

— TAKE THE —

# SRI QUIZ

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+ you learn  
+ you are socially responsible

## WHY THIS QUIZ ?

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**« Launched in 2010 at the initiative of the Forum for Responsible Investing (FRI), SRI Week has for the last four years been managed by the Ministry of Ecology, Sustainable Development, and Energy. Numerous actors participate alongside the government to promote awareness of this type of investment, which rigorously takes into account the issue of sustainable development, among the general public, businesses, and institutional investors. »**

The entity that manages the mandatory public service additional pension scheme (ERAFP) is joining this effort and has put together this quiz as a way to answer your questions about socially responsible investing by pension funds.

# 01. SRI: THREE LETTERS

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 **What does S.R.I. stand for ?**

- a.** Social and Profitable Investment.
- b.** Sustainable and Responsible Investment.
- c.** Socially Responsible Investment.

## 02. ERAFP'S SRI APPROACH

### Why has ERAFP chosen to invest using an SRI approach?

(You may choose more than one answer)

- a. To give meaning to its investments.
- b. To comply with the law.
- c. To account for risks that could endanger the continuity of its investments' financial performance.

### ADDITIONAL INFORMATION +

ERAFP is a government pension fund that has placed intergenerational equity at the core of its governance. In 2005, because ERAFP could no longer remain indifferent to the social, economic and environment consequences of its investments, it asked its board of directors to adopt an SRI mechanism, a veritable framework that applies to all of RAFF's investments.

All the Fund's assets use an SRI approach. ERAFP's socially responsible approach to investing is voluntary and the result of a resolution by its board of directors. This resolution asked ERAFP to have an investment policy that permanently and resolutely takes into account the pursuit of the common interest. It is in this setting that the choice was made to invest all of the RAFF's assets in a socially responsible manner. This decision, which implements the board's consensus, is the result of a long process that considered all the Fund's problematic elements as well as the demands that such an approach posits.

By making investments on the basis of values that it upholds and recalls in its Charter, ERAFP intends to support the activities of businesses, government authorities and states who comply with this reference value system and to push for the increased consideration of this system.

Lastly, ERAFP considers the risks that might endanger the sustainability of financial performance. In fact, the SRI filter allows for a better assessment of medium to long-term risks and of those sectors that will be the growth vectors of tomorrow. The long-term return on its investments is closely tied to the growth of the economy and thus depends on the "externalities", both positive and negative, caused by the companies in which the Fund invests.

The financial and economic crisis has confirmed the relevance of the Fund's SRI policy.

## AN SRI POLICY AT THE CORE OF THE FUND'S DEVELOPMENT

2014

- Oversight and coordination by ERAFP of the voting by its authorised representatives at the general shareholder meetings of 60 companies.

2013

- Participation in the initiatives for collaborative engagement for:
  - The prevention of corruption (PRI);
  - The agreement on fire and building safety in Bangladesh (ICCR).
- Measurement of the carbon footprint of the ERAFP's stock portfolio.

2012

- Adoption of shareholder engagement guidelines, which include a voting policy on governance issues.
- Decision by the Board of Directors to join two international initiatives:
  - The Extractive Industries Transparency Initiative (ITIE);
  - The Institutional Investors Group on Climate Change (IIGCC).

2010

- Creation of the best in class SRI index with the EDHEC Risk Institute.

2009

- First adjustments to the SRI rating framework.

2007

- Adoption of the SRI rating framework.

2006

- Adoption of the SRI Charter.
- ERAFP signs the UN's Principles for Responsible Investment.

2005

- Decision by ERAFP's Board of Directors to invest all assets according to an SRI approach.

# 03. ERAFP'S SRI CHARTER

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 ERAFP's Board of Directors adopted a Charter of Values that it applies to all asset classes in its portfolio in implementation of its investment policy. This Charter is made up of several values. What are they?

- a. Rule of laws and human rights, social progress, social democracy, environment, good governance, and transparency.
- b. Ethics, solidarity, environmental protection.
- c. Equity, sustainability, generosity.

## ADDITIONAL INFORMATION +

ERAFP's SRI Charter defines five values that represent the common interest, of which the current aspect of sustainable development considers economic, social, and environmental factors.

