiated under the auspices of the World Health Organization. It is an evidence-based treaty that reaffirms the right of all people to the highest attainable standard of health. The Convention represents a fundamental step forward since it develops a strategy to regulate addictive substances. Unlike previous drug control treaties,

the Framework Convention affirms the importance of demand reduction strategies as well as supply reduction strategies. The FRR has implemented this exclusion since 2016.

CLIMATE ANALYSIS

Climate analysis, performed for the FRR by S&P Global Market Intelligence, includes several aspects, the elements of which are set forth in the following parts of the report:

- green share, brown share and contribution to energy transition, cf. part 5;
- carbon footprint and 1.5° C alignment, cf. part 6;

- biodiversity footprint, cf. part 7;
- transition risk and physical risks cf. part 8.

Climate analysis of portfolio assets is performed as follows:

Climate analysis table

ASSET CLASS	PHYSICAL RISKS	TRANSITION RISKS/ OPPORTUNITIES	FOOTPRINT / ALIGNMENT	BIODIVERSITY
Listed Equities and Corporate Bonds	Score / 7 climate hazards	Green share / Brown share	Carbon footprint and 1.5°C alignment	Yes
Government bonds			Carbon footprint	Yes
Unlisted assets			Carbon footprint	Yes

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 numerous engagement initiatives, both internationally and nationally. It has been among the founders of some

of the most structural of these initiatives, the Principles for Responsible Investment (PRI). Moreover, the FRR has chosen to support dialogue with companies through collaborative initiatives, in cooperation with its mandate and fund managers and also, when necessary, directly with the companies themselves.

GLOBAL INITIATIVES	INITIATIVES ADDRESSING ENVIRONMENTAL ISSUES	INITIATIVES ADDRESSING SOCIETAL ISSUES	INITIATIVES ADDRESSING GOVERNANCE ISSUES
 French public investors Sustainable Development Goals (SDGs) Charter 	   Net-Zero Asset Owner Alliance French public investors climate Charter  	 <i>Investor statement on the Bangladesh accord</i> <i>Statement on tobacco</i> <i>Gender initiative</i>	

Global initiatives



PRI – 2005

The FRR is one of the founding members of the UN’s “principles for responsible investment”.

The PRI reflect the shared values of a group of investors characterised by a long-term investment approach and diversified portfolios, including insurers and reinsurers, pension funds or other public or private institutional investors. They are fully compatible with the FRR’s SRI strategy.

The PRI are fundamental to the growth of responsible investment: at the end of 2024, there were more than 5,300 PRI signatories, representing a total of around 112,000 Bn€ in assets under management.

French public investors Sustainable Development Goals (SDG) Charter – 2019

The French public financial institutions and operators, of which the FRR is a member, already committed since December 2017 to implementing six principles set forth in the Public Investors Climate Charter, henceforth commit to ensuring that their responsible investor approach and their activities are consistent with all aspects of sustainable development (environmental, social, economic prosperity and governance), as stated in the 17 Sustainable Development Goals (SDGs) adopted for 2030 by the Member States.



Forum for Responsible Investment (FRI) – 2018

The Forum for Responsible Investment was created in 2001 at the initiative of fund managers, specialists in social and environmental analysis, consultants, trade unionists, academics and citizens. Since then, they have been joined by investors, including the FRR in 2018.

The aims of the FRI are to promote Socially Responsible Investment (SRI), to ensure that more investments factor in social cohesion and sustainable development aspects.

Initiatives addressing environmental issues



Spring - 2023

The FRR supports this PRI responsible management initiative on nature, which focuses on deforestation and land degradation, key drivers of biodiversity loss. It aims to help halt and reverse biodiversity loss by 2030, in line with the Kunming-Montreal Global Biodiversity Framework.



Nature Action 100 - 2023

The 190 investors, including the FRR, gathered under the Nature Action 100 initiative, have identified a list of companies which they intend to hold accountable. Eight economic sectors in particular are targeted for their heavy impact on nature, such as agri-food, mining and distribution. Investors wish to prompt companies to align with the Kunming-Montreal Agreement by integrating nature conservation into their business models.



CDP - 2006

Supported by the United Nations Environment Programme (UNEP), CDP is one of the most important international initiatives on the environment and climate change. With the desire to improve information on corporate behaviour regarding the environment, their energy consumption and the effects of climate change, the FRR gave its support to the CDP in 2006, and subsequently to the CDP WATER and CDP FOREST.

The CDP has become a key player in the standardization and gathering of environmental information from companies. At the end of 2024, it was backed by 640 investors representing 112,000 Bn€ in assets, and more than 24,800 international listed companies responded to their questionnaires on environmental performance data.

Net-zero asset owner alliance - 2019

In November 2019, the FRR joined the Net-Zero Asset Owner Alliance. This alliance brings together 89 global investors, representing 8,750 Bn€ in assets, which commit to moving their investment portfolios by 2050 towards net GHG (Greenhouse Gas) emissions compatible with a maximum temperature increase of 1.5°C above pre-industrial temperatures, having regard to the best available scientific knowledge, including the conclusions of the IPCC (Intergovernmental Panel on Climate Change). Members also undertake to report regularly on progress, including by setting interim targets every five years in accordance with Article 4.9 of the Paris Agreement.

In order for members to discharge their fiduciary duties, manage their risks and achieve their investment return targets, this commitment must be part of a holistic ESG approach including, but without limitation, climate change.

Members must aim to meet this commitment, in particular by advocating and engaging with businesses and industry, and also by seeking to influence public policy, for a low-carbon transition taking into account the associated social impacts.



Institutional Investors Group on Climate Change - IIGCC - 2015

The IIGCC is a forum for investors working together to combat climate change. The IIGCC offers its members a collaborative platform for engagement that encourages public policies, investment practices and corporate behaviours to have consideration for the long-term risks, and opportunities, associated with climate change. By the end of 2024, this initiative had received the support of more than 400 investors.



Climate Action 100+ - 2017

Climate Action 100+ is the largest collaborative initiative on engagement in climate change. At the end of 2024, this initiative was supported by more than 600 signatories.

This initiative is at the heart of the battle against climate change of the Net-Zero Asset Owner Alliance, of which the FRR is a member. Indeed, Climate Action 100+ is an investor-led initiative aiming to mobilise 168 of the world's largest greenhouse gas emitters representing 80% of industrial emissions that are critical to meeting the goals of the Paris Agreement to reduce their emissions, expand climate-related financial information and improve their governance on climate risks.

French public investors climate charter – 2017

The FRR signed this charter in December 2017. All French public financial institutions and operators have decided to adopt an approach aimed at ensuring the compatibility of their activities with the objectives of the Paris Agreement.

For the record, the FRR has also, over the years, supported many other climate initiatives, including:

- 2014: Signing of the PRI Montréal Pledge, Support for the Portfolio Decarbonization Coalition, Signing of the declaration on climate change within the framework of the UN Climate Summit;
- 2015: Support for the ACT – ASSESSING LOW-CARBON TRANSITION initiative;

- 2017: G7 governments' declaration on Climate Change. Public Statement: Investor challenges and expectations on "Say on Climate" – 2022.

The FRR co-signed this statement, an initiative of the Forum for Responsible Investment, which has three aims:

- to publish investors' expectations on "Say on Climate" and create a "Say on Climate Terms of Reference";
- to improve dialogue between investors and companies on climate issues through shareholder General Meetings;
- Finally, to improve corporate alignment with the goals of the Paris Agreement.

Initiatives addressing societal issues

Advocacy for tobacco – 2017

53 investors, health systems, pension funds and insurers, representing 3.8 billion dollars in assets under management, signed a statement for the attention of World Health Organization (WHO) representatives and national health ministers who openly support stronger tobacco control regulations.

Declaration encouraging the signing of the Women's Empowerment Principles – 2019

The FRR is convinced that diversity is a decisive factor in companies' operational and financial performance. On 17 September 2019, with the support of UN Women, it signed a joint declaration promoting gender

equality within companies. This initiative aims to bring together numerous investors to call upon a wide panel of listed companies around the world, to be more transparent in this area and to encourage them to sign the Women's Empowerment Principles. This is a set of 7 principles, the result of an alliance between UN Women and UN Global Compact, to which companies can sign-up to promote gender equality in their professional environment.

Gender initiative – 2019

On 7 November 2019, the FRR signed the Gender initiative. This declaration, coordinated by Mirova and co-signed by 66 investors representing a total of 4,000 Bn€ in assets, is supported by UN Women and the United Nations Global Compact and aims to promote gender equality in companies.

Reynolds & Gifford PRI Grant project – 2024

This is a research grant for which Stéphanie Giamporcaro, Christophe Revelli, professor of Sustainable Finance/Impact at Kedge Business School, and a team of international researchers and practitioners are applying.

The aims of this project are:

1. A better understanding of the different contexts experienced between the North and the South and the role that responsible investment can play in addressing the problems of inequality and just transition.
2. To explore the role and usefulness of responsible investment in addressing North/South imbalances in financial allocation, financial markets and financial inclusion to achieve the SDGs.
3. To build a transnational network of academics, practitioners and students capable of co-creating solutions/ pathways for research and collectively identified practical problems over a 5-year period.

Initiatives addressing governance issues

Extractive Industries Transparency Initiative (EITI) – 2009

This initiative aims to increase the transparency and accountability of operators in the extractive industries sector through verification and publication in full of payments made by companies and income received by governments in connection

with the exploitation of mineral, oil and gas resources. By supporting the EITI, the FRR invites all companies in the sectors directly or indirectly concerned, of which it is a shareholder, to join, and encourages those that have already committed to support the initiative to play an active role in its implementation.

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

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The background is a complex abstract composition. It features a large, solid yellow circle on the left side, which partially overlaps a light blue rectangular area. The rest of the background is filled with a pattern of concentric, parallel lines in red, blue, and yellow, arranged in a way that creates a sense of depth and movement. The lines are of varying thicknesses and are grouped into larger rectangular blocks.

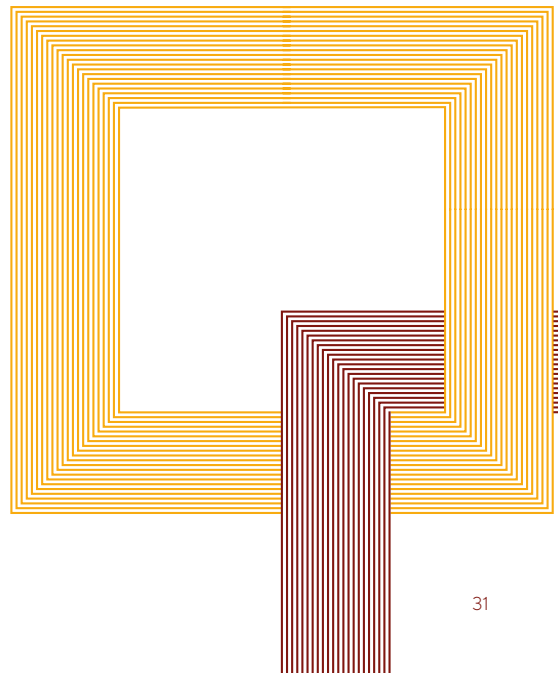
THE FRR'S CONTRIBUTION TO TRANSITION THROUGH INTERACTION WITH ITS ECOSYSTEM

Bodies responsible for the FRR's RI strategy

All assets are managed by delegation. Most of the resources used to deploy the FRR's RI strategy are therefore at manager level. As indicated on page 37, the manager selection process includes a very significant component dealing with their resources dedicated to ESG in general, and Climate in particular. Investment Directors are involved at all stages during the life of a mandate (defining ESG objectives, selection, monitoring...) and report yearly to the manager selection Committee on ESG indicators within their scope. Furthermore, a Responsible Investment monitoring Committee is responsible for implementing the guidelines laid down by the Supervisory Board for the prevention and control of extra-financial risks in the FRR's portfolios.

Monitoring of the effective implementation of the RI strategy is integrated into the Delegated Management and Responsible Investment Department, within the FRR's Finance Department.

The FRR incorporates sustainability criteria into its compensation policy, with responsible investment goals being formalised in the annual mission letters of two Executive Board members. An element of staff compensation is linked to the achievement of annual goals including ESG criteria, in particular for the Finance Director, the head of the delegated Management Department, the senior Responsible Investment officer, the ESG analyst and the investment directors. Details on the incorporation of sustainability criteria into compensation policy are set forth on page 39 of this report.



CONTRIBUTION TO FINANCING RESPONSIBLE INVESTMENT RESEARCH

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

Every three years, members of the SFRI research initiative identify priority projects. For the 2022-2025 period, three priorities have been selected:

- firstly, to know what motivates individuals to invest in responsible companies, with a study conducted on the influence of lived experience on individual investment decisions;
- secondly, how can the financial industry be organised to promote socially responsible investment? Two topics are examined: the impact of management fees on the insurance sector's ability to support long-term investment and the role of SRI labels in signalling companies' actions to investors;

- finally, what tools are available to responsible companies? Three areas of study are pursued: assessing the impact of green patents on companies' financial and environmental performance, the links between wage policy and CSR and finally the specific problems in defining a biodiversity protection strategy.

In 2024, the budget allocated by the FRR to all organisations and bodies supporting ESG/Climate initiatives totalled more than 81 K€ and support for academic research totalled 17 k€.

COLLABORATION WITH EXTRA-FINANCIAL DATA PROVIDERS

For several years, the FRR has been working with index providers to ensure that they incorporate extra-financial criteria when constructing the indices. This work led in 2014 to the creation of the Low Carbon Leaders indices with MSCI and the Swedish fund AP4. The FRR continues this work with the various index providers and, since 2021, most of the customized smart beta indices used by the FRR incorporate into their construction methodology a carbon emission control mechanism to ensure that they remain at a level close to the capitalization-weighted index.

The FRR also works with management companies and extra-financial data suppliers to improve ESG data calculation methods and practices. With regard to ESG optimised mandates in particular, ESG data quality is key. Indeed, in recent years, the FRR has opened a dialogue between management companies and index providers with a view to harmonising coal share calculation methodologies in relation to a number of major players in the local authority services sector. These various engagement initiatives have led to greater consistency on the part of data providers in terms of methodology to better take into account the operations of the companies analysed. For example, the methodologies for consolidating the results of a subsidiary with those of its parent company, or considering inter-company payment flows, are today better understood by a number of coal data suppliers. This results in responsible management more consistent with companies' economic reality.

The FRR relies on the resources of a number of specialist agencies:

- measurement and analysis of the ESG footprint of the FRR's portfolio, and supply of an extra-financial risk database, performed by Morningstar France Fund Information;
- measurement and analysis of environmental footprint and Climate relating to the FRR's portfolio, performed by S&P Global Market Intelligence.

In 2024, the budget earmarked by the FRR towards ESG and Climate data and analysis totalled more than 213 K€.

The background is a complex abstract composition. It features a light blue base color. Overlaid on this are several geometric elements: a large, solid yellow shape on the left side; and numerous rectangular and L-shaped regions filled with concentric, parallel lines. These lines are colored in shades of red, purple, and light blue, creating a layered, architectural effect. The text 'ESG/CLIMATE GOVERNANCE' is positioned in the center-right area, overlaid on the light blue background.

ESG/CLIMATE GOVERNANCE

GOVERNANCE BODIES

Factoring sustainability criteria into its management decisions is at the heart of the FRR's identity. Indeed, since 2001, the founding texts of the FRR (Article L.135-8 of the Social Security Code) specify 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".

Supervisory Board

The FRR's Supervisory Board approves the Responsible Investment Strategies, Voting Policy and "Climate" objectives presented

to it by the Executive Board. It also oversees their implementation and the achievement of the "Climate" objectives.

