

SRI CHARTER

FOREWORD



The board of directors of ERAFP, 30 March 2006

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In a resolution adopted on 10 November 2005, the ERAFP board of directors decided to adopt an investment policy which persistently and permanently takes account of the pursuit of the public interest.

In this context, the decision was taken to make socially responsible investments of all the assets of the Public Service Additional Pension Scheme.

This decision, which was unanimously endorsed by the board, was the result of a broader reflection on all aspects of the issues affecting such schemes, as well as the demands associated with such an approach.

The board of directors believes that investments based solely on the criterion of maximum financial profit fail to account for their social, economic and environmental consequences. In contrast, by making investments on the basis of the values it has adopted and which are restated in this charter, the Board intends both to promote the operations, companies, local authorities and States which respect these benchmark values and to exert influence to ensure that they are more widely applied.

ERAFP is therefore also determined to support, on a long term basis, those bodies in which it has decided to invest, by exercising its responsibilities as shareholder or stakeholder in such a way as to sustainably promote, within these entities, practices that respect the values it supports.

ERAFP is aware that, in adopting this approach to investment for all its assets, it is making a major commitment. Aware of the responsibilities which stem from this policy choice, ERAFP intends to put in place all the resources it needs in order to pursue an investment policy which combines, but is not

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limited to, concern for the financial balance of the programme, the goal of at least maintaining the purchasing power of pensions, and consideration of its benchmark values.

The commitment which this policy entails must not be restricted to its initial implementation. The policy is a matter of constant concern, and permanent and responsive safeguards must therefore be put in place.

The board of directors and the pension scheme must therefore have access, in accordance with their respective needs, to all the tools and resources required in order to implement this investment policy, monitor it closely and ensure that the values agreed on, along with the relevance and effectiveness of the criteria chosen, are regularly updated and enhanced.

ERAFP undertakes to publish information on the implementation of its socially responsible investment policy on an annual basis.

The purpose of this charter is to clarify the approaches, content and resources to be used in implementing the socially responsible investment policy, which applies to all financial management transactions, whatever their nature, whether they are performed directly by ERAFP or on its behalf by its agents.



Introduction to the ERAFP SRI Charter in the version approved
by the Board of Directors **on 30 March 2006**

The board of directors of ERAFP, 18 October 2016

“**T**en years after adoption of an SRI Charter by ERAFP's board of directors, the Scheme has the necessary distance to analyse its implementation.

Over this period, ERAFP's SRI approach:

- has accompanied the diversification of the Scheme's investments: government and corporate bonds, listed euro-zone and international equities, convertible bonds, real estate, etc.
- has been expanded: adoption of shareholder engagement guidelines, measurement of the carbon footprint of its investments with a view to contributing to achieve the international community's targets in the fight against climate change, etc.

This responsible investment policy is now widely recognised in France and abroad as ERAFP is among the European investors most deeply committed to socially responsible investment.

Conditions have also changed since 2005 and some issues have become even more urgent. They need to be taken more forcefully into account: climate urgency, social risk within the supply chain, combatting tax havens, discrimination, etc.





Also, with the conviction that it is through discussion and by working together with other institutional investors that ERAFP can effectively promote the principles of socially responsible investment, the board of directors has noted the extent to which the practices and expertise in this area have diversified and developed.

Based on these observations, which strengthen its conviction as to the relevance of its approach, ERAFP's board of directors has decided to revise the SRI Charter based on the following principles:

- ERAFP's SRI approach is global, meaning that environment, social and governance issues are taken into account in all its investments;
- given the great diversity of asset classes and geographic regions in which ERAFP's portfolio is invested, it is necessary to articulate the principles of the SRI Charter at operational level according to the specific characteristics of the various asset classes and regions;
- the dynamic best in class approach continues to prevail and gain in efficiency by being supplemented by in-depth monitoring of controversial issues and more resolute shareholder engagement.

ESG

- measurement of the effective impact of applying ESG criteria in the context of best in class, shareholder engagement and steady reduction of the portfolio's carbon footprint is a growing priority for ERAFP's stakeholders. From now on it will be taken into account, be regularly monitored and disclosed in ERAFP's annual report and could lead to adjustments in the implementation of the principles of this SRI Charter;
- in the context of the changes in the regulations applicable to the asset allocation adopted in 2015, ERAFP's investment policy factors in the necessity to respond to the most urgent social and economic needs, particularly with a view to being of social utility to the Scheme's beneficiaries.