For ERAFP's Board of Directors, investments made with a sole view to maximising financial profit ignore social, economic, and environmental consequences. Making investments on the basis of the values proclaimed tends to support the activities, companies, government authorities and states that comply with this reference value system.

The SRI values are consistent with the long-term financial objectives and render their joint implementation possible.

The Charter's five values are articulated for each asset class (stocks, government bonds, real estate, etc.) using a specific reference system that includes forty criteria.

ERAFP's SRI approach concerns all the Fund's investments and applies to all investment phases.

# 04. ERAFP'S FIRST SRI COMMITMENT

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## What commitment did ERAFP make in 2006?

- a. ERAFP signed the UN's Principles for Responsible Investment (PRI).
- b. ERAFP signed the UN's Global Compact.
- c. ERAFP adopted the Equator Principles.

## ADDITIONAL INFORMATION

**By signing the PRI, the ERAFP and another 1,200 signatory investors committed to:**

- take into account the environmental, social, and governance (ESG) stakes in their analysis and decision-making process for investments;
- be active investors and take ESG issues into account in their shareholder policies and practices;
- encourage the acceptance and application of the Principles by asset management actors;
- work together to increase the efficiency of the Principles' application;
- report on their activities and progress in applying the Principles.

The Principles constitute a general commitment that ERAFP wished to make to implement a more detailed and demanding best in class SRI policy.

The PRI framework represents an excellent basis on which the ERAFP and other investors, such as large public pension funds, share the same values, form a group to share best practices, and interact more effectively with issuers and regulatory authorities.

# 05 ERAFP'S SRI APPROACH

 **The term SRI covers all the approaches that add extra-financial criteria – meaning the environmental, social, and governance (ESG) issues at stake – to investment decision and portfolio management processes. SRI can take many forms. Which of the following has ERAFP adopted? (You may select more than one answer)**

- a.** The best in class approach: in addition to financial criteria, it also uses environmental, social, and governance criteria to evaluate issuers in order to select the best performers in terms of sustainable development goals.
- b.** The exclusion approach: it excludes, for moral or religious reasons, certain sectors such as armaments, gambling, tobacco, or specific companies because of their business activities or exposure to controversial issues.
- c.** The thematic approach: it focuses investment on business sectors that are favourable to the environment or to society, such as renewable energies or healthcare, for example.
- d.** Shareholder engagement or shareholder activism: this consists of investors demanding a stronger policy of social responsibility from companies through direct dialogue as well as by exercising voting rights at general shareholder meetings.

## ADDITIONAL INFORMATION +

**An SRI pioneer, ERAFP decided to implement its own SRI policy using a best in class approach.**

Rather than using a theme-based (the promotion of certain business sectors) or an exclusionary approach, ERAFP privileges, for each asset class, the best issuers in each sector or category in the aforementioned areas.

ERAFP consolidated this approach in 2012 by adopting shareholder engagement guidelines.

They include a policy for voting at general shareholder meetings, which is updated every year.

Therefore, the managers to whom ERAFP delegates the management of some of its investments apply these voting principles at the general shareholder meetings and reject resolutions that are contrary to the Fund's interests.

# Q6. THE ORIGINALITY OF ERAFP'S SRI APPROACH

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## How is ERAFP's SRI approach original in the European SRI field?

(You may select more than one answer)

- a. ERAFP's SRI mechanism was defined by its Board of Directors and has been placed under its permanent oversight.
- b. ERAFP invests in funds that ensure the development of renewable energies and microcredit.
- c. Each year, ERAFP publishes a list of companies excluded from its investment universe.
- d. ERAFP's SRI Charter applies to all its investments.

### ADDITIONAL INFORMATION

**While ERAFP's SRI Charter and the best in class principle apply across the board to all asset classes, the ways in which they are applied are nevertheless adapted to the specificities of each asset class.**

For example, states and government authorities are judged on the basis of their public policies as well as their functioning as an administration and an employer in accordance with the whole of the principles defined by ERAFP, which apply to all issuers in order to ensure long-term consistency of core values, risks and performance.

As concerns the real estate sector, the dynamic aspect of the best in class approach is fundamental. Rather than focusing only on buildings presenting the absolute best energy performance at the time of sale, ERAFP also seeks to select properties that appear to be less energy-efficient, but whose performance can be improved through responsible management.

