



# SRI Charter

Ircantec's principles

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## General investment policy

Created by decree in 1970, Ircantec is the compulsory supplementary pension scheme for State, territorial and hospital public servants. This scheme also applies to local representatives.

### The Institution's values

Ircantec's identity shapes its values: the pay-as-you-go pension scheme binds generations together in a spirit of solidarity and fairness. With inter-generational justice in mind, Ircantec's priority is to maintain the necessary capital to contribute towards future retirees' quality of life in the long term. This means maintaining the financial capital to pay out pensions, but also preserving natural and human capital for current and future generations.

By taking up a responsible investor policy, Ircantec believes it can help to direct capital towards growth that is sustainable, inclusive and less-carbon intensive, which rises to the climate challenge.

### The Scheme's responsible investment policy

Ircantec's Board of Trustees is fully aware of its responsibilities towards its members and the whole society and as such, decided on 18 December 2008 to implement a SRI (Socially Responsible Investment) policy to be applied to its asset portfolio.

The Board has embraced the preamble to the UN's six Principles for Responsible Investment (PRI)<sup>1</sup>:

*"As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social and corporate governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time). We also recognise that applying these Principles may better align investors with broader objectives of society."*

The three principles that underlie Ircantec's work are:

- To incorporate ESG issues into portfolio management,
- To be an active shareholder,
- To contribute to limiting global warming to 1.5°C through its investments.

The Institution intends to both give value to issuers in compliance with the principles it has set out and to work alongside the financial community and investors who share the same objectives to improve consideration of these principles.

Ircantec is also involved in initiatives promoting the distribution of these principles.

Launched in 2009, Ircantec's responsible investor policy aims to be simple, progressive and pragmatic. As a signatory to the PRI since 2014, Ircantec has actively adopted this initiative and its 6 principles through its framework documents:

- its SRI charter, which sets out priority policies and extra-financial stakes (ESG) according to type of investment and describes the objectives of its climate policy,
- its voting policy<sup>2</sup>: by actively exercising its voting rights, Ircantec aims to encourage companies towards improved governance, which actively contributes towards improving their results in the long term and bringing them closer to society's ambitions,
- its shareholder and institutional engagement policy<sup>3</sup>, to improve dialogue with companies, peer investors and better contribute towards methodological advances and discussions within the financial community.

By adopting this policy, Ircantec intends to:

- act in the best long-term interests of its current and future beneficiaries,
- optimise the long-term return of its investments within the risks accepted by the Institution, financial return not being the only objective,
- preserve coherency between its investment policy and compliance with its values, to ensure that capital contributes towards future retirees' quality of life: financial capital to pay out pensions, as well as environmental and human capital.

### The frame of reference

#### ■ Compliance with standards

To guide its activity, Ircantec bases itself on international norms, agreements and standards, among which:

- the Universal Declaration of Human Rights and the International Labour Organisation's (ILO) Fundamental Conventions which set out the 4 main fundamental principles and rights at work, notably freedom of association and the effective recognition of the right to collective bargaining, the elimination of discrimination in respect of employment, the elimination of forced or compulsory labour, the abolition of child labour and the promotion of decent work in supply chains<sup>3</sup>.

<sup>1</sup> [https://www.ircantec.retraites.fr/sites/default/files/Polit\\_Vote22v3.pdf](https://www.ircantec.retraites.fr/sites/default/files/Polit_Vote22v3.pdf).

<sup>2</sup> [https://www.ircantec.retraites.fr/sites/default/files/Engagement\\_Action22v2.pdf](https://www.ircantec.retraites.fr/sites/default/files/Engagement_Action22v2.pdf).

<sup>3</sup> See ILO Declaration on Fundamental Principles and Rights at Work

- the United Nations Framework Convention on Climate Change and the Paris Agreement, as regards combatting climate change.
- the Rio Declaration on Environment and Development, and the main conventions on the preservation of natural resources, the protection of biodiversity and waste management.
- United Nations Convention against Corruption, as regards exemplary governance.

Furthermore, Ircantec acts in accordance with the legal and regulatory framework applicable to it and, in line with its position as a public institution, promotes compliance with environmental and social standards recognised by French and European Union law when investing outside of the European Union.

### ■ Pro-active engagements

Ircantec is also actively involved in international and national initiatives in development, which may guide its SRI policy. As such, Ircantec is a signatory to the Paris Call through which the Institution confirms its endorsement of the ambitions set out in the Paris Climate Agreement. With this engagement and its climate policy, Ircantec asserts its desire to limit the rise in temperatures to 1.5°C, thereby reducing risks relating to climate change.

Moreover, Ircantec believes that the 17 sustainable development goals (SDGs) set out by the United Nations could provide a new framework for analysis and action on the part of the international responsible investment community, even though not all SDGs can be invested in equally and not all of them are relevant to all actors.

Lincantec has adopted these SDGs through its thematic investments and its impact investments, as well as through the active exercise of its voting rights and its engagement policies, or even by ensuring it does not contravene the SDGs.



## Scope of the SRI charter

The Charter applies to all investments made by Ircantec.

By incorporating Environmental, Social and Governance criteria in its investment choices across all asset classes, Ircantec aims to obtain a full view of the risks posed and opportunities presented by its investments and, therefore, to secure the value of its reserves in the long term, while putting said reserves to the service of an economy that preserves the natural and human capital for current and future generations.

### Our ESG priorities

Ircantec places human welfare and social progress at the centre of its agenda, and pays special attention to employment and decent work throughout the supply and value creation chains, and to decent living conditions, in particular through access to housing and gender equality. For the Scheme, social dialogue and employability are the fundamental components for sustainable and inclusive growth. International labour standards - including those governing union freedom and the right to collective bargaining, the minimum wage, the promotion of human resources, health and safety at work, the employment/reemployment policy - provide a solid framework which can be referred to when addressing the issues raised by the transition towards sustainable development.

As regards the environment, Ircantec recognises that economic growth and demographic changes have resulted in a significant rise in the demand for natural resources. One of Ircantec's priorities is to ensure the sustainable management of resources and their production, which involves the implementation of measures in favour of moderate energy consumption, energy efficiency, or the development of sustainable buildings and infrastructures. Furthermore, Ircantec places the climate as one of its top priorities and is resolutely committed to a fair ecological and energy transition, which presupposes ensuring that all ecosystems are ecologically sustainable, that local populations and consumers are considered, and that a growth economy that creates long-term employment and revenue is developed. It has firmly anchored the fight against climate change to the core of its policy and priorities. Thus, Ircantec confirms its ambition to make its investments in line with a pathway compatible with the 1.5°C scenario, and to support mainstreaming of the social impacts of the energy and ecological transition.

Lastly, in the context of a transition towards a sustainable and inclusive economy, Ircantec believes that governance is a central issue, both at corporate and State level. For companies, the aim is to exceed good governance, which aims to ensure transparency,

the balance of power and concertation among stakeholders, and to achieve exemplary governance. For States, this results in combatting active corruption. The latter constitutes a major challenge for the stability and safety of societies as, by weakening institutions and democratic values, ethical values and justice, it compromises sustainable development and the rule of law.

As a long-term institutional investor, Ircantec aims to pay attention to the sustainability of companies' business models or projects. The policy applied by Ircantec combines exclusions and ESG selections, coupled with a strong engagement strategy.

### Exclusions

Ircantec may have to exclude companies and/or business lines from its investment universe due to their non-compliance with international norms, conventions and standards, particularly as regards Human rights. Will thus be excluded:

#### ■ Controversial weapons

Ircantec defines controversial weapons as follows: anti-personnel mines, cluster bombs, depleted uranium weapons, chemical and biological weapons, incendiary weapons (including the use of white phosphorus), blinding laser weapons and cluster munitions<sup>4</sup>.

It also excludes issuers involved in the production, storage, distribution, marketing, acquisition, retention, offer, sale, import, export, brokering and transfer of nuclear weapons, and those engaged in the transfer of components to non-signatories of the Treaty on the Non-Proliferation of Nuclear Weapons or who provide support, technologies, essential services or components<sup>5</sup> for these weapons (logistics and transport), as defined in international conventions<sup>6</sup>.

In addition, issuers with a stake of over 10% in the capital of companies involved in the activities mentioned above are also excluded.

<sup>4</sup> See Annex 4: Definition of controversial weapons

<sup>5</sup> However, in the latter cases, additional investigations will be carried out in order to verify whether the incriminated component is actually linked to the controversial weapon.

<sup>6</sup> See Annex 4: Definition of controversial weapons



### ■ Tobacco

In line with the WHO, Ircantec considers tobacco to be a proven threat to public health. In addition, this industry generates a considerable environmental and social cost.