ERAFP's board of directors reiterates its concern regarding breaches of or complicity in breaches of recognised international standards by issuers, including indirectly as parent company or giver of orders. It underlines its wish for these to cease and stresses its desire to encourage the organisation in which it invests to implement a constantly improved management of their impact on society and the environment. In particular, it is in this sense that in the event of failure of these attempts to influence that exclusions may be decided.

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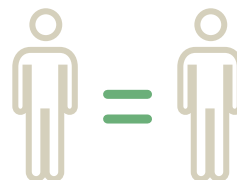
**A BEST IN
CLASS APPROACH
COMPLETED
BY A MORE
FORCEFUL
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CONTROVERSIES.**

VALUES TO BE CONSIDERED IN THE INVESTMENT OF ERAFP ASSETS





**SOCIAL
PROGRESS**



**DEMOCRATIC
LABOUR RELATIONS**



**RULE OF LAW
AND HUMAN RIGHTS**



ENVIRONMENT



**GOOD GOVERNANCE
AND TRANSPARENCY**

CINQ VALEURS

The board of directors has agreed a set of values that it applies, in its investment policy, to all asset classes in its portfolio. These therefore apply to all issuers of securities: States, local authorities, public bodies, supranational bodies, financial institutions, companies, etc.

The Charter is therefore underpinned by five values that represent the public interest, which, in its current sustainable development dimension, takes economic, social and environmental factors into consideration:

- rule of law and human rights;
- social progress;
- democratic labour relations;
- the environment.
- good governance and transparency

The analysis and taking into account of these values in the investment process is adapted to the specific characteristics of each asset class and issuer category. These values are articulated using specific guidelines and conditions for each asset class and issuer category.

RULE OF LAW AND HUMAN RIGHTS



In order to assess the extent to which issuers comply with the various essential principles of the rule of law, and their contribution to the respect and promotion of human rights, ERAFP is guided by three major principles:

- 1 ~** The absence of discrimination, in all its forms;
- 2 ~** Freedom of opinion and of expression and respect for all other fundamental rights;
- 3 ~** Responsible management of the supply chain, with the particular aim of preventing forbidden forms of labour, and in particular the worst forms of child labour¹.

With specific regard to States, in addition to their level of adherence to and implementation of international agreements (UN and ILO in particular), ERAFP takes into account three other principles:

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

1. As defined in UN Convention no.182.

SOCIAL PROGRESS



Because it is particularly attentive to all of the different issues relating to work and employment, ERAFP shall, when selecting issuers, give priority to those who:

- 1 ~ Ensure responsible career management and apply forward-looking employment policies:**
 - quality of contractual guarantees;
 - promoting individual career choices;
 - forward-looking employment strategy (foreseeing needs, training, etc.);
 - responsibly managed reorganisation;
 - trends in employment within the company.
- 2 ~ Ensure fair and sustainable distribution of the added value created:**
 - relative trends in shareholder remuneration and that of employees;
 - remuneration differences within the company;
 - investment trends and projects that favour growth in employment;
 - projects that help conserve local jobs.
- 3 ~ Endeavour to improve working conditions:**
 - respect and flexibility of working hours;
 - quality of remuneration systems.
- 4 ~ Propose products and/or services with a beneficial social impact.**

DEMOCRATIC LABOUR RELATIONS



ERAFP shall assess the way in which issuers respect the rights of employees and other workers, and shall give priority to those who score positively on the following principles:

1 ~ Respect for the rights of trade unions and promotion of social dialogue:

- respect for the right to strike, freedom of affiliation and the allocation of resources for staff representatives;
- respect for employee representatives, provision of information, consultation and collective bargaining;
- the existence and role of participatory or advisory bodies (works councils, group councils, joint technical committees or their equivalents, etc.) in particular as regards the verification of economic, corporate and environmental information provided by the issuer;
- the ability of such bodies to make proposals and the extent to which these are taken into account;
- the issuer's internal practices when entering into agreements or contracts.

2 ~ Improvement of health and safety conditions:

- putting in place of systems designed to prevent accidents and occupational diseases and more generally ongoing improvement of health and safety in the work place;
- resources allocated to the health and safety committee, or its equivalent, and the extent to which its opinions are followed.

