2025

Sustainability Report

ircantec

La retraite complémentaire publique

Contents

Framework documents **concerning Ircantec's SRI policy**

SRI Charter (1)

- General SRI policy, incorporation of ESG criteria in the investment policy, the climate policy and the biodiversity policy.
- Application across Ircantec's portfolios.
- Reviewed in the sustainability report.

Voting policy (1)

- Improvement in the governance of companies in which Ircantec is a shareholder.
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- Voting report (1).

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- Dialog with issuers and participation in collective marketplace initiatives.
- Definition of the main engagement themes.
- Engagement report.

(1) https://www.ircantec.retraites.fr/sites/default/files/Charte_ISR-Gb25v1.pdf

PRI Principles for Responsible Investment

FIR FORUM POUR L'INVESTISSEMENT RESPONSABLE

Climate Action 100+ Global Investors Driving Business Transition

Foreword

Jean-Christophe Couvy, Chairman of the Board of Trustees of Ircantec

> **We have therefore initiated joint discussions with investors in the pension sector.**

After this first term as Chair of the Ircantec Board of Trustees, I now have a better appreciation of the tangible commitment of our institution, the trustees, and the teams at the management service, the Caisse des Dépôts, to socially responsible investment (SRI). As a former trustee of the scheme, I was already familiar with the high standards of its climate policy and the innovative nature of its biodiversity policy, both of which were adopted during the previous term. With a comprehensive view of our ESG (Environmental, Social, and Governance) approach, I am now convinced of the need to stay the course amid a broader context in which sustainability goals are being called into question.

Maintaining overall consistency was achieved, in particular, through the successful completion of the SRI certification process for dedicated funds listed within the "corporate" segment, which accounted for approximately 60% of its €18.6 billion in reserves as of December 31, 2025. Ircantec is thus committed to supporting public SRI labels, with the aim of tangibly demonstrating its social responsibility as an investor to its 3.24 million contributing members and 2.41 million beneficiaries. Transparency and educative principles have also guided the production of this report. The depth of our ESG analyses and practices, which serve to safeguard and enhance the scheme's reserves over the long term, demonstrate our contribution to the environmental and socially responsible transformation of the economy.

During my term, my aim is to enhance the coherence of all our investments, while bringing together responsible investors – particularly those in the public sector – around a shared vision. With the Board of Trustees, we have therefore initiated joint discussions with investors in the pension sector to identify topics of mutual interest. I am counting on this work to continue in the coming period. By engaging with international marketplace bodies (PRI, Climate Action 100+, Nature Action 100) and national entities (FIR, Af2i) in which Ircantec participates, this coalition of stakeholders – who share similar values and are references in their fields – can help generate momentum for SRI.

Consistency and cohesion are not incompatible with critical reflection and deeper analysis. The regular update of our SRI policies and our voting policy for shareholder meetings (AGMs) involves the Board of Trustees, which appoints lead trustees for monitoring AGM campaigns, as well as the Caisse des Dépôts' management service. This partnership-based approach has proven effective and is here to stay. Evaluating engagement initiatives with companies – carried out primarily by our service providers responsible for delegated management – is one of our priorities. As such, we are a member of a coalition of international investors committed to climate action, representing nearly €2,000 billion in assets managed. In addition, during this term, in-depth work will be carried out on social and human rights issues to address the evolving challenges posed by the development of artificial intelligence (AI), the economy shifting towards digital platform models, new conflicts, and so on.

To raise awareness of our efforts, we actively and transparently communicate about our approach and its developments through several initiatives: the creation of Ircantec's institutional LinkedIn account in 2025, regular engagement with the press, participation in events dedicated to SRI, and the organization of meetings with the SRI ecosystem. In 2026, Ircantec will once again bring together stakeholders (researchers, investors, government services and asset management firms) for a symposium to explore the issue of investment in a post-growth world. I believe all of this is for the long-term benefit of Ircantec members and the society in which we want to live.

1 Presentation of the Scheme

1.1 Executive Summary

Due to the climate emergency, Ircantec has reinforced its commitments in October 2021 in order to place its reserves on an emissions reduction trajectory compatible with a 1.5°C scenario. Through this policy, the Regime aims to phase out fossil fuels by 2030 and achieve an average annual reduction of 7% in portfolio emissions up to 2050. This strategy also incorporates engagement and voting policies, with particular attention on fossil energies and their financing, alongside a target of 20% of reserves being dedicated to the Energy and Environmental Transition (EET). This strategy also includes an engagement and voting policy, with a particular focus on fossil fuels and their financing, but more broadly, it involves close monitoring of the climate transition plans developed by companies we invest in.

Furthermore, in 2024, Ircantec bolstered its commitment to protect biodiversity with a new far-reaching policy. This initiative is inherent to being a responsible investor, by aiming to preserve a viable world for current and future generations while limiting the financial risks involved in the destruction of nature. This ambitious policy implements tangible measures such as targeted divestments from activities that harm biodiversity – including palm oil, GMOs, pesticides, and fur – and stronger shareholder commitments concerning biodiversity. In addition, this report strengthens our efforts to ensure transparency. The Scheme reports on its biodiversity-related efforts by meeting the recommendation of the Taskforce on Nature-related Financial Disclosures and by publishing its principal adverse impacts, through three opt-in indicators which measure impact on biodiversity.

In 2025, continuing the trend from previous years, Ircantec collaborated with portfolio management companies to continue implementing its climate policy and to improve the environmental, social, and governance (ESG) performance of its funds. Furthermore, Ircantec has once again decided to use three service providers for its non-financial analysis: Sustainalytics for non-financial and risk ratings, Trucost for measuring carbon emissions from portfolios and other types of footprints, and Carbon4 to analyze portfolio impact on biodiversity.

In 2025, Ircantec's portfolio again reported non-financial ratings above its reference index, with its ESG risk score being placed in the "low" risk category and the portfolio exhibiting emissions and carbon intensity indicators below those of the index. Ircantec's weighted average carbon intensity rating continued to fall by 7.02% between 2024 and 2025 (after reductions of 5.6% in 2024 and 11.2% in 2023). At the end of 2025, the portfolio temperature lies below 1.5°C (1). On average, the WACI has fallen by 11.23% over the four years since the climate policy was implemented (2021), which far exceeds the PAB (2) objective of a 7% annual reduction in carbon emissions. Finally, for the second consecutive year, the Fund is publishing a biodiversity footprint for its portfolio.

Snapshot of main indicators for 2025

	Score ESG risk (1) Consolidated scope	Total carbon emissions (tCO_2e) Scope 1, 2, 3 – "Companies" Scope	Carbon emissions financed (tCO_2e/€M invested) Scope 1, 2, 3 – "Companies" scope	Carbon exposure (tCO_2e/GDP (€M) – "Sovereigns" scope
Portfolio	14.8	3,993,127	334	290
Benchmark index	16.1	6,290,126	527	291

Alignment trajectory with the Paris Agreement Corporate scope
– 1.5°C

17.70%
Reserves are used to fund the energy and environmental

2050
-7%
Objective to reduce corporate portfolio emissions by 7% (annually, on average)

By 2030
exit from fossil fuels

Voting policy – Opposition rate to main categories

92%	79%	43%	23%
Executive compensation	Dividend distribution	Appointment of Trustees	Approval of accounts

(1) See specific methodology – The ESG risk level represents the level of unmanaged residual risk (1 to 0). Therefore, a score close to 0

(1) Based on scopes 1&2
(2) Paris Aligned Benchmark.

1.2 Governance of the Scheme

1.2.1 Board of Trustees

Since the 2008 reform, the Board of Trustees has been responsible for the long-term management of the pension scheme. As part of a four-year plan and based on the preparatory work of the Technical and Financial Steering Committee, it is responsible for ensuring the conditions necessary to achieve the long-term financial stability of the Scheme. As such, it is the responsibility of the trustees – with technical and operational support from the Caisse des Dépôts – to make decisions regarding Ircantec's responsible investment strategy. They also monitor all risks – whether financial, operational, or non-financial – paying particular attention to the risks and opportunities associated with climate change.

1.2.2 The Technical and Financial Steering Committee (TFSC)

Within the Board of Trustees, the TFSC is responsible for preparing its work concerning the investment policy, actuarial management and the long-term solvency of the Pension Scheme. The Committee's remit includes preparing:

- the annual technical and financial report of the Board of Trustees;
- the internal control report concerning the fiscal year ended, including an assessment of all technical, financial and operational risks.

This work therefore includes matters concerning financial and non-financial management. The topics are debated at meetings of the TFSC, which issues an opinion. All the work presented during meetings of the TFSC is submitted to the Board of Trustees for approval. Within the Committee, three Trustees are appointed to lead on issues related to voting and shareholder engagement.

1.2.3 Caisse des Dépôts, Scheme Manager

The Caisse des Dépôts Social Policy division manages the Institution's assets by delegation. As such, it draws up proposals regarding the investment strategy, supports the Trustees in their strategic thinking and is responsible for implementing the investment policy in accordance with the general policy decisions issued by the Board of Trustees. The Caisse des Dépôts also assists the Board of Trustees in developing its SRI policy, and also in monitoring all contracts (with voting, ESG and climate service providers) and mandates (with asset management companies). It regularly reports to the Board of Trustees on the application of SRI principles in investment strategies and ensures that the Trustees have all the necessary information they need to carry out their duties. In 2025, the management service of Caisse des Dépôts employed three out of a total ten-strong full-time delegated management team to take exclusive and entire responsibility for ESG issues on behalf of Ircantec.

1.2.4 Asset management companies

Investment management firms are selected through a competitive bidding process, based on their financial capacity, their ability to meet the Scheme's needs regarding SRI, and their own SRI commitments. They integrate the components of Ircantec's SRI Charter into their methodology and investment process. In line with the strategy and principles defined by the Board of Trustees, they make investments, report on the implementation of the SRI Charter, alert on difficulties in application, then identify and monitor potential risks to Ircantec's image and reputation. Finally, they implement the Institution's voting policy and support the management service's engagement efforts when necessary.

Ircantec's key stages

- **2009** – Commitment to an SRI approach
- **2010** – Definition of SRI principles and selection of a provider to monitor ESG
- **2012** – First SRI roadmap aiming for reserve management 100% focused on SRI criteria
- **2013** – First SRI Charter
- **2014** – Voting Policy
- **2015** – Assessment of the portfolio carbon footprint
- **2016** – First climate action review ▪ Integration of EET constraints into voting policy ▪ Exclusion of coal ▪ Second roadmap, strengthened on energy transition
- **2017** – First Green Bonds tender in France ▪ First review of voting policy ▪ Shareholder and institutional engagement policy ▪ Exclusion of tobacco
- **2018** – SDG Strategy ▪ Exclusion of Oil and Gas
- **2019** – Update of SRI charter
- **2021** – New climate policy ▪ Third roadmap ▪ Exclusion of fossil fuels ▪ Call for tenders ESG and climate outperformance commissions
- **2022** – New policy commitment ▪ New voting policy ▪ Expansion of the SDGs (Target 14 - Aquatic Life) ▪ Exclusion of controversial weapons and tobacco ▪ Social Bonds tender
- **2023** – First analysis of Principal Adverse Impacts (PAI)
- **2024** – Implementation of second phase of fossil fuel exclusions in accordance with climate policy ▪ First Biodiversity policy
- **2025** – Implementation of the Biodiversity policy ▪ SRI labeling of funds for all dedicated funds listed in the "Corporate" scope

Awards

- **2013** – **IPE Awards** – Environment, Social, Governance
- **2015** – **IPE Awards** – best pension institution in France
- **2016** – **International Award for Best Investor Climate Reporting**
- **2019** – **Couronnes Institut Invest award**– best initiative to incorporate SDGs in the responsible investment policy ▪ **Climate International award for climate-related disclosures**
- **2020** – **IPE Real Estate award** – France-Belgium ▪ **Couronnes Institut Invest** – Best initiative to incorporate SDGs in the responsible investment policy
- **2021** – **Couronnes Institut Invest award** – best initiative to incorporate SDGs in the responsible investment policy ▪ **IPE Real Estate award** – Alternative Strategy
- **2023** – **IPE Real Estate Awards** – awards in two categories "Medium Real Estate Investor of the year" and "Social Impact"
- **2024** – **Af2i Impact Award** in the category "institutional investor" ▪ **Institut Invest Crown Award** – Best initiative contributing to the environmental transition (climate & biodiversity)
- **2025** – Obtained maximum rating (5 stars) of **PRI** in the annual assessment of its non-financial activities

Ircantec engagements

2014 Signature of the PRI and Global Investor Statement on Climate Change

2015 Signature of the Montréal Carbon Pledge

2016 Signature of the Paris call

2017 Participation in the one Planet Summit ▪ Signature of the Vigeo Declaration ▪ Membership of the FIR ▪ Membership of Novethic ▪ Contribution to Climate Action 100+ ▪ Signature of the French Investor Charter for Climate ▪ Signing of the Montreal Call

2018 Participation in the Investor Agenda ▪ Signature of the Act Initiative ▪ Membership of the Investor Alliance for Human Rights ▪ Signature of the Global Investor Declaration ▪ Statement to Governments on Climate Change ▪ Know the Chain Initiative

2019 Signature of the SDG Charter ▪ Membership of ORES ▪ Membership of Finance for Tomorrow ▪ Make Finance Work for People and Planet Declaration ▪ Investor Case for Mandatory Human Rights Due Diligence Declaration

2021 Statement of Support for Impact Finance Development ▪ Participation in the Finance for Tomorrow Impact Working Group ▪ Collaborative engagement via Financial Services Taskforce of the Sustainable Markets Initiative (ShareAction)

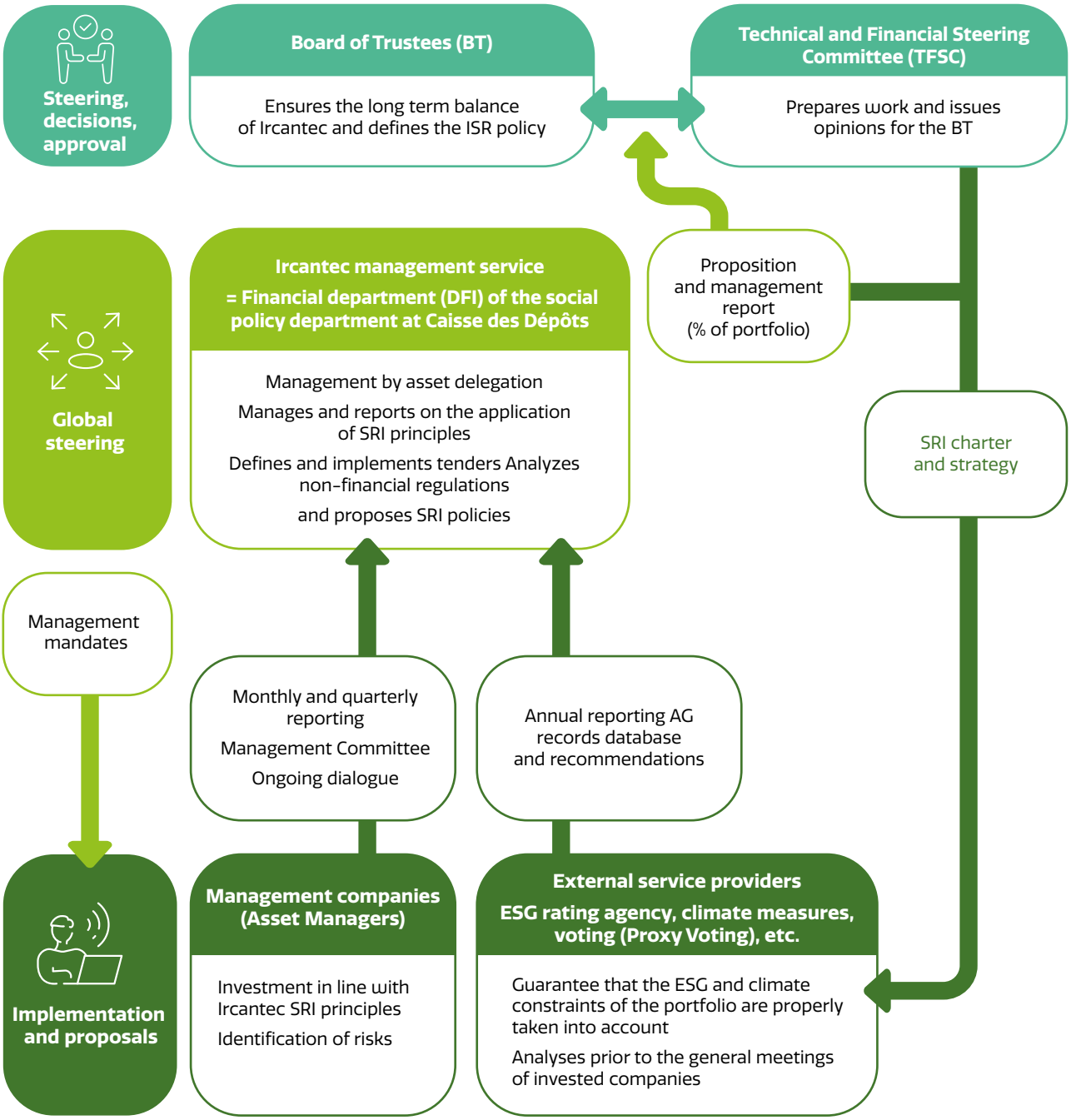
2022 Participation in a Share Action commitment with financial companies (HSBC and Barclays) ▪ Signature of an investor PRI declaration ahead of COP 15 on Biodiversity

2023 Signature of Banktrack's Fossil Banks No Thanks call ▪ Five banks challenged with Share Action on fossil finance topics ▪ Signature of the CDP call for mandatory disclosure of plastic data ▪ Engagement with Engie in Climate Action 100+ ▪ Participation in the FIR CAC40 campaign

2024 Contribution to Nature Action 100+ ▪ Signature of the Spring MIC initiative ▪ Engagement of financial companies through Share Action ▪ Engagement with Engie through Climate Action 100+

2025 Engagement with Amcor on Nature Action 100 ▪ Engagement of management companies on Asset Owner Statement on Climate Stewardship ▪ Engagement of financial companies via Share Action ▪ Signature of letter to FTSE 100 encouraging Say on Climate approaches ▪ Engagement with Engie on Climate Action 100+

Ircantec Governance Structure



1.3 Importance of sustainability in the roadmap

Ircantec's investment roadmap was adopted by the Board of Trustees in March 2022. It builds on the previous roadmap through to its long-term objectives. It strengthens the SRI commitments, with a goal of limiting the portfolio temperature to 1.5°C (down from 2°C previously) and updates the SRI charter. In line with the objectives defined, a new asset allocation method was also adopted in December 2022, aiming to secure the yield of the medium and long-term reserves portfolio, while ensuring observance with prudential solvability restrictions.

Our three main guidelines

In the continuity of the long-term objectives of the previous roadmap and by incorporating the major topics of tomorrow, these three guidelines structure the investment of Ircantec reserves for the 2022-2025 period.