Thus, Ircantec distinguishes four exclusion criteria for tobacco:

- Tobacco companies involved in the production, manufacture and storage of tobacco products or tobacco alternatives;
- Issuers with over 5% of revenue derived from the wholesale or retail sale of tobacco products, tobacco-related goods/services or tobacco alternatives;
- Issuers with a stake of over 5% in the capital of companies that produce tobacco, tobacco-related goods/services or alternatives to tobacco;
- Issuers with a stake of over 5% in the capital of companies that derive more than 5% of their turnover from the wholesale or retail sale of tobacco products, tobacco-related goods/services or alternatives to tobacco.

### ■ Other

Ircantec may also have to exclude companies and/or business lines from its investment universe as a result of a financial risk, E, S, G assessment. Some business lines may therefore be either partially or totally excluded when the studies carried out reveal that the impact of these activities is considered particularly harmful, notably as regards the fight against climate change, Human Rights and the environment. Exclusions relating to fossil fuels are set out in the climate policy (see Appendix 1)<sup>7</sup>.

## ESG selection of shares

### ■ Companies

Ircantec asks management companies to adopt a dynamic view of the company's level of engagement and overall performance, in order to use their selection process (best-in-class, best-effort, etc.) to identify and select companies that implement a proactive CSR and EET (Energy and Ecological Transition) policy.

The incorporation of ESG criteria in the investment process is coupled with the in-depth monitoring of controversies, to anticipate any financial and reputational risks.

Ircantec also wishes to avoid exposing its portfolio to securities from issuers who violate the principles of the UN Global Compact.

### ■ States

The Institution's identity and values tend to guide it towards public policies which are set to apply in the long-term to guarantee resources for future generations and which place general interest at the core of their preoccupations. This assessment can be made in light of State's contribution towards and/or implementation of SDGs, notably by incorporating provisions that promote a fair transition<sup>8</sup> in national plans and policies to achieve SDGs and in national action plans relating to environmental or climate change issues.

### ■ Real assets

#### > Real estate

In order to promote sustainable real estate, Ircantec's investment policy incorporates strong social and environmental dynamics, with a clear priority on properties that meet social needs (intermediary housing, student housing, healthcare establishments and EPHADs (retirement homes)) and environmental challenges such as the consumption of natural resources and the health and safety of occupants. Ircantec is particularly keen to ensure that existing assets fall within the scope of a sustainable development approach that seeks, in particular, to improve buildings' environmental quality and their tenants' quality of life.

#### > Infrastructures

The targeted investment strategy aims to invest in sustainable thematic areas, among which the financing of the energy and ecological transition, by investing in green sectors with a positive environmental footprint, and the financing of social infrastructures. The ESG quality of the entire project must also be assessed.

In any case, the fossil fuel sector is excluded, except for innovative solution providers promoting energy efficiency and issuers whose activities appear compatible with the 1.5°C scenario based on available information at the time the management company makes its decision.

Moreover, Ircantec encourages methodological advances which enable it to implement the principles set out in its SRI charter.

<sup>7</sup> See Appendix 1: exclusion criteria

<sup>8</sup> Fair transition is a concept according to which the energy transition must not occur at the expense of social issues.

## Governance overseeing implementation of the SRI charter

### A driven policy

#### ■ The Board of Trustees

The Board sets out the main lines of the SRI policy, it approves any updates and extensions by relying on studies and its discussions with other investors. It verifies implementation of the principles set out in the Charter by periodically examining their degree of incorporation in management processes and bases its analysis on the extra-financial reports provided by an extra-financial rating agency. It leans on the Technical and Financial Steering Committee which is responsible for preparing the Board of Trustees' work relating to the Scheme's investment policy.

#### ■ Caisse des Dépôts et Consignations (CDC), the Institution's manager

The CDC also helps the Board of Trustees draft its SRI policy and submits proposals for its improvement. In this capacity, it monitors SRI issues, communicates the Institution's SRI policy to asset managers and ensures compliance with the principles in the performance of their mandates. Lastly, Caisse des Dépôts periodically reports to the Board of Trustees on application of SRI principles in investment strategies.

#### ■ Asset managers

Management companies incorporate Ircantec's SRI principles in their investment methodology and procedures, make investments consistent with the strategy and principles set out by the Board, keep the Institution informed on how they implement SRI principles in their management and report on any difficulties as to their implementation. They also identify and monitor any risks that financial investments may pose to the Scheme's image and reputation.

Management companies are selected by call for proposals, based on their financial capacities and their ability to meet Ircantec's SRI needs. These companies must be signatories to the PRI. Those that have not signed these principles must explain their position.

### A transparent approach

Ircantec commits to acting transparently and responsibly towards its staff and all its stakeholders. Thus, every year, the Scheme provides an account of:

- its investment decisions in its Annual Activity Report,
- its ESG strategy, its engagement policy and the achievement of its objectives to reduce its portfolio's emissions in its annual sustainability report (Annual Sustainability Report, former Bilan Action Climat),
- its annual voting report, the implementation of its Voting Policy,
- the list of its portfolio shares held by dedicated funds and the list of disinvested companies, on its Website<sup>9</sup>.

<sup>9</sup> <https://www.ircantec.retraites.fr/>



The background features abstract, flowing shapes in shades of green and blue. A large, light green shape curves from the top right towards the center. Below it, a darker green shape follows a similar path. On the left side, a large blue shape curves upwards, partially overlapping the green shapes. The overall composition is dynamic and modern.

# APPENDICES



## Appendix 1: Ircantec's Climate Policy

Ircantec's climate action falls within its inter-generational solidarity values, the aim being to preserve the environment for present and future generations while helping to support the energy and ecological transition (EET), and by accompanying job creation in the "green economy" sector.

Ircantec's responsible investor approach (also referred to as "SRI approach") was launched in 2009 and built on in 2016 with the signature of the Paris Call following COP21.

**In light of the climate emergency, Ircantec is stepping up its commitments to assign its reserves to the emission reduction pathway in line with a 1.5°C scenario**, in keeping with recent forecasts made by the Intergovernmental Panel on Climate Change (IPCC) (August 2021 report), which stressed the urgent need to significantly and sustainably reduce greenhouse gas emissions to limit global warming; and the International Energy Agency (IEA) which underlined the need to cease developing the exploitation of fossil fuels in order to achieve the 1.5°C scenario.

In this context, Ircantec wishes to take up the best possible practices and is committed to adopting the most stringent standards which will enable it to reduce its corporate portfolio's emissions. The Institution is also committed to applying the fossil fuel exclusion thresholds set out in European indexes aligned with the Paris Agreement - the "Paris-aligned Benchmark - PAB" - by 2024, based on a strategy to phase out fossil fuels by 2030.

### The 4 structural focuses of Ircantec's climate approach are maintained and improved:

- **Measure:** The Institution is committed to calculating its carbon footprint on a yearly basis and, ultimately, to significantly reducing this footprint. It will commit as of the end of 2021 to reducing its emissions in accordance with the implementing decree of Article 29 of the Energy-Climate Act, which requires the publication of a quantitative target by 2030 on limiting global warming.
- **Commitment:** Through its collaborative engagement, Ircantec is working alongside other investors to promote the EET. It is also improving dialogue with asset management companies on climate issues and aims at encouraging them to support the EET through the active exercise of voting rights. The voting policy has been updated to include all commitments made under this climate policy, while ensuring that it supports a fair transition.
- **Financing:** Ircantec is committed to increasing the proportion of its reserves dedicated to financing the EET across all asset classes.

- **Communication:** as part of its responsible investor approach, Ircantec wishes to improve its transparency on the effectiveness of its commitments, far beyond its annual sustainability report which is compliant with ESG reporting standards<sup>10</sup>.

### Reducing reserve portfolio emissions to follow a 1.5°C pathway

In compliance with the implementing decree of Article 29 of the Energy-Climate Act, and in line with its commitment to assign its reserves to a pathway towards a 1.5°C scenario, Ircantec is committed to reducing the emissions of its corporate portfolio (shares and bonds) by 7% per year on average until 2050 (with 2021 as the reference year). The 7% reduction objective, with zero or limited overshooting, is a result of the pathway to the IPCC's 1.5°C decarbonisation scenario.

This objective will focus on carbon intensity and will concern direct and indirect greenhouse gas emissions<sup>11</sup>. In accordance with European indexes aligned with the Paris Agreement - the "Paris-aligned Benchmark - PAB" - Scope 3 will be gradually integrated according to the following calendar:

- As from the launch of the commitment (2022): Energy (oil and gas) and Mining sectors;
- Starting in 2024: integration of the Transport, Construction, Materials and Industrial activities sectors;
- Starting in 2025: all sectors.