Responsible investment committee (RIC)

This committee, established in 2008, is formed by the President of the Supervisory Board, a member of the panel representing employee trade union organisations, and a member of the panel representing employer trade union organisations. It may in addition be supported by two qualified external persons and, where necessary, service providers. At the end of 2024, there are two expert members:

- Jean-Claude Javillier, aggregate professor in the Faculty of Law. He has taught Labour Law and comparative industrial relations at the International Labour Office (International Labour Organization, Geneva) and has held the posts of Director of the international labour standards Department, then chief Adviser at the International Institute for Labour Studies. He has published various books and articles in the fields of labour and professional relations, and global governance;

- Jean-Pierre Hellebuyck was vice-chairman of AXA Investment Managers and Chief Investment Officer of AXA Investment Managers. He was also chairman of the corporate governance committee at the Association française de la gestion financière (AFG). He is the author of several reports on governance and financial management.

This Committee is responsible for ensuring that the guidelines established by the Board for the control and prevention of extra-financial risks in the FRR's portfolios are implemented. In particular, it verifies annually the list of issuers excluded due to their involvement in non-conventional weapons (cf. page 20). This Committee reports on its work at least once each year to the Supervisory Board.

Executive Board

The Executive Board prepares the Responsible Investment strategies, Voting Policy and “Climate” objectives, seeks the opinion of the Responsible Investment Committee on its plans and presents them to the Supervisory Board.

The Executive Board reports, at least once per year, to the Responsible Investment Committee and to the Supervisory Board, on the implementation of the Responsible

Investment strategy, the Voting Policy and the “Climate” objectives. The reports provided to the RIC and the Supervisory Board cover extra-financial analysis of the portfolio, assessment of controversies, monitoring of issuers to which the exclusion criteria may be relevant, climate analysis and indicators for monitoring climate objectives, as well as engagement initiatives conducted and the exercise of voting rights.

Finance department

The Finance Department establishes the ESG criteria for selection of managers, of their management proposals and of certain benchmarks, with a special emphasis on climate.

The Finance Department then ensures that the managers properly implement the Responsible Investment strategy, the Voting Policy and the defined ESG/ Climate criteria. It conducts a two-level verification:

- First level analyses based on ESG/Climate reports supplied by the managers, at least twice per year, and examined at Management Committee meetings
- Second level analyses, based on the assessment reports supplied by Morningstar France Fund Information for extra-financial portfolio analysis and by S&P Global Market Intelligence for the climate and environmental audit

Legal and communications department

The Legal and Communications Department monitors the exercise of the FRR’s voting rights based on the reports prepared by ISS. It is responsible for the

FRR’s communications and is involved in the preparation and publication of annual reports and sustainability reports.

Operations and risks department

The operations and risks Department is responsible for monitoring compliance

in particular with the various exclusions (tobacco, coal, NCST,...).

ESG committee

An ESG Committee, led by the chief ESG officer, meets on a monthly basis. The Executive Board members and all of the FRR’s various Departments attend this ESG Committee, which forms the backbone of

the FRR’s ESG activities. It ensures that all Departments are involved in reflecting on ESG matters, in preparing the various documents, including those intended for the RIC.

Managers

The managers must take the FRR's Responsible Investment Strategy into consideration in their management by, in particular, systematically incorporating ESG analysis into the issuer selection process, across all asset classes. They also exercise all voting rights at shareholder general meetings for equities held in the portfolio, in accordance with the FRR's Voting Policy

guidelines. They submit regular reports on these matters, which are discussed at all half-yearly management committee meetings. Finally, they carry out engagement initiatives related to the portfolio companies on ESG and/or climate aspects. Some of these engagement initiatives are conducted at the FRR's specific request.

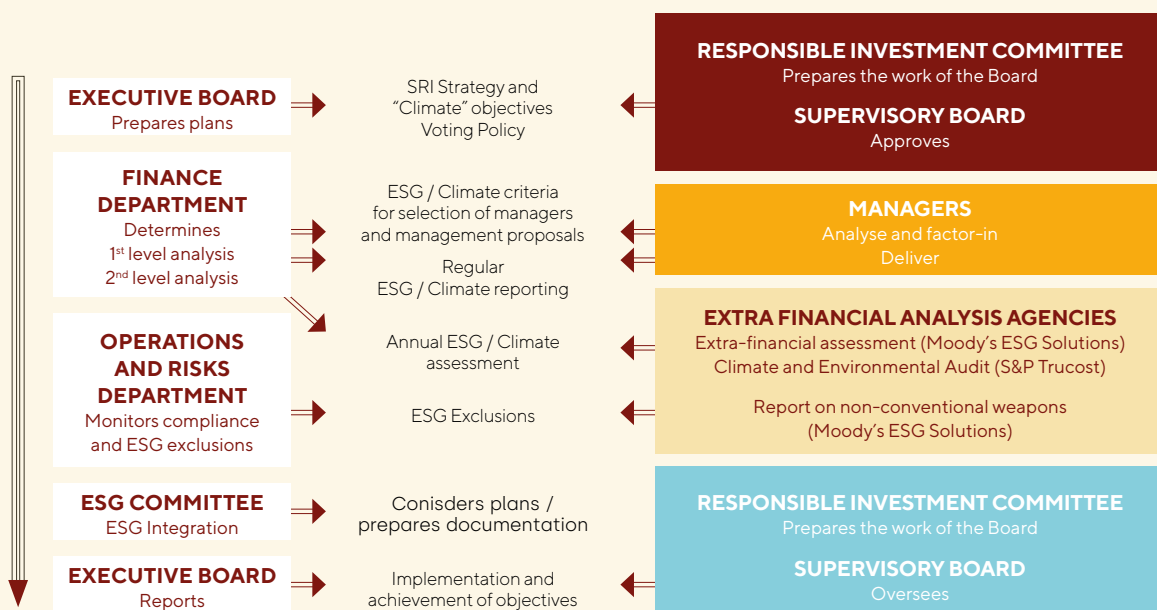
Extra-financial research agencies

As mentioned on page 33, two extra-financial research agencies selected periodically by invitation-to-tender carry out on behalf of the FRR a full annual analysis of the portfolio:

- Morningstar France Fund Information conducts an ESG risk analysis, an ESG-related controversies assessment and identifies issuers that may fall within the FRR's exclusion criteria.

- S&P Global Market Intelligence conducts a Climate analysis, which involves several elements: green share, brown share and contribution to energy transition, carbon footprint and 1.5°C alignment, environmental footprint, assessment of transition risks and physical risks.

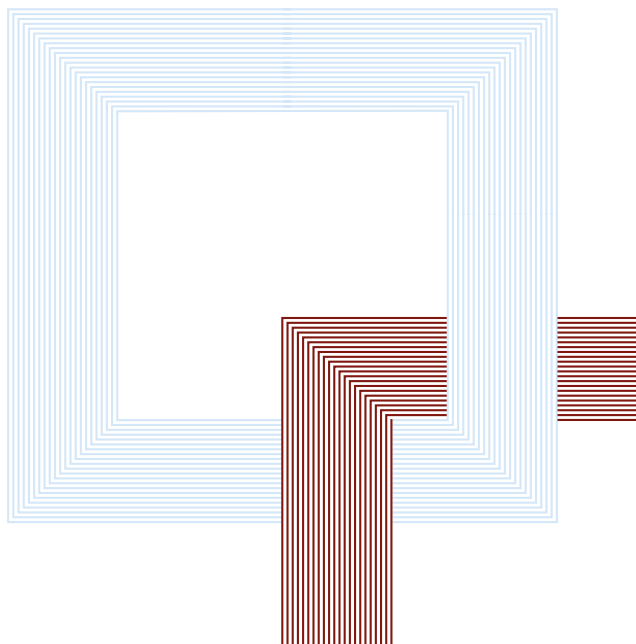
ESG/Climate governance



INTERNAL TRAINING

ESG aspects are fully integrated into the FRR's internal operations through communications on issues surrounding energy transition that are offered to employees with, for example, organised collaborative workshops such as the "Fresque du Climat", which enables discussion with external stakeholders on current topics or projects conducted internally.

In terms of appropriating responsible investment, the focus on internal training on responsible investment topics for staff, members of the Executive Board, members of the Supervisory Board and the Manager Selection Committee has been deepened in line with the requirements of Article 29 of the Energy and Climate Law on the knowledge, skills and experience of governance bodies in particular. A multi-year training plan has been put in place. Indeed, in 2024, 42 staff members received training on sustainable finance fundamentals. This appropriation strengthens awareness and mastery of the challenges of responsible investment and helps to enrich the dialogue with management companies and stakeholders in a virtuous, self-sustaining mechanism for mutual improvement.



INTEGRATION OF SUSTAINABILITY CRITERIA WITHIN REMUNERATION POLICY

The members of the Supervisory Board and the Responsible Investment Committee do not receive any remuneration, except for the President. Members of the Executive Board and the Finance Department are given annual targets with respect to implementation of the responsible investment strategy.

Regarding the integration of sustainability criteria within remuneration policy, two Executive Board members are given specific responsible investment targets in their annual mission letter. As for the FRR's personnel, part of their remuneration is conditional on achieving annual targets. Indeed, 20% of the finance director's target bonus is conditional on implementation of the FRR's responsible investment

policy. These targets are set at Finance Department team leader level. Indeed, 20% of the target bonus of the Head of the Delegated Management and Responsible Investment Department is conditional on implementing investments in accordance with the responsible investment strategy and 10% of the target bonus of the Head of Asset Allocation is conditional on integration of responsible investment at strategic allocation level. At team level, apart from the Head of Responsible Investment whose target bonus is 90% conditional on specific ESG targets, and the ESG analyst whose target bonus is 70% conditional on specific ESG targets, the ESG-related weightings of Investment Directors are set at around 15% depending on their scope.



ENGAGEMENT STRATEGY, VOTING POLICY AND REPORTING

The FRR's engagement strategy is based upon four main pillars:

1. shareholder dialogue conducted at shareholder general meetings and based upon the FRR's Voting Guidelines;
2. dialogue targeted at portfolio issuers, identified as posing a risk with respect to their ESG/Climate practices. These issuers enter into a Dialogue Programme conducted by managers at the FRR's request;
3. a priority topic: energy and ecological transition. For reasons of greater efficiency, this topic is addressed essentially through collaborative initiatives, in cooperation with other investors and market bodies;
4. a financial management ecosystem initiative, directly led by the FRR.

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:

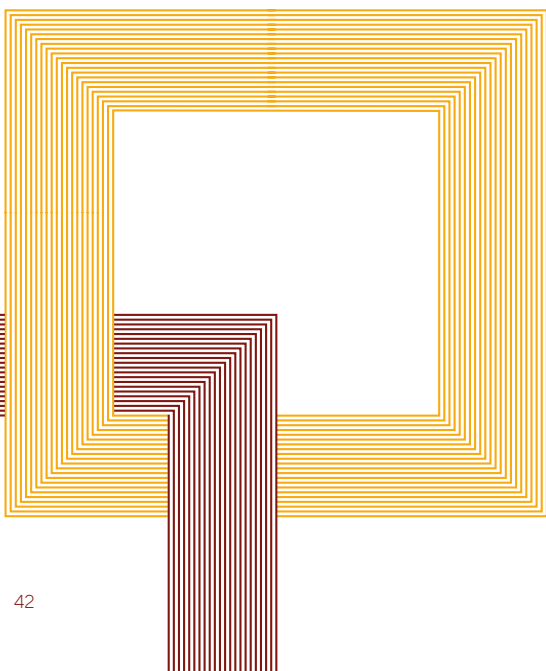
- The FRR's interest in actively contributing towards improving governance in the companies in which it invests. Indeed, the aim here is to promote clarity and a balance of power between the governing bodies as well as quality in terms of the information supplied to shareholders, respect for their rights 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 vis-à-vis 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.

At the end of 2022, 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 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
- The importance of establishing within the FRR's Boards a Committee dedicated to Corporate Social Responsibility (CSR) matters.

- 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 desire to introduce a regular vote at General Meetings on climate goals and climate reporting.

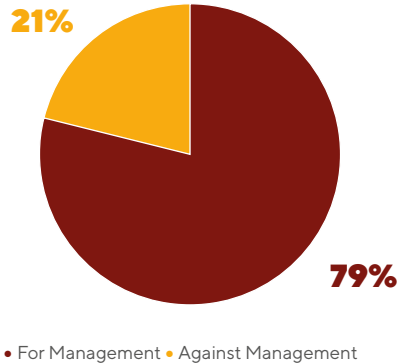
In accordance with its founding documents, the FRR's voting rights are exercised by the asset managers it has selected and in the FRR's sole interests. The guidelines on the exercise of voting rights incorporate all of these elements and must therefore be sufficiently wide to account for jurisdictional 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.



VOTING RIGHTS EXERCISED

To assist monitoring, the FRR is in the process of rating the quality of governance of its developed market equities portfolio. This new and analytical approach enables the FRR to better understand the essential components of governance of this portfolio. This process conducted through its active managers, has in 2024 enabled it to participate in 918 shareholder general meetings and to vote on more than 13,000 resolutions in the countries comprised in its developed markets equities portfolio. Its managers took part in 99% of voting general meetings.

The FRR's Managers voted on resolutions proposed by management at general meetings at a ratio of 79% FOR and 21% AGAINST.

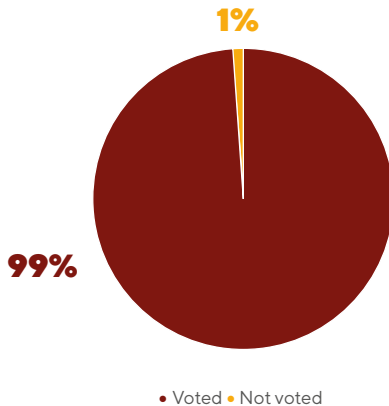


In 2024, votes "Against" most often concerned:

- the reappointment of board members, with topics relating in particular to the independence of members and respecting diversity principles.
- the variable element of executive compensation – with topics relating to the lack of correlation to business performance. In 2024, managers voted on the FRR's behalf in over 40% of cases, against resolutions on compensation policy, a level similar to 2023. Votes against were even higher concerning reports on the variable element of executive compensation, amounting to 46% in 2024 (vs 49% in 2023).

The FRR pays close attention to the factoring in of extra-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.

Number of General Meetings at which the FRR voted in 2024



Results of the exercise of voting rights under equity index replication mandates for management consistent with the Paris Agreement

Equity index replication strategies, aligned with the Paris Agreement, optimise portfolios by basing themselves on advanced extra-financial criteria. They engage in discussion with companies on various sustainability topics and implement the FRR's responsible voting rights policy.

In 2024, the managers of these mandates took part in nearly 600 general meetings, voting on around 9,000 resolutions. On average, they voted against 22% of the resolutions, a slightly lower rate than in 2023. The votes against related mainly to director compensation, director appointments, and management board structures considered not sufficiently independent or diverse, and also to financial authorisations.

Of all the shareholder resolutions voted on, around 200 concerned governance topics and a few related to ESG issues, including climate. The managers have been selective, supporting around 40% of these resolutions. Support for resolutions on major oil groups remained a priority, aimed at increasing transparency on these companies' emissions and the implementation of their climate alignment plans. The managers noted less support from US investors on these issues.

Say on Climate (SOC) resolutions were also an important topic at 2024 General Meetings. Having fallen sharply in 2023, there were 29 SOC resolutions in 2024 which is stable with reference to the previous year (28). Companies in the materials (6), industrial (5), energy (5) and public services (5) sectors were the most prevalent in 2024.

In 2025, executive compensation will remain a sensitive topic at general meetings. Against a still inflationary background it is particularly important that companies have in mind the fairness ratio and explain any changes.

Shareholder resolutions on environmental and social issues should continue to expand. SOC resolutions will remain a central theme to support businesses in their climate transition. The managers will aim to vote regularly on companies' strategies and progress.

Finally, the composition of boards and the competence of directors will remain key issues for the managers, which must be able to support and challenge management on their transition strategies in a complex and uncertain economic environment.

RESULTS OF ENGAGEMENT ACTIONS IN 2024

Engagement actions of global reach

Action supported by the FRR

In 2024, the FRR, jointly with ERAFP and under the aegis of the FRI, launched a pilot group to measure the effectiveness of ESG engagement.

Ever more responsible investors are seeking to influence companies to adopt more sustainable practices and change their business models. Developing a method for objectively assessing the effectiveness of engagement initiatives is an essential step in boosting their credibility. This will also help improve the criteria for selecting management companies surrounding this theme.