1. Optimize the yield to risk ratio as a long-term investor, in a backdrop of growing reserves and to the limit of risks accepted by the Institution, in line with its responsible investment charter:
   a. diversify the investment vehicles in line with the investment horizon and the accepted level of risk;
   b. strengthen the financial and non-financial management of portfolios: regularly monitor portfolios; actively manage risks and develop risk indicators; in accordance with the commitments of the climate policy, continue the dynamics of financing companies or projects that are developing solutions in favor of the EET and contribute to a just transition by strengthening non-financial requirements in the selection of funds
2. Strengthen the responsible investor approach by consolidating the Scheme's SRI policy and ensuring its effectiveness in the management of reserves.
   a. expand the SRI approach across all asset classes: regularly update the three key SRI documents (SRI Charter, voting policy, engagement policy) to incorporate emerging topics (biodiversity, themes arising from the social impact of the health crisis, etc.). Ircantec's sectoral exclusion policies apply to all asset classes and will be regularly updated to support its SRI approach over the long term and ensure that its policy remains relevant to future issues;
   b. integrate and reinforce the issues of tomorrow: strengthen our climate efforts by adopting an investment strategy that is compatible with a 1.5 °C scenario given the climate emergency, while ensuring the social dimension of the transition, and integrate biodiversity issues into portfolios using a similar approach.
3. Strengthen its position as a reference investor in the private pension field by communicating transparently on the achievements of the Scheme and on its responsible investor policy.
   a. report on progress: draft and communicate annual ESG analysis and Engagement Reports in a sustainable transformation report developed with its service providers which takes into account the latest regulations; promote the results in terms of financial and non-financial performance; represent the Scheme in marketplace bodies to influence its ecosystem and increase its visibility;
   b. inform stakeholders: communicate externally on the Scheme's achievements to target audiences (affiliates, beneficiaries, other pension schemes, institutional investors), train decision-makers (trustees) and the management service.

As part of this roadmap, the management service strengthened the oversight of annual decarbonization objectives of each Ircantec fund, to arrive at an average target of 7% per year. Through service agreements (on ESG, climate, and biodiversity) and access to ESG, climate, and biodiversity databases, the management service closely monitors the SRI performance of each dedicated fund, to ensure compliance with Ircantec's non-financial objectives.

1.4 Training of Trustees

New board members have access to several training modules specifically tailored to Ircantec through an e-learning format, with the option of receiving additional information directly from the SRI management team. These training courses cover technical and financial management, financial management styles, as well as the integration of SRI and climate considerations. They are delivered by the management team at Caisse des Dépôts. Where necessary, all Trustees can receive support to understand the regulatory changes impacting the financial and non-financial management of the Institution. Ircantec's membership of various organizations also ensures it participates in technical and educational dialog within small groups, such as the Novethic Investors' Circle or the FIR (Forum pour l'Investissement Responsable). In 2024, in preparation for the new term of office, the administrative department developed e-learning modules to facilitate training for trustees, who can access them at any time.

To support Trustees, the management service staff regularly attend training (biodiversity, European regulations, etc.) and participate in peer or expert conferences in its role of remaining informed of the latest marketplace initiatives and practices.

1.5 Alignment of compensation with sustainability risks

The Trustees of Ircantec do not receive any compensation. Discussions were initiated on how sustainability risks could be better integrated into the compensation components of other stakeholders (management service, asset management companies). Since 2024, individual SRI objectives have been defined and applied to the variable compensation of positions in the management service. It should be noted that asset management companies are also concerned by the SFDR directive [1] (Sustainable Finance Disclosure Regulation) and that most of them are also working to better align the compensation of their staff with sustainability objectives.

1.6 Transparency, communication, and learning for stakeholders

Rooted in Ircantec's SRI approach, the communication strategy is deliberately understated and adheres to a responsible approach (CSR criteria in the selection of service providers, an eco-friendly booth, a reduction in print publications and email communications, etc.). It is based on a commitment to transparency.

For more than ten years, evidence of the scheme's socially responsible financial management has been presented in a tangible manner. All of Ircantec's SRI-related publications are available on its website: SRI charter, voting policy, portfolio composition, financial statements, annual reports, amongst others. Through these media, Ircantec highlights the ESG performance of its investments, the application of its selection and/or divestment criteria, and its shareholder engagement.

In November 2025, Ircantec launched its LinkedIn account with the goal of raising the institution's profile, highlighting its role as a socially responsible institutional investor. Indeed, this professional social network offers a platform well-suited to broadcasting corporate communications, making it possible to raise awareness of the company's initiatives in the areas of economic financing, SRI, and social responsibility. In addition, many institutional investors (Caisse des Dépôts, Agirc-Arrco, ERAFP) and numerous SRI-related initiatives already use LinkedIn, which allows Ircantec to become part of a dynamic network and enhance its visibility among key players in sustainable finance.

To ensure effectiveness and educative value, Ircantec communicates with its stakeholders in different ways:

- **retired beneficiaries**: The *Ircantec News* (an annual print magazine and special edition for members eligible for social assistance, monthly posts on the website, and a bimonthly newsletter) explains the pension scheme's climate strategy and actions regarding responsible investment, with the goal of making this information accessible and easily remembered;
- **active contributors**: The annual newsletter provides not only practical information to help them navigate the process but also content related to the Scheme's latest SRI developments, published on its internal website;
- **decision-makers** (large employers, elected officials, institutional stakeholders): communications that reference press releases or the publication of key documents (such as annual activity and sustainability reports), provide information on various ESG and climate metrics, while meeting regulatory requirements;
- **elected officials:** Ircantec's participation in the Mayors and Local Authorities Convention highlights its commitment (recalling the eco-responsible nature of its booth, describing its SRI approach in a video shown at the booth, and distributing a fact sheet with the Scheme's key drivers, including SRI);
- **peer investors and asset management firms**: SRI news is shared through email newsletters tailored to this audience and via LinkedIn posts. Due to the transition between terms, the annual conference organized by Ircantec, which brings together SRI management experts and institutional investors, has been postponed until 2026.

(1) The European Sustainable Finance Disclosure Regulation (SFDR), which came into force in March 2021, aims to improve how financial market participants disclose information about the sustainability of their investments. It was implemented to meet the growing demand from investors for clear and comparable information on the sustainability of financial products. The primary objective of the SFDR is to redirect capital flows towards more sustainable investments, by obliging financial institutions to disclose how they integrate sustainability risks and ESG factors in their investment decisions. This enables investors to make better-informed choices and fosters a more sustainable, responsible economy.

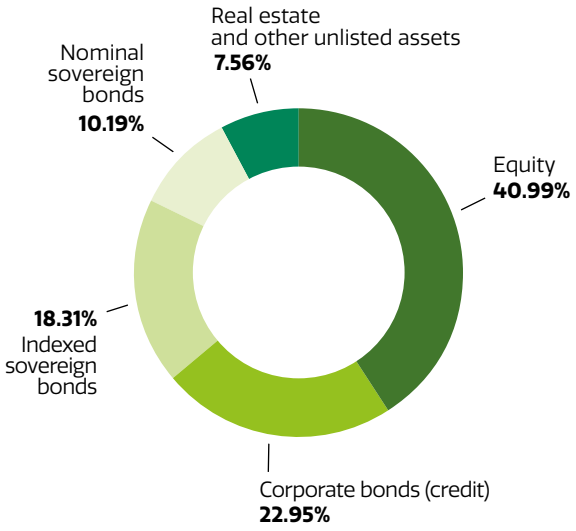
1.7 Presentation of the portfolio

As of December 31, 2025, Ircantec's reserve portfolio had a market value of €18,629.5 million; it comprises a number of asset classes, a detailed breakdown of which is provided below:

- Listed equities include fundamental and systematic investment strategies focused on Europe and the rest of the world, a passive strategy designed to track an index aligned with the goals of the Paris Agreement (*Paris Aligned Benchmark*), as well as topic-specific strategies, primarily focused on the energy and environmental transition;
- credit incorporates Investment Grade corporate bond management in Euro currency (active management), green bond and social bond management including various issuer categories as well as sovereign bonds;
- unlisted assets include investments in various funds such as real estate, private equity, private debt, Social and Solidarity Economy and infrastructure.

It should be noted that 100% of Ircantec's reserves include ESG criteria.

Allocation of Ircantec reserves as at December 31, 2025



2 Protection of financial reserves against climate and sustainability risks

Ircantec considers climate change to be one of its top priorities and is firmly committed to a just energy and environmental transition. This transition requires us to ensure the environmental sustainability of our ecosystems, take into account local communities and consumers, and develop an economy that fosters long-term growth while generating jobs and income. Through these efforts, Ircantec reaffirms its commitment to aligning its investments with a 1.5°C scenario and to supporting efforts to address the social impacts of the energy and environmental transition.

In this context, Ircantec has worked since 2022 with S&P Global Sustainable (Trucost), a provider of climate-related data. The latter is a global provider of environmental data and analyses, especially on corporate emissions and the use of natural resources. This information is used to assess the carbon or environmental footprint of funds, address environmental risks and create investment strategies with low carbon or environmental impact.

Ircantec addresses the issue of climate change from the perspective of double materiality, as outlined in European regulations. This makes it possible to assess how the Fund incorporates climate risks in the sustainable management of its reserves, and how its investments impact the climate and sustainability factors. As early as 2014, Ircantec made climate commitments by signing the Global Investor Statement on Climate Change. These commitments have led the institution to closely monitor its exposure to fossil fuels, alongside a specific exclusion policy. In addition, Ircantec has an annual carbon intensity reduction target and operates a voting policy influenced by the climate strategies of the issuers in its portfolio, in particular through the systematic analysis of the *Say on Climate* initiatives of portfolio companies.

Investors face two categories of climate risks: transition risks (changes in markets, legislation, technologies or consumer perception of a low-carbon economy that negatively affect the value of a company's assets) and physical risks (resulting from damage directly caused by meteorological and climatic phenomena on goods, financial or physical assets or operational processes). Events related to this last type of risk can be acute (example of a natural disaster impacting real estate in a region and locking up the local economy) or chronic (decline in cereal yields resulting from a fall in average rainfall levels). It is the role of investors to identify and measure these risks to ensure the proper management of reserves. The management service therefore maintains ongoing, regular dialog with asset managers (dedicated mandates) to ensure that Ircantec's SRI constraints are respected at all times and to discuss the management and control of sustainability risks, including climate change.

2.1 Climate risk reduction strategy

Ircantec strives to adapt the management of its reserves to climate risks and to limit their scope. This results in divestment decisions that have been taken and refined over the years as well as the use of investment strategies that integrate carbon risk. Indeed, it is essential to address the climate emergency, given how much human-induced global warming is marked since the beginning of the last century. Average annual greenhouse gas (GHG) emissions during the decade from 2010 to 2019 increased by 1.3% per year, compared with 2.1% during the previous decade (2000–2009) [1]. In this way, the last three years have shown that climate policies and international conventions have generated progress. However, the period from 2015 to 2025 represents the warmest years ever recorded in 176 years of observations. For the first time, in 2024, the average temperature reached 1.55 °C above the 1850–1900 averages [2]. This ongoing increase in GHG emissions and the associated rise in temperatures calls for the development of an ambitious and holistic climate policy, particularly through the implementation of sector-specific exclusions.

2.1.1 Fossil fuel exclusions

Thermal coal

According to the International Energy Agency (IEA), coal is the fossil fuel that has historically contributed the most to global warming, due to its high carbon intensity and its widespread use in electricity generation. At the end of 2018, cumulative CO_2 emissions from coal combustion accounted for approximately 0.3°C of the total increase of about 1°C in the global average temperature observed compared to pre-industrial levels. By way of comparison, coal emits an average of more than 800 gCO_2 per kWh generated, which is nearly double that of natural gas and far more than any other large-scale energy source.

Although oil has surpassed coal as the world's leading energy source since the 1960s, coal remains the leading source of energy-related greenhouse gas emissions, largely due to its entire value chain (extraction, transportation, combustion). The latest IEA report indicates that global coal consumption reached a record high in 2024, peaking at 8.77 billion metric tons, illustrating a persistent gap between current trends and those consistent with the Paris Agreement. This increase is all the more concerning given that the price of coal is, on average, more than 50% higher than the levels observed between 2017 and 2019, reflecting a persistent structural dependence in certain energy systems. This trend is driven primarily by China, which remains both the world's largest producer and consumer of coal, particularly to ensure the security of its electricity supply.

(1) IPCC, 2023: Sections. In: Climate Change 2023: Synthesis Report.
(2) WMO State of the Global Climate 2025 report.

The exclusions regarding coal apply exclusively to its use as an energy source – specifically for electricity generation and combined heat and power – and not to its use as a material or industrial input. This distinction is consistent with the work of the IPCC, which identifies the use of coal for thermal power generation as incompatible with a pathway that limits global warming to 1.5°C, in the absence of large-scale carbon capture and storage technologies. As of 2016, through its SRI charter, Ircantec established specific criteria and exclusion thresholds applicable to the companies most exposed to thermal coal and those with the highest emissions. These measures were strengthened in the fall of 2021 by a decision of the board of trustees and then rolled out across the portfolios as of the first quarter of 2022, reflecting a gradual and structured increase in ambition. In line with European best practices, the Institution committed to applying the exclusion thresholds of the "Paris Aligned Benchmark" (PAB) indices starting in 2024. The regulatory framework for PABs, as defined by the European Union's delegated regulation, aims to address the climate emergency by directing financial flows toward a low-carbon economy and reducing exposure to climate-related financial risks, in alignment with the recommendations of the IPCC and the European Central Bank. In line with this framework, Ircantec excludes all companies for which thermal coal (exploration or processing) accounts for more than 1% of revenue. These thresholds are supplemented by the exclusion:

- of all companies developing or contributing to new coal projects (coal mines or coal-fired power plants);
- of partners in the coal value chain (including dedicated transportation and logistics infrastructure) if more than 5% of revenue is derived from thermal coal or in the event of participation in new projects;
- of all companies whose annual coal production exceeds 10 Mt per year;
- of all companies with an installed coal-fired power generation capacity exceeding 5 GW.

However, these exclusions do not apply to companies that present a credible, verifiable phase-out plan aligned with the 2030 deadline, regardless of their geographic location, in accordance with the IEA's scenarios compatible with the 1.5°C objective. A targeted exemption is also provided for green bonds, subject to an explicit and public commitment to completely phase out thermal coal by 2030.

Through this strategy, Ircantec is pursuing a course of action consistent with current scientific knowledge and is committed to achieving zero exposure to thermal coal across all of its portfolios by 2030, regardless of the geographic region.

Oil and gas

The IPCC's Sixth Assessment Report (AR6), published in 2024, emphasizes that achieving global carbon neutrality by 2050 is essential to limit global warming to 1.5°C above pre-industrial levels. The report highlights the urgent need for a rapid, extensive, and sustained reduction in the use of fossil fuels, which still account for more than 80% of the world's energy supply and the vast majority of anthropogenic CO_2 emissions.

According to scenarios consistent with the 1.5°C target, this pathway requires a reduction in global coal consumption of approximately 95%, a 60% reduction in oil consumption, and a 45% reduction in natural gas consumption by 2050, compared to 2019 levels. The IPCC also emphasizes that no new fossil fuel production infrastructure can be developed – other than projects already underway – without jeopardizing the achievement of this climate goal. These findings are fully consistent with those of the International Energy Agency, which states in its report "Net Zero by 2050: A Roadmap for the Global Energy Sector," published in May 2021, states that any new investment in projects to explore or bring new oil and gas fields into production is incompatible with a *Net Zero* trajectory by 2050. The IEA specifies that investments must be strictly limited to maintaining production from existing fields in order to avoid a long-term carbon lock-in and stranded assets.

Starting in 2018, Ircantec implemented a sector-specific divestment policy to remove the most carbon-intensive securities in the oil and gas sector from its investment portfolios. This policy was strengthened in the fall of 2021 by a decision of the board of trustees, with the adoption of new exclusion thresholds, effective in the first half of 2022. However, the growth of fossil fuels – specifically unconventional ones – linked to the boom in shale oil and gas in the United States, as well as rising energy demand in emerging economies, notably China, has led to a further strengthening of Ircantec's policy.

In this context, starting in 2024, the Plan committed to applying the exclusion thresholds of the "Paris Aligned Benchmark" indices for the oil and gas sector, including:

- the exclusion of all companies whose oil-related revenue exceeds 10% of total revenue;
- the exclusion of all companies whose gas-related revenue exceeds 50% of their total revenue;
- the exclusion of all companies that develop or contribute to new unconventional fossil fuel projects;
- the exclusion of all companies whose production is linked to unconventional activities and which do not have a credible and verifiable exit plan.

However, these exclusions do not apply to companies that have adopted a detailed, credible exit plan with clear deadlines by 2030, nor to those that have presented an emissions reduction plan aligned with a 1.5°C scenario and validated by the Science Based Targets initiative (SBTi). These exceptions are justified by the economic imperatives of a just transition, which aims to limit the negative externalities that would result from a transition that is too abrupt – one that could undermine the competitiveness of the most committed companies and exacerbate social inequalities.

In addition, the Scheme continues to make targeted investments in green bonds, subject to an explicit commitment to completely phase out unconventional fossil fuels by 2030, again with the goal of supporting the transition.

These strict exclusions enable Ircantec to make a formal commitment, both through its SRI charter and progressively through its relationships with asset management firms and portfolio companies. The aim is to achieve zero exposure to any company in the oil and gas sector that does not have a credible emissions reduction plan consistent with a 1.5°C temperature rise scenario.

Finally, pending the availability of comprehensive, reliable data on the financing of unconventional activities – which would enable the development of a specific exclusion policy for the financial sector – the Institution is prioritizing a strategy of enhanced shareholder engagement. This initiative aims to encourage financial institutions and insurers in the portfolio to adopt credible and detailed plans for phasing out unconventional investments, in particular by analyzing "Say on Climate" resolutions and evaluating their climate transition plans at shareholder meetings.

2.1.2 Integration of climate risk into the fund strategy

Dedicated mandates, entrusted to selected external managers – more than a dozen management companies to date – are awarded following a two-stage tender process: a pre-qualification phase followed by a detailed proposal phase for shortlisted candidates.

Calls for tenders issued in recent years have increasingly and explicitly included the requirement to incorporate climate and environmental issues at all levels of management. This integration is analyzed across several complementary dimensions: the management company's corporate social responsibility policy, as well as sector-specific responsible investment policies; investment philosophy and processes; the ESG strategy implemented; portfolio construction methods; the organization and expertise of dedicated teams; engagement and voting policies; non-financial reporting mechanisms; and the regulatory classification of funds (particularly as defined by the European SFDR regulation). In particular, asset management firms are required to detail how securities are identified, valued, and selected based on their alignment with climate pathways consistent with the Paris Agreement (limiting global warming to well below 2°C, ideally 1.5°C). Companies must also be signatories to the Principles for Responsible Investment (PRI) and the *Net Zero Asset Manager* (NZAM) or, where applicable, provide a detailed explanation for their non-participation.

Finally, particular attention is being paid to training programs for portfolio managers and analysts on climate and environmental issues, as well as to the possible existence of enhanced non-financial screening criteria that go beyond the exclusions and requirements set out in the Institution's SRI charter.

In this context, fund managers have significant flexibility to meet these expectations, which results in a variety of approaches. Some prefer to analyze a company's climate positioning as a supplement to an initial selection process based on traditional financial and stock market criteria. Others, by contrast, take a more selective approach from the outset, significantly narrowing the investment universe to focus primarily on companies offering tangible and measurable solutions that support the energy and environmental transition – whether in the areas of low-carbon energy production, energy efficiency, the circular economy, or the decarbonization of end-use sectors.

In addition, one of the goals for Ircantec's dedicated funds is to obtain SRI certification. To comply with the requirements of this label, all funds must narrow the initial investment universe by excluding the 30% of issuers with the lowest ESG ratings from the initial panel.

Furthermore, the management agreements for all funds incorporate strict compliance with the SRI charter, reflecting the commitments made by Ircantec, notably in terms of achieving an average annual 7% reduction in greenhouse gas emissions across equity and bond portfolios up to 2050, compared to the 2021 baseline year, in line with a net-zero trajectory. These agreements also include stricter non-financial reporting requirements, including the identification and analysis of the main portfolio factors that negatively impact the energy and environmental transition. They also require the regular updating and effective implementation of a policy consistent with the recommendations of the *Task Force on Climate-related Financial Disclosures* (TCFD), at both fund and management company levels, to improve transparency regarding climate risks and opportunities, transition scenarios, and their related governance.