The exclusions related to fossil fuels set out in the "**Paris-aligned Benchmark - PAB**" will be applied by 2024 (see fossil fuel exclusion policy below). Thereupon, the objective to reduce the carbon intensity of Ircantec's corporate portfolio by 50% compared to its benchmark index will apply.

In order to assist companies with their energy transition, and in accordance with the "Paris-aligned Benchmark - PAB", the exposure of Ircantec's portfolio to high climate impact sectors<sup>12</sup> must at least match the corresponding level set out in its benchmark index.

<sup>10</sup> TCFD (Task Force on Climate-related Disclosure), Article 29 of the Energy-Climate Act of 8 November 2019 and Regulation (EU) SFDR (Sustainable Finance Disclosure Regulation) of 27 November 2019.

<sup>11</sup> Scope 1: direct emissions from fixed installations owned or controlled by the company. Scope 2: indirect emissions associated with production. Scope 3: all other emissions (from the purchase of products and services, waste, the transport of goods, business travel, etc.).

<sup>12</sup> The following are defined as high-impact sectors (NACE classification): Agriculture, Forestry and fishing, Mining and quarrying, Manufacturing, Electricity, gas, steam and air-conditioning supply, Water supply, Sewerage, Waste treatment and remediation, Construction, Wholesale and retail trade, Repair of motor vehicles and motorcycles, Transporting and storage, Real estate activities.

This commitment aims at supporting the transition by preventing the portfolio from only shifting to low-emission sectors.

Furthermore, Ircantec will ensure, as it has done since 2017, that it reduces the temperature of its sovereign securities portfolio by preferring, whenever possible, allocations to States that are most in line with the Paris Agreement. In terms of allocations, particular attention will be paid to countries stepping up their ambitions.

### Financing the ecological and energy transition

The EET investment policy launched in 2016 aims at:

- Promoting energy saving through network efficiency, smart distribution, equipment energy efficiency, etc.,
- Developing renewable energies,
- Supporting innovative solutions such as electricity storage, green hydrogen options, etc.

These investments are primarily made using dedicated funds invested in green bonds or public shares as well as through investments in private shares.

The proportion of Ircantec's reserves dedicated to financing the EET has continued to increase and stood at over 15% of its reserves at the end of December 2020 (around €2bn).

**Ircantec aims at stepping up its financing commitment and has set the target of financing the EET with at least 20% of its reserves by 2024, representing an additional financing of over €1bn in support of the transition.**

### Fossil fuel exclusion policy

In 2016, Ircantec took measures to divest from some high-emission sectors and to redirect its funds towards investments in favour of the EET. As such, it has already excluded:

- Companies deriving more than 10% of total revenue from coal extraction or coal-based energy production;
- Specialised companies from the oil and gas sector whose business model is focused on exploration and production;
- Shares of non-European integrated oil companies whose investments are not compatible with a 2°C strategy;
- Unemarked bonds of companies in the oil sector whose investment expenditure are not compatible

with a 2°C strategy;

In light of the climate emergency, Ircantec has decided to strengthen its fossil fuel exclusion policy as of 2022.

### Thermal coal

According to the International Energy Agency (IEA), coal is the fossil fuel that has most contributed to global warming: at the end of 2018, aggregate CO<sub>2</sub> emissions from coal combustion were responsible for a proportion equivalent to 0.3°C of the total 1°C increase in average annual surface temperatures compared with pre-industrial levels. Although oil has taken coal's place as the leading source of energy since the 1960s, it is still today the main cause of greenhouse gas emissions in the world, through the activities included in its value chain.

Exclusions related to coal concern the use of coal as an energy source, that is essentially electricity generation and heat and electricity cogeneration, and not as a material.

### The following exclusions will apply as from the 1st quarter of 2022:

- **Relative threshold:** exclusion of any company deriving more than 5% of total revenue from thermal coal (mining companies and energy-producing companies);
- **Absolute thresholds:** exclusion of any company producing more than 10Mt of thermal coal per year or having a coal-fired power generation capacity exceeding 5GW.

However, **these exclusions do not apply to companies that have adopted a credible plan to exit coal<sup>13</sup>** by 2030 worldwide.

### These thresholds are completed by the exclusion of:

- Any company developing or contributing to new projects in the thermal coal sector (mines or coal-fired plants),
- Any partners to this industry (notably infrastructures such as port terminals, railways dedicated to coal transportation) deriving more than 5% of total revenue from thermal coal or participating in new projects<sup>14</sup>.

<sup>13</sup> Particular attention will be paid to companies' coal exit commitment plans. These exit plans must include commitments to close sites and not to sell thermal coal-related activities. Ircantec will take full measure of these criteria in its shareholder activism policy so as to ensure employees in this sector affected by the EET are supported and retrained.

<sup>14</sup> Global Coal Exit List (GCEL) – published by the NGO Urgewald (latest version in October 2021).

By 2024, companies financing or insuring companies involved in the thermal coal sector, and particularly companies financing and insuring new projects, will be **excluded from Ircantec's portfolio, according to pre-defined thresholds** based on the availability of data on such financing and insurance policies. **Until then, Ircantec will initiate a dialogue** with companies in the financial sector to ensure they adopt credible coal exit plans by 2030.

Ircantec is also committed to applying the exclusion thresholds in European indexes aligned with the Paris Agreement - the "Paris-aligned Benchmark (PAB)" - by 2024, i.e. to excluding all companies deriving more than 1% of total revenue from thermal-coal activities (exploration or processing), save for those having adopted a credible exit plan by 2030. Absolute exclusion thresholds will remain the same as those in 2022.

**An exception will also be applied to green bonds** issued by a company that meets divestment conditions, provided that the company is committed to exiting thermal coal by 2030 worldwide.

**Ircantec is committed to achieving zero thermal coal exposure of its portfolio by 2030 worldwide.**

## Oil and gas

The special report published by the IPCC in 2018 on global warming of 1.5°C emphasizes that between 2020 and 2050, primary energy from oil must decrease in most scenarios, by around -39 to -77%, while that from natural gas must decrease by around -13 to -62%. In the 4 mitigation strategies set out by the IPCC in order to reduce net emissions to achieve a pathway that limits warming to 1.5°C (without overshooting or minimal overshooting), the proportion of fossil fuels must be significantly reduced.

Furthermore, in its report titled "Net Zero by 2050 A Roadmap for the Global Energy Sector" published in May 2021, the IEA concluded that investment should be limited to maintaining production from existing oil and natural gas reserves, without exploiting new reserves.

Moreover, the growth of the unconventional energy sector<sup>15</sup>, (notably due to the supply of shale oil from the United States), which has a more significant impact in terms of greenhouse gas emissions, puts the achievement of the Paris Agreement at risk.

In reference to these scientific recommendations, **new exclusion thresholds will be applied by Ircantec as from 2022:**

- **Exclusion of any company developing new projects in unconventional energy or increasing its capacities in the unconventional energy sector<sup>16</sup>,**
- **Exclusion of any company producing more than 10mmboe of unconventional oil and gas per year<sup>17</sup>.** Companies deriving more than 30% of production from unconventional oil and gas are also excluded. **These exclusions do not apply to companies which have adopted a credible and detailed plan to exit the unconventional sector by 2030.**

While waiting for a better access to data on the financing<sup>18</sup> of unconventional energy to establish an exclusion policy, **Ircantec will initiate a shareholder dialogue to rally all portfolio financial actors around the adoption of credible and detailed plans to exit the unconventional sector.**

However, these exclusions do not apply to any **green bond issued** by companies committed to exiting unconventional fossil fuels by 2030 worldwide.

## By 2024, Ircantec commits to:

- **Applying the exclusion thresholds** in European indexes aligned with the Paris Agreement, the "Paris-aligned Benchmark - PAB", i.e. to excluding all companies deriving more than 10% of total revenue from oil **or 50% for gas**. However, these exclusions **do not apply to companies which have adopted a credible plan to reduce their emissions** in line with a 1.5°C scenario validated by the SBTi (Science Based Targets Initiative);
- **Divesting from all companies launching new conventional oil and gas projects** (exploration, production, transport) **or contributing to** (equipment, services) the development of **new projects;**
- **Divesting from all companies whose production is related to unconventional activities** and which do not have a credible phase out plan.

**By 2030, Ircantec is committed to achieving zero exposure to any company in the oil and gas sector that has not adopted a credible plan to reduce its emissions in line with a 1.5°C scenario validated by the SBTi.**

<sup>15</sup> See Annex - Definition of unconventional fossil fuels

<sup>16</sup> Global Oil & Gas Exit List (GOGEL) – to be published in November 2021 by NGO Urgewald.