This ambitious project brings together experts from institutional investors, management companies and academics.

Actions conducted 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.

The euro-denominated high yield corporate bonds mandates, launched at the end of 2021, have once again throughout 2024 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 an equally good grasp on the other social and governance aspects.

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, on engagement initiatives undertaken with certain issuers in the portfolio (number of issuers in the portfolio engaged with, areas covered, type of engagement whether direct or as part of a collective initiative...).

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, through direct dialogue or taking part in collaborative initiatives and the topics highlighted often cover environmental issues.

Indeed, amongst others, the topics discussed include protection of biodiversity, transition towards a low carbon economy, validation of SBTi commitments or the adoption of good practices from a tax perspective.

These managers are stakeholders in numerous initiatives through engagement on the diversification of proteins, the fight against the misuse of antibiotics, particularly in animals and agriculture, the fight against environmental contamination and reducing the risks related to plastic pollution.

Since 2024, European, French and US equities active management mandates have also been under a requirement to report on engagement. From early 2025, all equity active management mandates now fall

under this obligation following the future activation in February of the new Japanese equities management mandates. 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.

Focus on climate-related engagement actions

Collective engagement actions

The FRR is a member of Climate Action 100+, the largest investor engagement initiative on climate change, which has more than 600 signatories. These engage in dialogue with 168 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 2024 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 80% compared to 77% in the previous year.

However, these developments on the stated objectives and transparency should not obscure the need to translate this into concrete steps to reduce emissions. While emission reduction targets are indeed present in the long and medium term (84% and 85% of cases), they are falling slightly in the short term (45% compared to 47% in 2023). These goals are aligned with the objectives of limiting global warming to 1.5°C for only 41% of companies over the long term (vs. 30% in 2023), 20% over the medium term (vs. 13%) and 21% over the short term (vs. 18%). These increases are encouraging, but short- and medium-term levels remain very insufficient.

The alignment of investments towards less emissions-intensive products or solutions is progressing only very slightly, with only 4% of companies (2% in 2023) and therefore remains one of the priority areas.

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 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. 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.

This engagement action was conducted for the third consecutive year in 2024. The analysis of the progress on the various topics is somewhat varied:

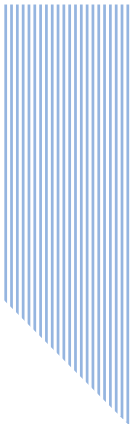
On the setting of carbon neutrality goals, very little has changed. In addition, the same problem applies for the companies covered by the CA 100+ initiative, with quantified goals still lacking in the short and long term.

The adoption of decarbonisation strategies is progressing slightly, but the direction of investment spending to enable this strategy to be deployed still often remains unclear.

Reporting compliance with TCFD recommendations is improving, as are the criteria for just transition.

At the level of the 26 companies involved in this engagement action, a slightly improved overall analysis is true for 8 of them whereas 7 show significant progress over the period 2022/2024. Among the latter, two profiles emerge:

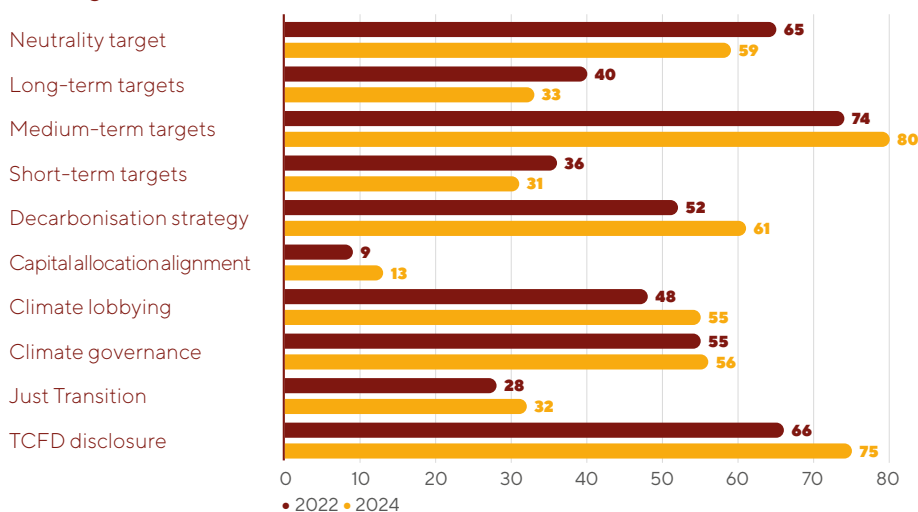
- two companies that also fall within the scope of CA 100+ engagement, one of which has made progress overall and the second, already one of the “top students”, that has made progress in matters of just transition;
- five companies that are not within the scope of CA 100+ engagement, and which show an overall improvement.



The following table gives details of the changes in the average score of 26 of the companies engaged with, for each criterion. The three criteria where the highest level

of progress has been made are, like the CA100+ benchmark, determination of short/long-term targets, capital allocation alignment and just transition.

Average scores

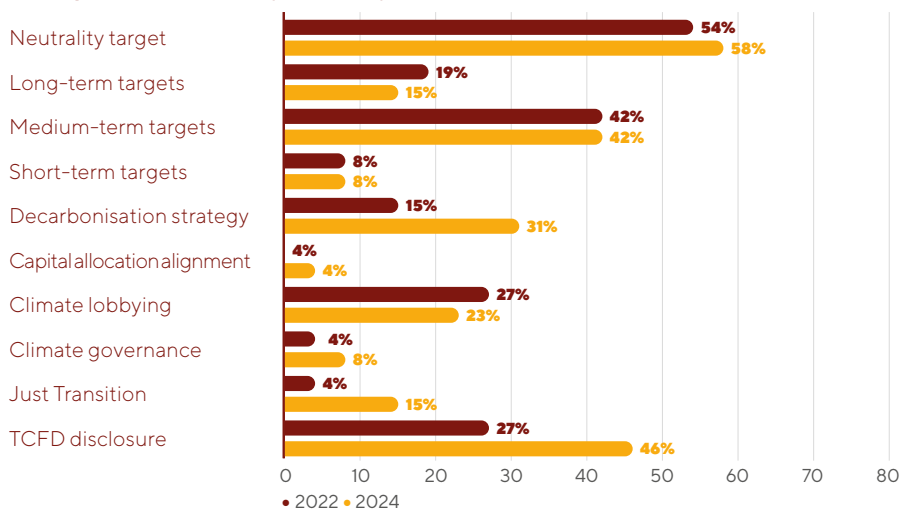


The two tables below give a more accurate picture of the level of maturity of the panel companies for each of the criteria:

The first graph (score percentage = 100 per criterion) indicates the proportion of

companies already achieving the maximum score (100/100) for a criterion on the score chart and that therefore present the highest maturity level.

Companies' maturity level by criteria

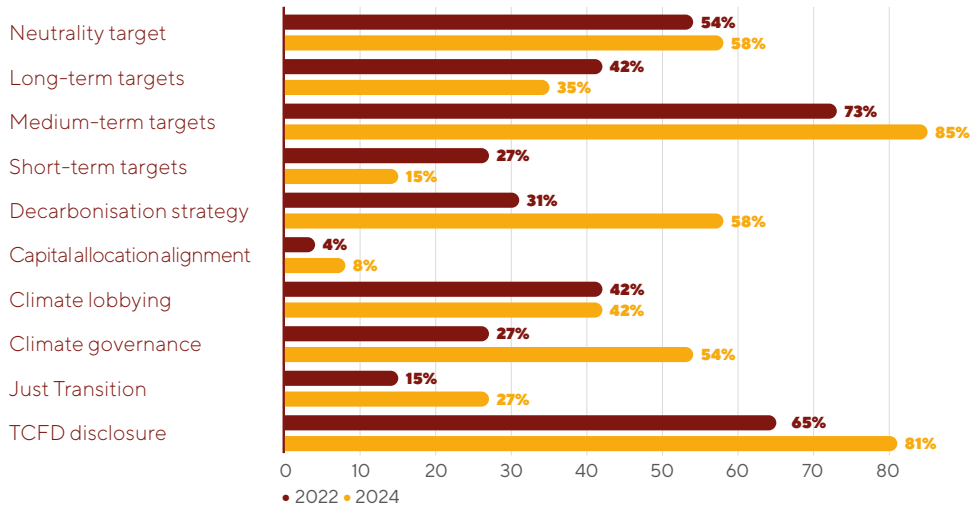


This second graph, for score percentage >50 per criterion, indicates the proportion of companies that have achieved a minimum level of maturity for the criterion.

While the progress made over the period is clear, several criteria are still poorly grasped by the panel companies. Points requiring attention relate in particular to:

- the level of capital alignment, which casts doubt on the coherence between the direction of investment and the declared strategies. Indeed, although this level is increasing slightly (from 4% to 8% of companies) it remains very low;
- and the low level of short-term target setting, which even fell from 27% to 15% between 2022 and 2024. This last point is the most concerning, since it raises questions about the ability of companies to implement in practice the commitments they have made.

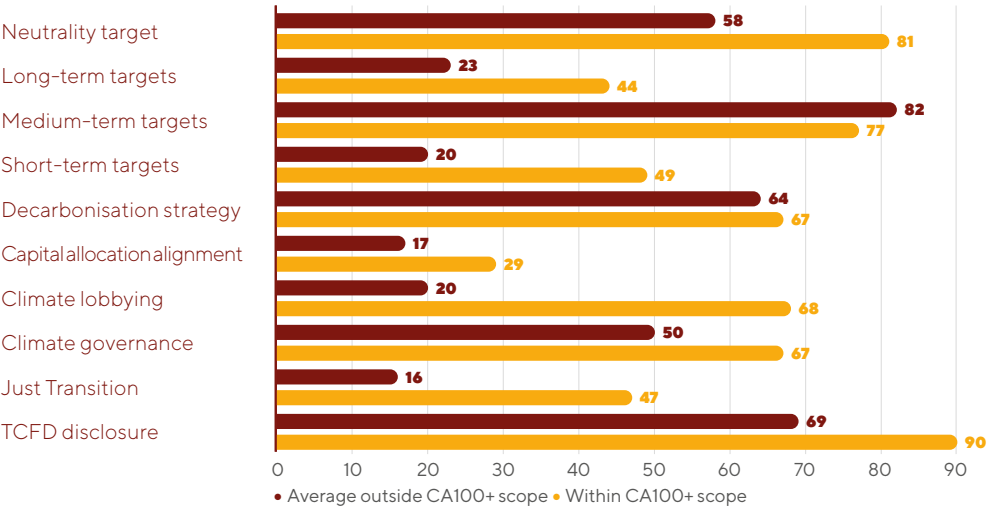
Change in level of maturity: scores > 50



Finally, considering the average scores for the companies included within the scope of both the FRR’s panel for engagement and also the CA100+ benchmark, there is a significant divergence compared to those

companies outside the scope. The overall average score for the first group was 62, compared to 42. This result confirms the importance of extending dialogue to these companies.

Average company score

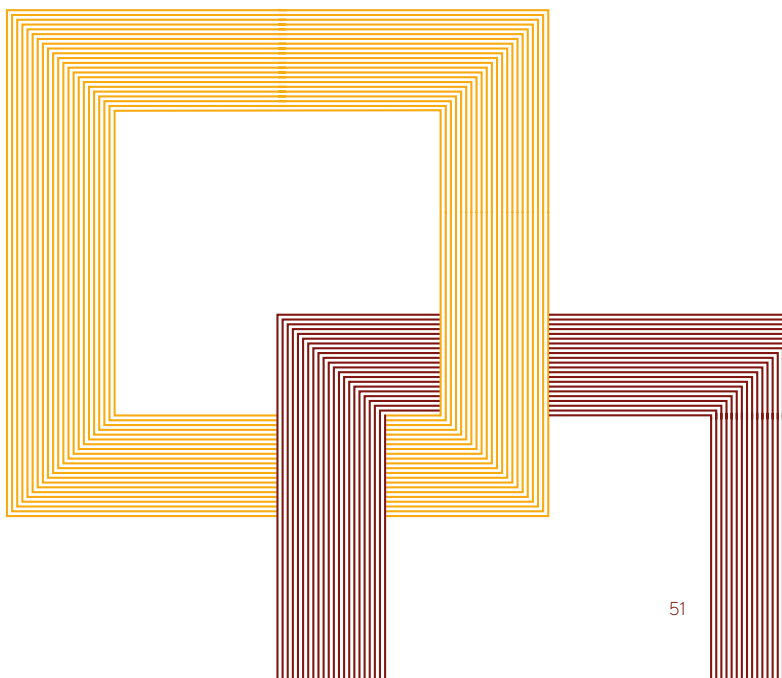


Supporting companies through private equity

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. Certain funds even link part of their "carried interest" to the achievement of ESG criteria.

All of the management companies are PRI signatories. The FRR analyses the assessment of the practices of these companies conducted by the PRI. Two management companies have a score below the median. However, these scores do not take into account the latest developments of these management companies. The assessment of all other management companies is higher than the median score, which reflects the best practices adopted.



**"SUSTAINABLE"
INVESTMENTS
AND INVESTMENT
IN FOSSIL FUELS**

"SUSTAINABLE" INVESTMENTS

The idea of "sustainable" investments, or financing of "green" activities, has been the subject of lengthy debate. At European level, this has led to the development of a classification of economic activities with a favourable impact on the environment, referred to as the "Green taxonomy". This harmonisation was made necessary by the desire to nudge investments towards these "green" activities.

An activity is classified as sustainable if it meets at least one of the following six objectives:

- climate change mitigation;
- adaptation to climate change;
- sustainable use and protection of aquatic and marine resources;
- transition towards a circular economy;
- pollution control;

- protection and restoration of biodiversity and ecosystems.

The activity must contribute substantially to one or more of the six objectives, without significantly prejudicing the other objectives (principle of "Do no significant harm"⁵). It is also required to comply with social standards and to comply with the technical assessment criteria set forth in delegated acts.

For example, the generation of electricity by a hydroelectric powerplant can be "sustainable" if it is a "run-of-the-river" installation, with no artificial reservoir, and if its power output is greater than 5 W/m², in particular.

At the end of 2024, only the activities in the first two above-mentioned objectives have been defined (climate change mitigation and climate change adaptation).

Eligible revenues by potential objective and activity type

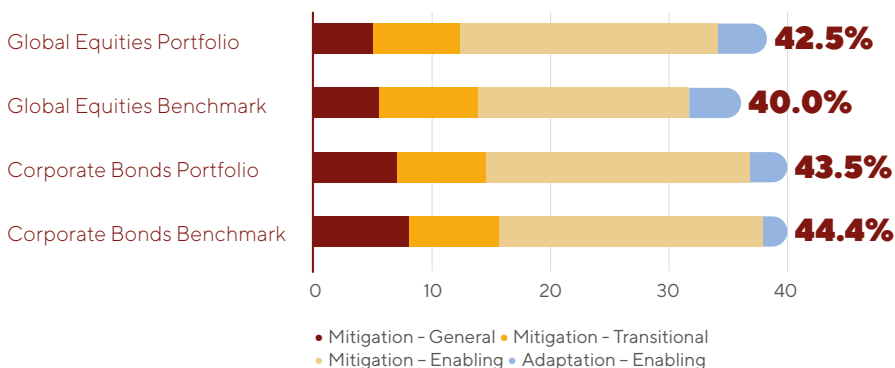
The taxonomy defines 96 commercial activities within the 13 macro sectors of the Nomenclature of Economic Activities (which may be categorised as General, Transitional or Enabling). The General activities are those that have a direct potential to mitigate carbon emissions (e.g. renewable energies). Transitional activities are those that may be of relatively high carbon intensity but which have a significant potential to reduce their carbon emissions over time (e.g. steel production). Enabling activities are those that may promote reductions in carbon emissions in other sectors (e.g. wind turbine manufacturing).

The following table shows the eligible revenues of the portfolios and indices, broken down by objective (i.e. mitigation or adaptation) and by the type of activity they would fall under if they were categorised as aligned.