ENVIRONMENT



Because it is aware that all investments can have an impact on the living conditions of the citizens of today and tomorrow, ERAFP supports sustainable development activities. Accordingly, it intends to promote, in particular, the protection of the environment and sustainable land use planning. The principles applied are:

1 ~ Documentation and implementation of an environmental strategy:

- definition of an environmental strategy and management system;
- taking environmental factors into account in the supply chain.

2 ~ Control of environmental impact:

- prevention of accidental pollution and ground pollution;
- prevention of impact on water;
- prevention of impact in the area of waste;
- preservation of biodiversity.

3 ~ Control of risks linked to climate change and contribution to energy transition:

- limitation of greenhouse gas emissions and contribution to energy transition;
- foreseeing and adapting to the impact and physical consequences of climate change.

4 ~ The environmental impact of the product or service

- environmental added value of the product or service;
- eco-design and control of impact of products and services throughout their life cycle.


GOOD GOVERNANCE AND TRANSPARENCY



Although the public or private status of issuers shall still be taken into account, ERAFP intends to make its choices based on compliance with four main principles:

- 1 ~** Good governance (for example for companies: balance of powers and effectiveness of decision-making and executive bodies, effectiveness of audit and control mechanisms, decision-making process for executive compensation, etc.);
- 2 ~** Fiscal transparency and responsibility;
- 3 ~** Prevention of corruption and money laundering;
- 4 ~** Transparency and responsibility with regard to lobbying;
- 5 ~** Protection of and respect for customer/consumer rights (prevention of anti-competitive practices, security, protection of contract and provision of information to the customer).

IMPLEMENTATION OF THE CHARTER: **OPERATING TERMS AND CONDITIONS**



CREATION OF ERAFP'S EXTRA-FINANCIAL RATING SYSTEM

ERAFP's SRI guidelines are an operational extension of its SRI Charter: each value is subdivided into criteria and each criterion is broken down into indicators.

A weight (from 0 to 3) is allocated to each criterion according to the importance of the underlying issues in the light of the issuer's business activity or the characteristics of the asset being assessed.

For a given criterion, the score (from 0 to 100) of an issuer or an asset reflects its control of the risks associated with the underlying issues.

Globally, the rating of an issuer or asset corresponds to the weighted average of the scores obtained for each criterion.

USE OF THE RATING SYSTEM: THE BEST IN CLASS PRINCIPLE

The management company tasked with the responsibility of investing on ERAFP's behalf (including ERAFP itself for investments that come within its investment scope) shall classify the issuers by rating them based on the list of relevant criteria.

Based on this classification (or these classifications for companies, taking sectors into account), the management company shall base its selection on the best in class principle.

For most asset classes, management of ERAFP's investments is delegated to various external management companies. To ensure the consistency and comparability of the analyses within a given asset class, the specific SRI mechanism for each asset class determines, in addition to a general weighting by default for each criterion, a body of criteria to be analysed systematically, regardless of the business sector concerned.

The selection of securities based on the best in class principle takes into consideration the issuers ratings in each of the five values of ERAFP's SRI charter as well as their overall SRI score. The exact terms and conditions for applying the best in class principle to each asset class are set forth in the specific SRI guidelines.

In the case of asset classes whose characteristics, in terms of market depth or maturity of SRI research, do not allow application of a quantitative best in class filter, the emphasis is placed on the dynamic aspect: if analysis and comparison of assets must be performed within consistent universes, the asset selection will favour issuers or assets that show an improvement in their ESG practices or profiles over time.

2. Countries and territories considered non-abolitionist based on Amnesty International criteria.
3. Countries that have not ratified the United Nations convention on torture or that are known to practice torture.
4. Countries that have not ratified the United Nations convention on use of child soldiers or that are known to use child soldiers.

SHAREHOLDER ENGAGEMENT

ERAFP is determined to support, on a long-term basis, those organisations in which it has decided to invest, by exercising its responsibilities as shareholder or stakeholder in such a way as to sustainably promote, within these entities, practices that respect the values it supports.

In other words, ERAFP intends to be an active shareholder and, to that end, engage with those issuers in which it has either made or is considering an investment. ERAFP has therefore decided to adopt guidelines for engagement, including the exercise of voting rights.