<sup>17</sup> Global Oil & Gas Exit List (GOGEL) – to be published in November 2021 by NGO Urgewald. MMboe: Millions of Barrels of Oil Equivalent..

<sup>18</sup> Financing means any investment activity in shares/bonds, credit activity, structuring of shares and bonds issues, or insurance coverage.

### What about real estate assets?

Ircantec aims to align its real estate assets<sup>19</sup> on a trajectory compatible with the Paris Agreement. Through the management company in charge of the OPPCI (Organisme Professionnel de Placement Collectif Immobilier) [undertaking for collective investment in real estate], the Scheme aims to invest in new assets with a high level<sup>20</sup> of energy performance, and to carry out, in the case of existing property acquisitions, a systematic audit to quantify the work required to reduce GHG emissions and thus help limit global warming.

As part of its OPPCI real estate portion, several energy audits have been conducted - covering a part of real estate assets considered as the lowest performing in environmental terms<sup>21</sup> - in order to complete a review and define appropriate recommendations to improve the energy performance of these buildings. Upon completion of this work, the implementation of a plan of action over several years has been defined with a view to reducing carbon emissions by almost 50% and complying with all the regulations put in place as part of the Stratégie Nationale Bas Carbone (SNBC - National Low Carbon Strategy)<sup>22</sup>. This reduction in GHG emissions and the gradual exclusion of gas as an energy source (through works representing an investment of several tens of millions of euros) are now part of a voluntary and pragmatic approach aiming to limit global warming to 1.5°C. Analysis of the portfolio's carbon trajectory using the CREEM<sup>23</sup> tool also makes it possible to track the portfolio's alignment with a 1.5°C trajectory up to 2033, once the recommended work has been carried out, with the support and guidance of tenants and subject to the CREEM tool's assumptions remaining unchanged.

<sup>19</sup> This engagement concerns assets held directly within the dedicated OPPCI fund (excluding the Vesta portion), which represents most of Ircantec's real estate investments.

<sup>20</sup> A new asset will be considered to have a high level of performance if it justifies an energy consumption at least 10% lower than that set by the NZEB standards (Nearly zero energy building) defined by the European Union. It is worth noting that:

- According to the OI [Sustainable Real Estate Observatory], the 2020 Environmental Regulation makes it possible to comply with the NZEB-10%;
- The NZEB level is likely to evolve in line with revisions to various European regulations (SFDR, taxonomy, EPBD).

<sup>21</sup> Of the 31 assets making up the portfolio, 20 assets were subject to an energy audit (the Vesta property company is not included in the scope of analysis).

<sup>22</sup> The SNBC is France's roadmap for the fight against climate change. This strategy aims to achieve carbon neutrality by 2050. It has also defined a 49% reduction target for greenhouse gases by 2030.

<sup>23</sup> The CREEM (Carbon Risk Real Estate Monitor) tool enables the analysis of risk assessment of a real estate stock in light of decarbonization needs. This tool plots a trajectory (2018-2050) taking into account GHG emissions and the energy consumption of real estate assets. Note that this trajectory has been defined for all EU countries as per the recommendations of the Paris Agreement and for all types of buildings.

### Strengthening shareholder activism through the voting policy:

In keeping with its new climate policy, Ircantec has now integrated all of its commitments into its voting policy to encourage companies to apply the best standards regarding the energy and ecological transition. This new voting policy will apply as from the 2022 voting campaign.

#### Ircantec expects that its invested companies:

- Adopt a strategy enabling them to comply with the scenario limiting global warming to 1.5°C approved by the Science Based Targets initiative or align with a pathway to **decarbonising greenhouse gas emissions by 7% per year on average** in accordance with the IPCC's 1.5°C scenario pathway.
- **Set quantitative objectives to reduce CO<sub>2</sub> emissions for all scopes of companies in high climate impact sectors.**
- **Introduce intermediate targets** (short, medium and long terms) to ensure sufficient reduction of greenhouse gas emissions to achieve 1.5°C global warming scenarios.
- For companies involved in coal extraction, production and exploitation activities, implement a 2030 coal phase out plan, along with a plan to convert activities<sup>24</sup> and retrain employees.

Ircantec will also ensure **regular votes are introduced on the implementation of companies' climate strategy and on the steady publication of climate strategy updates** in accordance with the recommendations of the Task Force on Climate-related Disclosure (TCFD).

#### Particular attention will be paid to controversial practices<sup>25</sup>:

- Companies developing, financing<sup>26</sup> or contributing (equipment) to new coal projects (mines, plants, infrastructures) or buying existing assets.
- Companies developing or financing new unconventional projects or increasing their capacity in the unconventional sector.
- Companies exploiting **unconventional reserves**.

<sup>24</sup> Closure of production sites and not sale of activities to other stakeholders, which would not be considered a strong exit plan.

<sup>25</sup> Depending on the implementation of Ircantec's new climate policy, some controversial practices set out in this policy may potentially no longer be found in the Institution's portfolio.

<sup>26</sup> Financing means any credit activity, structuring of shares and bond issues or insurance coverage.



- **Companies initiating or financing new conventional projects** (exploration, production, transport) or contributing (equipment, services) to the development of new projects.

Since 2018, Ircantec has closely monitored its shareholder activism using a **Focus List comprised of its 20 largest contributions, its 5 largest emitters and its 5 largest holders of stranded assets**. This list now also includes its main investments in financial companies involved in controversial practices such as thermal coal and unconventional energies, which have not made an phase out commitment.

In the context of its voting policy, **Ircantec will continue to support a fair transition** to ensure it accompanies employees in sectors impacted by the EET. Ircantec is a signatory to the "Investors' Statement to support a fair transition in climate change". An energy and ecological transition developed to ensure social cohesion and support to employees is a priority topic for Ircantec and

the Institution will continue to work on this topic. Thus, during general meetings, particular attention will be paid to convert activities related to fossil fuels and not only sell or stop at these activities.

Since 2017 and the formalisation of its engagement policy, **Ircantec's institutional engagement policy has focused on 3 main topics, including the energy and ecological transition**: Ircantec has contributed to works and discussions through involvement in various national and international bodies. Ircantec has also taken part in several collaborative initiatives related to the EET:

- Since May 2014, Ircantec has been a signatory of the Principles for Responsible Investment (PRI) set out by the United Nations Environment Programme Finance Initiative (UNEP FI) and the United Nations Global Compact. The network is comprised of 2,100 signatories worldwide, with the aim of developing a more responsible financial system. Ircantec has furthered its commitment to the PRI with the election of the advisor to the Chair of Ircantec's Board of Trustees as a member of the PRI Board of Directors in 2018.

The FIR<sup>27</sup> (Forum for Responsible Investment) since July 2017: a multi-party organisation founded in 2001 which aims at promoting Socially Responsible Investment. The FIR is comprised of all SRI stakeholders: investors, asset management companies, financial intermediaries, Sustainability rating agencies, investor consultancies, marketplace organisations, trade unions, NGOs, associations as well as industry specialists. Ircantec has confirmed its commitment to the FIR with its participation in the organisation's Board of Directors.

<sup>27</sup> <https://actinitiative.org/>

- The Climate Action 100+ initiative (in association with the PRI), since 2017, in which Ircantec is a member of the Supervisory Committee. The initiative engages the world's largest carbon emitters on their governance and strategy regarding climate-related risks and opportunities and on the incorporation of the ecological and energy transition's social aspects.
- The Assessing Low Carbon Transition initiative<sup>28</sup> since 2018 (managed by the Carbon Disclosure Project and ADEME) to encourage companies to act appropriately with regard to climate strategy.

In keeping with its shareholder activism, Ircantec will continue to work on collaborative engagement campaigns to encourage companies to implement a strategy that is consistent with the Paris Agreement, to commit to a 2030 coal phase out plan and to **adopt best practices** in the fossil fuel sector.

#### Reporting on the effectiveness of the Institution's climate commitments

As part of its responsible investor approach, Ircantec aims at being transparent in its communication and its achievements. Ircantec is committed to **measuring and communicating its portfolio's emission reduction and its targets' achievement** in its annual sustainability report.

Ircantec wishes to improve the transparency of its investments **by publishing all portfolio securities held by dedicated funds on its website on an annual basis**. Ircantec is also committed to publishing the **list of companies from which it will divest** following the implementation of its exclusion policy and the amounts thus divested.