2.2 Identification and rating of transition risk

2.2.1 Listed companies

Carbon pricing mechanisms are a key tool for managing and anticipating transition risks related to climate change. By placing an explicit price on CO_2 emissions, these mechanisms enable public authorities to internalize a portion of environmental externalities, primarily through carbon taxes or emissions trading systems (ETS). This price signal serves as a powerful incentive by encouraging emissions reductions and in the long run, by promoting a more efficient allocation of capital.

In this context, companies committed to a credible path toward reducing their carbon intensity can gain a sustainable competitive advantage in an environment characterized by a gradually rising carbon cost. Carbon pricing helps smooth the transition to a low-carbon economy by limiting abrupt adjustments and the risk of economic and financial shocks in the event of stricter climate policies. Lastly, it is now based on methodologies widely recognized by the scientific and financial communities, which help direct investment flows toward best-in-class players in terms of climate performance and support the development of low-carbon solutions and renewable energies (OECD, World Bank, IEA).

Globally, 52 carbon pricing mechanisms are currently in effect or being implemented at the regional, national, or subnational levels. These systems account for approximately 20% of global greenhouse gas (GHG) emissions, a proportion that is steadily increasing. New systems are likely to emerge in the coming years, to expand emissions coverage and enhance the effectiveness of climate policies. This initiative is part of the Paris Agreement and aims to enable signatory states to achieve their nationally determined contributions (NDCs), while taking into account the specific economic, sectoral, and social characteristics of each region (World Bank, UNFCCC).

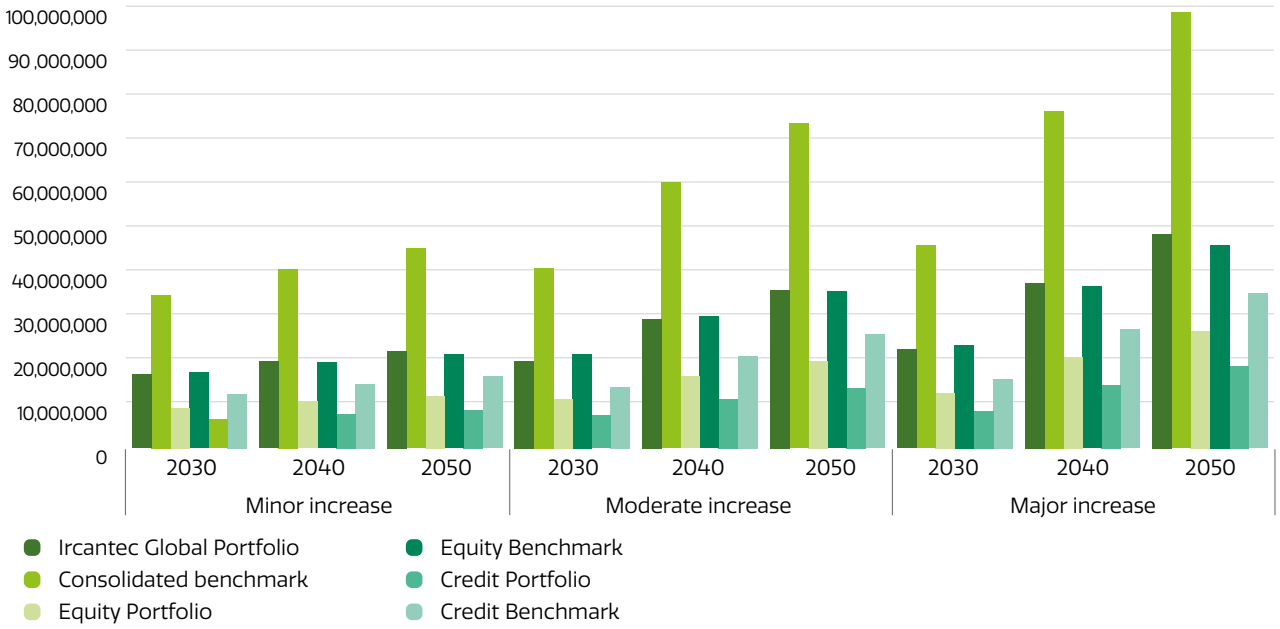
To help investors analyze and manage the risks associated with a potential increase in carbon prices, Trucost has developed a database dedicated to possible future carbon price trajectories. This database is based on publicly available information regarding current prices in more than 44 jurisdictions around the world. It makes it possible to assess each issuer's current capacity to absorb higher future carbon costs and to identify the companies most exposed to stricter climate policies.

This approach also incorporates the quantification of an "unpriced carbon cost" (UCC), defined as the difference between the price a company actually pays for its emissions currently and the price at which those emissions could be valued in the future under a more ambitious transition scenario.

The unpriced carbon cost is calculated as the product of a company's carbon footprint, expressed in metric tons of CO_2 equivalent (tCO_2e), and a carbon risk premium, which corresponds to the difference between a future carbon price and the price currently paid. The UCC level varies significantly depending on the industry sector, the carbon intensity of business models and the geographical regions where emissions are generated. In practical terms, the UCC represents the difference between what a company pays to emit carbon today and what it might pay in the future.

It also depends on the climate scenario chosen and the time horizon of the analysis: the scenarios used are based on reference studies by the OECD and the International Energy Agency, particularly the *Representative Concentration Pathways* (RCP). Of these, two trajectories are compatible with limiting global warming to 2°C by 2050: the RCP 4.5 scenario, characterized by a moderate and gradual increase in the price of carbon, and the RCP 2.6 scenario, which assumes a faster and more marked increase in the price signal to achieve a level of ambition consistent with international climate goals.

Allocated unpriced carbon costs (Euros)



The overall portfolio [1] is constantly exposed to an unpriced carbon cost that is lower than its benchmark, especially if the scenario used assumes the immediate implementation of measures to limit global warming to 2°C. Indeed, unpriced carbon costs are highly dependent on global warming. The more it rises, the greater the climate risks will be. And then, the climate policies will be stricter, through a significant increase in carbon taxes. As the portfolio is more resilient to climate change, the carbon cost remains below that of its benchmark and this relative performance improves at the same time as temperatures rise. The benchmark comprises companies with significant carbon emissions, so the decarbonization needs are greater. For example, companies that are heavily reliant on fossil fuels – both in terms of production and consumption – automatically have high absolute emissions, which in turn affect the cost of unpriced carbon.

Furthermore, in the event of a scenario involving a sharp rise in carbon prices, the sectors most exposed to non-tariff carbon costs are utilities, materials, and industry. These three sectors alone account for 81.63% of the unpriced carbon costs across the entire portfolio. This significant contribution is primarily due to their structurally high carbon intensity. Such activities rely heavily on the use of fossil fuels – particularly natural gas, which is still considered a transition fuel – as well as on production processes that generate high levels of greenhouse gas (GHG) emissions, especially in the production of electricity, cement, steel, and basic chemicals.

(1) Throughout the report, in the "Listed companies" sub-sections, the global portfolio refers to all corporate/enterprise issuers in dedicated Ircantec funds (equity and bonds).

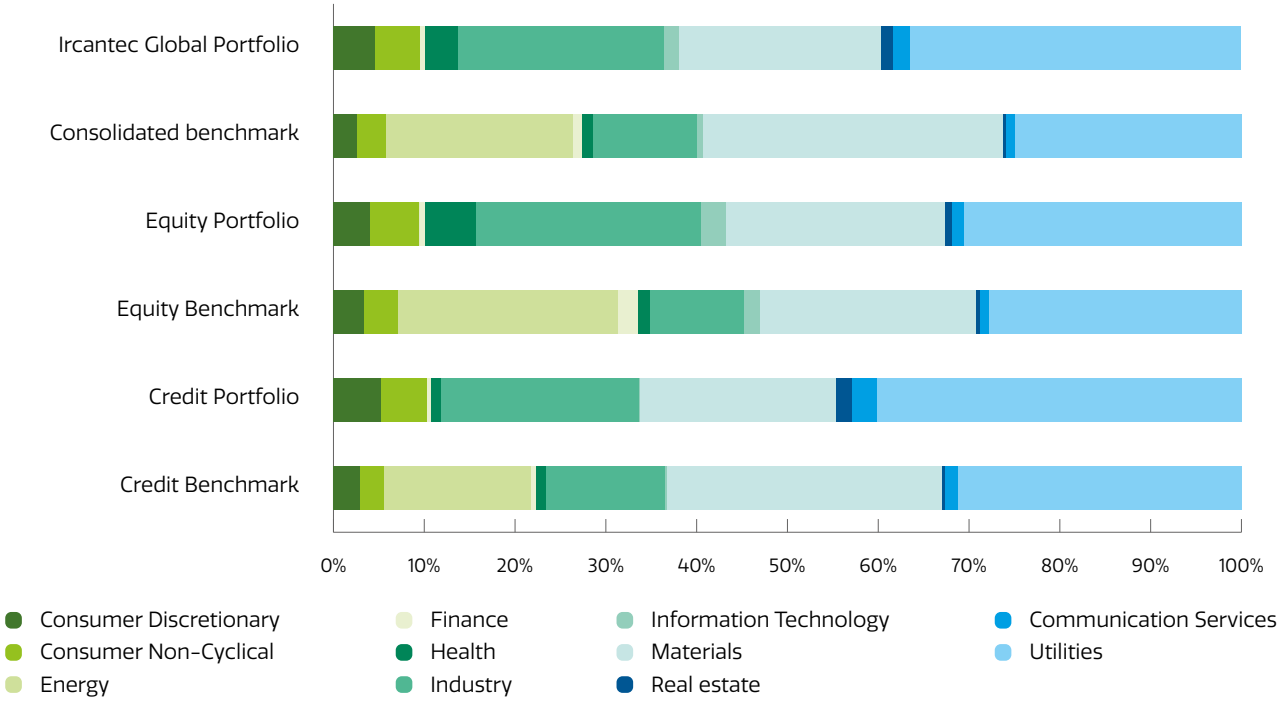
These sectors are often characterized by aging infrastructures and less-efficient technologies in terms of energy, which raises their greenhouse gas emissions. As a result, energy efficiency falls short of the standards required for a decarbonization pathway consistent with international climate goals. This technological rigidity limits the speed at which the system can adapt and increases the marginal cost of reducing emissions. Furthermore, the structurally high and relatively inelastic demand for their essential goods and services (electricity, construction materials, intermediate industrial goods) makes the transition to low-carbon alternatives more gradual, complex, and costly in the short and medium term.

Conversely, the consolidated benchmark shows a significantly different exposure pattern. The benchmark is significantly more vulnerable to the unpriced carbon costs in the energy sector, which alone account for 20.53% of the total. This scenario clearly illustrates the impact of high exposure to embedded emissions – namely emissions integrated into reserves, physical assets, and value chains – which are typical of activities related to the extraction, production, and processing of fossil fuels. Such exposure automatically results in a significantly higher unpriced carbon cost, against the backdrop of increasingly stringent climate policies.

One of the direct consequences of this trend is the increased risk that certain assets in the energy sector will become stranded. Such assets can be defined as rapidly losing value, primarily due to sudden regulatory changes, stricter environmental requirements, or disruptive technological innovations, which render their operation economically unviable before they are fully depreciated. A sharp increase in the price of carbon resulting from unfavorable legislative changes could significantly undermine the profitability and market value of these companies.

This vulnerability is particularly evident in the chart shown above: in a scenario involving a sharp rise in carbon prices, the benchmark shows carbon costs that are roughly twice as high as those of the overall portfolio. This difference highlights the importance, in terms of transition risk management, of allocating capital in a way that prioritizes companies that have embarked on a credible path toward reducing emissions and gradually adapting their business models to a low-carbon environment.

Unpriced Carbon Cost by sector (moderate rise 2030 scenario)



The Ircantec portfolio is more exposed to the utilities and industry sectors than its benchmark. Nonetheless, it is under-exposed to risk in the materials sector. These company-specific results can in part be explained by the significant weight of utilities in the overall portfolio. In relative terms, this sector is strongly dependent on fossil energies, especially gas, and consequently the potential future carbon cost is high.

Finally, an analysis of the geographic distribution of non-tariff carbon costs by 2030 reveals a marked concentration in a few geographical regions. The United States is the largest contributor to the overall portfolio, accounting for 37.45% of total costs, followed by France (7.81%) and the United Kingdom (7.13%).

When these contributions are viewed in the context of these countries' respective weights in the overall portfolio, they reveal widely varying levels of exposure to carbon risk. The United States accounts for nearly 18% of the total portfolio, while representing more than 37% of non-tariff carbon costs, reflecting an exposure that is significantly greater than its economic weight in the portfolio. In contrast, France has a significantly more favorable profile: although it accounts for about 22% of the overall portfolio, it contributes only 7.81% to non-tariff carbon costs. This disconnect between financial weight and contribution to carbon risk reflects the particularly strong position of French companies with respect to this indicator.

These results suggest that sectoral composition, technological choices, and the extent to which firms anticipate regulatory changes play a decisive role in geographic exposure to transition risk. In this regard, the structure of the French economy, as reflected in the portfolio under review, appears to be better aligned with a decarbonization pathway compatible with a gradual strengthening of climate policies, unlike certain segments of the U.S. market, which are more carbon-intensive.

Furthermore, analyzing a key financial indicator for companies – EBITDA – allows for a more nuanced assessment of transition risks within the portfolio. In this regard, the *utilities* subsector – which includes companies involved in the production, distribution, and sale of water, gas, and electricity – plays a significant role in the credit portfolio. This exhibition reflects a deliberate choice by Ircantec, which views these stakeholders as essential to the functioning of the real economy and as key contributors to the transition toward a high-performing, low-carbon economy.

However, despite this strategic role, these companies remain exposed to carbon risk. As a result, companies such as Veolia are included in the credit portfolio, and a significant portion of their EBITDA is exposed to non-tariff carbon costs: under the scenario of a moderate increase in carbon prices, nearly 66% of Veolia's EBITDA is considered at risk. This situation stems from the very nature of their activities, which are often energy-intensive and closely tied to existing infrastructure, the decarbonization of which requires substantial and phased investments.

In addition, the industrial sector is heavily represented in the overall portfolio, mainly due to the presence in the equity portfolio of numerous companies active in the civil aviation sector. This subsector is characterized by particularly high exposure to carbon risk, due to its structural dependence on fossil fuels and the current lack of mature, large-scale technological solutions for rapid decarbonization. For example, EasyJet's carbon risk exposure is more than twice its EBITDA in the high-growth scenario.

Furthermore, the analysis highlights a certain concentration of risk related to non-tariff carbon costs in a limited number of sectors and securities. This relative concentration makes it easier to monitor and manage transition risk within the portfolio. Furthermore, this is offset by a generally consistent weighting of the positions, which helps limit the potential impact of these specific risks on the portfolio's overall profile and maintain effective diversification.

In fact, only 2.9% of the overall portfolio's EBITDA is at risk, down from last year (4.27%), compared with 4.5% for the benchmark. The credit portfolio is more exposed than the equity portfolio. Furthermore, as mentioned earlier, carbon costs are heavily concentrated in the United States, France, and the United Kingdom.

The portfolio has a pronounced geographic bias toward Europe and the United States. However, these two regions are characterized by a high *carbon premium* – that is, the expectation that future carbon prices will be significantly higher than in the rest of the world – as well as a faster upward trajectory. This trend can be attributed to climate policies that were implemented earlier, were more structured, and were more stringent, and that explicitly aimed to limit global warming, in line with the objectives of the Paris Agreement.

The example of the European Union is particularly illustrative. In 2005, the EU established a greenhouse gas emissions trading system (EU ETS) based on a cap-and-trade mechanism. In this system, the price of carbon is determined by the interplay of supply and demand for quotas: it rises when demand from companies increases, but also – and most importantly – when the regulator gradually reduces the overall cap on permitted emissions. This planned reduction in the cap is fully consistent with European climate commitments, particularly those set out in the European Green Deal, which calls for a reduction of at least 55% in net GHG emissions by 2030 compared to 1990 levels, with the goal of achieving carbon neutrality by 2050.

In practical terms, this regulatory goal has resulted in a gradual and nearly continuous rise in the price of carbon in Europe, with a marked acceleration observed since 2022. For example, the average price of an emissions quota – corresponding to one tonne of CO_2 equivalent – rose from approximately €37.45 in February 2021 to nearly €70 in August 2024. In 2023, the European carbon market covered approximately 36% of the EU's total GHG emissions, including, in particular, electricity generation, heavy industry, and more recently, maritime transport. These factors make Europe's carbon price signal one of the most robust and credible in the world, compared to other regions where such mechanisms are either nonexistent or less stringent.

In this context, despite significant geographic exposure to regions with high carbon prices, the portfolio's EBITDA is overall slightly less exposed to carbon risk than its benchmark. In other words, the operating profits of companies owned by the Institution appear on average to be less vulnerable to a rise in carbon prices than those of the companies included in the benchmark index. This configuration reflects a selection of issuers that either have a lower carbon intensity or are better able to adapt to a stricter regulatory environment.

Conversely, should climate policies become stricter, companies whose EBITDA is most exposed to carbon risk are indeed likely to experience more significant valuation adjustments, as well as a relative decline in their financial returns. Nevertheless, it should be noted that many of these companies have adopted credible transition strategies toward a low-carbon model. This is particularly true of Holcim (129% of EBITDA at risk),

whose carbon neutrality targets have been validated by the Science Based Targets initiative (SBTi) in accordance with a 1.5°C trajectory covering all emission scopes. The company also incorporates the analysis of physical and transition risks at more than 320 industrial sites into its long-term strategy, demonstrating a leading-edge approach to climate risk management.

These findings confirm that, beyond the level of gross exposure to carbon pricing, the quality of the transition strategies implemented is a key determinant of financial resilience in the face of climate risks.

2030 moderate rise scenario	Allocated unpriced carbon cost (In Euros)	EBITDA at risk (in %)	Decrease in EBITDA margin (as % points)	Percentage of the portfolio with at-risk EBITDA > 10%	Percentage of the portfolio consisting of companies that have become unprofitable
Ircantec Global Portfolio	**22,435,563**	**2.90%**	**-0.64%**	**6.88%**	**0.14%**
Consolidated benchmark	46,137,663	4.50%	-0.95%	9.35%	0.90%

Furthermore, the assessment of transition risks is not based solely on an analysis of the price of carbon. It can also be expanded by identifying companies at high risk of having stranded assets on their balance sheets, regardless of whether explicit carbon pricing exists or what its level is. From a climate perspective, stranded assets are assets whose economic value could be significantly impaired due to constraints related to the energy transition, such as changes in the regulatory framework, an increase in climate-related litigation, technological obsolescence, or a structural decline in demand (IEA, 2021; NGFS, 2022).

Activities related to the extraction of non-renewable energy – and more specifically those based on unconventional resources, such as shale gas or oil sands – are traditionally considered to be the most exposed to this risk. In fact, according to the International Energy Agency, achieving carbon neutrality by 2050 requires that no new fossil fuel exploration and development projects be undertaken beyond those already underway, which exposes a significant portion of existing reserves to a high risk of not being economically viable (IEA, *Net Zero by 2050*, 2021). Nevertheless, the ongoing uncertainty regarding the final shape of a low-carbon economy means that many other sectors and business models could gradually be affected by the phenomenon of stranded assets as climate policies are strengthened and technological disruptions occur.