5 • Source: Carbon neutrality: the European taxonomy in six questions | Vie publique.fr (vie-publique.fr)

Eligible revenues per potential objective and activity type

SOURCE: S&P GLOBAL MARKET INTELLIGENCE



Nuclear and gas: energy sources needed for transition

In 2022, after lengthy discussions, the European Commission included nuclear and gas energy in the European taxonomy on sustainable activities.

Gas has been admitted but only in substitution as an energy source in power stations that were previously coal-fired. The maximum emission thresholds will gradually be reduced: from 270g of CO₂e/kWh to 100g for power stations built as from 2030. These figures are to be compared with current averages (418g CO₂e / kWh in 2021).

Generation of electricity using nuclear energy has also been included in the list of transitional activities, which contribute in mitigating climate change. For this form of energy, the discussions clearly did not concern the carbon intensity of power generation, but rather the risks that nuclear energy may pose to the other objectives of the taxonomy. This is why the taxonomy imposes conditions relating to waste management and security measures, and sets 2045 as the cut-off for it to qualify as “transitional energy”. Furthermore, the carrying-out of works to extend the life of existing nuclear installations must be approved before 2040.

The inclusion of these two activities therefore falls within the framework of the target to achieve carbon neutrality by 2050 adopted by the European Union: gas to enable coal to be wound-down, nuclear to ensure continuity of electricity generation whilst the renewable energy phase continues ramping up.

Investments in activities supporting energy transition

In order to complete this analysis, the FRR identifies its investments in activities supporting energy transition, with reference to the following categories:

- Equities» management strategies consistent with the Paris Agreement
- Credit mandates with decarbonisation goals
- "Green" bonds
- Infrastructure investment contributing to energy transition

ASSET CLASS	AMOUNT (M€) AT 31/12/2024	AS TOTAL % OF ASSETS
Equities mandates with decarbonisation goals	3,900	18%
Credit mandates with decarbonisation goals	6,741	32%
Of which "green bonds"	608	3%
Infrastructure contributing to energy transition	461	2%
Total	11,710	55%

Level of sustainable investment during 2024

Energy transition is one of the FRR's major commitments. Its express incorporation into all mandates has encouraged asset management companies to further integrate this issue into their management processes.

Equity index replication mandates for management consistent with the Paris Agreement thus promote companies that contribute to energy transition from different angles and via innovative metrics. As such, 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 index. A number of portfolios overweight companies whose energy transition policy has been validated by the Science Based Target Initiative. Other 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.

Green bonds

The bonds mandates also incorporate an approach promoting 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 in the investment universe, whether in the portfolios for issues in Euros or Dollars, Investment Grade or High Yield bonds.

In the Euro and US Investment Grade Credit universe, green bonds ("Green Bonds") account for 208.4 Bn€, or around 10.2% of assets under management for both these categories of corporate bonds.

More specifically, Green Bonds represent 15.9% of the benchmark for the Euro Investment Grade Credit mandates whereas the mandates themselves hold 17.7% (193.20 M€).

Green Bonds have a much lower representation in the mandates for dollar issues because they are relatively rare across the Atlantic. The benchmark for these mandates holds 1.90% in Green Bonds whilst the mandates selected under this contract hold 1.6 % at the end of 2024 (15.1 M€).

The representation of green bonds in the Euro and US High Yield universe is estimated at around 10 Bn€, compared to 208 Bn€ for the Investment Grade market. This difference between the two universes reflects the rarity of high yield green bonds, which remains an emerging market.

However, Green Bonds represent 11% of the universe of the benchmark for the Euro High Yield Credit mandates, whereas the corresponding mandates only hold 14% on average. Green Bonds are, conversely, much less well represented under the USD High Yield mandates. Indeed, the benchmark for these mandates holds 1.3% in Green Bonds, whilst the mandates selected under this contract hold 0.9% at the end of 2024.

Investment in infrastructure contributing to energy transition

In view of the significant financing requirements for ecological and energy transition, a large majority of the investments of portfolio funds are dedicated to this area in the broad sense: they represent almost 90% of the investments in this asset class.

They concern in particular the renewable energy sectors (wind, solar, biomass and biogas,...), but also storage, which is now essential for optimising network fluidity, mobility to support amongst other things the expansion of the electric vehicle fleet, energy efficiency, waste treatment and the water sector in all its aspects.

Among the investments already in the portfolio, the French company Swish illustrates French know-how in electric mobility.

Established by the CEREL group in 2021 as a new branch and then a carve-out, SWISH is a company specialising in the development, construction, financing, operation and maintenance of charging stations for electric vehicles. It is based in France, and aims to deploy stations in neighbouring countries, beginning with Italy and Spain. SWISH will employ around 60 specialists by the end of 2026 and is targeting a 5-10% market share in the Business To Business ("B2B") segment.

The funds invested by INFRAGREEN V finance the structuring and growth of the company, but above all the development and construction of charging stations for electric vehicles.

SWISH targets the B2B segment of the Electric Vehicle Charging Infrastructure ("EVCI") market, by installing charging stations in company car parks, for use by their employees and for their own fleet. The target customers include multi-site SMEs, which are secured either by responding to requests for proposals or by a targeted sales approach.

By 2030, SWISH's goal is to deploy more than 80,000 charging points, mostly in alternating current and in France and, in a second phase, in neighbouring countries. INFRAGREEN V's investment takes the form of preference shares and convertible bonds, intended to protect the fund's interests should SWISH's financial performance disappoint. If performance is satisfactory, INFRAGREEN V's shares will capture 38.3% of the value, and the convertible bonds may increase the upside share.

Through this commitment in Rgreen Invest's 5th Vintage Equity, the FRR is contributing, first, directly to the expansion of a small developing French enterprise; secondly, this funding has real environmental impacts due to Swish's own operations (calculated by the management company), including:

- in 2024, the electric vehicle charging stations installed and/or operated by Swish charged electric vehicles in France to the tune 1,100 MWh.
- for comparison, this total represents more than 6.5 million kilometres driven by electric vehicles,
- this is equivalent to a fleet of 500 electric cars powered over a year, or 8,000 Paris-Marseille journeys



Swish rapid charging point

- moreover, Rgreen Invest estimates that around 1,000 tonnes of CO₂e have been "avoided" thanks to the Swish charging stations in operation in 2024.

Important: (1) These estimates are based on the charging stations installed and/or operated, managed by Swish at the end of 2024, with the company developing rapidly. (2) These calculations are approximations in order of magnitude for illustrative purposes. The calculation assumptions and comparisons were produced by RGREEN INVEST with the help of internal and external databases (ADEME, Ministry of Ecological Transition,...). (3) The results presented herein are based on a "scope 4" avoided emissions calculation. There are also "scope 1, 2 and 3" emissions associated with charging stations (manufacturing, installation, operation), not presented here, the total being substantially lower.

Private equity: investments contributing to energy and ecological transition

The innovation capital funds and mandates selected by the FRR finance disruptive innovations, of which a number 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 and MPH Énergie, an actor in energy transition, which supports its customers in implementing low-carbon energy systems.

Jimmy Energy

Jimmy designs and operates modular nuclear reactors to provide industrial enterprises with carbon-free heat. By industrializing the reactor assembly process, the company hopes to deliver the equivalent of 300 MW of thermal power per year to the industry sector, i.e. 30 reactors of 10 MW. It is also developing its own fuel plant to secure supply for its reactors.

The company does not yet generate a turnover but it was authorized to lodge its start-up authorization application (DAC) this year (1st startup to obtain it) and its approach was approved by the (non-public) audit conducted by the High Commissioner for Atomic Energy.



Jimmy Energy modular nuclear reactor



RATP site 2025 – Bio-Gas refuelling depot – MPH Energy

MPH Energy

MPH Énergie is an independent French industrial group established in 2005. As an actor in the energy transition, the group offers a comprehensive range of solutions and services for the measurement, transfer and distribution of energy. The group is focused on the energy distribution sectors in the fields of transport, industry and the environment. MPH Énergie offers a full range of fuels including biofuels, CNG and LNG, biogas, GTL and Hydrogen. As part of the development of the Green Gas Business Unit, the subsidiary Mesure Process has partnered with NEL Hydrogen Fueling Station in the construction/completion/maintenance of turnkey hydrogen stations in France. NEL is the leader in terms of experience and in the number of H2 production and distribution plants built globally with more than 110 H2 refueling stations since 2003. In 2023, the MPH group won the largest tender process launched to date in France. It involves the installation and maintenance of a green hydrogen station in Créteil.

Since the manager acquired a stake in the capital in May 2021, the organisation of MPH Énergie's teams has been thoroughly reviewed. Finally, two acquisitions were made during 2024 to expand the group's gas measurement offer and thereby better position it on the industrial market.

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 CO₂ 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.

Real estate with social and energy impact

Certain investments made by the FRR have an inherently positive investment profile in terms of impact.

The investment made in FLI, Intermediate Housing Fund, has made a positive social impact, 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 benefiting.

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 prevent urban sprawl and soil artificialisation.

Brownfields' ecological footprint is clearly positive:

- elimination of pollution sources likely to contaminate the various environments (soil, groundwater and ambient air);
- converting brownfield sites into urban areas helps not only to reduce urban sprawl but also to reduce CO₂ emissions associated with travel.

This is illustrated by the example of the Blanc-Mesnil operation.

Located on the municipal boundary with the town of Le Bourget, the development land is the result of a project to divide the tenement buildings located at the south-west corner of the intersection of Avenue Charles Floquet with the Rue du Parc, and comprising a complex of industrial buildings.

Earmarked for demolition, these buildings derive from industrial activities that are now almost extinct and which developed there during the last century culminating in the installation of the company Société des Tubes de Montreuil, itself a result of the Eiffel construction company established on the site in the early 50s.

The project involves, once the existing buildings have been completely demolished, with the notable exception of the so-called "Eiffel" covered market located to the north-east along the Rue du Parc, developing a new residential district with a shopping street in a quality urban layout, both in terms of the architectural styling of the buildings and the attention paid to developing the

public spaces. The aim is to achieve a level of excellence making this district a central urban hub combining quality housing, quality services and local shops in a landscape reflecting the town's ambition to offer its inhabitants an exemplary place to live overlooking its landscaped and urban environment.



Le Blanc-Mesnil – Redevelopment of the "Les Tubes de Montreuil" site

At this site:

40%
green spaces

1,700
new homes in the
Molette sector

Approximately
4,000 m²
shops and services

Approximately
4,000 m²
amenities including
the future school

Approximately
5,000 m²
economic activity zone

EXPOSURE OF THE PORTFOLIO TO FOSSIL FUELS

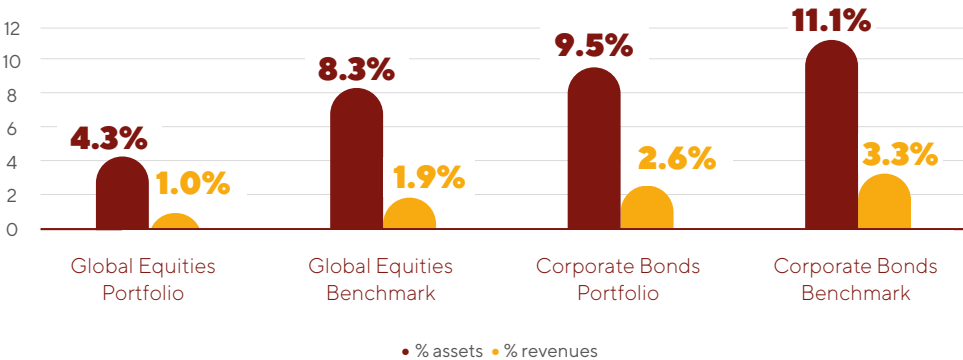
The portfolio’s exposure to the assets of companies whose business relies on fossil fuels is analysed to assess the proportion of assets invested in “stranded assets” or “blocked assets”. These activities pose a potential risk of impairment as a result of regulatory developments associated with governmental commitments to limit global warming to between 1.5 and 2 °C. In the analysis, conducted by S&P Global Market Intelligence, account is taken not only of the fossil fuel exploitation activities, but also the

associated support operations (exploration, drilling...), and the electricity generation activities derived from these fossil fuels. This exposure is determined with reference to:

- the proportion of assets exposed to these activities;
- the proportion of the companies’ revenues derived from these activities.

At the end of 2024, portfolio exposure to fossil fuels remains well below that of their benchmarks.

Exposure to assets of companies whose business relies on fossil fuels
SOURCE: S&P GLOBAL MARKET INTELLIGENCE



In order to better understand risk of blocked assets, S&P Global Market Intelligence also measures future carbon emissions derived from fossil fuel reserves and also capital expenditure (CAPEX) associated with fossil fuel operations, such as exploration and extraction. For these two indicators, S&P Global Market Intelligence takes into consideration only reported (not estimated) data. The intensity of future emissions derived from reserves is also reported. It is calculated by dividing the emissions allocated to the portfolio by the value invested.

Future carbon emissions derived from fossil fuel reserves

This estimate provides information on the risk of stranded/blocked assets. Indeed, fossil fuel reserves held by companies can be considered "unburnable" to achieve the 2°C goals.

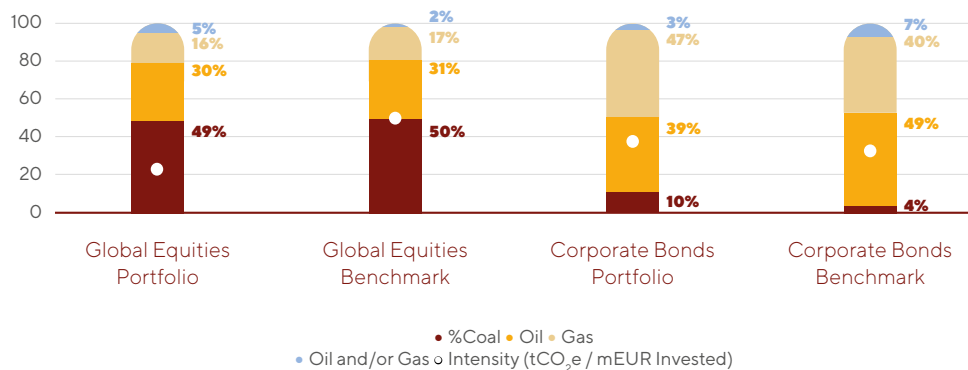
For the Global Equities portfolio: the original carbon emissions mix is relatively similar

to that of its benchmark. But the intensity of future carbon emissions from fossil fuel reserves is significantly lower for the Global Equities portfolio compared to its benchmark (665 tCO₂e/mEUR invested compared to 1,262), with a notable decrease compared to the end of 2023 (respectively 955 and 1,654 tCO₂e/mEUR).

For Corporate Bonds, the original carbon emissions mix presents a far lower share of emissions derived from coal reserves than for equities: 10% for the portfolio and 4% for the benchmark. Indeed, for equities, the relevant companies are mostly from the emerging markets, in which the FRR invests via funds and is not able to impose all of its constraints. For bonds, corporate issues are held through mandates. The intensity of future carbon emissions derived from fossil fuel reserves remains, like last year, greater for the Corporate Bonds portfolio (969 tCO₂e/mEUR invested compared to 826 for the benchmark).

Future carbon emissions derived from fossil fuel reserves

SOURCE: S&P GLOBAL MARKET INTELLIGENCE



Capital expenditure (CAPEX) associated with fossil fuel activities

The graph below represents the capital expenditure (CAPEX) committed on new fossil fuel-related projects, such as exploration and extraction, and the share of portfolio company revenues allocated to these investments.