#### Definition of unconventional fossil energies

Ircantec defines the following fossil fuels as unconventional:

- Shale gas and oil. Found at great depths in rocks that are scarcely permeable and scarcely porous, they are extracted through hydraulic fracturing. This practice raises many issues, including a significant consumption of water and chemicals which can pollute the subsoil, the resulting emission of methane and risks of earthquakes.
- Oil sands. They are comprised of a mixture of crude bitumen, sand, mineral clay and water. As such, they are more viscous and cannot be pumped like conventional oil. Producing oil from oil sands requires large quantities of water and energy. Extracting a barrel of oil from oil sands generates over 190 kg of greenhouse gases. It is estimated that, based on its life cycle, the

<sup>28</sup> <https://actinitiative.org/>

fuel derived from oil sands generates up to 37% more greenhouse gas emissions than fuel from conventional oil.

- Extra heavy oil, with an API density above 15 degrees. Due to its composition, its extraction and recovery process, producing extra heavy oil is very energy-intensive and involves high levels of emissions.
- Deepwater hydrocarbons. This concerns offshore wells that are 1,500 metres deep or more. Such exploitation is controversial as it is impossible to contain any potential leaks at such depths, which would result in negative environmental impacts.
- Coalgas. It is extracted from coal seams, most often using hydraulic fracturing, which raises numerous issues (methane leaks, water contamination, health risks for the local population, etc.).

- Arctic oil and gas hydrocarbons. The definition of the Arctic used by Ircantec is AMAP's (Arctic Monitoring and Assessment Programme): "The terrestrial and marine areas north of the Arctic Circle (66°32'N), and north of parallel 62°N in Asia and parallel 60°N in North America, modified to include the marine areas north of the Aleutian chain, Hudson Bay, and parts of the North Atlantic Ocean including the Labrador Sea". Potential leaks cannot be mitigated in cold waters and would have a negative impact on the Arctic's fragile marine and coastal ecosystems. This also contributes towards the development of marine traffic in the area and black carbon emissions limit the region's ability to reflect solar rays and thereby limit climate change attenuation.



Source: AMAP, Geographical Coverage, 1998 Assessment Report



As from 2022	As from 2024	As from 2030
<b>Thermal coal</b>		
<p><b>Exclusion of companies:</b></p> <ul style="list-style-type: none"> <li>■ Deriving more than 5% of total revenue from thermal coal (mining companies and energy companies),</li> <li>■ Producing more than 10Mt of thermal coal per year,</li> <li>■ Having thermal coal-fired power generation capacity exceeding 5GW.</li> </ul> <p>However, these exclusion thresholds do not apply to companies with a <b>credible 2030 phase out plan</b>.</p> <ul style="list-style-type: none"> <li>■ Developping or participating in new projects.</li> <li>■ Industry partners (deriving more than 5% of total revenue from thermal coal or participating in new projects)</li> </ul> <p><b>Investment in green bonds</b> if the company is committed to phasing out thermal coal by 2030.</p>	<p><b>Strengthening of exclusions</b></p> <ul style="list-style-type: none"> <li>■ The exclusion threshold will decrease from 5% to 1% of total revenue, in lign with European indexes "<i>Paris Aligned Benchmark - PAB</i>",</li> </ul> <p><b>Exclusion of companies:</b></p> <ul style="list-style-type: none"> <li>■ Annual coal production is <b>greater than 10 Mt per year</b>;</li> <li>■ Coal-fired electricity production capacity is <b>greater than 5 GW</b>.</li> </ul> <p><b>These exclusion thresholds do not apply to companies which have adopted a credible 2030 phase out plan.</b></p> <ul style="list-style-type: none"> <li>■ companies that develop or contribute to new projects.</li> <li>■ partners of this industry (for which more than 5% of turnover is associated with thermal coal or who take part in new projects).</li> </ul> <p><b>Investments in green bonds</b> will be maintained if the company has committed to phasing out thermal coal by 2030.</p>	<p><b>Commitment to zero thermal coal exposure, worldwide.</b></p>
<b>Oil and gas</b>		
<p><b>Exclusion of companies:</b></p> <ul style="list-style-type: none"> <li>■ Developing new projects in unconventional oil and gas or increasing their capacities in the unconventional industry,</li> <li>■ Producing more than 10mmboe of unconventional oil and gas per year,</li> <li>■ Deriving more than 30% of its production from unconventional oil and gas.</li> </ul> <p>These exclusion limits do not concern companies that present a <b>credible plan to phase out non-conventional energies by 2030</b>.</p> <p><b>Investment in green bonds</b> if the company is committed to phasing out unconventional fossil fuels by 2030.</p>	<p><b>Strengthening of exclusions</b></p> <p><b>Application of Paris Aligned Benchmark - PAB thresholds;</b></p> <ul style="list-style-type: none"> <li>■ Companies deriving more than 10% of total revenue from oil</li> <li>■ Companies deriving more than 50% of total revenue from gas</li> </ul> <p>These thresholds do not apply to companies that have adopted a <b>credible withdrawal plan, compatible with a 1.5°C scenario validated by the "Science-based target initiative" (SBTi)</b>.</p> <p><b>New exclusions:</b></p> <ul style="list-style-type: none"> <li>■ Companies launching new conventional oil and gas projects or taking part in the development of new projects.</li> <li>■ Companies whose production is linked to unconventional activities and which do not have a credible phase-out plan.</li> </ul> <p><b>Investment in green bonds</b> will be maintained if the company has committed<sup>(1)</sup> to phasing out non-conventional fossil energies by 2030.</p>	<p><b>Commitment to zero exposure to any company in the oil and gas sector that has not adopted a credible plan to reduce its emissions in line with a 1.5°C scenario validated by the SBTi.</b></p>
<b>Financial sector</b>		
<p><b>Engagement with companies financing or supporting:</b></p> <ul style="list-style-type: none"> <li>■ Companies in the thermal coal sector,</li> <li>■ Companies involved in the unconventional energy sector.</li> </ul> <p><b>so that they adopt credible plans to phase out coal or unconventional activities by 2030.</b></p>	<p><b>Engagement of the companies that are most involved in the financing of coal and unconventional energies, so that they develop credible plans to phase out coal and non-conventional energies by 2030.</b></p>	

## Appendix 2: Ircantec's biodiversity policy

### I. Biodiversity, an issue for investors

#### 1. Biodiversity

Biodiversity refers to all living beings (from whales to micro-organisms like bacteria) and ecosystems (forests, meadows, oceans, etc.) in which they live. This term also refers to the genetic diversity of species, their interactions between themselves and their environments.

Like the climate, biodiversity is in the midst of an environmental crisis. The biodiversity crisis reflects the destruction of ecosystems and the life they support due to human actions. Nature supplies a set of natural assets (natural capital like water, wood, etc.) and ecosystem services (filtration, pollination, etc.) that enable human activities to function<sup>29</sup>.

In 2019, IPBES ("Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services"), the flagship scientific organization on the issue of biodiversity, published a report<sup>30</sup> that drew unequivocal conclusions, including: one million species are already facing extinction, 75% of the surface of the globe is "significantly" damaged by human activities, and 85% of wetlands have already disappeared. IPBES refers to the 6th mass extinction and says half of living species could disappear over the next century. In its latest "Living Planet"<sup>31</sup> report from 2022, the World Wildlife Fund (WWF) estimated that 69% of vertebrate animal populations had disappeared between 1970 and 2018.

#### 2. Growing commitments in favor of biodiversity

The topic of the impact of economic activities on biodiversity has long been neglected in the face of the urgent need to combat climate change, but now it represents an increasing portion of forward-thinking, initiatives and regulations around the world.

It was only at the **1992 Rio Conference** and through the signature of the **Convention on Biological Diversity** that the need to protect biodiversity for all humanity was officially recognized. This convention has three objectives: (1) the conservation of biological diversity, (2) the sustainable use of the components of biological diversity, (3) the fair and equitable sharing of the benefits arising out of the utilization of genetic resources.

The **Kunming-Montreal Global Biodiversity Framework** was adopted at COP15 in 2022. The framework sets out the strategy for all stakeholders in their actions to preserve and restore biodiversity. Aside from the global

objectives of protecting nature, this new agreement includes **23 priority actions to be achieved by 2030**<sup>32</sup>. These objectives have been taken on board by France in its "**National biodiversity strategy for 2030**"<sup>33</sup>, introduced in November 2023. It sets out a pathway to halt then reverse the trend.