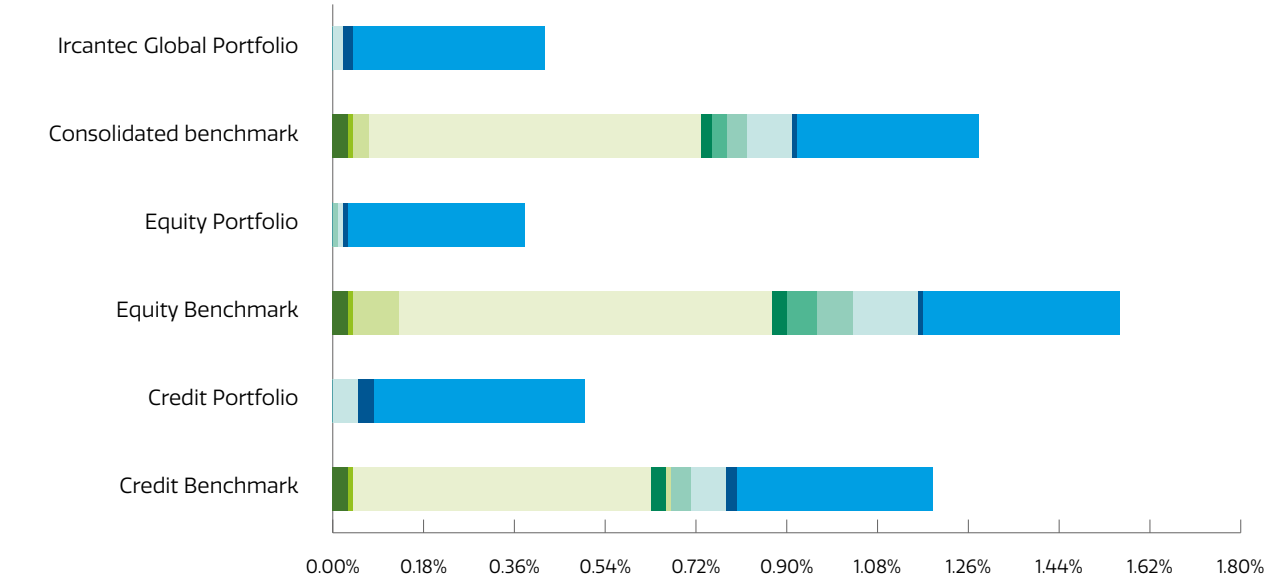
In this context, active monitoring is conducted within the portfolios to track the share of activities related to coal and fossil fuel operations that have the highest emission factors [1] per tonne of oil equivalent. Explicit phase-out targets for these activities are included in most public policies and medium- and long-term energy transition scenarios (OECD, 2022; IPCC AR6, 2023). Companies still in the portfolio in 2025 that are exposed to these segments strictly adhere to the thresholds defined by the SRI charter. It should be emphasized that this approach does not entail systematic exclusion, but is based on an analysis of the credibility of transition plans, particularly when the companies in question have committed to effectively phasing out fossil fuels by 2030 for the activities listed on Ircantec's exclusion list. This approach is part of an effort to support stakeholders committed to transforming their energy mix, rather than taking an exclusively restrictive approach, which would be impractical.

Furthermore, the companies in the portfolios that are still exposed to fossil fuel operations are primarily diversified energy companies, particularly those in the *utilities* sector. These companies generally combine residual operations in fossil fuels with a significant growth strategy in renewable energy, grid infrastructure, energy efficiency, or environmental services, while implementing a gradual policy of divesting from their most carbon-intensive assets. Companies such as Enel, Iberdrola, and Veolia are prime examples of this. These companies play a pivotal role in the energy transition, particularly through the development of renewable energy capacity, the modernization of power grids, and the sustainable management of resources.

Thus, Ircantec's reserves provide funding for activities that promote the transition of high-carbon sectors toward economic models compatible with a low-carbon trajectory. This funding reflects Ircantec's mission to support stakeholders who provide tangible solutions capable of balancing economic benefits, financial resilience, and an effective contribution to long-term climate goals, in accordance with the recommendations arising from the work of the IPCC, the IEA, and the Network of central banks and supervisors for the Greening of the Financial System (NGFS).

(1) An emission factor is a coefficient used to convert activity data into GHG emissions.

Exposure to turnover related to fossil fuels by industry



Exposure to turnover related to fossil energies in the consolidated portfolio fell from 0.62% in 2024 to 0.42% in 2025, compared to 1.34% for the benchmark. The equity portfolio is four times less exposed to fossil fuel revenues than its benchmark index. Furthermore, Ircantec's overall portfolio has no exposure to revenue from bituminous or underground coal, nor from oil sands, liquefied natural gas extraction, and crude oil and natural gas extraction.

This very low exposure to oil and gas explains why the portfolio is less exposed to stranded assets than its benchmark. The greatest exposure to turnover related to fossil fuels is found in the production of energy via natural gas, which represents around 90% of turnover. This is mainly due to the utilities in the portfolio which remain partly dependent on fossil fuels, for example NextEra Energy, Iberdrola or even SSE Plc. These companies are active in the gas sector to enable their transition to renewable energies.

Main contributors to turnover derived from fossil fuels – Ircantec Global Portfolio

Description	Sector	Portfolio	% turnover from mining/ extraction	% turnover from energy	% of Total Revenue	% turnover with weighted risk in portfolio	Climate 100+
		Weight (%)	Fossil resources			Portfolio	
NextEra Energy, Inc.	Utilities	0.32%	0%	41%	41%	0.132%	Yes
SSE plc	Utilities	0.50%	0%	18%	18%	0.093%	Yes
Iberdrola S.A.	Utilities	1.65%	0%	3%	3%	0.044%	Yes
Enel SpA	Utilities	0.51%	0%	8%	8%	0.039%	Yes
Engie SA	Utilities	0.35%	0%	7%	7%	0.023%	Yes
Électricité de France S.A.	Utilities	0.30%	0%	6%	6%	0.019%	Yes
EnBW Energy Baden-Württemberg AG	Utilities	0.08%	0%	16%	16%	0.014%	No
L'Air Liquide S.A.	Materials	0.55%	0%	2%	2%	0.013%	Yes
E.ON SE	Utilities	0.48%	0%	1%	1%	0.007%	Yes
Iren SpA	Utilities	0.03%	0%	19%	19%	0.006%	No

Lastly, in accordance with the SRI charter, the Plan derives no revenue from fossil fuel extraction, since 100% of its revenue comes from the use of coal to generate electricity or from support for oil and gas operations. However, in the consolidated benchmark portfolio, 63% of turnover is directly generated by fossil fuel mining.

2.2.2 Sovereign funds and similar

In terms of the sovereign portfolio, analysis used to identify and measure the sovereign bonds that are most exposed to a transition risk seems less pertinent. Sovereign bonds depend on the issuing countries, in which the economies specific to each country exhibit great diversification, depth and a capacity for resilience. It is nonetheless possible to analyze the countries where electricity production is very low-carbon and where the operation of the economy depends on fossil energies. These countries will have to invest more for the energy transition. The legal judgment against several countries (France, Germany, Netherlands, Canada) for climate inaction over recent years illustrates that countries have their part to play in this transition and may legal be obliged to repair the environmental damage they have caused. The islands of Malta and Cyprus, Australia and Japan are primarily concerned. France, which is overweight in the portfolio, generates only 10.1% of its electricity from fossil fuels, 69% from nuclear power, and the remainder from renewable energy sources (RES).

Furthermore, an analysis of greenhouse gas emissions by country makes it possible to identify not only the leading contributors to global warming in terms of volume, but also the countries whose economic and energy trajectories make the climate transition particularly complex. The countries expected to make the greatest efforts are not only those with the highest per capita emissions, but also those whose energy mix remains heavily carbon-based, whose level of development is driving rapid growth in energy demand, or whose economies rely heavily on the production and export of fossil fuels.

As such, historically industrialized Western countries continue to have high per capita emissions and bear significant responsibility for cumulative emissions. The United States ranks first, due to its very high per capita energy consumption, an electricity mix that remains heavily reliant on fossil fuels, and its major role as a producer of hydrocarbons. They are followed by countries such as Canada and Australia, whose economies are both carbon-intensive and specialized in the extraction of fossil fuels.

At the same time, the major emerging economies play a central role in the future trajectory of global emissions. China and India, in particular, have a high carbon intensity in their electricity mix, which is heavily reliant on coal, while experiencing sustained growth in energy demand driven by their economic and demographic development. According to reports by the IPCC and the International Energy Agency, these countries will need to make considerable efforts to balance development, energy security, and decarbonization, particularly through the electrification of end-use sectors, the large-scale deployment of renewable energy, and the increasing use of low-carbon technologies (IEA, World Energy Outlook; IPCC, AR6).

Furthermore, the situation is particularly sensitive in countries which produce and export fossil fuels, such as Russia and, more broadly, OPEC member countries. In these countries, the climate transition is challenging fundamental economic models, with major budgetary, social, and geopolitical implications. Recent geopolitical tensions – particularly those related to conflicts in the Middle East or the regional repercussions of wars affecting energy supply routes – illustrate the fact that the transition cannot be analyzed in isolation from issues of energy security and international stability. These constraints can slow down, delay, or complicate the implementation of ambitious climate policies.

In this diverse context, the efforts required vary greatly from country to country, both in scope and in approach. Developed economies must prioritize a fundamental transformation of their consumption and production models, while emerging economies must rise to the challenge of pursuing a low-carbon growth path. Some States, on the other hand, stand out for their more favorable stance. France thus stands out as a relative model among developed countries, thanks to a low-carbon electricity mix that relies heavily on nuclear power and renewables, which structurally reduces the carbon intensity of its economy and facilitates the achievement of long-term climate goals. Below are the top ten countries in the portfolio with the electricity mix most dependent on fossil fuels.

Country	% of electricity generation associated with fossil energies
Poland	79.88%
Australia	75.96%
Japan	72.99%
Netherlands	60.74%
Greece	58.99%
USA	52.05%
Italy	49.83%
Germany	49.60%
Ireland	45.29%
Hungary	41.48%

2.3 Identification and rating of physical risk

2.3.1 Listed companies

Physical risks associated with climate change are a growing source of financial vulnerability for businesses and investment portfolios. They can be acute in nature – resulting from increasingly frequent and intense extreme weather events (such as storms, floods, or heat waves) – or chronic, arising from gradual and long-term changes in climate trends (rising average temperatures, changes in precipitation patterns, water stress). These risks are likely to have significant financial impacts, particularly through damage to physical assets, business disruptions, increased operating costs, or supply chain disruptions (IPCC, AR6; TCFD, 2017).

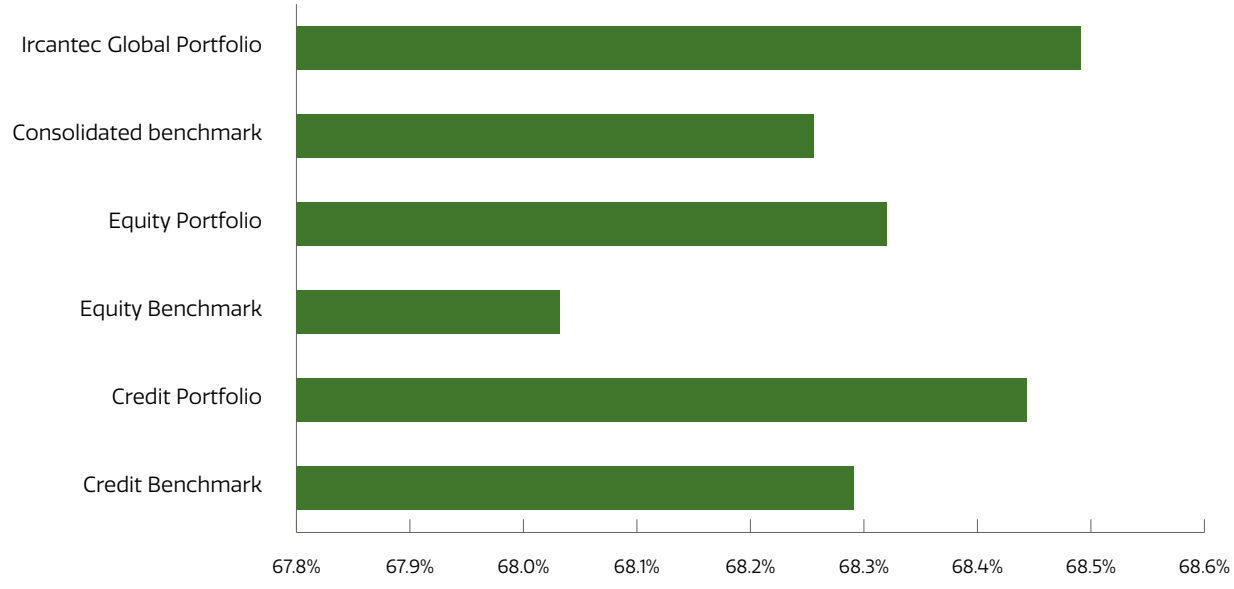
To systematically assess these risks, S&P Global Sustainable1 has developed a framework for analyzing physical risks based on the identification of several key climate hazards. This framework covers eight major types of physical hazards: wildfires, extreme cold, extreme heat, water stress, coastal flooding, river flooding, flash flooding, tropical cyclones, drought, and landslides. The latest version of the database links more than 3.1 million assets to more than 20,000 companies worldwide and provides climate projections through the end of the century (2020s through 2090), based on four distinct climate scenarios consistent with the trajectories derived from IPCC research.

Two key indicators emerged from this assessment: exposure scores and potential financial impacts. The exposure score is a point-in-time measure of exposure to climate hazards, assessed relative to global climate conditions, regardless of the specific characteristics of the asset in question (resilience, physical protections, adaptation). This score is expressed on a scale of 1 to 100, where 100 represents the highest possible level of exposure and vulnerability for a given hazard, and 1 represents the lowest. Composite scores are also calculated using a logarithmic function to reflect cumulative exposure to various types of physical risks. The second indicator, climate-related financial impacts, aims to quantify the expected economic consequences of changes in exposure to physical risks compared to a baseline scenario. These impacts are expressed as a percentage of asset value and may reflect potential losses related, for example, to an increase in capital expenditures (Capex), operating expenses (Opex), or business disruptions caused by extreme weather events. This assessment is conducted on a case-by-case basis for each asset, taking into account its geographic location and its vulnerability to various risks.

When granular asset data is insufficient, the analysis relies on geographic proxies, such as the location of the company's headquarters and the geographic distribution of its revenue. In this case, exposure to physical risk is estimated based on average scores observed by country or region. Each company is thus assigned an exposure score for each of the eight types of physical risks, as well as a composite score that summarizes its overall climate vulnerability profile.

At the portfolio level, exposure scores and financial impacts are aggregated as weighted averages, based on the respective weights of the investments. This approach provides a consistent framework for assessing the portfolio's overall exposure to physical risks associated with climate change, in line with the TCFD's methodological recommendations and recent scientific research on the assessment of financial climate risks.

Composite Exposure Score



Weighted average exposure score

Ircantec Global Portfolio – Exposure Scores and Type of Physical Risk – High Scenario 2050

	Composite	Forest fire	Extreme cold	Extreme heat	Water stress	Coastal flooding	River flooding	Storm flooding	Tropical cyclone	Drought	Landslide
Communication Services	67.7	7.8	3.9	39.7	43.9	1.3	7.5	25.0	2.8	38.4	13.7
Consumer Discretionary	67.7	7.4	4.0	39.6	44.4	1.2	6.4	24.9	3.0	38.7	14.4
Consumer Non-Cyclical	67.8	7.7	3.7	41.9	41.0	1.1	6.0	25.7	3.0	37.5	16.5
Energy											
Finance	68.7	7.2	3.9	38.8	42.8	1.3	6.7	25.9	2.1	43.8	17.5
Health	68.6	5.7	3.5	43.1	45.4	1.0	7.4	23.7	5.5	38.3	14.4
Industry	68.1	8.2	3.9	39.4	45.6	1.2	5.8	24.5	2.6	40.5	13.8
Information Technology	68.7	8.2	3.9	41.4	46.2	1.0	7.8	25.9	4.3	34.5	15.2
Materials	68.8	11.6	3.9	42.0	43.0	1.1	5.6	24.1	2.8	40.9	15.5
Real estate	66.8	4.8	4.0	35.9	38.0	1.1	7.0	26.0	1.8	45.0	15.1
Utilities	70.3	13.1	4.1	38.0	49.9	1.1	4.9	21.6	1.4	48.5	16.7

Within the global portfolio, the greatest risks are extreme heat, drought and water stress. These results are consistent with and in line with those from 2024.

Also, the greatest physical risks since 2024 are now linked with the direct temperature rise. According to the latest report by the European Environment Agency published in 2024, which identifies 36 climate risks with potential major consequences in Europe, 2023 was the hottest year ever recorded using a 12-month average, exceeding the 1.5°C threshold in relation to the pre-industrial era.

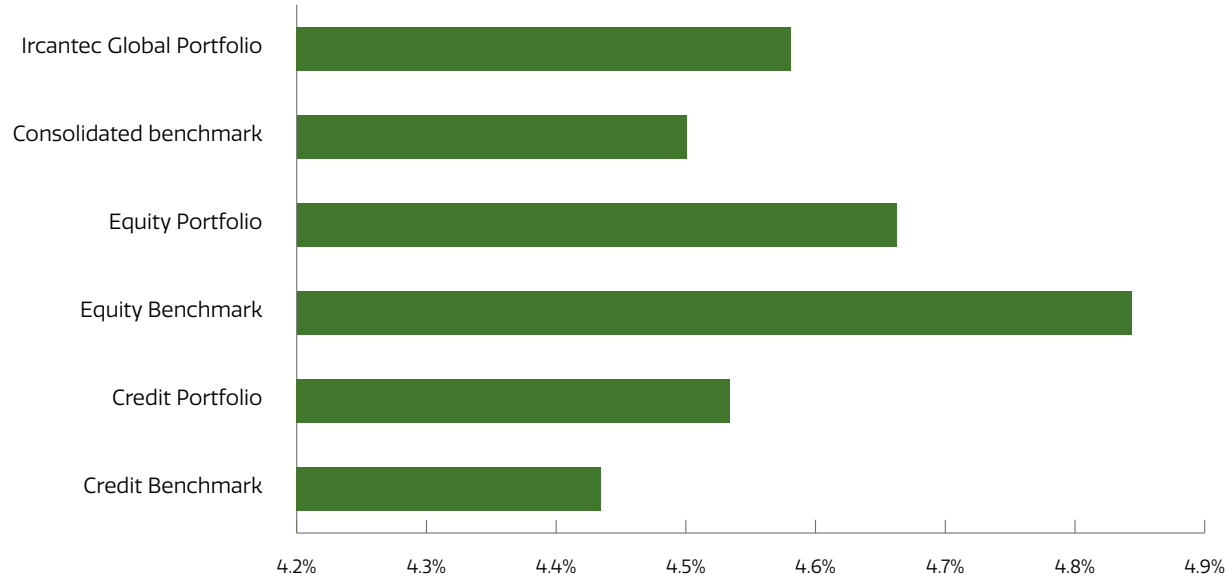
Europe is the fastest warming continent in the world. As a result, extreme heat waves – which were previously relatively rare – are becoming increasingly frequent. The south of Europe is increasingly prone to extreme heat-related climate events, notably extensive droughts. At December 31, 2025, the Ircantec equity portfolio of dedicated funds comprised 52.43% of European securities, so it seems consistent that this portfolio is highly exposed to the risks referred to above.

In addition to the overall portfolio's very high exposure to risks related to extreme heat, water stress, and drought, exposure to the risk of wildfires also appears to be significant. This situation can be explained in large part by the high weighting of the United States in the portfolio; the country is particularly vulnerable to more intense and longer wildfire seasons caused by climate change. In 2024, nearly 40,000 fires were recorded in the United States, burning an area of approximately 7.7 million acres, confirming a trend toward fewer but more widespread and intense fires. California remains one of the main hotspots for wildfires, with more than 8,100 fires recorded over the course of the year, including several major fires, notably the Park Fire, classified as a megafire, which alone destroyed more than 429,000 acres (CAL FIRE, National Interagency Fire Center, 2024).