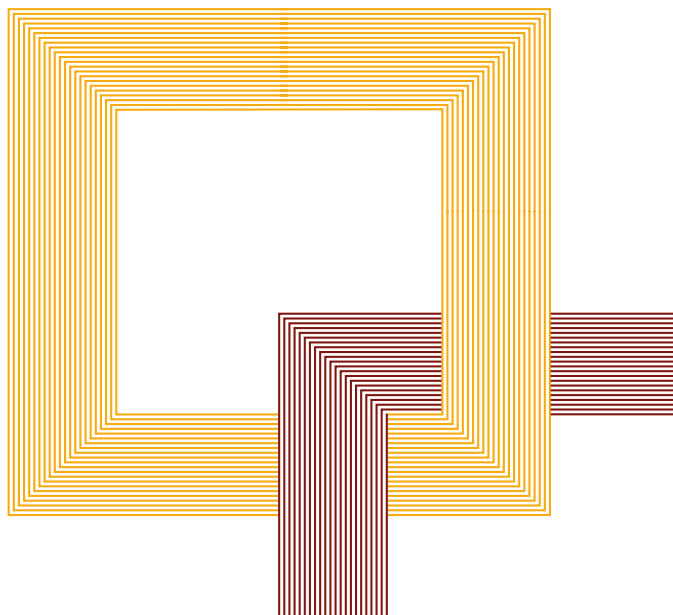
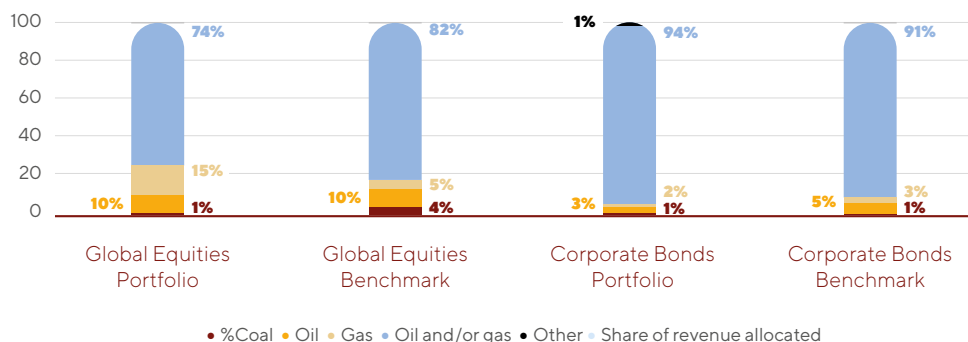
This chart shows a future exposure of portfolios mainly oriented towards oil and

gas extraction. In most cases, the lack of corporate transparency makes it impossible to distinguish between oil-related and gas-related CAPEX. Note also the marginal nature of capital expenditure related to coal.

Finally, at portfolio level, the percentage of revenues allocated to fossil fuel activities is relatively modest (0.20% for the Global Equities portfolio and 0.59% for the Corporate Bonds portfolio).

Capital expenditure in fossil fuel activities

SOURCE: S&P GLOBAL MARKET INTELLIGENCE



Electricity producer energy bundles

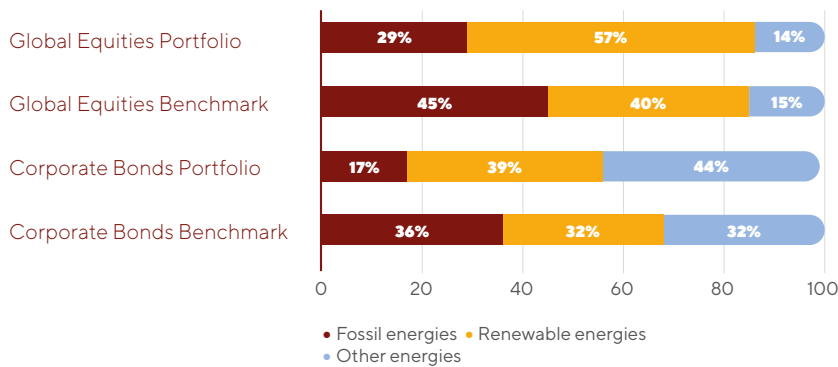
The electricity production sector will play a crucial role in any strategy aiming to mitigate the effects of climate change. The graph below shows the breakdown by energy source of the electricity produced by the companies in the portfolio. It highlights the brown and green shares of electricity

production. Note that the "other energies" category includes nuclear energy, which explains the high level of this category, particularly for corporate bonds.

The electricity production of companies in the Global Equities and Corporate Bonds portfolios is based on fossil fuels to a far lesser extent than that of their benchmarks.

Energy Bundles (%)

SOURCE: S&P GLOBAL MARKET INTELLIGENCE



The background is a complex abstract composition. It features a large, solid yellow circle on the left side, partially overlapping a light blue rectangular area. The rest of the page is filled with a pattern of concentric, parallel lines in red, blue, and yellow, arranged in a grid-like fashion that creates a sense of depth and movement. The lines are of varying thicknesses and are oriented both horizontally and vertically.

PARIS AGREEMENT ALIGNMENT STRATEGY

In November 2019, the FRR joined the Net-Zero Asset Owner Alliance (NZAOA), an initiative bringing together the principal investors undertaking, in line with the Paris Agreement, to deploy the resources necessary to achieve carbon neutrality in their investments and in the economy by 2050 and to report regularly on their achievements at various stages.

The FRR's responsible investor policy is based on a holistic vision of ESG and is deployed in a realistic and pragmatic manner as part of a process of constant improvement based on regular feedback. Participation in the actions and commitments of the NZAOA is thus part of a global process encompassing all other aspects of Responsible Investment.

Paris Agreement

At COP21 in Paris on 12 December 2015, Parties to the United Nations Framework Convention on Climate Change (UNFCCC) reached a historic agreement to combat climate change and accelerate and scale up actions and investments needed for a sustainable, low-carbon future.

The central goal of the Paris Agreement is to strengthen the global response to the threat of climate change by keeping global temperature rises well below 2°C higher than pre-industrial levels and pursue efforts to further limit the temperature increase to 1.5°C. The Agreement also aims to boost the ability of countries to cope with the impacts of climate change and to make

Membership of the Net Zero Asset Owners Alliance commits FRR to alignment with the Paris Agreement, employing three levers:

- adopting ambitious greenhouse gas emission reduction targets for portfolios;
- carrying out engagement initiatives to encourage companies to adopt strategies of alignment with the Paris Agreement, via its managers but also through collaborative initiatives such as the Climate Action 100+ (cf. pages 23 to 27);
- continuing to contribute to the long-term financing of energy transition (cf. pages 53 to 61).

financial flows compatible with low GHG emissions and a pathway resilient to climate. To achieve these ambitious goals, together with appropriate mobilization and allocation of financial resources, a new technological framework and increased capacity must be put in place, thereby supporting the efforts of developing, and the most vulnerable, countries in accordance with their own national goals.

Against an international background where the Paris Agreement is being called into question and, more generally, with the issues surrounding climate change, the FRR reaffirms the importance of the commitment of all to contributing towards these goals.

PORTFOLIO GREENHOUSE GAS EMISSION REDUCTION TARGETS

While maintaining an essential level of vigilance on all other ESG issues, responding to the climate emergency is one of the FRR's priorities.

Reducing emissions

As a member of the Net Zero Asset Owner Alliance (NZAOA), the FRR has adopted targets to reduce the greenhouse gas emissions from its portfolios, to achieve a trajectory of limiting global warming to 1.5°C. The NZAOA's decarbonisation targets are 20% by 2024, however the FRR is aiming for a reduction of -40% between 2019 and 2025 and 60% by the end of 2029 – the reference year being 2019. This is the continuation of a long-standing approach, which had already achieved a 40% reduction in emissions between 2013 and 2019 for the global equities portfolio. The relevant emissions are direct emissions and emissions by direct suppliers.

These targets are absolute and not relative to the 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 in five year periods.

To achieve the targets by the end of 2029, each new equities or corporate bonds management mandate is assigned different objectives depending on the geographical area and asset class. This differentiation enables the progress already made and the room for manoeuvre of the underlying companies to be taken into account.

Setting increasingly ambitious decarbonisation targets on renewal of management mandates

The mandates launched in 2024 included targets to reduce their carbon footprint:

- by 40% compared to the level of their benchmarks in 2024 and by 70% from the end of 2028 for French small-cap equities;
- by 40% compared to the level of their benchmarks in 2024 and by 75% from the end of 2028 for US small and large cap equities.

Indeed, 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.

For example, the US dollar denominated high yield corporate bond mandates, activated in March 2023, 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 -60% at the end of the mandate 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.

Table of decarbonisation requirements per asset class*

	GOAL AT OUTSET	FINAL GOAL
Equities index Paris Agreement	-50%	-50% by end of 2028
European small-cap equities	-40%	-75% by end of 2028
French small-cap equities	-40%	-70 % by end of 2028
US small and large cap equities	-40%	-75 % by end of 2028
Japan equities (request for proposals ongoing)	-40%	-70 % by end of 2028
Euro investment grade corporate bonds	-0%	-65% by end of mandate (2027)
Dollar investment grade corporate bonds	-40%	-75% by end of mandate (2028)
Euro high yield corporate bonds	-0%	-65% by end of mandate (2027)
Dollar high yield corporate bonds	-35%	-60% by end of 2028

* These are decarbonisation goals compared to the benchmark index, estimated based on WACI (TEQCO₂/M€ REV) carbon intensity within the scope of direct emissions and those of direct suppliers.

METHODOLOGY USED TO ESTIMATE PORTFOLIO GREENHOUSE GAS EMISSIONS

Carbon footprint

In 2022, the FRR decided to change the methodology used to calculate its carbon footprint to align more closely with the TCFD's recommendations. Whereas it previously used a calculation method based on the sum of its portfolio's emissions per million euros in revenue, now, through its service provider, it determines the Weighted Average Carbon Intensity (WACI) for the portfolio. Each method, based on identical amounts in volume terms of CO₂ emitted, interprets the results from different perspectives (ownership of emissions, or efficiency of companies or efficiency of the portfolio). At the time this change was introduced, the FRR observed that these various metrics evolved differently in magnitude or even in the opposite direction from one year to the next, which, in the short term, had the effect of making interpretation of the indicators, with regard to the quantified decarbonisation objectives set with reference to a another metric, more difficult. In the medium term, however, in line with the overall decline in the volume of emissions, these indicators are expected to converge in a downwards trend.

In 2007, the FRR calculated, for the first time, 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 some of its portfolios, the FRR measures annually the carbon footprint of its mandates and funds.

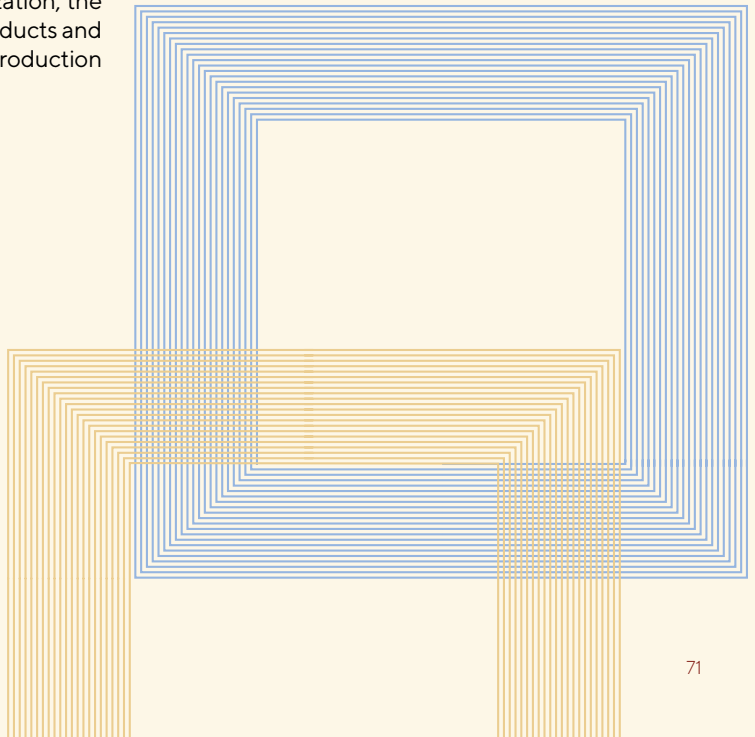
The FRR regularly studies developments in methodology and data reliability: S&P Global Market Intelligence provides it with an estimate of the carbon footprint of its portfolio using a variety of calculation methods: per million in revenues generated, per million in euros invested and by Weighted Average Carbon Intensity (WACI). The decision to use WACI is the culmination of a thought process and studying market developments.

Carbon footprints are calculated within the scope of direct emissions and direct suppliers, and standardised using a financing rate calculated with reference to EVIC (Enterprise Value Including Cash).

Global Scope 3, although highly suitable being the only one to take emissions throughout the entire value chain into account, is not yet in use. Indeed, the FRR regularly studies developments in the quality of this data. As of today, the lack of standardisation in corporate disclosure and in the reliability of estimates mean that it is not possible to obtain a level of quality sufficient for use in relation to a portfolio.

Scope 1, 2 and 3: ADEME definitions

- Direct GHG emissions (SCOPE 1): Direct emissions emanating from stationary or mobile installations situated within the organizational boundary, i.e.: emissions from sources owned or controlled by the organization, such as combustion from stationary and mobile sources, industrial processes excluding combustion, emissions from ruminants, biogas from landfill centres, refrigerant leakages, nitrogenous fertilizers, biomass, etc.
- Indirect energy emissions (SCOPE 2): Indirect emissions associated with the production of electricity, heat or steam imported for the activities of the organization.
- Other indirect emissions (SCOPE 3): The other emissions indirectly produced by the activities of the organization which are not accounted for under Scope 2 but which are linked to the overall value chain, such as: the purchasing of raw materials, services or other products; employee travel; upstream and downstream transportation of goods; the management of waste generated by the activities of the organization; the use and end-of-life of sold products and services; the amortization of production goods and equipment...



Estimated portfolio greenhouse gas emissions at end of 2024

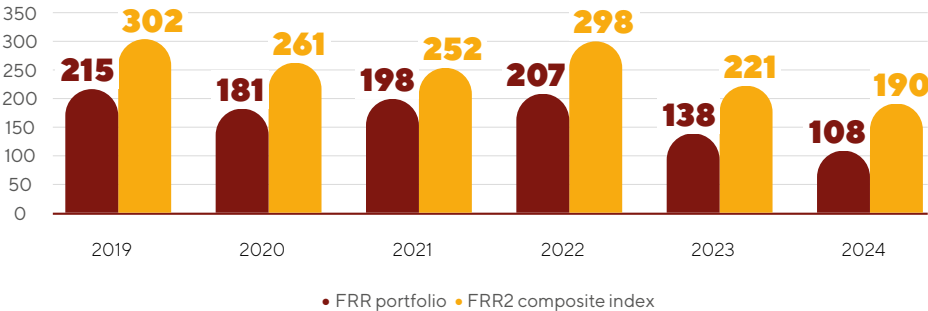
The available carbon footprint data covered 76% of assets at the end of 2024, with: 100% of the overall portfolio assets invested in equities, 79% of the portfolio assets invested in corporate bonds, 100% in government bonds, 52% of the private equity portfolio and 46% of the private debt portfolio.

Carbon footprint of the equities portfolio

At the end of 2024, the weighted average carbon intensity (WACI method) of the companies within the FRR’s global Equities portfolio totalled 108 tonnes equivalent CO₂ per million euros in revenue. This was 43% below the FRR’s benchmark index. From 2019 to 2024, the carbon footprint of the FRR’s equities portfolio had fallen by 50% (around 10% per year) whereas the FRR portfolio’s representative benchmark had fallen by only 37%.

Change in the carbon footprint of the global equities portfolio in tonnes equivalent CO₂ per million euros in revenue

SOURCE: S&P GLOBAL MARKET INTELLIGENCE



The table below compares the total decarbonisation of the FRR’s equities portfolios between 2016 and 2024. There is a marked trend in the decarbonisation

of the “developed market equities” and emerging markets equities portfolio despite benchmarks retreating in particular in emerging markets.