The roll-out of the objectives of global conventions brings with it a range of regulations for the financial sector. In Europe, the "**Sustainable Finance Disclosure Regulation**" (SFDR) requires investors to publish their "principal adverse impacts" relative to biodiversity, and the European Taxonomy requires the publication of a biodiversity preservation objective. In France, **article 29 of the Energy-Climate Act (LEC, Loi Énergie-Climat) of November 8, 2019**, aims to clarify and strengthen the non-financial transparency framework for market players. For the first time, biodiversity has been explicitly referred to. Declarants must publish information on their strategy for alignment with long-term biodiversity-related objectives.

Ircantec is directly subject to this article and its requirements, and will ensure full compliance.

### II. Ircantec's contribution to reducing the main pressures and impacts on biodiversity

Ircantec's investments can have negative impacts on biodiversity. In return, the plan is exposed to physical risks relating to loss of biodiversity and reduction of related ecosystem services. It is also exposed to transition risks, relating to the need to reduce impacts on biodiversity, and reputation risks relating to potential harmful effects on biodiversity by businesses invested in.

**Ircantec wants to adopt a double materiality approach to biodiversity.** This involves measuring the impacts of the plan's investments on biodiversity and potential consequences of loss of biodiversity on these investments. From 2025, Ircantec will adopt a biodiversity footprint measurement tool to more precisely analyze its impacts and dependencies.

Ircantec is also monitoring controversies, including ones relating to biodiversity. In case of major controversy, the security involved may be excluded from the investment universe.

IPBES lists five direct biodiversity pressure factors. Ircantec wants to contribute to reducing the pressures of these five factors as follows:

<sup>29</sup> In its latest "Living Planet" report from 2022, the World Wildlife Fund (WWF) estimated that 69% of vertebrate animal populations had disappeared between 1970 and 2018. [https://www.unepfi.org/wordpress/wp-content/uploads/2018/11/NCFA\\_Exploring-Natural-Capital-Opportunities-Risks-and-Exposure\\_Nov-2018.pdf](https://www.unepfi.org/wordpress/wp-content/uploads/2018/11/NCFA_Exploring-Natural-Capital-Opportunities-Risks-and-Exposure_Nov-2018.pdf).

<sup>30</sup> <https://www.ipbes.net/global-assessment>.

<sup>31</sup> <https://livingplanet.panda.org/en-US>.

<sup>32</sup> <https://www.cbd.int/doc/decisions/cop-15/cop-15-dec-04-en.pdf>.

<sup>33</sup> "Vivre en harmonie avec la nature: stratégie nationale biodiversité 2020" <https://www.ecologie.gouv.fr/sites/default/files/Doc-chapeau-SNB2030-HauteDef.pdf>.

**1. Changing use of lands and seas** (land take, destruction of natural habitats and wetlands, deforestation, intensive farming), which is responsible for 35% of loss of biodiversity in terrestrial and freshwater ecosystems (IPBES, 2019):

- To reduce direct impacts of investments, Ircantec is committing to defining exclusion filters for activities accelerating changing land use and forestation, particularly activities relating to palm oil and GMO. Ircantec also monitors its direct contribution to land take via a dedicated indicator regarding its real-estate pocket.

**2. Direction exploitation of resources** (forestry management, overfishing, etc.):

- Regarding Ircantec's forestry assets, the manager has put in place a set of indicators for the preservation of biodiversity and to limit overexploitation of resources (organization of resilience of the forest, eco-certification, etc.).

**3. Climate changes** (modification of climate cycles and increased risks of climate variations):

- Through its ambitious climate policy, Ircantec is contributing to reducing climate change. In particular, the plan has an objective to contribute to financing the environmental and energy transition, amounting to 20% of reserves by the end of 2024. The financed themes particularly include renewable energies, energy efficiency and environmental protection. Furthermore, Ircantec is applying exclusion-related PAB thresholds to oil and gas from 2024, and excluding businesses involved in new projects or whose activity is related to unconventional oil and/or gas. In addition, responsibly-managed forestry assets contribute to mitigating climate change by increasing carbon sinks.

**4. Pollution** (plastics, chemicals, etc.):

- To reduce the direct impacts of its investments, Ircantec has committed to defining exclusion filters for activities that contribute most to pollution, particularly pesticides. Combating plastic pollution is also a high-priority biodiversity commitment.

**5. Invasive exotic species** (introduction of plant or animal species into zones where they are not naturally present).

- Every year, Ircantec's asset manager reviews invasive species present in the plan's forestry assets.

### III. Components of biodiversity policy

Ircantec's biodiversity policy focuses on the following three areas:

- Measuring the plan's biodiversity footprint;
- Business divestments in biodiversity-related fields;
- Specific commitments regarding the plan's forestry and real-estate assets;
- Shareholder and collaborative commitments.

Furthermore, the plan reserves the right to study investments in biodiversity-themed funds, based on financial and non-financial pertinence for the portfolio.

#### 1. Measuring Ircantec's biodiversity footprint

A biodiversity footprint provides a holistic view of the impact of businesses' activities by establishing a link between the activities and pressures as well as pressures and impacts. Different methods are used today to quantify these impacts before, ultimately, interpreting the aggregate impact of investments on biodiversity. The result can be expressed with different units (mean species abundance (MSA), fraction of species that have potentially disappeared, etc.).

**Ircantec decided to measure the biodiversity footprint of its investments<sup>34</sup>.** Starting in 2025, Ircantec will therefore publish a biodiversity footprint assessment to fully meet the requirements of article 29 relating to impacts and dependencies. An invitation to tender will be launched on this topic in the second half of 2024 to select a service provider.

#### 2. Biodiversity-related business divestments

The damage caused by certain activities to ecosystems is now well documented. For this reason, **Ircantec is seeking to establish exclusion thresholds, in fields relating to preservation of biodiversity**, to immediately limit the damage done to nature by its investments.

**These thresholds will be put in place by the end of the first half of 2025 for all Ircantec's listed reserve assets.** Their implementation will be preceded by a campaign to contact businesses potentially divested from. Businesses divested from may also be reinstated to Ircantec's portfolio if they change their activities and fall below the determined thresholds.

Given the changing nature of regulations and availability of data, the thresholds and exclusions may be revised and themes relating to biodiversity addressed in the policy for divestments from these activities may change, for example to take account the theme of forever pollution.

<sup>34</sup> An invitation to tender will be launched on this topic in the second half of 2024 to select a service provider.

### A) Palm oil

Deforestation and conversion of natural ecosystems are among the main causes of global warming. They also have serious consequences in terms of loss of biodiversity, such as disappearance of fauna and flora from forests. Exploitation of palm oil is, alongside activities such as extensive livestock farming, soy farming, rubber, paper pulp and wood, one of the main causes of deforestation. Large-scale growing of oil palm trees has devastating consequences for ecosystems and species, but also for the rights of native populations. To limit financing of activities causing deforestation and land conversion, Ircantec is setting itself exclusion thresholds in the field of palm oil:

**Exclusion of companies along the entire value chain that:**

- Generate more than 5% of their annual sales revenue from palm oil, including less than 50% RSPO ("Roundtable on Sustainable Palm Oil") -certified palm oil;
- Generate more than 15% of their annual sales revenue from palm oil, including less than 80% RSPO-certified palm oil. The Roundtable on Sustainable Palm Oil (RSPO) is a recognized certification for sustainable value chains relating to palm oil<sup>35</sup>.

Ircantec is also divesting from businesses involved in significant controversies on this theme (raw palm oil, palm kernel oil, etc.).

Finally, for producers, an additional condition to remain in the portfolio is required: compliance with social criteria based on the principles of the United Nations<sup>36</sup> Global Compact

### B) Pesticides

INSEE defines **pesticides** as "substances or products designed to control organisms considered harmful, whether plants, animals, fungi or bacteria. They can be classified by type of use (herbicides, insecticides, fungicides, nematocides, rodenticides, etc.), by chemical family or by mode of action."<sup>37</sup>

**Intensive use of chemical pesticides accelerates loss of biodiversity and contaminates water, air and soils.** Exposure to these pesticides can involve health risks, particularly for farmers and local communities. In 2020 for example, one or several pesticides were detected above thresholds of concern at 22% of all river and lake monitoring sites in Europe. 83% of agricultural soils tested as part of a study conducted in

2019 contained pesticide residues. A large-scale human biomonitoring study conducted between 2014 and 2021 in five European countries revealed that at least two pesticides were present in the organism of 84% of survey participants<sup>38</sup>.

Ircantec is therefore putting in place an exclusion threshold regarding pesticides:

- **Exclusion of businesses that generate more than 5% of their annual sales revenue from production or distribution of pesticides.**

### C) GMO

From a regulatory point of view, the European texts (and in particular European directive 2001/18/EC) define **GMO** as an "organism, with the exception of human beings, in which the genetic material has been altered in a way that does not occur naturally by mating and/or natural recombination". The European regulations establish that a GMO cannot be placed on the market or released into the environment without prior authorization. This authorization can be issued only after case-by-case assessment of health and environmental risks. GMO authorized to be placed on the market require monitoring, traceability and labelling.