In addition to physical risk exposure scores, Trucost also assesses the financial impact of these climate risks. This indicator is designed to measure the economic consequences resulting from changes in exposure to climate-related risks. These assessments are consistent with the trends observed worldwide. According to consolidated analyses by the World Economic Forum, UNDRR, and reinsurance institutions, annual economic losses from natural disasters have risen sharply in recent decades. While average annual losses were estimated at between 70 and 80 billion U.S. dollars for the1970–2000 period, they now stand at 180 to 200 billion U.S. dollars per year for the 2001–2020 period. When indirect costs and damage to ecosystems are factored in, some estimates put the true cost of natural disasters at more than 2,300 billion U.S. dollars per year (UNDRR, Global Assessment Report 2025; Swiss Re Institute, 2025).

At the European level, data from the European Environment Agency consistently confirms this trend. Between 1980 and 2024, extreme weather and climate events caused nearly €822 billion in economic losses in the European Union, with more than 25% of those losses occurring in the 2021–2024 period alone, illustrating a marked acceleration in financial impacts. Heat waves alone account for about 18% of total economic losses, while floods and storms are the largest contributors in absolute terms (European Environment Agency, 2025). Finally, long-term projections highlight the potential scale of future risks in the absence of ambitious adaptation and mitigation measures. According to the European Environment Agency, a sustained overshoot of the target to limit global warming to +1.5°C could result in annual economic losses of up to €1,000 billion by the end of the century in Europe, as well as a significant increase in heatwave-related deaths, potentially affecting several hundred thousand people. In this context, systematically and proactively addressing the physical risks associated with climate change is essential for anticipating financial impacts and developing credible adaptation strategies. The goal is to improve companies' resilience to climate-related risks and, by extension, to strengthen the long-term robustness of investment portfolios, in line with the recommendations of the IPCC, the TCFD, and international regulatory authorities.

Financial impact



Ircantec Global Portfolio – Financial impact by sector and type of physical risk – High scenario for 2050

	Composite	Forest fire	Extreme cold	Extreme heat	Water stress	Coastal flooding	River flooding	Storm flooding	Tropical cyclone	Drought	Landslide
Communication Services	7.74 %	0.07%		4.53%	1.59%	0.05%	0.06%	0.29%	0.01%	1.08%	0.06%
Consumer Discretionary	5.07%	0.09%		3.70%	0.59%	0.01%	0.05%	0.27%	0.01%	0.29%	0.07%
Consumer Non-Cyclical	4.57%	0.08%		3.08%	0.73%	0.01%	0.05%	0.29%	0.00%	0.27%	0.07%
Energy											
Finance	3.94%	0.07%		3.01%	0.37%	0.02%	0.05%	0.25%	0.00%	0.10%	0.07%
Health	4.14%	0.08%		3.10%	0.37%	0.01%	0.06%	0.26%	0.02%	0.17%	0.07%
Industry	3.87%	0.08%		2.77%	0.46%	0.02%	0.04%	0.25%	0.00%	0.21%	0.05%
Information Technology	5.19%	0.06%		3.56%	0.64%	0.01%	0.06%	0.29%	0.02%	0.48%	0.08%
Materials	4.81%	0.09%		2.85%	0.92%	0.01%	0.04%	0.23%	0.00%	0.61%	0.06%
Real estate	4.51%	0.11%		2.92%	0.74%	0.01%	0.05%	0.27%	0.00%	0.34%	0.07%
Utilities	5.08%	0.04%		0.99%	3.24%	0.01%	0.03%	0.14%	0.00%	0.62%	0.01%

The financial impact analysis reveals that the risks of extreme heat followed by water stress are the most significant for the issuer assets in the portfolio. Vulnerability to extreme heat mainly affects the Communication services sector but also Health and Information Technology. The financial impact related to water stress across the utilities sector is also high.

These results are explained by the fact that climate change leads to alterations in rain patterns, increases the frequency and intensity of water stress levels. The increase in the population and associated urbanization are raising the demand for water.

Public services are subject to the risk of water shortages in their activity of distributing drinking water to populations. Furthermore, in the case of the energy sector, water stress represents a major risk, in particular for cooling nuclear reactors.

2.3.2 Sovereign funds and similar

The physical risk of sovereign funds is not yet analyzed by Trucost. These indicators are being developed and will be included as soon as possible in future publications by Ircantec.

3 Impacts of Ircantec investments on climate and biodiversity

By adopting a responsible investor approach, Ircantec considers that it can actively and sustainably contribute to directing capital toward sustainable, low-carbon growth. Ircantec's goal is, on the one hand, to influence the economy through investment choices that favor responsible companies and, on the other hand, to directly finance innovations and infrastructures favoring the energy and environmental transition through specific investments (unlisted, green bonds, funds oriented towards so-called "solution" companies). This does not diminish the fact that, as an institutional investor, present in the equity of several hundred European and global companies, the economic weight of its investments is significant, leading to an extensive carbon footprint that must be reduced. Lastly, the new regulations applicable to the Scheme (SFDR and in particular the decree of article 29 of the 2019 French Energy and Climate Law), highlight the need for greater integration of long-term biodiversity-related objectives in the strategy.

3.1 Carbon footprint

Ircantec's commitment to climate action is fully in line with its founding values of intergenerational solidarity. It aims to actively contribute to environmental conservation for the benefit of current and future generations, while supporting the economy's energy and environmental transition. This approach includes, in particular, support for the development of activities and jobs within the green economy, which is considered a key driver of sustainable growth and social cohesion.

Since 2009, Ircantec has been committed to responsible investing and has gradually structured and strengthened its efforts in terms of sustainable finance. A decisive milestone was reached in 2016, following COP 21, with the signing of the Paris Agreement, marking a clear commitment to align the management of its reserves with international climate goals. In 2021, to ensure its investments are aligned with an emissions reduction trajectory consistent with a scenario limiting global warming to 1.5°C, the Scheme committed to measuring its portfolio carbon footprint annually and to significantly reducing its emissions. This commitment falls within the regulatory framework established by the decree implementing Article 29 of the Energy and Climate Act, which strengthens transparency requirements and climate risk management for institutional investors.

In this context, Ircantec has chosen to adopt best market practices and the most stringent standards for portfolio decarbonization. The pension fund has thus committed to reducing the carbon intensity of its portfolio of companies – measured by the Weighted Average Carbon Intensity (WACI) for stocks and bonds – by an average of 7% per year through 2050, using 2021 as the baseline year. This annual reduction target, with no or strictly limited leeway for exceeding it, is directly aligned with the decarbonization pathways corresponding to the 1.5°C scenario as established by the Intergovernmental Panel on Climate Change.

Furthermore, to reconcile climate goals with active support for the transition of the sectors with the highest emissions, the Institution follows an approach consistent with the principles of the Paris Aligned Benchmarks. As such, the portfolio's exposure to high-carbon-impact sectors must remain at least equivalent to that of its benchmark index. This approach aims to avoid a simple reallocation of resources toward low-emission sectors and, instead, to prioritize support for companies committed to credible transition pathways, thereby contributing to the effective decarbonization of the real economy.

3.1.1 Listed companies

The primary indicator used to assess the negative impact of investments on the climate is the carbon footprint, which is measured using several complementary metrics. These include, in particular, carbon intensity relative to revenue generated (CO_2e emissions per € million of revenue – C/R), carbon intensity relative to amounts invested (CO_2e emissions per € million invested – C/I), as well as the weighted average carbon intensity of the companies in the portfolio (Weighted Average Carbon Intensity – WACI). Monitoring of these indicators is based on a carbon reporting framework that is aligned with industry standards and widely used by institutional investors, thereby providing a comprehensive and comparable view of the portfolio's carbon profile.

This report combines intensity-based indicators, such as WACI, absolute-value indicators – which correspond to the total greenhouse gas emissions associated with the Scheme's investments – and normalized indicators relative to assets under management, which enable an assessment of "financed" emissions. Together, these metrics provide a detailed yet comprehensive view of the portfolio's carbon exposure, in line with international responsible finance standards and the TCFD's recommendations.

One of the first key steps in preparing a carbon footprint assessment is to precisely define the scope of the emissions considered. In this context, Ircantec adopts a broad scope of analysis that includes all categories of greenhouse gas emissions, covering all the scopes defined by the *GHG Protocol*. The emissions included in the analysis are as follows:

- direct emissions (Scope 1), corresponding to CO_2e emissions generated by activities directly controlled by the company, in accordance with the Kyoto Protocol's definition of greenhouse gases;
- additional direct emissions, including, in particular, emissions from specific compounds such as carbon tetrachloride (CCl_4), trichloroethylene ($C_2H_3Cl_3$), bromotrifluoromethane ($CBrF_3$), as well as CO_2 emissions from biomass;
- indirect emissions associated with the purchase of energy (Scope 2), generated by the consumption of electricity, heat, or steam;

- indirect emissions from the first-tier upstream supply chain, excluding electricity (upstream Scope 3), resulting from goods and services provided by the company's direct suppliers;
- indirect emissions from other levels of the upstream supply chain (upstream Scope 3), covering goods and services provided beyond the first tier;
- indirect downstream emissions (Scope 3 downstream), generated during the distribution, processing, and use of the goods and services sold by the company.

It should be noted that methodological changes are made on a regular basis. In late 2024, for example, Trucost implemented an update regarding the calculation of Scope 3 emissions. This development made it possible to incorporate more granular data from the companies themselves into the calculation of downstream Scope 3 emissions in three carbon-intensive sectors: energy, utilities, and the automotive industry.

These methodological adjustments are intended to improve the robustness and relevance of carbon footprint estimates, thereby better meeting investor expectations regarding climate risk assessment. However, given that these changes may have a significant impact on the portfolio climate indicators, Ircantec has asked Trucost to carry out a retroactive calculation of the data for year N-1. This approach ensures a consistent comparison of data from year N and year N-1 – all other things being equal – based on a strictly identical methodology, thereby guaranteeing the continuity and transparency of the portfolio's climate management.

Carbon metrics – scopes 1, 2 and 3 of corporate investments

	Portfolio		Benchmark	
	2025	2024	2025	2024
Weighted average carbon intensity (tCO_2e/€million)	1,257	1,352	1,587	1,517
Evolution of carbon intensity in relation to previous year (%)	*-7.02%*		*+4.61%*	
Total carbon emissions (tCO_2e allocated based on corporate securities including cash)	3,993,127	4,500,961	6,290,126	6,013,025
Carbon intensity per € million of turnover generated (tCO_2e/€million turnover)	1,180	1,246	1,578	1,562
Carbon intensity per € million invested (tCO_2e/€million invested)	334	416	527	556
Equity segment				
Weighted average carbon intensity (tCO_2e/€million)	1,123	1,138	1,289	1,201
Total carbon emissions (tCO_2e allocated based on corporate securities including cash)	2,324,937	2,590,991	2,952,108	2,583,331
Carbon intensity per € million invested (tCO_2e/€million invested)	311	392	395	390
Corporate bond segment (excluding GB/SB funds)				
Weighted average carbon intensity (tCO_2e/€million)	1,471	1,690	1,709	1,781
Carbon intensity per € million invested (tCO_2e/€million invested)	412	484	556	592

The target of a 7% reduction in emissions from the corporate portfolio is expressed in terms of intensity and includes both direct and indirect greenhouse gas emissions – that is, all operational emissions as well as those associated with the company's value chain.

In addition, in accordance with European indices aligned with the Paris Agreement, Scope 3 has been gradually incorporated, with the goal of including all sectors (energy, oil & gas, and mining sectors, as well as transportation, construction, materials, all industrial activities, finance, etc.) starting in 2025.

Carbon metrics – scopes 1, 2 and 3 only for the energy, mining & extraction, transport, construction, materials and industrial activities - phase II sectors

	Portfolio	Benchmark
	2025	2025
Weighted average carbon intensity (tCO_2e/€million)	498	799
Carbon intensity per € million of turnover generated (tCO_2e/€million turnover)	637	1,104
Carbon intensity per € million invested (tCO_2e/€million invested)	180	368
Equity segment		
Weighted average carbon intensity (tCO_2e/€million)	623	785
Carbon intensity per € million invested (tCO_2e/€million invested)	215	300
Corporate bond segment (excluding GB/SB funds)		
Weighted average carbon intensity (tCO_2e/€million)	343	489
Carbon intensity per € million invested (tCO_2e/€million invested)	149	312

This table deliberately highlights sectors with high carbon impact to demonstrate both the portfolio's controlled exposure and the effectiveness of its investment and exclusion decisions. In 2025, the portfolio's carbon intensity is consistently lower than that of the benchmark, with a weighted average of 498 tCO_2e per € million compared to 799, reflecting a more environmentally responsible selection of securities in the sectors with the highest emissions. This positive gap is evident both in terms of intensity per revenue and per euro invested, confirming greater overall carbon efficiency. The results are consistent across the equity and corporate bond portfolios, with the latter showing a particularly pronounced spread. They provide concrete examples of the portfolio's ability to support the transition while limiting exposure to the most carbon-intensive activities through targeted exclusions and selective allocation.

The target of reducing the Weighted Average Carbon Intensity (WACI, expressed in tonnes of CO_2 equivalent per € million in revenue) by 7% between 2024 and 2025 has been achieved. Furthermore, the portfolio decarbonization trajectory remains positive, with the average performance target being met thanks to successive decreases in the WACI observed over the past three years, namely –5.6%, –11%, and –21%. Conversely, the benchmark index shows an increase in its WACI over the same period, reflecting greater exposure to more carbon-intensive activities. In this context, the portfolio's relative performance compared to the benchmark improved, rising from –16.6% in 2024 to –20.8% in 2025. This trend reflects a marked improvement in relative performance year over year, a trend that is also reflected in absolute emissions.

In fact, the portfolio's relative performance compared to the consolidated index stood at –36.5% in absolute emissions (total greenhouse gas emissions, expressed in tonnes of CO_2e), a very positive result and a significant improvement over 2024, when this gap stood at –31%. The overall portfolio is outperforming its benchmark across all carbon metrics analyzed.

This outperformance is largely attributable to the portfolio's sector composition, and in particular to the absence of the energy sector – especially the major oil companies. This exclusion alone improves the portfolio's carbon footprint by 9.56% compared to the index, given that the energy sector has historically been the most carbon-intensive due to the direct combustion of fossil fuels. In addition, the allocation to the finance, healthcare, and materials sectors also contributes to this superior carbon performance. These decisions are fully in line with Ircantec's responsible investment policy, which sets guidelines for exposure to sectors with a significant environmental impact.

In particular, they result in a moderate overweighting of the financial sector relative to the index, even though this sector structurally contributes to a portfolio's emissions through "financed" emissions – that is, those associated with loans and investments made. This concept, which is central to the work of the Partnership for Carbon Accounting Financials (PCAF), coexists with the requirements of the SRI label, which restrict the investment universe to exclude issuers with the poorest ESG performance – even among the strongest issuers, particularly in the materials sector. Ultimately, the combined effect of these sector allocation decisions improves the portfolio's sector-level carbon intensity by 16.87%.

Stock selection within the materials and utilities sectors reinforces this trend, with the portfolio carbon footprint improving by 3.20% and by 2.94% compared to the index, through a selection of companies that are among the most advanced in terms of environmental transition. Overall, stock selection reduces carbon intensity by 8.37%, resulting in an overall outperformance (combining sector allocation and stock selection) of 25.24% between the overall portfolio and the benchmark index.

Furthermore, the Plan shows a very significant reduction in absolute emissions, while the benchmark shows only a marginal improvement in this regard. This discrepancy highlights the effectiveness of the climate strategy implemented by Ircantec, which is in line with international guidelines aimed at aligning financial portfolios with a trajectory compatible with the Paris Agreement. In 2025, Ircantec continued to reduce the weighting of companies with high carbon intensity across all scopes, in accordance with the *GHG Protocol* classification.

For example, among the main contributors to the portfolio's carbon intensity, Prysmian's weight was lowered from 0.45% in 2024 to 0.29% in 2025. However, this company remains in the portfolio due to its clear commitment to achieving carbon neutrality by 2035, the already significant reductions in its emissions, and a structured and credible governance framework centered on this climate strategy. This approach is part of a transition investment strategy, which aims to support companies committed to transformation rather than resorting to systematic exclusions. Among the top ten contributors to carbon intensity in 2026, eight companies are in the industrial sector and two are in the financial sector (KBC and Vicinity). This trend is relatively recent and is expected to gain momentum, against the backdrop of the gradual standardization of non-financial reporting, particularly through initiatives such as PCAF. Financial institutions are in fact demonstrating increasing

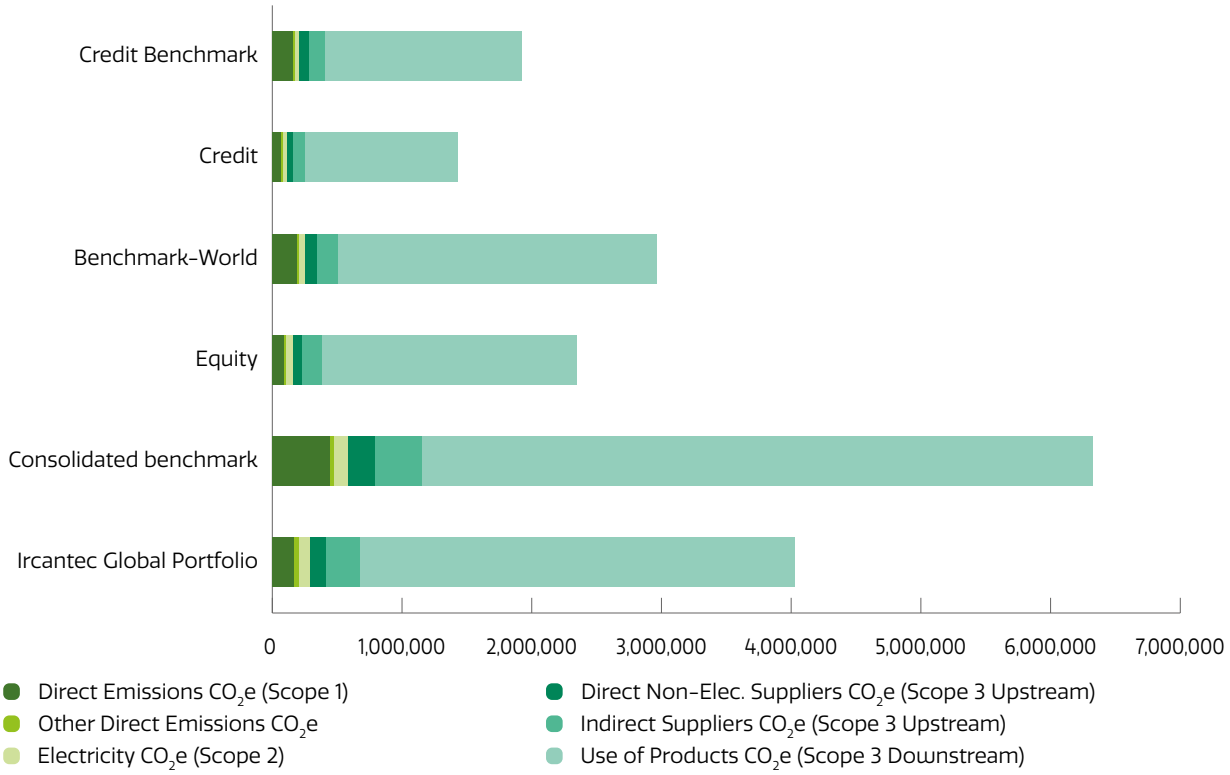
transparency regarding the emissions they finance, which automatically enables better understanding of their contribution to overall emissions.