	PORTFOLIO	BENCHMARK
Global equities	-54%	-40%
Developed Market Equities	-57%	-48%
Emerging Market Equities	-47%	-16%

Carbon footprint of the corporate bonds portfolio

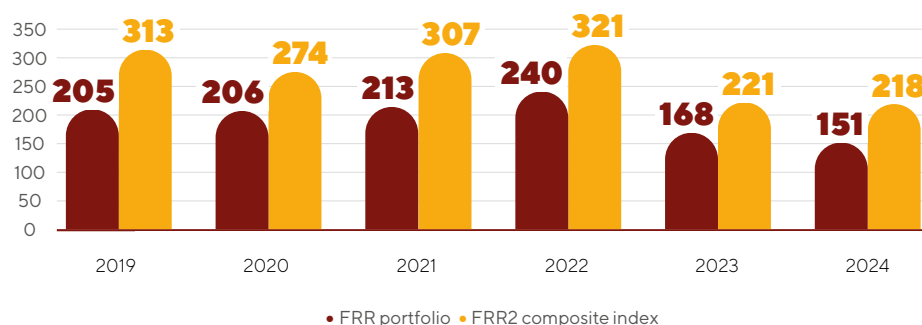
Green bonds finance projects with a positive environmental impact, such as renewable energy or green transport. As such, they may be considered as producing no net CO₂ emissions. However, it is important to note that projects financed by green bonds are not always CO₂ emissions-free. For example, a renewable energy project may generate CO₂ emissions during its construction phase. Moreover, an issuer of green bonds may

have other operations that generate CO₂ 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 CO₂ per million euros in revenue

SOURCE: S&P GLOBAL MARKET INTELLIGENCE



At the end of 2024, the carbon footprint of the FRR's corporate bonds portfolio equalled 151 tonnes equivalent CO₂ per million euros in revenue. This is 31% lower than that of the benchmark index compared to 24% in 2023. Between 2019 and 2024, the portfolio's carbon footprint fell by 28% whilst that of the benchmark index fell by 30%. This slight difference can be explained by the "allocation effect" due to an increase in the weight of high-yield bonds (whose activities are more intensive in terms of carbon emissions). Note that this gap has decreased significantly in 2024, since in late

2023, it stood at 9 points. This reflects the increased decarbonisation commitments made by the FRR.

Carbon Footprint of the Sovereign Bonds Portfolio

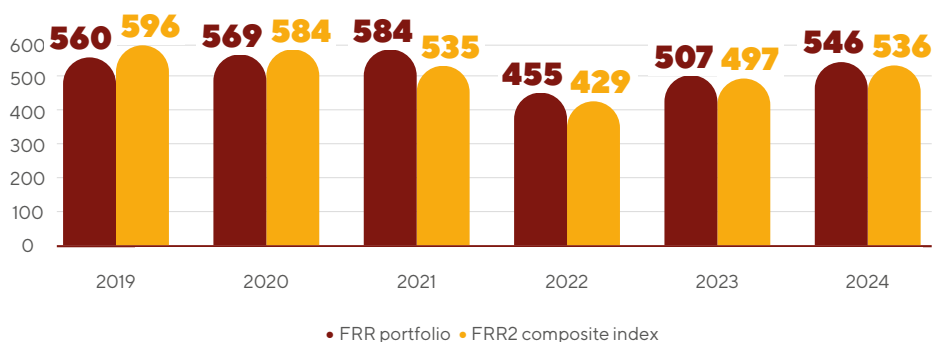
The portfolio carbon footprint analysis methodology for a portfolio of sovereign assets is based on the total greenhouse gas emissions by country, reflecting the specific role of the public sector as a provider of key services for the economy and as legislator having an influence on carbon footprint. 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 below 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 very slight overweighting of Indonesia and South Africa among the emerging countries.

Change in the carbon footprint of the sovereign bonds portfolio in tonnes equivalent CO₂ per million euros in GDP

SOURCE: S&P GLOBAL MARKET INTELLIGENCE



Carbon footprint of the private equity and private debt portfolio

S&P Global Market Intelligence assessed the carbon footprint of private equity and private debt portfolios for the first time in 2024. Under the WACI method, these were equal to 97 tCO₂e/M€ and 114 tCO₂e/M€ respectively. In the absence of a benchmark, these results, even though the underlying assets are different in nature, are comparable to the carbon footprints of the Global Equities (108 and 190 tCO₂e/M€ respectively) and corporate bonds (151 and 218 tCO₂e/M€ respectively) portfolios and benchmarks.

It is therefore clear that the carbon footprints of investments in unlisted assets are far lower than the corresponding listed assets benchmarks. However, these results should be interpreted with caution: carbon footprint is only currently measured for 52% of the private equity portfolio and 46% of the private debt portfolio.

1.5°C ALIGNMENT

Beyond portfolio carbon footprint, climate analysis includes an assessment of the portfolio's alignment with the objective of limiting global warming to less than 1.5°C above pre-industrial levels (or "1.5°C Alignment"). This involves assessing the transition trajectory of the companies in the portfolio. The analysis, carried out by S&P Global Market Intelligence, takes into account past data (since 2012), as well as an estimate of future carbon footprint (up to 2030). S&P Global Market Intelligence has adapted two approaches implemented by the Science Based Target Initiative (SBTI)⁶:

The first methodology (SDA-Sectoral Decarbonization Approach) applies to companies in homogeneous, energy intensive sectors. It is based on the idea that all portfolio companies, regardless of sector, must converge towards 2°C emission intensities by 2050. The method uses 2°C transition scenarios that are industry-specific, and measures a company's performance by the intensity of its emissions and levels of production (e.g., tCO₂e per GWh or per tonne of steel). Indeed, trajectories vary from one sector to another (they are for example, faster for energy and slower for cement), depending on available technologies, reduction potential, and reduction costs.

The second methodology (GEVA - Greenhouse Gas Emissions per Value Added) applies to companies in heterogeneous, less energy intensive sectors. This approach is based on the principle that many companies have diverse business activities with no specific trajectory. For these companies, the GEVA method assumes that a reduction in carbon intensity similar to that of the economy as a whole is necessary. This intensity reduction is determined with reference to the transition year emissions intensity of each company

and then measured in terms of carbon per unit of added value, adjusted for inflation, which represents their contribution to total global emissions (intensity). These results are then compared to global decarbonisation trajectories that maintain warming below 2°C.

By the end of 2024, assessment of alignment with a 1.5°C scenario covered: 99% of the Global Equities portfolio and 69% of the Corporate Bonds portfolio. These percentages are relatively stable with reference to 2023.

The scenarios used for assessment purposes are as follows:

1. International Energy Agency (IEA) scenarios derived from the Energy Technology Perspectives (ETP) 2017 providing SDA assessment parameters consistent with 1.75°, 2° and 2.7°C global warming.
2. RCP (Representative Concentration Pathways) scenarios as used in the IPCC AR5 report, providing GEVA assessment parameters consistent with 1.5°, 2°, 3°, 4° and 5 °C global warming.

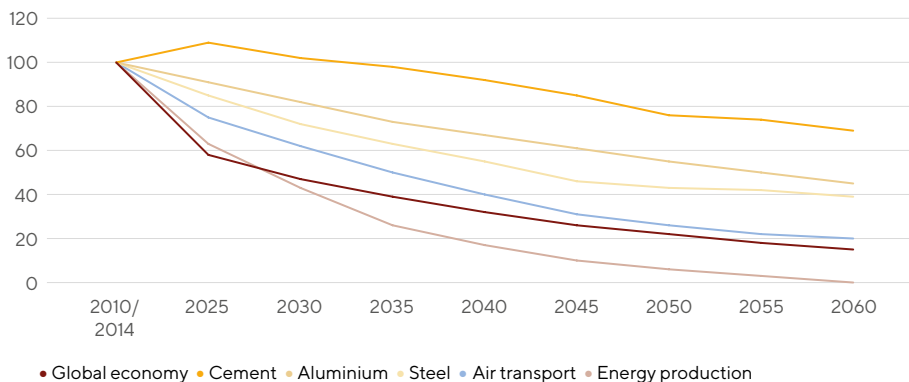
⁶ • The SBTi is a joint project of the Carbon Disclosure Project, the United Nations Global Compact, the World Resources Institute and the World Wide Fund.

The assessed decarbonisation trajectories incorporate historical and forward-looking data to provide a medium and long-term outlook assessment. Historical data on greenhouse gas emissions and business activities have been compiled since 2012. Forward-looking data sources are used to track likely future transition trajectories up to 2023. The forward-looking data used in the analysis depends on the availability of the sources specified below. They are listed in order of use:

1. emission reduction targets reported by companies.
2. data by asset for certain sectors.
3. the historical emissions of a group of companies in homogeneous sectors.
4. average historical emissions trends within a sub-industry.

Sectorial decarbonisation trajectories

SOURCE: S&P GLOBAL MARKET INTELLIGENCE



Summary of results

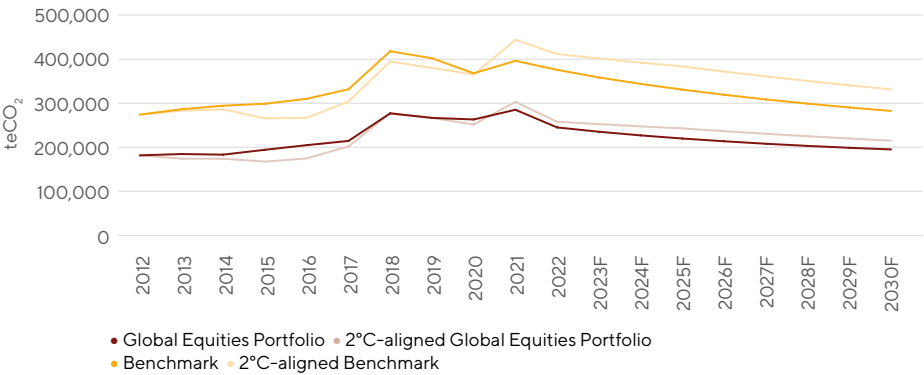
Equities portfolio

The graph below shows the emissions trajectory of the global equities portfolio over the period 2012-2030 and compares it with one that would limit global warming to 2°C above pre-industrial levels (dotted curve).

The companies in the global equities portfolio have an average trajectory aligned with aligned with a 1.5-2°C scenario, which is an improvement compared to last year (when it was between 2-3°C), with an absolute portfolio emissions level significantly lower than that of the benchmark.

Emissions trajectory, 2012-2030

SOURCE: S&P GLOBAL MARKET INTELLIGENCE



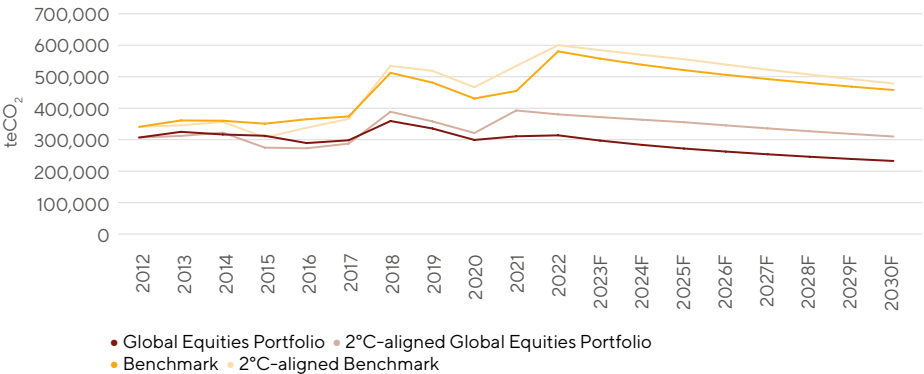
Corporate Bonds portfolio

The graph below shows the emissions trajectory of the corporate bonds portfolio over the period 2012-2030 and compares it with one that would limit global warming to 2°C above pre-industrial levels (dotted curve).

The issuers in the corporate bonds portfolio are on a trajectory aligned with a below 1.5°C scenario, which is an improvement compared to last year and to the benchmark which is on a trajectory of between 1.5°C and 2°C.

Emissions trajectory, 2012-2030

SOURCE: S&P GLOBAL MARKET INTELLIGENCE



EVOLUTION OF THE FRR'S INVESTMENT STRATEGY IN LINE WITH THE PRINCIPLES OF THE PARIS AGREEMENT

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 2024-2028 responsible investor strategy, the FRR in 2024 adopted the following new exclusion thresholds:

- more than 5% of revenue from coal;
- more than 10 GW of annual coal-fired power generation;
- more than 10 million tonnes of thermal coal extraction;
- the development of new coal-fired power plants;
- more than 20% of cumulative revenue for non-conventional fossil fuels (tar sands, operations conducted in the Arctic, hydraulic fracking and deepwater boring).

The FRR plans a total exit from thermal coal from 1 January 2030. Companies will be excluded from the 1st euro of revenue in these activities for companies whose headquarters are in the OECD area and as from 1 January 2040 for non-OECD companies, in accordance with the global warming limitation trajectories specified in the Paris Agreement.

These exclusions do not apply to green bonds satisfying the future European Green Bonds standard (or equivalent), to issues taking place after the implementation of this standard, nor where the relevant companies have published an exit plan from such activities compatible with a trajectory limiting global warming to 1.5°C.

For unlisted equities and infrastructure, no new investments will be made in new oil or gas fields. Investments in distribution and storage will be limited to existing operations, or those that contribute to the 1.5°C alignment (e.g. through the implementation of carbon capture and storage technologies).

The Operations and Risks Department verifies compliance with these exclusions on a monthly basis. The FRR conducts an additional verification annually via the Climate Report produced by S&P Global Market Intelligence. Where an issuer is reportedly in breach, a conversation is held with the managers to allow them the opportunity to justify their position. Subsequently, if their position is not justified, the manager must sell their position in the issuer.

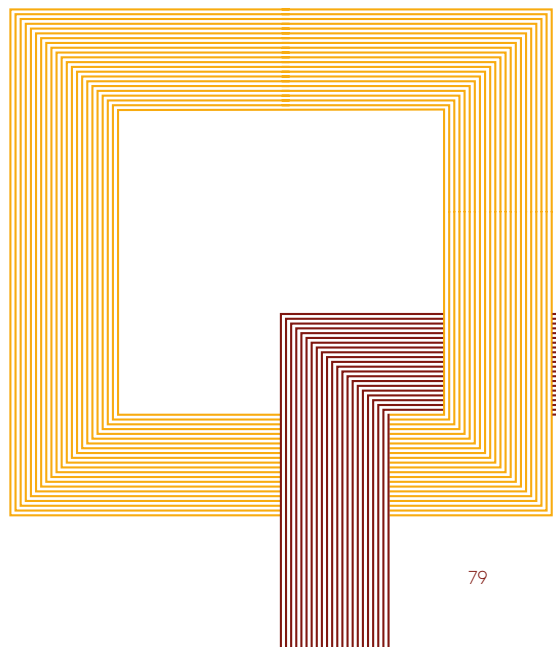
MONITORING CLIMATE GOALS

The table below illustrates the progress of the various management compartments towards the targets adopted within the framework of the NZAOA by 2029. At the

end of 2024, the equities (active and passive management) and euro bond portfolios are well on track to meet their targets:

	DECARBONISATION BY END OF 2024 COMPARED TO END OF 2019	TARGET DECARBONISATION BY END OF 2024 COMPARED TO END OF 2019	TARGET DECARBONISATION BY END OF 2029 COMPARED TO END OF 2019
Active management developed market equities	-45%	-20%	-60%
Passive management developed market equities	-59%	-25%	-60%
Overall corporate bonds issued in euros	-38%	-30%	-60%
Overall corporate bonds issued in dollars	-18%	-7%	-60%

The different classes in the portfolio are already decarbonising at a level above their 2024 targets and are generally close to their 2029 targets. The US dollar corporate bonds portfolio is expected to make the most progress by 2029. Its lower decarbonisation level is down to management decisions, with a share of high-yield bonds that has increased from 28% to nearly 70% of the compartment. Issuer companies in this category generally have more carbon-intensive activities than higher-quality issuers. However, these and future mandates will contain ambitious decarbonisation targets that should help to achieve the target set by the end of 2028.



The background is a complex abstract composition. It features several large, solid-colored geometric shapes: a large light blue area on the right, a yellow triangle on the left, and a light blue triangle at the bottom left. Overlaid on these are numerous patterns of concentric, parallel lines in red, blue, and yellow, forming a grid-like structure that resembles a stylized architectural or cellular design.