Ircantec recognizes the debates and uncertainties surrounding the production and use of GMO and wants to make sure of **minimum and responsible investment in these activities.**

**Accordingly, Ircantec excludes businesses that generate more than 5% of their annual sales revenue from GMO.**

### D) Furs

Every year, approximately 100 million animals are killed for their fur. Fur is often obtained under violent conditions for animals. To contribute to bolstering animal well-being, Ircantec is adopting exclusion criteria for the fur industry.

Businesses involved in fur production must have one of the following:

- **A fur use exit date; or otherwise**
- **A responsible policy featuring one of the following:**
  - Compliance with one of the **international standards** on animal well-being, in particular:
    - "Agreement on International Humane Trapping Standards"
    - "World Organization for Animal Health"

<sup>35</sup> The Roundtable on Sustainable Palm Oil (RSPO) is a recognized certification for sustainable value chains relating to palm oil.

<sup>36</sup> <https://unglobalcompact.org/what-is-gc/mission/principles>.

<sup>37</sup> Definition provided by INSEE.

<sup>38</sup> Study by the European Environment Agency: "How pesticides impact human health and ecosystems in Europe", 2023.

- "European Convention for the Protection of Animals Kept for Farming Purposes"
- "Convention on International Trade in Endangered Species of Wild Fauna and Flora"
- For feathers and down: "European Down & Feather Association" and the "International Down and Feather Bureau" standards

- **Transparent sourcing** of furs and traceability (for example via the "Saga Furs Auction House");
- **Preferably "Furmark" certification** (global natural fur certification and traceability system that guarantees the well-being of animals and compliance with environmental standards along the entire supply chain)

### 3. Ircantec's commitments regarding its forestry assets

Forests have **three functions**: economic, social and environmental. Forest managers seek to reconcile these three functions, although the production function has historically taken precedence. **Thus, forests have an essential role to play in mitigating the effects of climate change** (carbon sequestration in forests and carbon storage in wood), **preserving biodiversity and supplying many ecosystem services** (preservation of landscapes, water quality, etc.). Consequently, forestry management must in particular ensure it is possible to continuously produce wood, a material with many uses and an intrinsically renewable resource, while integrating environmental issues (preservation of biodiversity, quality of soil, water, etc.) and taking into account stakeholder expectations.

For nearly fifty years, Ircantec has invested in forests via the Brève forestry group, which is managed by Société Forestière. As part of its sustainable forestry management strategy, Ircantec wanted to promote new missions and define indicators that would provide a long-term goal to its objectives of meeting social, environmental and economic issues. Monitoring indicators were therefore determined and put in place on the following themes:

- Organizing the resilience of the forest;
- Acting with respect for stakeholders;
- Protecting biodiversity;
- Monitoring the presence of any invasive species<sup>39</sup>
- Protecting water quality;
- Protecting soils and preventing erosion;
- Increasing carbon sinks

<sup>39</sup> Eight main species listed: Japanese knotweed, Ragweed, Ailanthus, Giant hogweed, Water primrose, Black cherry, Himalayan balsam, American pokeweed

**The Index of Biodiversity Potential (IBP)** is a forest biodiversity measurement tool. Ten indicators are studied, including seven for population and three for context<sup>40</sup>. It is a tool to indirectly assess a forest's capacity. In 2022, five Ircantec forests were inventoried. **Ircantec has set itself the objective of inventorying 100% of its assets by the end of 2026.**

Ircantec has also set itself the following objectives:

- Maintaining **PEFC eco-certification** ("Program for the Endorsement of Forest Certification") for all its assets;
- All its replanting sites **planted with at least 2 species** by 2026;
- Assessing 100% of land areas to replant (excluding Landes de Gascogne) by 2026; Identifying 1% of assets in natural development zones by 2026<sup>41</sup>.

### 4. Biodiversity strategy regarding the real-estate pocket

This strategy applies to Ircantec's real-estate assets held directly via Villiers Immobilier OPPCI (organisme de placement professionnel collectif immobilier, i.e., professional real estate collective investment undertaking).

In 2022, a first analysis of the quality of outdoor spaces was conducted based on calculation of CBS (Coefficient of Biotope by Surface Area<sup>42</sup>), accordingly enabling identification of assets with the highest potential in terms of biodiversity. Following this analysis, a biodiversity score chart was developed in 2023 by the OPPCI's asset management company. It features 24 indicators focusing on 4 areas:

- **Commitments by the green space maintenance provider**
- **Development of the project based on the site's environmental engineering**
- **Reintegrating, improving and increasing the presence of fauna and flora on the site**
- **Reconnecting users to living things, improving their well-being and raising their awareness**

<sup>40</sup> standing dead wood; downed dead wood; very large live wood; tree-related microhabitats; open environments; temporal continuity; aquatic environments; rocky environments; diversity of species; structures of vegetation

<sup>41</sup> Natural development zones: territories where human presence and intervention are minimal.

<sup>42</sup> The coefficient of biotope (CBS) enables description of the proportion of surface areas favorable to biodiversity (eco-developable surface area) in relation to the total surface area of a plot, block, neighborhood or larger territory. The scores range from 0 (totally impermeable surface area) to 1 (green spaces in the ground).



This chart takes account of aspects of everyday management of sites' natural spaces but also provides action plans to improve the quality of the biodiversity on said sites. To draw up these action plans, the asset management company was assisted by expert environmentalists to conduct an environmental assessment. Seven sites, with varied characteristics, were selected to conduct the first assessments. Accordingly, following on from these analyses, Ircantec's manager will put in place approved actions and monitor score charts on the seven selected sites

From 2024, the manager has made the following commitments:

- Requiring the Biodiversity standard in the manager's letters of interest for 100% of off-plan/major renovation projects, with the objective of obtaining it for 70% of off-plan/major renovation projects over €15 million.
- Conducting environmental audits on 60% of sites by 2026.
- Calculating CBS on all the OPPCI's assets. Furthermore, a CBS improvement objective will be required on new-build off-plan or conversion projects: developers must calculate the before/after CBS of projects and ensure monitoring.
- New requirements on land take for the biodiversity investment chart: at least 50% of new acquisitions on new-build (off-plan) or conversion projects (major renovation) must be on wasteland (industrial, tertiary, etc.) or an existing abandoned building.
- In accordance with the "zero plant protection product" regulation (2014 Labbé Act), the manager will restate in future leases and green space upkeep contracts, the requirement to implement the act to target zero plant protection products in public spaces<sup>43</sup>.

### 5. Shareholder and collaborative commitments

An increasing number of **financial stakeholders or businesses are voluntarily committing to protect biodiversity**. Different collaborative commitments on the topic were recently developed based on specific individual sub-themes, actions and objectives.

Via the collaborative commitment, Ircantec is getting involved alongside other investors in favor of biodiversity. The plan wants to priorities commitments enabling reduction of pressures on biodiversity identified by IPBES (changing use of lands and seas, direct

exploitation of resources, climate changes, pollution, and invasive exotic species). Ircantec particularly wants to focus on combating plastic pollution.

Shareholder commitment provides major leverage, particularly via votes at the shareholder general meeting. Ircantec aims to manage the biodiversity-related resolutions directly for its portfolio securities. These resolutions will be listed in the voting results. Ircantec may also change its voting rules, to put in place rules in favor of protecting biodiversity.

#### A) Nature Action 100

Ircantec has joined the **Nature Action 100** collective.

Nature Action 100 was launched by a **collective of institutional investors** on 11 December 2022. It is a global initiative aiming to encourage investors to favor the adoption of urgent measures regarding nature-related risks and dependencies at the businesses of which they are shareholders. **The initiative commits businesses in key sectors deemed to be of systematic importance to reverse loss of nature and biodiversity by 2030.**

#### B) PRI "Spring" initiative

Ircantec is a signatory of the "Principles for Responsible Investment (PRI)", a UN initiative that has supported responsible finance since 2014. **The plan become a signatory of the PRI "Spring" initiative in 2024.**

**Spring** is an initiative in favor of nature, **that encourages institutional investors to use their influence to halt and reverse loss of biodiversity on a global scale by 2030.** Spring aims to tackle the systemic risk represented by loss of nature for societies and creation of long-term portfolio value by improving businesses' practices in terms of deforestation and soil degradation.s.