The equity portfolio has total carbon emissions that are significantly lower than those of its benchmark, primarily due to lower downstream Scope 3 emissions – i.e. emissions associated with the end use of the products and services sold. This performance can also be attributed to a particularly favorable sector allocation and stock selection in the energy (this sector is not included), materials, utilities, and consumer discretionary sectors – sectors whose carbon footprints are structurally higher, particularly the energy sector (IEA, 2024).

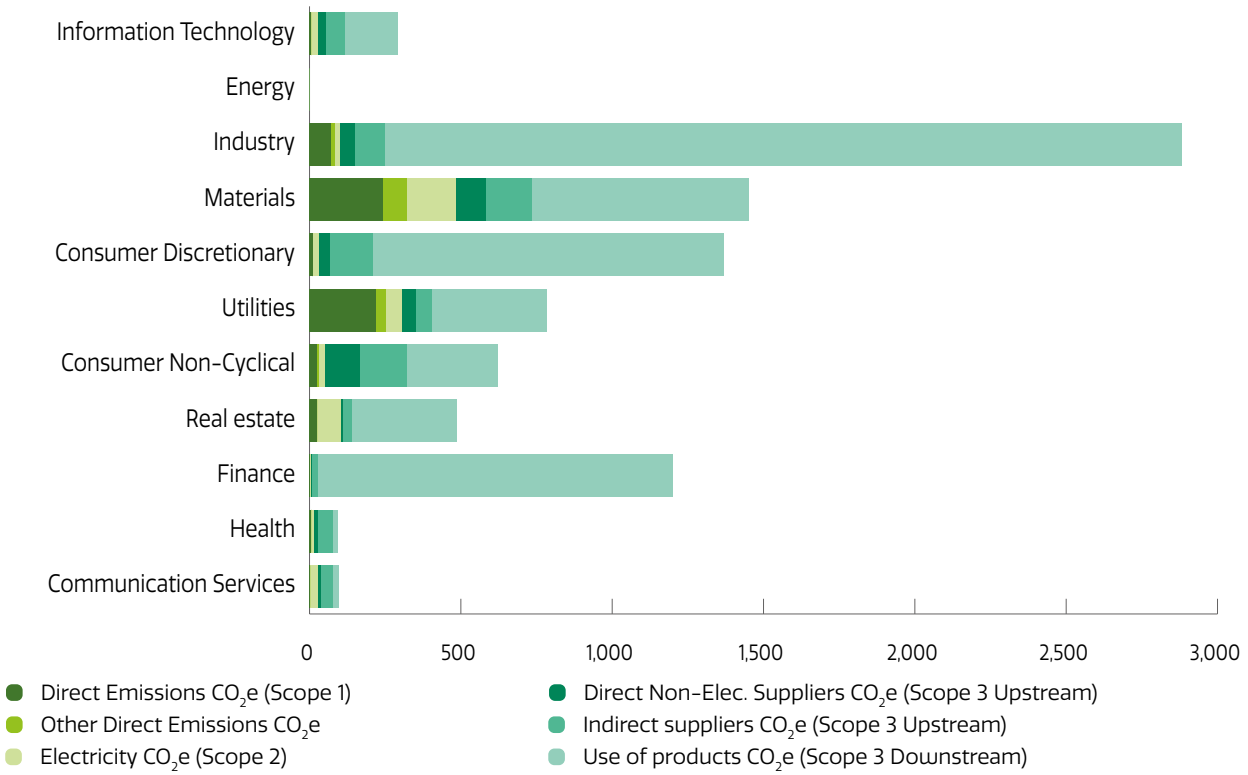
For its part, the bond portfolio also outperforms its benchmark, regardless of the carbon indicator used, resulting from a cautious sector allocation with respect to the energy sector (which is not included in the portfolio) – a sector with a high carbon footprint – as well as a selection of high-quality securities, particularly in the utilities sector, which plays a key role in financing energy transition infrastructure.

Finally, the portfolio's exposure to sectors with a high environmental impact stands at 52.36%, compared with 49.45% for the benchmark index (down from 52.09% in 2024). This difference reflects an overweight position in the utilities, industrial and above all financial sectors, with the financial sector outperforming the index by 4.4%. The Institution is thus fully meeting its objective of financing sectors that actively contribute to the energy and ecological transition, in line with its role as a long-term institutional investor and OECD recommendations on sustainable finance.

Breakdown of carbon intensity (tCO_2e per € million in revenue) for the overall portfolio by scope and by portfolio



Breakdown of carbon intensity by percentage across different scopes and by sector



The breakdown of the carbon intensity of the Ircantec portfolio shows that the vast majority of emissions are related to Scope 3, particularly downstream (product use and financed emissions), regardless of the sector. The Industrial, Consumer Discretionary, Financial, and Real Estate sectors show an intensity driven primarily by the end use of the financed products and services, reflecting a predominantly indirect impact. The Materials, Utilities, and Telecommunications sectors show a more balanced contribution between upstream (suppliers) and downstream segments, reflecting complex and energy-intensive value chains. Conversely, the Information Technology and Healthcare sectors account for a significant share of supplier-related emissions (upstream Scope 3), reflecting a strong dependence on inputs and manufacturing. Scopes 1 and 2 remain largely marginal across the entire portfolio, confirming that the main climate challenge lies in decarbonizing value chains and end uses. Furthermore, this result also indicates that Scope 1 and 2 emissions can be managed more directly, thereby enabling significant decarbonization, unlike Scope 3 emissions. In fact, it remains difficult to track and reduce, as this requires the involvement of the entire value chain, which is often widely dispersed across the globe. The scope for action varies depending on how far different countries and cultures have progressed on non-financial issues, particularly climate-related ones.

Ircantec Global Portfolio – Emissions from all scopes combined (1 + 2 + 3)

Sector	Sector Weighting		Carbon intensity		Allocation of Carbon Footprint		Total
	Portfolio	Benchmark	Portfolio	Benchmark	Sectoral Allocation	Security Allocation	
Communication Services	6.0%	5.8%	97	106	0.1%	0.0%	0.2%
Consumer Discretionary	12.4%	13.6%	1,371	1,405	−0.1%	0.3%	0.1%
Consumer Non-Cyclical	9.2%	11.2%	617	559	−1.3%	−0.3%	−1.7%
Energy	0.0%	10.2%		3,104	9.6%		9.6%
Finance	18.6%	14.2%	1,202	1,127	1.9%	−1.0%	0.9%
Health	13.4%	9.3%	93	116	3.4%	0.2%	3.6%
Industry	19.0%	17.0%	2,870	3,103	−0.2%	2.8%	2.6%
Information Technology	5.9%	4.8%	293	395	0.8%	0.4%	1.1%
Materials	4.5%	7.2%	1,375	2,534	1.6%	3.2%	4.8%
Real estate	1.3%	0.8%	484	445	0.4%	0.0%	0.3%
Utilities	9.7%	5.8%	752	1,240	0.8%	2.9%	3.7%
TOTAL	**100%**	**100%**	**1,180**	**1,578**	**16.9%**	**8.4%**	**25.2%**

According to the current carbon accounting methodology, which includes all scopes, the exclusion of the following ten stocks would reduce the carbon intensity of the overall portfolio by 27.78% (per million of turnover generated). It is a measure of contribution. In other words, the weight of a security in the portfolio has a strong influence on the final result, as does its carbon intensity expressed as a GHG/turnover ratio. Thus, Prysmian contributes more to the portfolio's carbon intensity than Siemens Energy due to its greater weighting, even though it has a lower carbon intensity.

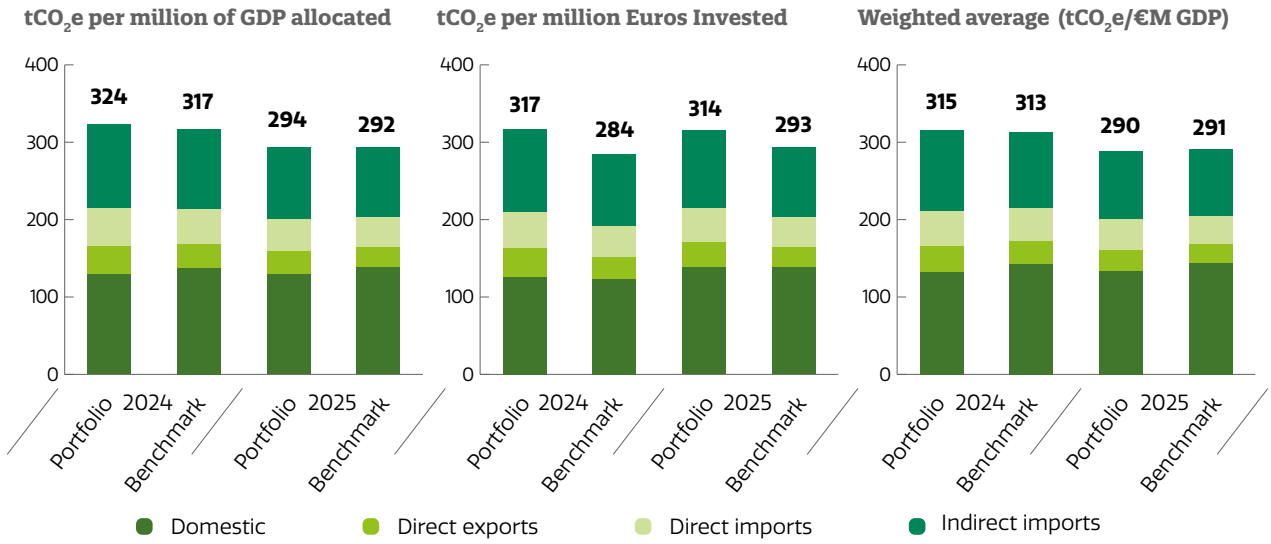
Ten leading contributors to weighted carbon Intensity of global portfolio, all scopes combined

Description	Sector	Value of assets	Carbon footprint	CI/Turnover 1 + 2 + 3	Contribution to CI/ Turnover 1 + 2 + 3
		Weight (%)	Weight (%)	(tCO_2e/€ million)	(%)
Prysmian S.p.A.	Industry	0.29%	7.63%	15,323	–7.09%
Siemens Energy AG	Industry	0.10%	3.03%	32,033	–2.92%
Nexans S.A.	Industry	0.10%	3.01%	8,593	–2.61%
Siemens Aktiengesellschaft	Industry	0.54%	3.15%	6,324	–2.58%
Johnson Controls International plc	Industry	0.32%	2.87%	10,183	–2.55%
KBC Group NV	Finance	1.00%	2.70%	7,800	–2.30%
Xylem Inc.	Industry	0.38%	2.41%	8,017	–2.06%
ABB Ltd	Industry	0.20%	2.12%	14,572	–1.95%
Airbus SE	Industry	0.26%	2.23%	6,976	–1.86%
Vicinity Centres RE Ltd	Finance	0.04%	4.77%	1,897	–1.86%

3.1.2 Sovereign funds and similar

Trucost collects data on national emissions inventories with PRIMAP [1] and economic production data with the IMF, covering 171 countries. The calculation of the portfolio carbon footprint is based on the average carbon exposure of domestic emissions (generated by goods and services produced and consumed in a given territory), as well as imported and exported emissions, set against GDP (€million) of each country, weighted according to their weight in the portfolio. Furthermore, in the carbon footprint analysis of Sovereign states, the scope used varies according to whether governments are considered to be "economic agents" or "regulators". The approach used is that of a Regulator State, to focus more widely on national emissions, using the whole economy as a unit of analysis. This approach is consistent with the role and impact of governments which are not limited to just government activities and public services. Therefore, to generate as full a panorama as possible of the contributions to climate change, the emissions related to production and consumption were taken into account for each country.

It should be noted that supranational organizations and development banks (EIB, IBRD for example) are included in the analysis of listed companies for methodological issues, not in the sovereign analysis (as they cannot be attached to a particular country).



(1) PRIMAP is a set of models and tools with the mission to synthesize earth system science and its uncertainties for international climate policy. It combines the greenhouse gas emissions data for each country and Kyoto protocol gases covering the period from 1750 to now.

The carbon footprint of the sovereign portfolio, as measured by the weighted average carbon intensity, has decreased by 7.3% since the end of 2024, as shown in the table above. This trend is primarily driven by domestic emissions and imported emissions associated with domestic consumption in the states; the latter include emissions generated abroad in the production of goods and services consumed locally.

The carbon analysis of sovereign emitters is particularly sensitive to macroeconomic developments, especially the growth dynamics of gross domestic product (GDP), since carbon intensity relates emissions to economic activity. In the wake of the COVID-19 pandemic, global economies rebounded strongly, with average global growth estimated at about 6.5% in 2021, driven by fiscal and monetary stimulus measures. This rapid recovery led to a marked increase in industrial activity, trade, and energy consumption, contributing to a significant rise in global emissions in 2021 and 2022 (IEA, 2023). Starting in 2023, global growth slowed significantly to around 3.0%, then rose to 3.2% in 2024 and 2025, driven by monetary policy tightening, fiscal policy normalization, and a challenging geopolitical environment (IMF, *World Economic Outlook*, October 2024).

This slowdown is even more pronounced in developed economies, where growth has shifted from high levels in 2021 to more moderate rates, averaging around 1.7% to 1.8% in 2024–2025. The French trajectory is a particularly good example of this trend. After exceptional growth of nearly 7% in 2021, driven by the post-pandemic catch-up effect, French GDP growth slowed to about 2.6% in 2022 and then to 0.9% in 2023. This slowdown in economic activity is likely to lead to a moderation, or even a decline in the absolute emissions of countries, regardless of the climate policies implemented. In terms of the absolute emissions analyzed within the sovereign portfolio, these have fallen from approximately 206,297 tCO_2e per € million to 169,776 tCO_2e per € million, reflecting a shift linked to the slowdown in economic growth and the initial effects of the partial decoupling between growth and emissions observed in several advanced economies (IEA, *CO_2 Emissions in 2023*). Moreover, the decline in the sovereign portfolio's carbon footprint can also be attributed to a reduction in exposure to the main contributors to carbon intensity. Concentration in the eight largest contributors thus fell from about 80% to nearly 78%, reflecting greater diversification and active management of the most carbon-intensive sovereign exposures. This decline is particularly pronounced in the U.S. exposure, whose weight in the portfolio fell between 2024 and 2025. This trend automatically contributes to an improvement in the portfolio's average carbon intensity, as the United States remains one of the world's leading emitters in absolute terms, despite significant progress made in recent years in energy efficiency and the deployment of low-carbon energy sources (IEA, 2024). All of these factors confirm that the decline in the sovereign WACI is the result of both cyclical macroeconomic factors and allocation decisions consistent with a gradual decarbonization trajectory for the portfolio.

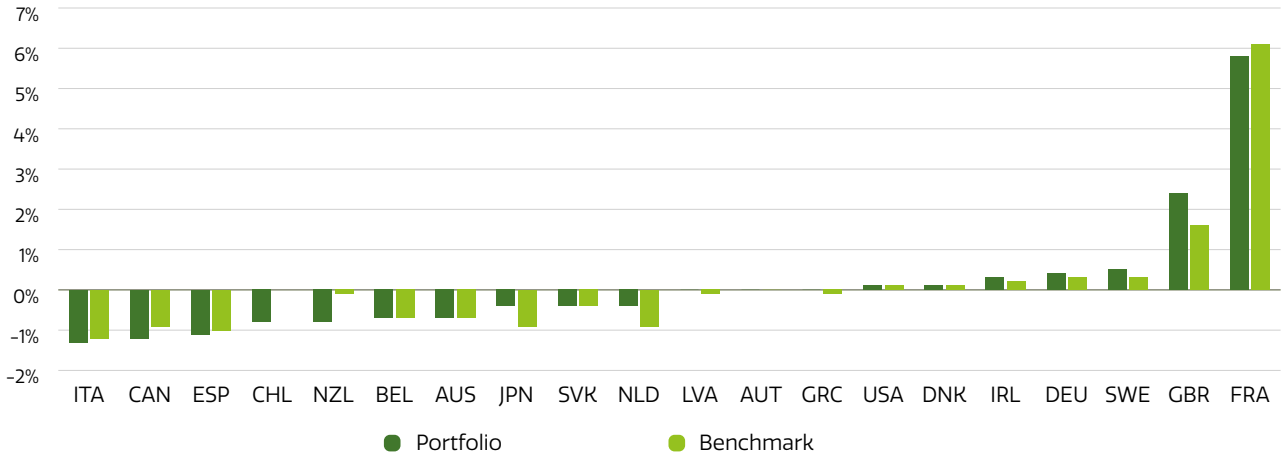
Country	Sovereign portfolio							Sovereign benchmark						
	Weight (2024)	Weight (2025)	Intensity (2024)	Intensity (2025)	WACI contr. (2024)	WACI contr. (2025)	Difference	Weight (2024)	Weight (2025)	Intensity (2024)	Intensity (2025)	WACI contr. (2024)	WACI contr. (2025)	Difference
France	24%	22%	253	226	60	51	-8.8	22%	22%	253	226	55	50	-4.9
Italy	17%	21%	340	314	59	65	6.3	16%	17%	340	314	54	53	-0.3
USA	16%	17%	291	292	47	51	3.8	28%	28%	291	292	82	81	-0.9
Spain	15%	12%	352	316	52	39	-13.6	9%	10%	352	316	33	32	-1.1
Germany	11%	8%	315	287	34	23	-11.0	10%	8%	315	287	31	23	-8.4
Great Britain	7%	8%	251	219	18	18	0.1	5%	5%	251	219	12	12	-0.3
Chile	2%	2%	397	357	7	6	-1.1	0%	0%	397	357	-	-	-
Belgium	1%	1%	547	460	7	6	-1.4	1%	1%	547	460	6	5	-1.0
Japan	1%	2%	432	434	5	9	3.2	5%	4%	432	434	20	17	-2.7
Austria	1%	1%	369	300	4	3	-1.6	1%	1%	369	300	2	2	-0.4
Canada	1%	1%	577	525	5	4	-1.8	1%	1%	577	525	3	3	-0.7
Australia	1%	1%	505	468	4	3	-1.0	0%	1%	505	468	2	3	0.4
Netherlands	1%	0%	481	400	4	2	-2.0	1%	1%	481	400	5	4	-0.8
Sweden	0%	0%	220	198	1	1	-0.1	0%	0%	220	198	1	0	-0.2
Finland	0%	1%	328	335	1	2	0.3	0%	0%	328	335	1	1	0.1
New Zealand	0%	1%	460	416	2	4	2.3	0%	0%	460	416	0	1	0.3
Ireland	0%	0%	229	190	1	1	-0.1	0%	0%	229	190	1	0	-0.1
Slovakia	0%	0%	831	724	2	1	-0.4	0%	0%	831	724	1	1	-0.0
Slovenia	0%	0%	691	609	1	1	0.2	0%	0%	691	609	0	0	-0.1
Portugal	0%	0%	437	365	0	1	0.3	0%	0%	437	365	1	1	-0.2
Denmark	0%	0%	276	252	0	1	0.5	0%	0%	276	252	0	0	0.0
Hungary	0%	0%	696	578	0	0	0.1	0%	0%	696	578	-	-	-
Latvia	0%	0%	709	590	0	0	-0.0	0%	0%	709	590	0	0	-0.0
Lithuania	0%	0%	775	682	-	-	-	0%	0%	775	682	0	0	0.0
Estonia	0%	0%	604	671	-	-	-	0%	0%	604	671	0	0	0.0
Croatia	0%	0%	588	498	-	-	-	0%	0%	588	498	0	0	-0.0
Cyprus	0%	0%	528	427	-	-	-	0%	0%	528	427	0	0	-0.0
Luxembourg	0%	0%	179	151	-	-	-	0%	0%	179	151	0	0	-0.0

The performance analysis presented above, based on the combined changes in portfolio weights and carbon intensities between 2024 and 2025, clearly identifies the main contributors to the sovereign portfolio's WACI. Structurally, the top contributors to the WACI are the countries with the highest portfolio weightings, as the "weight" effect plays a decisive role in the final contribution – sometimes even more so than the absolute level of carbon intensity. France, Italy, the United States, and Spain alone account for approximately 73% of the sovereign portfolio allocation and contribute about 71% to the total WACI. This correlation between weight and contribution, as shown in the table, reflects a generally proportional distribution of contributions, with no excessive concentration on any single issuer.