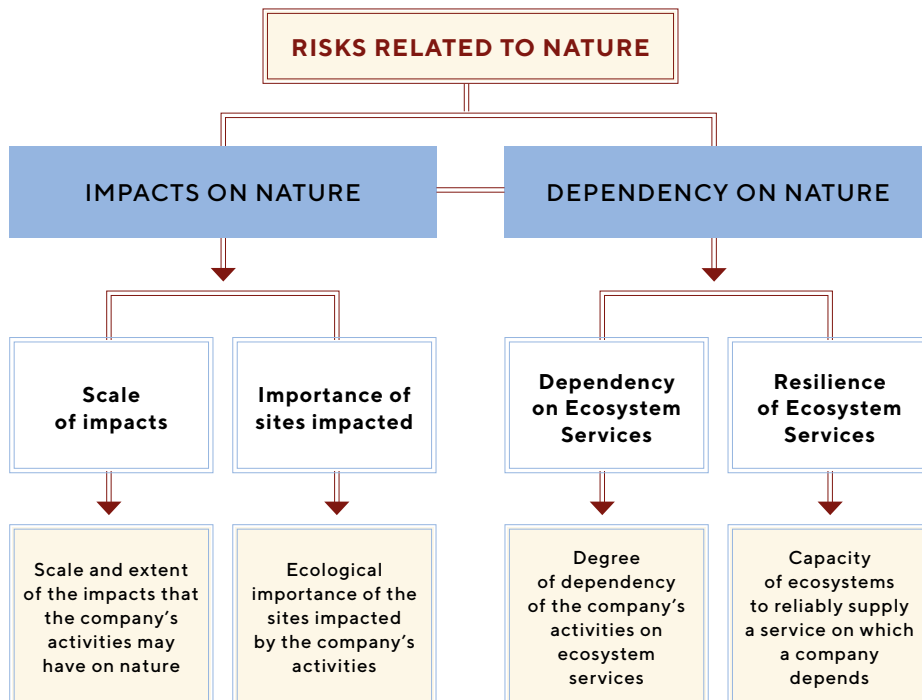
"BIODIVERSITY" ALIGNMENT STRATEGY

Preserving biodiversity is one of the major challenges facing humanity, to the same degree as limiting global warming. However, up to now, lack of data has hindered the implementation of specific goals.

How companies, in the most impactful sectors, manage these issues forms part of overall extra-financial analysis. Beyond

estimating the carbon footprint of the portfolios, S&P Global Market Intelligence conducts an annual assessment of the natural and biodiversity risks, covering:

- the scale and importance of the impacts on nature
- the dependency on and resilience of ecosystem services



Impacts on nature refer to how a company's activities and operations may have positive or negative effects on natural resources or ecosystem services.

Dependency relationships refer to how a business relies on natural resources and ecosystem services to operate.



ANALYSIS OF THE GLOBAL EQUITIES PORTFOLIO

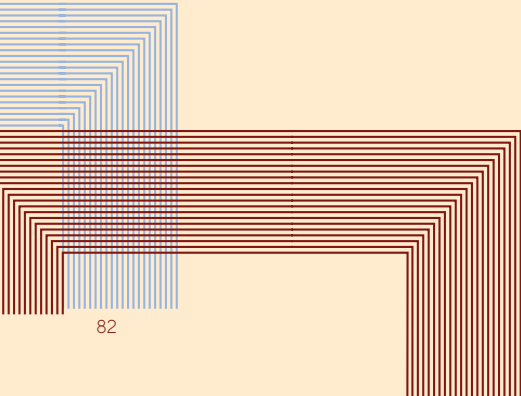
At the end of 2024, the analysis of the portfolio leads to the following conclusions:

7,516	1,027	14%
HECTARES OCCUPIED	HA EQ. DEGRADED, OF GLOBAL IMPORTANCE	HA EQ. DEGRADED, OF GLOBAL IMPORTANCE
Portfolio land use footprint in hectares (ha.), representing the area used by the companies' activities.	Ecosystem footprint, representing the equivalent extent of globally important ecosystems that are fully degraded.	Ecosystem impact ratio, representing the ratio between the ecosystem footprint and the land use footprint.

The impact ratio of the portfolio is 2.4 points higher than that of the benchmark, and relatively stable with reference to the end-of-2023 analysis (13%).

0.49	39%
DEPENDENCE	HEAVILY DEPENDENT ASSETS (%)
Weighted average dependence score of the portfolio, indicating moderate dependence on nature overall.	This is the proportion of the assets of the 2,273 portfolio companies with a high dependence on ecosystem services.

The proportion of highly dependent assets in the portfolio is 1.7 points lower than the benchmark, and is relatively stable with reference to the end of 2023 (40%).



ANALYSIS OF THE CORPORATE BONDS PORTFOLIO

At the end of 2024, the analysis of the portfolio leads to the following conclusions:

5,123

HECTARES OCCUPIED

Portfolio land use footprint in hectares (ha.), representing the area used by the companies' activities.

532

HA EQ. DEGRADED, OF GLOBAL IMPORTANCE

Ecosystem footprint, representing the equivalent extent of globally important ecosystems that are fully degraded.

10%

HA EQ. DEGRADED, OF GLOBAL IMPORTANCE

Ecosystem impact ratio, representing the ratio between the ecosystem footprint and the land use footprint.

The impact ratio of the portfolio is 0.6 points lower than that of the benchmark, unchanged with reference to the end-of-2023 analysis.

0.53

DEPENDENCE

Weighted average dependence score of the portfolio, indicating moderate dependence on nature overall.

46%

HEAVILY DEPENDENT ASSETS (%)

This is the proportion of the assets of the 501 portfolio companies with a high dependence on ecosystem services.

The proportion of highly dependent assets in the portfolio is 4 points lower than the benchmark, but has increased slightly compared to the end of 2023 (44%).

At the end of 2024, the analysis coverage rate for the global equities portfolio was stable (95%) but decreased for the corporate bonds portfolio (63% vs 82% at the end of 2023).

The FRR's teams are monitoring the emergence of impact analysis methodologies specifically targeted at biodiversity and have engaged in dialogue with mandate management companies on this topic.

**INTEGRATING
ESG RISKS
INTO RISK
MANAGEMENT**

DUAL RISKS ASSOCIATED WITH CLIMATE CHANGE:

1. Transition risks, meaning the risks to which companies that are heavy greenhouse gas emitters are exposed, due to potential regulatory developments, carbon market pricing, technological advances and consumer expectations;
 2. Physical risks related to climatic and meteorological events. These risks affect not only the direct activities of companies, but also their entire value chain.
- To assess these risks, the FRR relies on the annual Climate Analysis conducted by S&P Global Market Intelligence.

TRANSITION RISKS

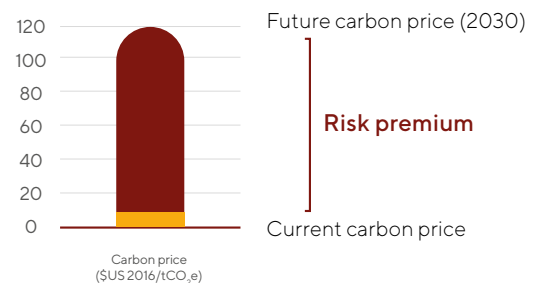
Regarding transition risks, S&P Global Market Intelligence has compiled a dataset on potential future carbon pricing enabling investors to manage the risks associated with a rise in the price of carbon. The degree of exposure of a portfolio to carbon price risks is determined by the “total risk premium” – an indicator that quantifies the difference between the price a company pays today for a tonne of carbon emissions and the potential future price it may have to pay under various scenarios (see chart opposite).

The carbon price risk premium varies across geographic regions based on differences in government policy, depending on the year studied, and depending on the sector due to the differing treatment of each sector under the numerous policies for combating climate change. Its calculation helps determine the future carbon costs that companies may face. These future carbon costs are therefore determined by reference to a company’s carbon footprint (tCO_2e) and their risk premium.

An increase in the carbon price would have direct financial consequences for high emission companies. Companies also face indirect financial risks from the pass-through of higher carbon prices to suppliers who, in turn, seek to absorb these costs, in whole or in part, by increasing their own prices. Factors have been developed to estimate the proportion of additional costs that may be passed on from suppliers to businesses.

Risk premium

SOURCE: MÉTHODE S&P TRUCOST



Scenarios

Three scenarios were used as a basis for estimating future costs:

- 1. Low carbon price increase:** this scenario reflects the full implementation of countries' nationally determined contributions under the Paris Agreement (RCP 8.5), based on OECD and IEA research.
- 2. Intermediate carbon price increase:** this scenario assumes that policies will be implemented to reduce greenhouse gas emissions and limit climate change to 2°C in the long term, but with delay in the implementation of measures in the short term (RCP 4.5). It also relies on OECD and IEA research as well as the viability assessments of nationally determined country contributions carried out by Ecofys, Climate Analytics and New Climate Team. It is assumed that countries whose national contributions are not

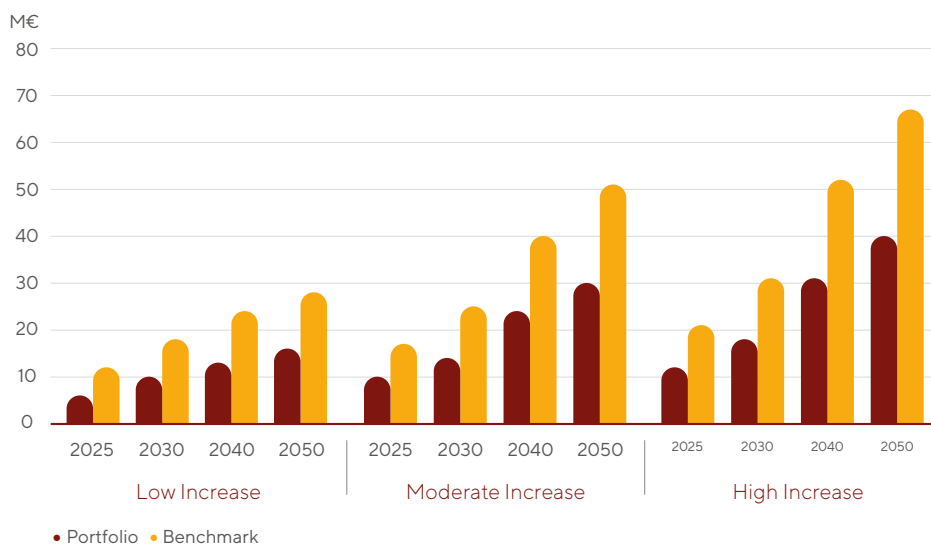
aligned with the 2°C goal in the short term will boost their efforts to mitigate climate change in the medium and long term.

- 3. High carbon price increase:** this scenario assumes that policies considered sufficient to reduce greenhouse gas emissions in line with the objective of limiting climate change to 2°C by 2100 (Paris Agreement) (RCP 2.6) will be implemented. This scenario is based on research by the OECD and IEA.

The results highlight the future carbon costs faced by companies, calculated at portfolio level: they therefore reflect the increase in risk premiums over the years studied under the various carbon price increase scenarios. Assuming a high carbon price by 2030, the analysis of transition risks reveals, as last year, that the overall at-risk EBITDA⁷ of the FRR's portfolios is lower than that of its indices.

"Allocated" future carbon costs (M€) – global equities

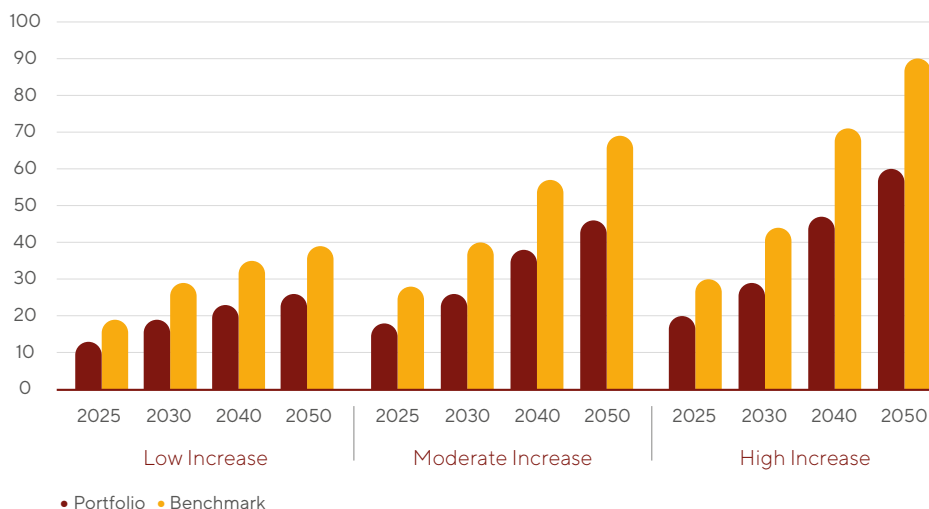
SOURCE : S&P GLOBAL MARKET INTELLIGENCE



7 • EBITDA: earnings before interest, taxes, depreciation, and amortization.

“Allocated” future carbon costs (M€) – developed market equities

SOURCE: S&P GLOBAL MARKET INTELLIGENCE



Estimated transition risks

SOURCE: S&P GLOBAL MARKET INTELLIGENCE AT END OF 2024

	% EBITDA AT-RISK	EBITDA MARGIN DECREASE (% POINTS)	% ASSETS WHERE EBITDA AT-RISK >10%	% ASSETS WHOSE MARGINS BECOME NEGATIVE
Global equities portfolio	4.12%	-0.65%	7.04%	0.41%
Global equities benchmark	8.48%	-1.48%	10.75%	1.46%
Corporate bonds portfolio	7.56%	-1.11%	12.83%	1.26%
Corporate bonds benchmark	14.01%	-1.94%	16.47%	2.53%

EBITDA at-risk: proportion of portfolio profits exposed to higher carbon prices

EBITDA margin decrease: reflects the change in a portfolio's profit margins relative to portfolio margins, as a result of a carbon price increase.

The analysis of transition risks reveals, as last year, that the EBITDA at-risk of all FRR portfolios is lower than that of its benchmarks.

PHYSICAL RISKS

S&P Global Market Intelligence values a company's assets based on their exposure and vulnerability to 8 climatic events: Water Stress, Fire, Flood, Heat Waves, Cold Spells, Hurricanes, Drought and Rising Water Levels. Where asset-level data for a company are not available, the analysis is conducted with reference to the location of the head office, geographical breakdown, revenues and average physical risk levels in each country.

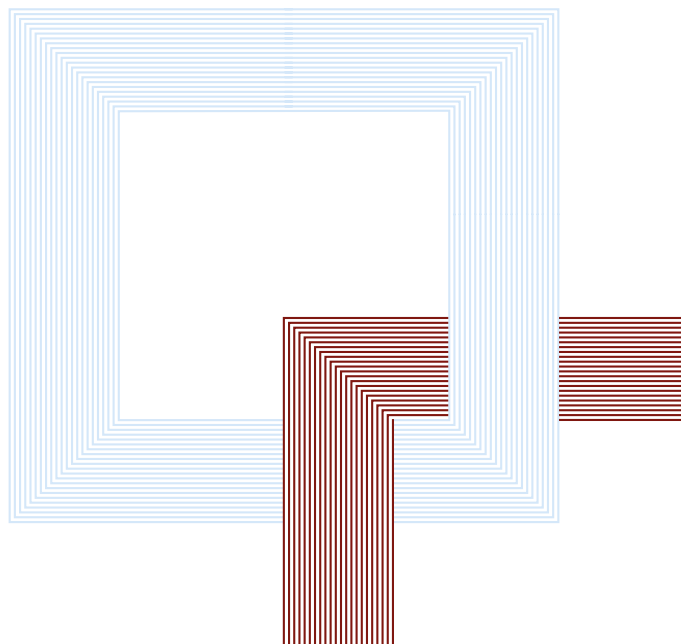
Analysis coverage is stable for the global equities portfolio (99%). For the corporate bonds portfolio, it has fallen in 2024: 78% compared to 87% in 2023.