#### C) Commitment on the theme of plastic pollution

Ircantec particularly wants to commit to combating plastic pollution. The plan has already signed several commitments and declarations:

- In 2023, Ircantec signed the "Declaration on Actions relating to plastic" calling on businesses with high consumption of plastic packaging to adopt significant measures without delay. In reaction, VBDO and "ClientEarth" drew up the "PPWR Policy Letter", sent to the European Union's main political stakeholders. This document, inspired by the principles of the previous declaration, required the European Parliament to take an ambitious position regarding revision of PPWR ("*Packaging and Packaging Waste Regulation*" – the regulation on

<sup>43</sup> The "LABBÉ" act of February 6, 2014 regulates the use of plant protection products across the whole of France and, since January 1st, 2017, bans local authorities from using synthetic chemical pesticides for upkeep of green spaces and roads. The order of January 15, 2021 extends the ban on plant protection products from July 1st, 2022 to all public spaces except for high-level sports fields. This therefore applies to collectively-owned gardens, private parks and gardens, campsites, cemeteries, etc.



- packaging and waste packaging), with a view to bolstering European environmental regulations. In parallel, the plan signed the letter from the "Carbon Disclosure Project (CDP)" regarding compulsory disclosure of data on plastic.
- In 2024, Ircantec signed the open declaration for finance stakeholders, upstream from the intergovernmental negotiation committee on plastic pollution, jointly backed by UNEP FI, PRI, FFB Foundation, the coalition for a global plastics treaty, the non-profit VBDO, and CDP

## 6. Reporting on biodiversity-related issues

### 1. TNFD

Announced in July 2020, the mission of the "Taskforce on Nature-related Financial Disclosures (TNFD)" is the **development of a common framework** enabling financial institutions and businesses to assess, monitor and publish the financial risks related to the decline of biodiversity.

The recommendations of the TNFD are intended to be aligned with the global policy goals of the Kunming-Montréal global biodiversity framework. The TNFD disclosure recommendations comprise three segments:

1. Conceptual foundations for nature-related disclosures
2. A set of general requirements
3. A set of recommended disclosures

This is consistent with the approach of the TCFD and the ISSB's IFRS Standards.

**Ircantec will monitor the works of the TNFD and is committed to following its recommendations and responding to them in its sustainability report.**

### 2. Contribution to the objectives of the Convention on Biological Diversity

The plan's contributions to the objectives of the convention on biological diversity will be published every year in the sustainability report in accordance with the decree of article 29.

### 3. Biodiversity-related PAI

Ircantec will monitor PAI ("Principal Adverse Impacts"), particularly relating to biodiversity. Ircantec will study its positioning in relation to the benchmark and measurements to implement to improve these indicators. Furthermore, as an SRI investor looking to promote transparency, the results will be published in the sustainability report.

## Appendix 3: Applying Ircantec's vision to ESG criteria for companies

Ircantec wishes to favour companies that:

- put people first and foster social progress,
- are concerned with preserving the environment and sustainable land management,
- ensure exemplary governance.

For Ircantec's Board of Trustees, these values can be broken down as follows:

### ■ Putting people first and fostering social progress

To assess companies' level of compliance with Human rights and with the measures they take to promote social progress, Ircantec refers to:

- companies' compliance with fundamental principles on social matters,
- non-discrimination in all forms, and particularly towards seniors and women,
- compliance with freedom of opinion and expression, and notably with union rights, human rights at work, across the supply chain.

The Institution pays particular attention to the many dimensions of work and employment and favours companies which:

- comply with fundamental rules relating to labour law and social partners,
- contribute towards developing employment both in terms of quantity and quality (promotion and professional development, parity between men and women, prohibition of child labour, etc.),
- have anticipatory strategies on employment (lifelong training, validation of prior experience, re-training, responsible restructuring support, etc.),
- develop specific projects which promote the development of employment (research and development).

### ■ Preserving the environment and ensuring sustainable local development

Ircantec will assess companies' environmental responsibilities by considering the impact of their activity and their production processes on the environment, and particularly as regards the following aspects:

- the fight against climate change and management of CO<sub>2</sub> emissions,
- energy efficiency,
- prevention of industrial accidents,

- water resource management and waste management,
- development of "green jobs".

Ircantec expects companies to adopt a strategy that complies with the scenario to limit global warming to 1.5°C.

### ■ Ensuring exemplary governance

Ircantec intends to determine its choices by assessing companies on several major topics:

- the existence of and compliance with the rights of various supervisory bodies,
- the independence and competence of Board members,
- the transparency of managers' forms of remuneration,
- internal control and conflict prevention mechanisms, the fight against corruption and money laundering, business ethics,
- transparency on the company's activity, financial and extra-financial situation and development strategy.

Ircantec also examines companies' social responsibility with regard to:

- their participation towards the economic development of the region they are established in,
- their remuneration policy which must provide their staff with satisfactory quality of life and living conditions,
- measures in place relating to workers' health and safety, the promotion of social dialogue and staff training, across the value chain,
- their potential adherence to international CSR standards and norms: United Nations Global Compact, Social Responsibility Guidelines-ISO 26000, OECD Guidelines for Multinational Enterprises, United Nations Human Rights Council Guiding Principles on Business and Human Rights, and/or sectoral standards (the Extractive Industries Transparency Initiative, the Equator Principles, the Carbon Disclosure Project, etc.),
- the transparency and manner in which they report (GRI, etc.) their financial and extra-financial information.

## Appendix 4: Applying Ircantec's vision to ESG criteria for States

Ircantec favours States which:

### ■ foster social progress

Ircantec will more specifically assess the social dimension of a State based on the following aspects:

- education, employment and living conditions,
- health.

### ■ implement policies to preserve the environment

The Institution is particularly sensitive to the following environmental aspects:

- preservation of natural resources,
- fight against climate change,
- protection of biodiversity.

### ■ ensure exemplary governance

More specifically, Ircantec pays attention to the initiatives implemented by States as regards:

- the fight against corruption, tax practices,
- freedom of expression,
- solidarity between countries.

### ■ have ratified international conventions and treaties (notably on unconventional weapons)



## Appendix 5: Definition of controversial weapons prohibited by international conventions

The exclusion of controversial weapons from Ircantec is in keeping with the Ottawa Treaty and the Oslo Convention ratified by France on 3 and 4 December 1997 and 3 December 2008 respectively, as well as the Treaty on the Non-Proliferation of Nuclear Weapons, signed by France on 2 August 1992.

It follows the recommendations of the AFG (French Asset Management Association) on the prohibition of the financing of cluster munitions and anti-personnel mines of April 2013.

The Ottawa Treaty (or Anti-Personnel Mine Ban Convention) prohibits the use, stockpiling, production and transfer of anti-personnel mines and encourages their destruction. It was signed on 3 and 4 December 1997 by 122 States including France, and now brings together 164 States.

The Oslo Convention (or Convention on Cluster Munitions) prohibits the use, production, stockpiling and transfer of all cluster munitions defined as such. It was signed on 3 December 2008 by 94 States including France, and now brings together 115 States.

Chemical weapons are defined as all toxic chemical agents when used for military purposes, as well as munitions and devices specifically designed to weaponise toxic chemicals. The 1997 Chemical Weapons Convention (CWC) prohibits the development, production, acquisition, stockpiling, possession and transfer of chemical weapons.

Biological weapons are microbiological or other biological agents and toxins that are not intended for prophylactic, protective or other peaceful purposes. The 1975 Biological and Toxin Weapons Convention (BTWC) prohibits the development, production, stockpiling and acquisition of biological agents and toxins for military purposes.

Incendiary weapons are bombs intended to cause fire. This type of weapon is usually made from napalm, thermite, chlorine trifluoride or white phosphorus. Their use is regulated by Protocol III of the Convention on Certain Conventional Weapons (CCW) signed in Geneva.

White phosphorus is a chemical substance derived from phosphorus, which can be used in the composition of incendiary weapons. This ammunition can burn in the open air for an extended period of time and, when used in populated areas, can cause serious injury and deep burns to muscle and bone. Its use is codified by Protocol III of the Convention on the Prohibitions or Restrictions on the Use of Certain Conventional Weapons (CCW) which entered into force in December 1983. This type of weapon "is prohibited in all circumstances" against civilian populations.

Depleted uranium weapons are ammunition using depleted uranium, a very dense material, generally for the purpose of piercing armour.

Cluster munitions are weapons that explode before reaching their target or on impact releasing thousands of fragments that travel at high speed in random or precise directions depending on the desired effects. Cluster weapons are prohibited by Protocol I of the Geneva Convention on the Prohibitions or Restrictions on the Use of Certain Conventional Weapons (CCW).

[www.ircantec.retraites.fr](http://www.ircantec.retraites.fr)



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