Between 2024 and 2025, Italy's share of the portfolio rose sharply, from about 17% to 21%. At the same time, Italy's carbon intensity improved slightly, reflecting a positive trend driven by the gradual decline in emissions and the increase in gross domestic product. However, despite this increase in intensity, the sharp rise in weighting automatically explains the increase in Italy's contribution to the WACI of the sovereign portfolio. This phenomenon illustrates the importance of balancing allocation and intensity in sovereign carbon analysis: an improvement in intensity can be partially offset—or even neutralized—by a significant increase in portfolio weight.

More broadly, the table highlights a common trend among the major countries in the portfolio: a gradual decrease in carbon intensity between 2024 and 2025. This trend is primarily the result of a dual positive effect combining a decline or stabilization in absolute emissions with moderate but positive growth in nominal GDP. This trend is consistent with recent observations by international organizations, which highlight a gradual – albeit partial – decoupling between economic growth and greenhouse gas emissions in advanced economies, particularly in Europe and North America (International Energy Agency, *CO_2 Emissions in 2023*; IMF, World Economic Outlook, 2024).

Performance Analysis – Carbon Footprint per million GDP allocated



Certain countries present in the sovereign portfolio make a highly positive contribution to its carbon footprint. For example, if France was no longer in the portfolio, the footprint would rise by 5.8%. Inversely, the footprint would be 1.3% smaller if Canada was removed from the portfolio. This is due to Italy's relatively high carbon intensity compared to other countries. It is therefore possible to observe that the Scheme portfolio is globally exposed to countries whose carbon intensity is relatively good, so as to improve overall performance. The choice of weightings is strategic as the sovereign portfolio focuses on a small number of countries, with a high volatility of carbon intensity in relation to their GDP.

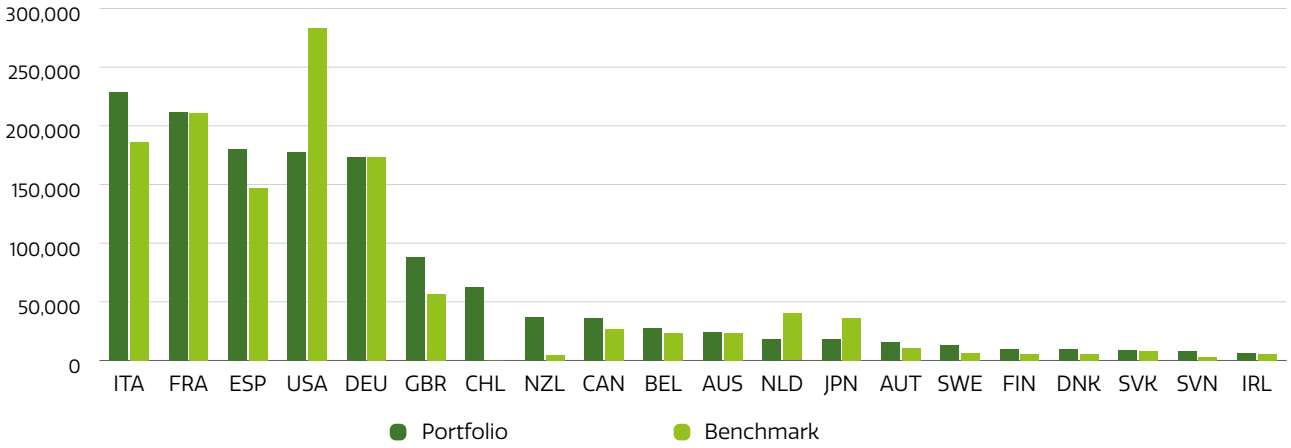
The charts below provide a comparison of the carbon intensities of sovereign issuers using two complementary approaches: their contribution based on their weight in the portfolio, and their carbon intensity relative to gross domestic product, expressed in tonnes of CO_2 equivalent per € million of GDP. This dual perspective highlights the differences in emission profiles between absolute emissions and emissions relative to the size of the economy. In terms of absolute emissions, the United States' carbon footprint within the portfolio is significantly higher than that of countries with smaller economies, such as Slovakia, which is primarily due to the United States' dominant weight in the portfolio and the scale of its economic activity.

However, when emissions are measured relative to GDP, the relative ranking changes significantly: countries with lower absolute emissions may have high carbon intensities relative to the size of their economies, as is the case with Slovakia. This country has high per capita emissions due to its long-standing reliance on coal for electricity and heating, its energy-intensive heavy industry (automotive, metallurgy), and a dominant road transport sector with an aging vehicle fleet. Its energy mix, which is less low-carbon than the European average, and its less ambitious climate policies also explain this discrepancy. Finally, its low population density and cold climate automatically amplify the impact per capita.

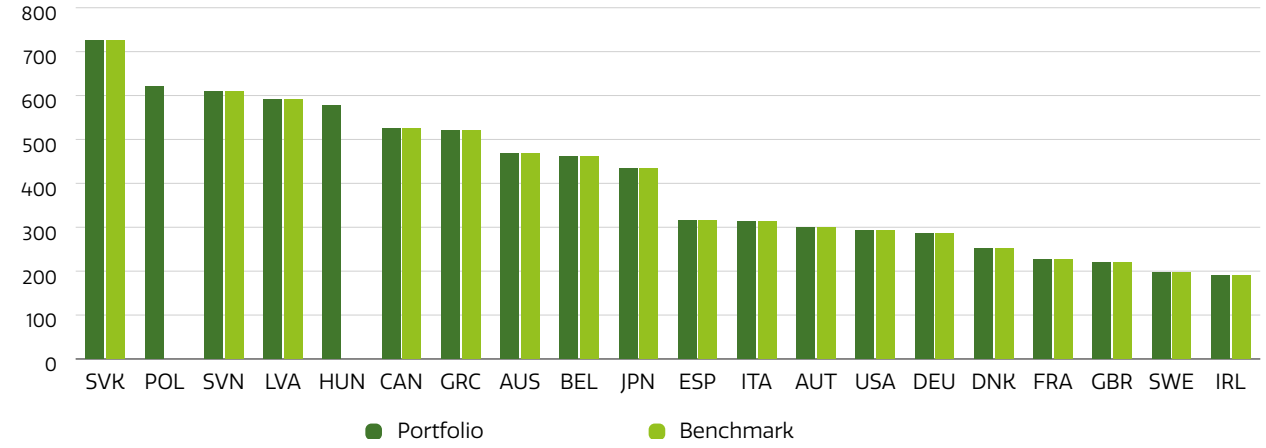
However, the approach based on intensity per € million of GDP has certain limitations. In particular, this indicator tends to penalize the least developed countries or those with lower levels of wealth, since the monetary denominator is affected by differences in living standards, productivity, and exchange rate effects, in the absence of perfect parity between currencies. Thus, for comparable emissions levels, a less developed economy will automatically appear to be more carbon-intensive than a more developed one, which calls for a cautious and context-sensitive interpretation of this indicator in the sovereign analysis.

Nevertheless, examination of the two graphs together remains particularly informative. In particular, it highlights that the absolute emissions of the United States within the portfolio are significantly lower than those observed in the benchmark, reflecting a favorable relative positioning despite the country's significant weighting. Conversely, countries such as Spain and Italy have absolute emissions levels higher than those of the benchmark, which explains their greater contribution to the sovereign portfolio's carbon footprint. The second chart also highlights the countries with the highest carbon intensities as a proportion of GDP, with several Eastern European countries featuring prominently. These countries are characterized by relatively modest GDPs but still significant emissions, largely due to a heavy reliance on fossil fuels in their energy mix, particularly coal and natural gas. These results thus illustrate the decisive role of a country's energy structure in its sovereign carbon intensity – beyond the level of economic development alone – and underscore the importance of cross-analyzing absolute emissions, relative intensity, and portfolio allocation to properly assess sovereign carbon risk.

Primary contributors – Absolute footprint (tCO_2e)



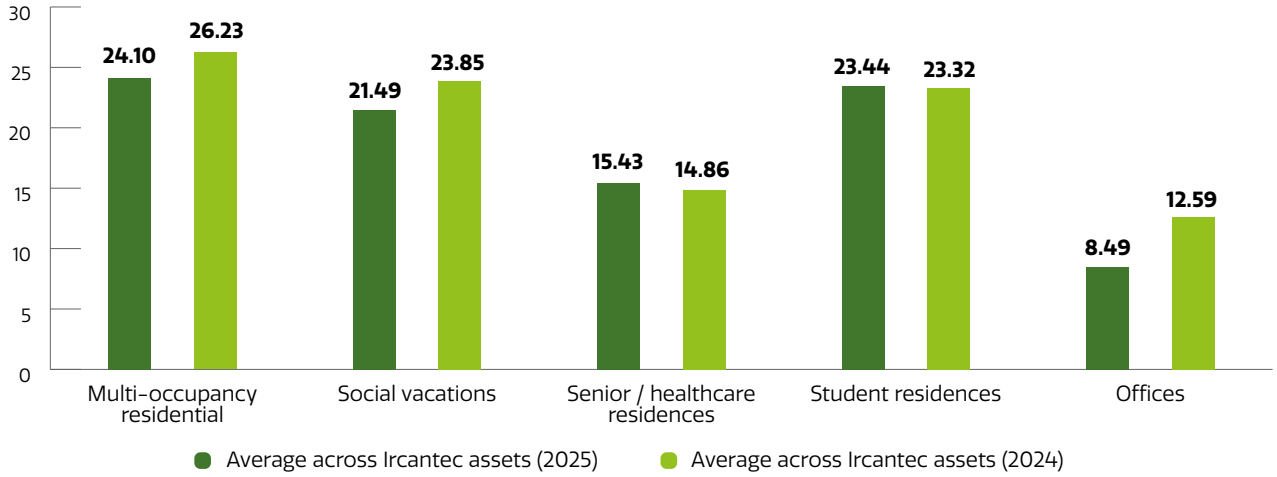
Breakdown of intensities by country (tCO_2e/€million of GDP)



3.1.3 Real estate

A carbon footprint assessment was conducted on a portion of the real estate assets held in the unlisted segment of Ircantec's portfolio. Carbon intensity was calculated by dividing the CO_2 emissions (Scopes 1 & 2) of each building by its floor area (m^2). The OPPCI (Professional Real Estate Investment Trust) fund, which accounts for the majority of Ircantec's real estate investments, is invested in directly held assets as well as in equity interests. Its diversified asset allocation strategy combines offices, housing, student residences, health establishments and social tourism. A total of 31 properties were analyzed, representing a carbon footprint of 4,355 tonnes of CO_2 per year and a total net floor area of 217,935 m^2, which represents an average of approximately 19.99 $kgCO_2/m^2$/year (compared to 21.67 $kgCO_2/m^2$/year with emissions of 4,713 tonnes of CO_2 in 2024). The decrease in the carbon footprint in absolute terms is due to the addition of new energy-efficient properties, particularly in the office, multifamily residential, and social vacation sectors.

Average carbon intensity by asset category ($kgCO_2/m^2$) – OPPCI scope



Moreover, since 2024, Ircantec now aims to align its real estate assets [1] on a trajectory compatible with the Paris Agreement. In this way, the Scheme aims to invest in new assets with a high level[2] of energy performance, and in the case of existing property acquisitions, to conduct 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 [3] – in order to complete a review and define appropriate recommendations to improve the energy performance of these buildings. Following this work, the multi-year deployment of an action plan has been defined with a view to reducing carbon emissions by almost 50% and complying with all the regulations introduced as part of France's Stratégie Nationale Bas Carbone (SNBC – National Low Carbon Strategy) [4]. This reduction in GHG emissions and the gradual phase-out of natural gas as an energy source (through projects representing an investment of tens of millions of euros) are now part of a proactive and pragmatic approach aimed at limiting global warming to 1.5°C. Analyzing the portfolio's carbon trajectory using the CREEM tool [5] also makes it possible to track the portfolio's alignment with a 1.5°C trajectory through 2033, once the recommended improvements have been implemented, with the support and cooperation of tenants, and provided that the assumptions underlying the CREEM tool remain unchanged.

3.2 Green share

3.2.1 Listed companies

For most companies, the positive impacts they can have on the climate remain difficult to objectively assess and quantify. In March 2018 therefore, the European Commission (EC) adopted an action plan on sustainable financing, with the aim of integrating environmental, social and governance considerations into its financial policy in order to obtain financing for sustainable growth. Amongst the proposals was the development of a unified classification framework for the EU, or the "EU Taxonomy", which defines which economic activities are sustainable in environmental terms. In March 2020, the Technical Expert Group (TEG) on sustainable finance published its final recommendations on the definition and implementation of this Taxonomy. The first delegated act on sustainable activities for climate change mitigation and adaptation objectives was published in December 2021. The Taxonomy therefore sets out precise criteria and thresholds that activities must observe to be considered sustainable. These criteria include; a substantial contribution by the activity to at least one of the six environmental objectives[6]; the Do No Significant Harm principle (DNSH) and minimum social safeguards.

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

(2) 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 OID [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).

(3) Of the 31 assets making up the portfolio, 20 assets were subject to an energy audit (the Vesta real estate company is not included in the scope of analysis).

(4) The SNBC is Franc's roadmap to combat climate change. This strategy aims to achieve carbon neutrality by 2050. It has also defined a 49% reduction target for greenhouse gases by 2030.

(5) 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 greenhouse gas (GHG) emissions and the energy consumption of real estate assets. Note that this trajectory has been defined for all European Union countries as per the recommendations of the Paris Agreement and for all types of buildings.

(6) Climate change mitigation and adaptation; sustainable use and protection of water and marine resources; transition to a circular economy; pollution prevention and control; protection and restoration of biodiversity and ecosystems.

Now, the European Union's green Taxonomy provides a common framework. Each economic activity covered has performance thresholds that measure its contribution to environmental objectives. The Taxonomy describes 96 business activities – linked to the 13 macro-sectors of the NACE (Statistical Classification of Economic Activities in the European Community) classification – which can be classified as "general", "transitional" or "enabling".

- general activities are those with a direct potential to attenuate carbon emissions (for example renewable energies);
- transitional activities are those that may have a relatively high carbon intensity but which have high potential to reduce their carbon emissions over time (for example steel production);
- enabling activities are those that could support reduction in carbon emissions in other sectors (for example wind turbine manufacturing).

What is more, distinction must be made between eligibility and alignment, which requires that several cumulative conditions must be met:

- make a substantial contribution to at least one of the six environmental objectives;
- do no significant harm to any of the five remaining environmental objectives – *Do No Significant Harm;*
- comply with a certain number of minimum social safeguards: meet OECD guidelines, UN guiding principles and ILO requirements on fundamental rights.

Trucost data provides an assessment of the proportion of company turnover eligible for alignment with the Taxonomy using a proprietary Trucost mapping of the Taxonomy system classification of sectors and the business activities described in the Taxonomy. Trucost also provides an assessment of the final proportion aligned on the two criteria published by delegated acts: climate change mitigation and adaptation.

In accordance with the EU Taxonomy disclosure directives, Institutional investors are required to declare the share of their aligned turnover generated with companies subject to the EU *Non Financial Reporting Directive* (NFRD). This requirement may be supplemented by voluntary disclosure regarding the compliance of companies not subject to the NFRD.

In 2025, 47.82% of overall portfolio revenue will be eligible under the European taxonomy, representing a slight increase from 2024 (47.28%) and a level significantly higher than that of the benchmark index, which stands at 42%. Furthermore, the share of revenues aligned with the taxonomy stands at 1.19%, compared with 0.43% for the index, while the share of partially aligned revenues is 2.95%, compared with 2.07% for the index. An asset is classified as "partially aligned" when it meets the criterion of making a substantial contribution to one of the six environmental objectives of the European taxonomy, without satisfying all of the other cumulative criteria, namely the "Do No Significant Harm" principle and compliance with the minimum social safeguards defined by the International Labor Organization and international standards. The term "non-compliance" generally refers to a total or partial lack of data needed to assess these criteria, a situation that is still common given the recent nature and demanding requirements of the European taxonomy regulatory framework.

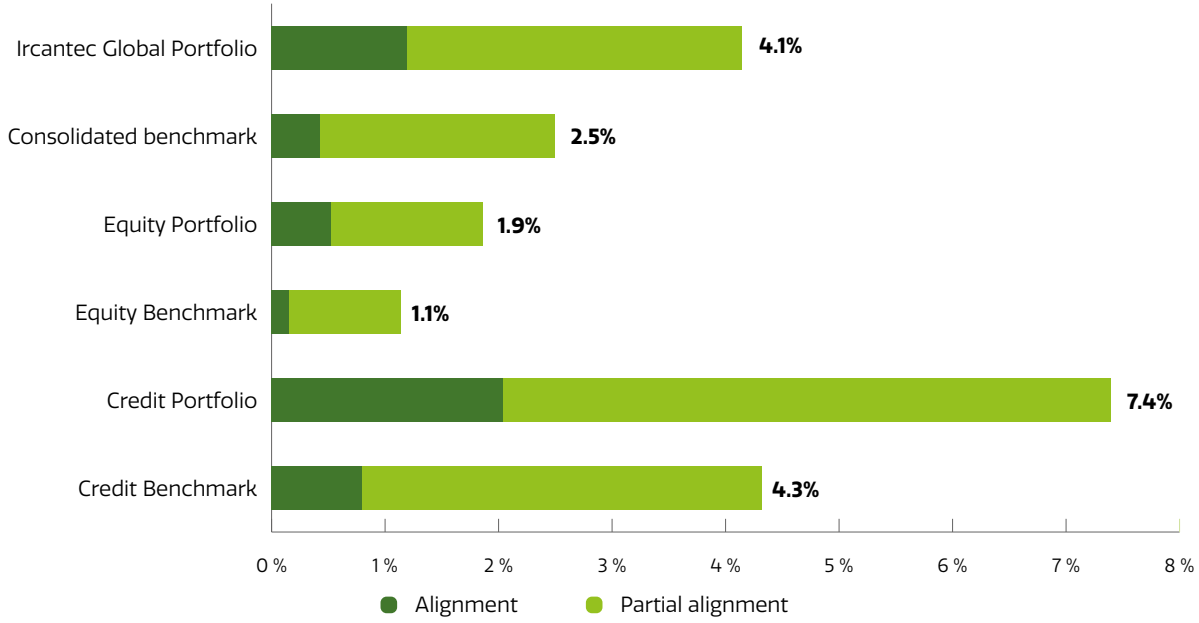
The breakdown of eligible revenue by type of activity shows a generally stable pattern between 2024 and 2025. In 2024, 7.7% of eligible revenue will come from so-called general activities, 26.3% from enabling activities, and 6.7% from transitional activities. In 2025, this breakdown will change slightly, with 7.4% for general activities, 25.7% for enabling activities, and 8.5% for transitional activities. Enabling activities are those that allow other sectors to reduce their emissions or improve their environmental performance, while transitional activities primarily concern sectors for which there is not yet a viable, large-scale low-carbon alternative, but which are on a credible emissions reduction trajectory.