Companies are scored on a scale of 1 to 100 for each of the seven physical risks (a score of 100 indicates the highest risk score). S&P Global Market Intelligence calculates an adjusted physical risk score that takes into account three factors:

- 1.** The ferocity of the climate event.
- 2.** The location of the asset.
- 3.** The vulnerability of the company.

The company's vulnerability factors taken into account are:

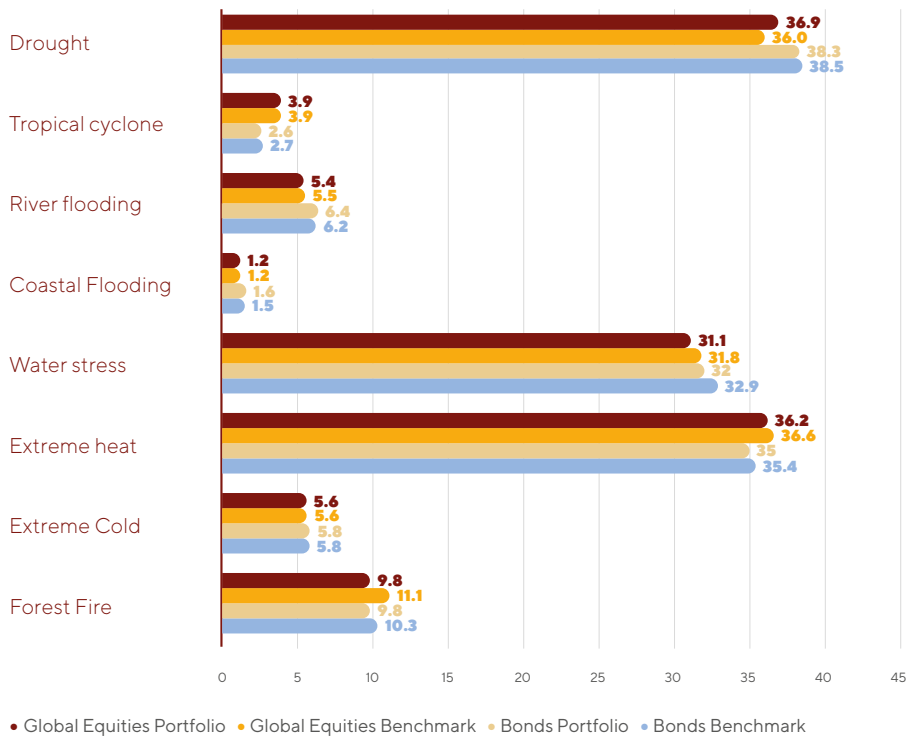
- water intensity of activities (direct or indirect) for water stress risks;
- capital intensity of companies, more likely to be affected (asset impairment, inventory loss, production disruptions, damage to infrastructure) for flood, rising water level, fire and hurricane risks;
- labour intensity, for loss of productivity due to deteriorating working conditions, associated with heat wave and cold spell risks.



The scores can be interpreted as follows:

- score from 1 to 33: Low risk;
- score from 34 to 66: Medium Risk;
- score from 67 to 100: High risk.

Exposure score by type of physical risk, moderate-high scenario, 2050



By 2050, in a scenario of moderate to high temperature increases, the exposure levels between the FRR's portfolios and their benchmarks are similar: 61.7 for the global equities portfolio and 61.2 for the corporate bonds portfolio.

The potential financial consequences resulting from changing exposure to climate hazards compared to a baseline, are then assessed. The financial impacts are presented in the form of potential climate-related losses (i.e. for capital expenditure, operating expenditure or business interruption) as a

percentage of asset value. By 2050, under a moderate-to-high temperature increase scenario, the FRR's portfolio levels are similar to their respective indices: 2.99% for the global equities portfolio and 3.01% for its benchmark, 3.68% for the corporate bonds portfolio and 3.63% for its benchmark.



**IMPROVEMENT
MEASURES**

The FRR has identified several areas for improvement, for which actions are in progress, planned or to be carried out:

Achieving a better coverage rate for the unlisted asset portfolios on the principal adverse impacts in terms of sustainability (Principal Adverse Impact or PAI), including carbon footprint

Unlisted companies still very rarely publish these indicators. The FRR is therefore calling on its management companies to strengthen

their dialogue with these companies on matters concerning their impact.

Implementing an even more ambitious engagement policy

Engagement is one of the key levers available to investors to incentivize companies to adopt sustainability best practices. The FRR wishes to strengthen its engagement actions at three levels:

1. By developing a method for analysing the effectiveness of engagement actions. In early 2025, the FRR, jointly with ERAFP and within the framework of the FIR, launched a pilot group. The aim of this group's work is to agree a common method for analysing the results obtained through the engagement actions. Indeed, such a method is essential for strengthening and optimising the actions undertaken.

2. By strengthening the engagement actions conducted with businesses, on the three priority areas of its Responsible Investment Strategy for the period 2024-2028: promoting the energy and ecological transition, promoting social equity and protecting biodiversity.

3. By further formalising the dialogue pursued with its managers on these matters, throughout the life of the mandates.

Clarifying even further the desired guidelines for voting at General Meetings

The FRR indicates in its Voting Policy the guidelines it wishes to see applied by managers when voting at General Meetings of the companies in the portfolio. Whereas this document is relatively comprehensive on the various topics that may be addressed, a number of specific points may leave room for interpretation. To fix this problem, the FRR plans to develop a reference document for managers that will set out its expectations in more detail.

SCHEDULE

Cross-reference table for information required under the implementing decree of article 29 of the Energy Climate Law of 8 November 2019

PARAGRAPH NO. OF IMPLEMENTING DECREE	PAGE N° AND LINK
1° Information on the entity's general approach	
a) Summary presentation of the entity's general approach to factoring-in environmental, social and governance quality criteria, including in investment policy and strategy.	p. 9
b) Content, frequency and means employed by the entity to inform subscribers, affiliates, contributors, beneficiaries or clients on the criteria relating to the environmental, social and governance quality objectives factored into investment policy and strategy.	Not applicable
c) List of financial products referred to under articles 8 and 9 of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019, and the overall share, as a percentage, of assets under management factoring-in environmental, social and governance quality criteria in the total assets managed by the entity.	p. 11
d) Factoring of environmental, social and governance quality criteria into the decision-making process for the award of new management mandates by the entities mentioned in articles L. 310-1-1-3 and L. 385-7-2 of the Insurance Code.	p. 10
e) Adherence of the entity, or of certain financial products, to a charter, code, or initiative or the award of label for factoring-in environmental, social and governance quality criteria, as well as a summary description thereof, consistent with Article 4(2)(d) of the above-mentioned Regulation.	p. 23
2° Information on the internal resources deployed by the entity	
a) Description of the financial, human and technical resources dedicated to factoring environmental, social and governance quality criteria into investment strategy by referencing them to total assets managed or held by the entity. The description should include some or all of the following indicators: share, as a percentage, of corresponding full-time equivalents; share, as a percentage and in amount, in euros, of budgets earmarked for environmental, social and governance quality data; amounts invested in research; use of external service providers and data providers.	p. 32
b) Actions taken to strengthen the entity's internal capabilities. The description should include some or all of the information on training, communication strategy, development of financial products and services associated with these actions.	p. 38

3° Information on the approach to factoring-in environmental, social and governance quality criteria at entity governance level	
a) Knowledge, skills and experience of governance bodies, including administrative, supervisory and management bodies, in decision-making relating to the integration of environmental, social and governance quality criteria into the investment strategy and policy of the entity and entities under its control, if any. The information may include, for example, the level of supervision and associated process, reporting of results, and specialist skills.	p. 35
b) Inclusion, in accordance with Article 5 of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019, in remuneration policies of information on how such policies are adapted for the purpose of integrating sustainability risks, including details on the criteria for linking remuneration policy to performance indicators.	p. 39
c) Integration of environmental, social and governance quality criteria in the internal regulations of the entity's Board of Directors or Supervisory Board.	p. 35
4° Information on the engagement strategy with issuers or management companies and its implementation	
a) Scope of companies included in the engagement strategy	p. 46
b) Presentation of voting policy.	p. 41
c) Results of the engagement strategy implemented, which may include in particular the proportion of companies with which the entity has engaged in dialogue, the topics covered and the follow-up actions of this strategy.	p. 45
d) Results of the voting policy, relating in particular to the tabling of and voting on resolutions on environmental, social and governance matters at general meetings.	p. 43
e) Investment strategy decisions, in particular on sector divestments.	Not applicable
5° Information on European taxonomy and fossil fuels	
a) Share of assets concerning activities that meet the technical screening criteria defined in the delegated acts relating to articles 10 to 15 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (UE) 2019/2088, in accordance with the delegated act adopted pursuant to article 8 of that regulation.	p. 53
b) Share of assets in companies active in the fossil fuel sector, within the meaning of the delegated act pursuant to article 4 of that regulation.	p. 62

6° Information on the strategy of alignment with the international goals of limiting global warming specified in the Paris Agreement referred to above, consistent with the Article 4(2)(d) of the same regulation

a) A quantitative target for 2030, reviewed every five years until 2050. This objective must be reviewed no later than five years before its expiry. The target includes emissions of direct and indirect greenhouse gases, in absolute value or intensity, relative to a base scenario and reference year. It can be expressed by measuring the implied temperature increase or by the volume of greenhouse gas emissions.	p. 68
b) Where the entity uses an internal methodology, information on it to assess the alignment of the investment strategy with the Paris Agreement or the national low-carbon strategy...	p. 70
c) Quantification of results using at least one indicator.	p. 72
d) For entities managing index funds, information on the use of the European Union's "climate transition" and Paris Agreement benchmarks as defined in Regulation (EU) 2019/2089 of the European Parliament and of the Council dated 27 November 2019.	Not applicable
e) The role and use of assessment in the investment strategy, and in particular the complementarity between the chosen assessment methodology and other indicators on environmental, social and governance quality criteria used more broadly in the investment strategy.	Not applicable
f) Changes in the investment strategy consistent with the strategy of alignment with the Paris Agreement, and in particular the policies established for the phase-out of coal and non-conventional hydrocarbons, specifying the adopted exit timetable and the share of total assets managed or held by the entity covered by these policies.	p. 78
g) Possible actions to monitor results and changes made.	p. 79
h) Frequency of assessment, the provisional update timetable and relevant factors of change selected.	p. 79

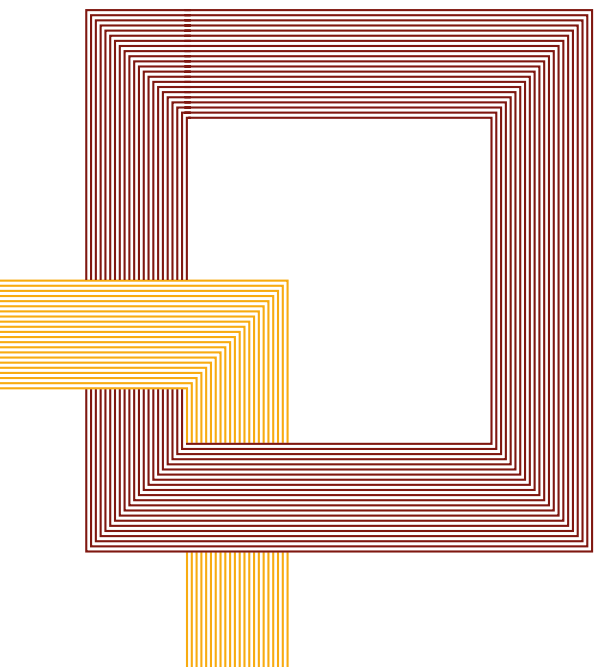
7° Information on the strategy for alignment with long-term biodiversity goals

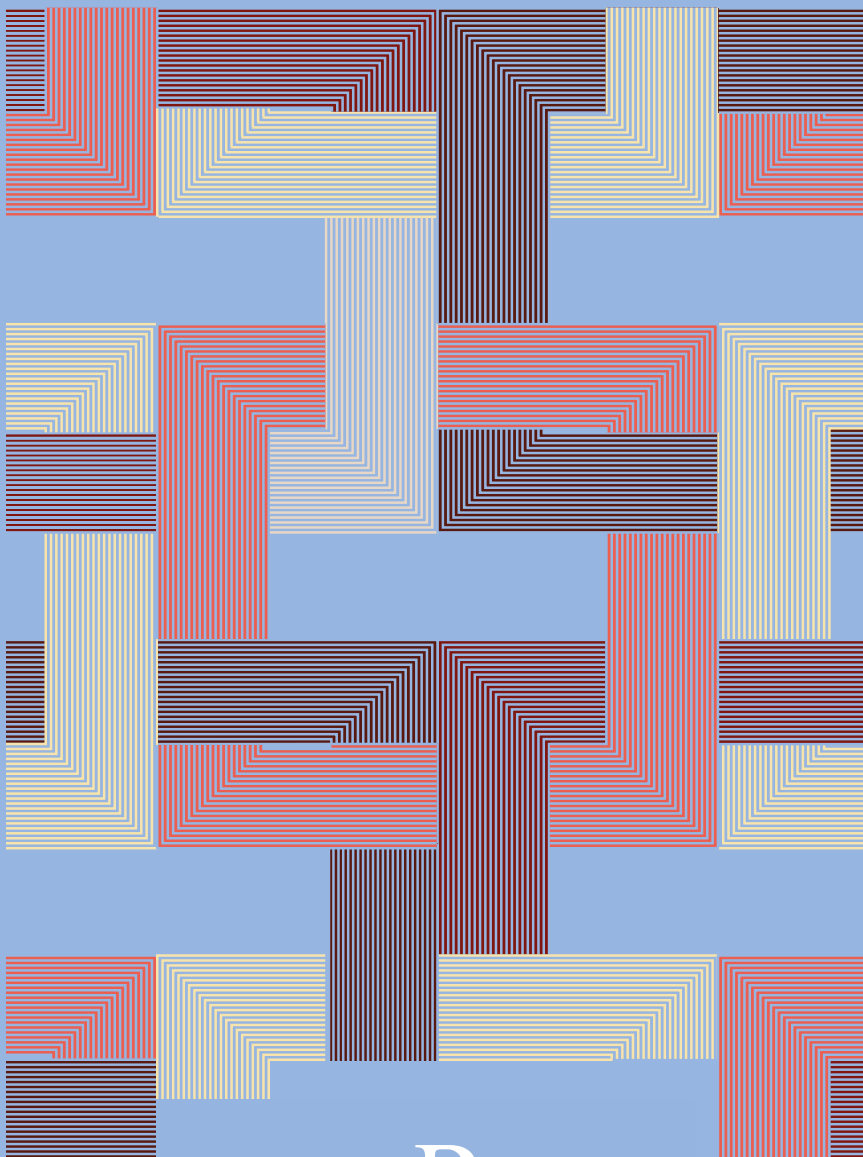
8° Information on steps to factor environmental, social and governance quality criteria into risk management

9° Where the entity does not publish some of the information referred to in III- 1° to 8° bis, it shall, where appropriate, publish a continuous improvement plan

Cross-reference table linking the information contained in this report and the TCFD recommendations

TCFD Recommendations	Page n° and link
Governance around climate related risks	
a) Supervision by the Supervisory Board and b) the Executive Board	p. 35
Strategy	
a) Climate related risks and opportunities	p. 66-79
b) Impact of climate-related risks and opportunities on investment strategy	p. 66-79
c) Resilience of the strategy and portfolio alignment with 2 °C scenarios	p. 66-79
Risk management	
a) Process for identifying and assessing climate-related risks	p. 84-89
b) Process for managing climate-related risks	p. 84-89
c) Integration into risk management	p. 84-89
Metrics and targets	
a) The measurement system used to assess climate-related risks and opportunities	p. 85-91
b) Scopes 1, 2 and if appropriate 3 greenhouse gas emissions and associated risks	p. 72-74
c) Objectives used to manage these risks and performance achieved	p. 79





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