These guidelines are available at site www.rafp.fr. They are reviewed annually and submitted to the Board of Directors for approval in order to take into account any new regulatory developments and lessons learnt from experience during the previous year of implementation.

CONTROVERSIAL PRACTICES

1 ~ For direct investment in government bonds: there are a priori exclusions

ERAFP does not invest in the sovereign debt of States that:

- have not abolished the death penalty²;
- practice torture³;
- use child soldiers⁴.

Moreover, ERAFP favours States that have ratified the International Labor Organisation's fundamental conventions.

2~ For companies: in-depth monitoring of controversial issues

Through its investment policy, ERAFP aims to encourage issuers to respect international environmental, social (human rights and labour law) and governance standards.

ERAFP's mandated investment managers may, after applying a shareholder engagement approach, exclude certain issuers from their portfolios in the case of breaches of certain international standards or non-compliance with environmental or socially responsible principles. In such cases a call for standard exclusion is made.

The right the Scheme reserves to apply, in the case of the failure of shareholder engagement approaches, a standard exclusion is designed to protect ERAFP's reputation as a socially responsible investor.

With this in view, the controversies to which issuers may be exposed are monitored. As part of ERAFP's shareholder engagement, discussions are entered into with the companies involved in proven breaches of international standards, particularly with regard to the following fundamental principles:

- Universal Declaration of Human Rights;
- ILO Declaration on Fundamental Principles and Rights at Work;
- Rio Declaration on Environment and Development;
- United Nations Conventions (particularly that against corruption).

This dialogue is initiated by the ERAFP delegated manager concerned by the investment or by ERAFP itself in the case of a direct investment.

The securities of a company with which discussions have been initiated following a proven breach of international standards may be kept in the portfolio for as long as a shareholder engagement initiative targeting the controversy identified is in progress.

If shareholder engagement measures are not enough to ensure that the company responds adequately to the issues raised or is in the process of responding, other actions will be considered:


- intense dialogue through the delegated manager in the context of preparing its vote at the general meeting of shareholders;
- any other means that protect ERAFP's interests;
- lastly, sale of the securities by the delegated manager.

MEASURING IMPACT

ERAFP seeks to measure the impact of its SRI investment policy for each asset class.

To this end, impact indicators have been set by asset class and are designed, to the extent possible and according to techniques available in this area, to measure the environmental, social and governance impacts arising from ERAFP's investments.

IMPLEMENTATION OF THE CHARTER: **PARTICIPANTS**



BOARD OF DIRECTORS AND SPECIAL COMMITTEES

The board of directors shall set the general direction for the socially responsible investment (SRI) policy.

It shall adopt the SRI Charter and any future updates to it and supervises its effective implementation, drawing on the work of the special investment policy monitoring committee.

This committee prepares, when necessary, any updates to the SRI Charter. It also validates the general guidelines for shareholder engagement.



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THE DIRECTOR

The director implements the investment policy, under the authority and control of the board of directors.

In this respect, the director implements the SRI approach for investments made directly by ERAFP, particularly in-house bond investments which, pursuant to the Scheme's current regulation, concerns government bonds and similar investments.

The director verifies application of the SRI policy by the external asset managers, in terms of selection of securities based on the best in class principle and application of ERAFP's voting policy and general meetings of shareholders.

He represents ERAFP at work collaboration initiatives, market initiatives and structures promoting issues concerned by this Charter supported or headed as part of the board of directors' shareholder engagement policy. He reports to the board on all such actions.

He informs, reports to and warns the special investment policy monitoring committee on implementation of the investment policy and the SRI Charter. He reports to the board of directors on implementation of the SRI policy and helps the directors prepare their work, particularly in the context of CSPP.

DELEGATED MANAGERS

The delegated managers are management companies, other than ERAFP, which are mandated to make investments in accordance with this charter.

They have a duty to inform and notify ERAFP with regard to application of this Charter in the asset classes and investment universes covered by their mandates.

They report on their management and on application of this Charter in a report to the director of ERAFP on an at least annual basis. The director transmits these reports to the special investment policy monitoring committee, which presents a summary report to the board of directors.



THE DELEGATED MANAGERS ARE MANAGEMENT COMPANIES WHICH ARE MANDATED TO MAKE INVESTMENTS IN ACCORDANCE WITH THIS CHARTER.

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