## 07. ERAFP: AN INFLUENTIAL RESPONSIBLE INVESTOR

 **As a responsible investor, how does ERAFP try to influence the management of organisations?**  
(You may select more than one answer)

- a.** By publishing a blacklist of organisations judged not to comply with ERAFP's SRI approach.
- b.** By investing in the most responsible issuers in their sectors.
- c.** By engaging issuers (engaging in a dialogue to push them to improve).

### ADDITIONAL INFORMATION +

By only investing in the most responsible companies (and other issuers) in their sectors and categories, ERAFP encourages economic actors to improve their environmental, social, and governance (ESG) practices to become or remain eligible according to its investment criteria.

This approach is reinforced through the establishment of a dialogue that seeks to fulfil ERAFP's expectations on this matter.

## 08. ERAFP AND THE COMPLIANCE OF ITS INVESTMENTS

 **How does ERAFP verify the proper implementation of its SRI policy?**

- a.** ERAFP uses an extra-financial ratings agency that regularly evaluates the compliance of the investments made by the ERAFP with its own SRI mechanism.
- b.** ERAFP only invests in funds that have received Novethic's SRI label.
- c.** ERAFP only invests in stocks of companies that have published a sustainable development report.

### ADDITIONAL INFORMATION +

ERAFP's Board of Directors defines the orientation of the SRI mechanism. Depending on the nature of the investments, the ERAFP implements the mechanism directly (internal management of obligations) or hires management firms (delegated management of diversified assets and real estate), which commit to apply it.

On a quarterly basis, external ratings agencies (Vigeo, in partnership with Oekom) analyse the portfolio's compliance with the SRI mechanism. They furnish detailed reporting on each position to ERAFP and its directors, and they constantly monitor the issuers.

# Q9. ERAFP'S SHAREHOLDER ENGAGEMENT POLICY

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 **ERAFP is a long-term investor that seeks to promote a demanding and pragmatic shareholder engagement policy. What actions does ERAFP take in the name of this commitment policy?**  
(You may select more than one answer)

- a.** Active participation in targeted initiatives for collaborative engagement.
- b.** The definition and regular updating of innovative and ambitious principles for voting at general shareholder meetings.
- c.** The exclusion of certain businesses or sectors from its investment universe.

## ADDITIONAL INFORMATION +

As part of the PRI, ERAFP participates in a number of initiatives for collaborative engagement that seek to better understand the practices of certain companies, for example in the fight against corruption.

In 2012, ERAFP also subscribed to the Institutional Investors Group on Climate Change (IIGCC), which comprises more than 100 European investors who work for the implementation of actions to fight climate change. Lastly, by updating and publicising its voting policy at its Shareholder Meetings each year, ERAFP clearly expresses its good governance expectations to companies.

# 10. THE CARBON FOOTPRINT OF ERAFP'S INVESTMENTS

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 **In 2013 ERAFP measured the carbon footprint of its stock investments.**

**This involved:**

- a.** Measuring the average energy consumption of the companies in ERAFP's portfolio.
- b.** Measuring the volume of greenhouse gas emissions caused by ERAFP's stock investments.
- c.** Measuring the volume of greenhouse gas emissions by ERAFP as a company.

# 10<sup>bis</sup>. THE CARBON FOOTPRINT OF THE ERAFP'S INVESTMENTS

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 **The measurement of the carbon footprint of the ERAFP's stock portfolio revealed that, in proportion to its shareholdings, the companies in which the ERAFP was invested at the end of 2014 emitted, on average:**

- a.** 19 % less tCO<sub>2</sub>e/EUR millions of revenue than companies on a standard stock exchange index.
- b.** 5 % less tCO<sub>2</sub>e/EUR millions of revenue than companies on a standard stock exchange index.
- c.** 10 % more tCO<sub>2</sub>e/EUR millions of revenue than companies on a standard stock exchange index.



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Extract from The French Public Service Additional Pension Scheme (ERAFP) Charter on Socially Responsible Investment of March 30, 2006.

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 (...), the goal of at least maintaining the purchasing power of pensions, and consideration of its benchmark values.

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