The stability of the combined share of these activities – which have significant emissions reduction potential – between 2024 and 2025 reflects the Plan's socially responsible investment policy, which aims to influence the economy as a whole, including sectors with a high environmental impact that are considered essential to an orderly transition to a low-carbon economy. In this context, the overall eligibility of corporate revenues under the European taxonomy has increased very slightly compared to 2024. This trend is driven in particular by significant contributions from the manufacturing, energy, and financial sectors, with the latter playing a key role in financing the investments needed for the energy transition.

The chart below shows the total level of aligned and partially aligned revenues, broken down by environmental objective and type of activity. In the absence of comprehensive data that would allow for a precise assessment of the substantial contribution of each activity, data provider Trucost uses a Taxonomy Alignment Coefficient (Taxonomy Alignment Coefficient – TAC) to estimate the share of eligible revenue that is actually aligned with the taxonomy's requirements. The observed gap between the share of eligible revenue and that of aligned revenue appears significant, which is common in the early years of the European taxonomy's implementation, given the strict and cumulative nature of the criteria that must be met.

In fact, for an investment in operating expenses (Opex) or capital expenditures (Capex) to be considered fully aligned, it must simultaneously meet the criteria of substantial contribution, DNSH, and compliance with minimum social safeguards. Under Trucost's methodology, an Opex or Capex item may be classified as partially aligned if it meets the "substantial contribution" criterion, even if the other two criteria have not been confirmed. This allows for the anticipation of potential future alignment as data quality and availability improve.

All objectives and types – With TAC



In the absence of a *provider* on the unlisted segment, we are as yet unable to calculate the Taxonomy alignment of these assets.

3.2.2 Sovereign funds and similar

The energy mix of countries was subjected to specific analysis at the sovereign portfolio level. In 2025, this mix consists of 32% so-called "brown" energy sources (primarily coal, oil, and natural gas), 43% renewable energy, and 25% nuclear energy. The share of green energy remains largely stable compared to 2024, when it stood at 30%, while the share of brown energy has increased very slightly. This trend is primarily due to a marginal decline in the share of nuclear power in favor of fossil fuels, resulting from an increase in the weight of Italy and the United States in the sovereign portfolio, coupled with a decrease in exposure to France, whose energy mix is heavily weighted toward nuclear power.

On the other hand, the benchmark index remains more exposed to "brown" energy sources – particularly coal and natural gas – with a gap of about +3%, which explains its more pronounced fossil fuel footprint. In this context, the portfolio's energy mix remains largely unchanged from 2024, with no significant deterioration in its energy profile. Furthermore, the portfolio's energy mix appears to be broadly aligned with a scenario that limits global warming to 1.5°C, as modeled by the International Energy Agency, using 2022 as the baseline year. However, significant discrepancies remain, notably a marked underweight position in coal (–21%) and natural gas (–5%) compared with the global energy mix observed in 2022, reflecting the portfolio's relatively favorable positioning in these particularly high-emission energy sources.

Conversely, the share of renewable energy in 2025 is higher than in the 1.5°C reference scenario for 2022, with a positive difference of approximately 7.5%, highlighting an early effort to align with transition trajectories. According to the IEA's projections, the energy mix compatible with a 1.5°C scenario by 2030 is expected to consist of about 25% fossil fuels – primarily natural gas – in order to ensure a gradual transition while limiting emissions. Although this target has not yet been met in the sovereign portfolio as of 2025, the progress made since these indicators began to be tracked has been substantial. Furthermore, the share of carbon-free energy – including both renewable energy and nuclear power – is expected to reach approximately 74% in a 1.5°C-compatible scenario, whereas it currently stands at 68% in the portfolio. Thus, the portfolio is on a trajectory that is generally consistent with the targets set by the IEA, although adjustments are still needed. In the medium term, the Scheme will above all need to ensure that the share of nuclear power is gradually reduced and that the share of renewable energy sources other than biomass and hydropower is increased, to strengthen the structural alignment of the sovereign portfolio with long-term energy transition scenarios.

3.3 Climate Impact Investing

3.3.1 Green bonds

Green bonds are financing instruments specifically designed for projects that generate measurable environmental benefits, such as the development of renewable energy, improvements in energy efficiency, sustainable water resource management, and climate change adaptation. Although this market has experienced sustained growth over the past several years, it continues to face a key challenge regarding credibility and comparability, as investors still have few tools available to assess the actual environmental impacts of these instruments in a consistent and systematic manner. This limitation fuels growing market concerns about certain financial assets that claim to be "green" without undergoing a rigorous, standardized, and transparent assessment – a phenomenon regularly associated with the risk of greenwashing.

In this context, the measurement of the positive environmental impacts of green bonds – conducted using Sustainable1, a proprietary tool developed by Trucost – aims to provide a foundational methodological framework for addressing these challenges. Sustainable1 uses proprietary datasets and models to consistently estimate the potential environmental impacts of the projects it finances, particularly the carbon emissions avoided. According to Trucost, the joint quantification of absolute emissions and avoided emissions helps strengthen the robustness and transparency of the green bond market by providing both issuers and investors with a common basis for comparison and analysis. This approach thus helps improve the transparency of green bonds' environmental performance and enables more consistent impact reporting at the portfolio level, in line with the growing expectations of regulators and institutional investors (ICMA, *Green Bond Principles*, 2023).

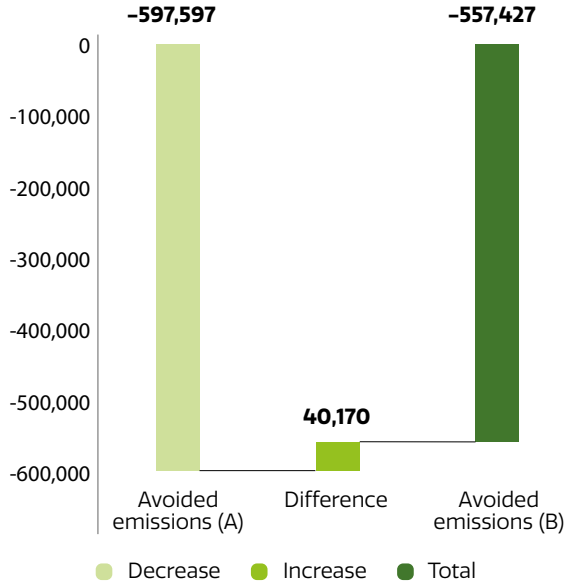
Most of the green bonds held by the Scheme are held in two dedicated funds, designed specifically to take into account the unique characteristics of this asset class with regard to liquidity, issuer types, audit requirements, traceability of raised funds, and certification. The use of specialized management teams for these mandates makes it possible to strengthen oversight of issuers' actual allocation of funds and to ensure consistent and rigorous handling of these instruments. One of the main challenges of investing in green bonds lies in the ability to balance a satisfactory financial profile with a high level of transparency regarding the truly "green" nature of the projects being financed. To provide assurances in this regard, both dedicated funds have been awarded the Greenfin label, a French public certification that imposes strict criteria, including a majority share of eligible activities, the exclusion of certain controversial activities, the integration of ESG criteria into the investment process, and the implementation of an impact measurement framework designed to assess the actual contribution of investments to the energy and environmental transition.

To systematically assess and quantify the positive impacts of the green bonds held, a total of 537 green bonds from across the entire portfolio – spanning various credit funds – were aggregated for the analysis, representing a coverage rate of approximately 80%. The total value of the hedged portfolio is €1,821 million, of which €1,753 million correspond to projects classified as green. Based on this, the total volume of greenhouse gas emissions avoided, estimated on an annualized basis, amounts to 597,597 tonnes of CO_2 equivalent. The breakdown of funds by project category, according to the *Climate Bond Initiative* (CBI) taxonomy, highlights a significant contribution from renewable electricity and heat generation, green transportation and green buildings, illustrating the diversity of emission-reduction measures implemented by the portfolio.

The accompanying chart shows the potential reductions in carbon emissions generated by the green bond portfolio on an annualized basis. Emissions avoided are calculated by comparing the emissions over the entire life cycle of the funded projects – including the construction, operation, and end-of-life phases of the assets – with those of a "business-as-usual" baseline scenario, which assumes the green project does not exist. The measurement of "emissions avoided (A)" relies primarily on data published by emitters when available, while the measurement of "emissions avoided (B)" relies primarily on data calculated by Trucost using internal methodologies, in order to ensure comparability when published data are unavailable or inconsistent. The estimated emissions avoided based on published data thus amount to 597,597 tonnes of CO_2 equivalent, compared with 557,427 tonnes of CO_2 equivalent based on calculated data. The project categories that contribute most significantly to annualized emissions avoided are renewable electricity and heat generation, as well as energy transportation, transmission, distribution, and storage infrastructure, in line with the sectoral pathways identified as priorities by the International Energy Agency in its scenarios compatible with a 1.5°C warming limit.

Finally, it should be noted that in 2025, the total volume of emissions avoided declined compared to the previous year. This trend is primarily due to a slight decrease in the analysis's coverage rate – in the order of 2% – as well as a decline in the volume of energy generated by certain renewable energy projects and in the floor area of green buildings financed. However, this decline is partially offset by positive trends in other operational indicators, notably a significant increase in the distance traveled by green transportation and a rise in energy savings (535,373 MWh compared to 521,469 MWh in 2024). These trends illustrate the varied nature of environmental contributions across different project categories and underscore the importance of a multidimensional impact analysis for gaining a comprehensive understanding of the environmental performance of a green bond portfolio.

Annualized emissions avoided (tCO_2e)



3.3.2 Financing the energy transition

Ircantec supports the energy transition of the territories by financing local authorities, public institutions, small infrastructure projects, mainly French, in the fields of renewable energies, energy transition and the environment. Financing green infrastructures contributes directly to the Sustainable Development Goals, in particular SDG 7 (ensure universal access to affordable, reliable, sustainable and modern energy) and SDG 9 (build a resilient infrastructure, promote sustainable industrialization and foster innovation). These investments are made through:

- a dedicated multi-asset fund that invests directly in unlisted projects or companies aligned with these objectives, as well as twelve funds (infrastructure and thematic private equity funds) that contribute to this objective: BTP Impact Local, CapEnergie 3, Demeter 4 Infra, Paris Fonds Vert, Infragreen II, Infragreen IV, Eurofideme 3, Eurofideme 4, Effithermie, Pearl Infrastructure Capital, Swen Impact Fund for Transition and its successor Swift 2. Of these funds, seven have been awarded the GreenFin label (Infragreen II, Infragreen IV, Eurofideme 3, Eurofideme 4, Paris Fonds Vert, Pearl Infrastructure Capital, Swift 2). Ircantec has committed €283.5 million to green infrastructure. As of December 31, 2025, the market value of these funds was €217.93 million;
- two funds dedicated to *green bonds*: at the end of 2025, the amount of its investments in green bonds amounted to €1,231.4 million, or 6.61% of its reserves;
- two global equity funds launched in 2022 and 2023 (Mirova and Janus Henderson), in which some of the companies in their portfolios contribute positively to climate stability by limiting greenhouse gas emissions to maintain the global temperature rise below 2°C;
- two global equity funds launched in 2024 (CPR and Nomura), focused on the energy and environmental transition, particularly through the following themes: alternative energy production, energy efficiency, energy distribution, and energy management. At the end of December 2025, these investments amounted to €1,173.3 million, or 6.30% of the reserves.
- A €250 million unlisted fund dedicated to TEE infrastructure was launched in 2025 through the management company Eiffel. This fund invests directly in companies that specialize in the construction, ownership, or operation of infrastructure for the energy and environmental transition.

In total, by the end of 2025, Ircantec had committed 17.70% of its reserves to finance the EET[1].

When incorporating data from the ESG reports submitted by management companies, it appears that the portfolio's eligibility under the European taxonomy amounts to 22.37% of the assets under management in listed dedicated funds, while the alignment rate stands at 12.74%. However, these results should be interpreted with caution, as they remain subject to methodological biases inherent in the heterogeneity of the approaches used by the various data providers relied upon by management companies, as well as to coverage rates that are still limited. This partial coverage applies in particular to non-European stocks, which are not yet subject to the disclosure requirements set forth in the Corporate Sustainability Reporting Directive (CSRD), thereby limiting the availability and comparability of the information needed to assess taxonomic eligibility and alignment (European Commission, 2023).

Nevertheless, despite these methodological and regulatory limitations, these indicators show that a significant portion of Ircantec's investments contributes positively to the environmental objectives defined by the European taxonomy. They thus reflect the gradual integration of environmental sustainability considerations into the portfolios and confirm the relevance of the Plan's responsible investment strategy, which is geared toward supporting a sustainable transition of the real economy, against a backdrop of gradually increasing demands for non-financial transparency.

(1) Does not include the PAB Amundi fund.

3.4 Exposure to other environmental factors (excluding climate)

Forests have three functions: economic, social and environmental. Historically, the productive aspect has taken precedence, but forest managers are now striving to balance these three aspects, especially as the social and environmental functions are becoming increasingly important, largely due to greater public awareness of forestry activities. In this context, forests play a major role in mitigating the effects of climate change through carbon sequestration in forests and carbon storage in wood. It also helps preserve biodiversity and provide numerous ecosystem services, such as landscape conservation and water quality. For example, forests absorb about one-third of global CO_2 emissions, are home to more than 80% of terrestrial biodiversity, and protect the soil from erosion.

To address these challenges, forestry practices must ensure the continuous production of wood – a versatile and inherently renewable material that combines performance, sustainability, and adaptability. It must also address environmental issues, such as biodiversity conservation, soil quality, and water management, while taking into account the expectations of stakeholders.

As of December 31, 2025, Ircantec owns almost 5,241 hectares (20.2 sq. miles) of forest land in France through the forestry investment vehicle "Gestion Forestière de Brèves". In this context, the forestry company implements socially responsible and environmentally friendly forest management practices. This is particularly reflected in:

- maintaining the multifunctionality of forests to meet the growing needs of the timber industry, while contributing to the achievement of France's climate goals and to reducing the effects of imported deforestation;
- the systematic regeneration of the forest after each harvest, prioritizing the approach best suited to local conditions (planting or natural regeneration), as part of sustainable forest management;
- the pursuit of species diversity, particularly when renewing mature stands, in order to improve their resilience and the biodiversity of the forests; the selection of tree species and their suitability for the specific plot are subject to thorough review;
- with sustainable forest management certification (PEFC) audited according to processes defined by the applicable standard; and
- compliance with the commitments outlined in the Green Deal, with annual reporting to verify their implementation.

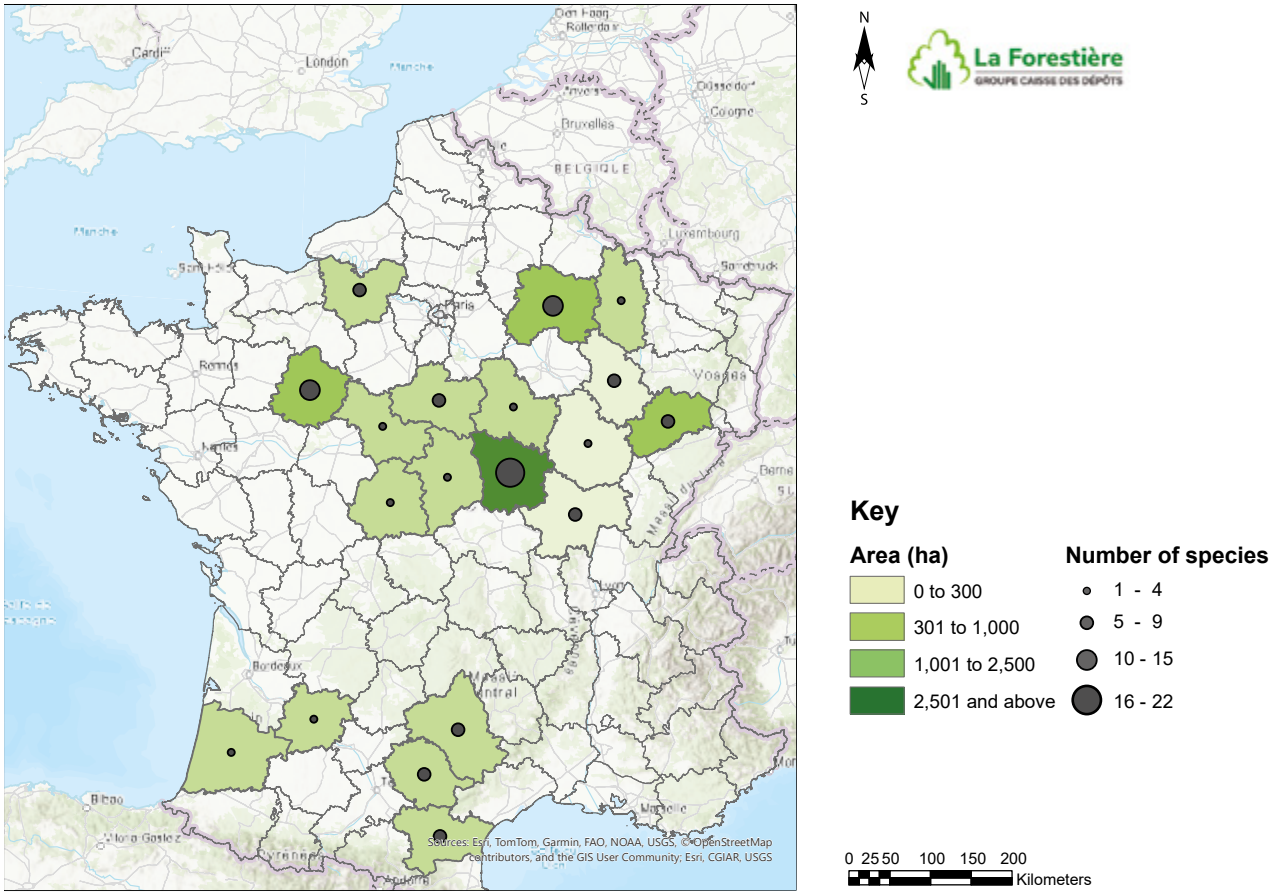
As part of its sustainable forestry management strategy and the renewal of its mandate, in 2022 Ircantec sought to promote new missions and define indicators that would provide a long-term perspective to its objectives of meeting social, environmental and economic issues which define the multi-functional nature of forests.

Therefore, the following ESG monitoring indicators were determined:

ESG monitoring indicators	Associated objectives	2025 data
Organize the resilience of forests	100% of sites planted with at least two species by 2026	67%
Act with respect for stakeholders	Deploy all opportunities for dialog across all territories by 2026	Consultations organized for 2,515 Ha
Eco-certification	Maintain PEFC certification across 100% of assets	OK
Protect biodiversity	Inventory 100% of assets under the Index of Biodiversity Potential by 2026	77%
	Monitor and limit the main invasive plant species in forest environments	Zero invasive species detected
Protect the quality of water	Scope of protection of water catchments	All the mountain ranges analyzed
Protect soils and prevent erosion	Assess 100% of land areas to replant (excluding Landes de Gascogne by 2026)	Project under way
Increase carbon sinks	Measure the annual carbon balance and surface areas certified with the Low-Carbon label	In 2025, forestry activities enabled the capture of 38,940 tonnes eq. CO.

In addition to silviculture, which aims to produce quality wood, forest management offers the ability to optimize carbon stock, biodiversity, resilience to climate change and all the benefits linked to ecosystem services.

Map of Ircantec species diversity 2025



3.5 Biodiversity analysis of the portfolio

Biodiversity refers to all living things—from large animal species to microorganisms such as bacteria – as well as the ecosystems in which they thrive (forests, grasslands, wetlands, oceans, etc.). It also includes genetic diversity within species, the interactions between living organisms and their environments, and the resulting ecological balances. As the planet's living fabric, biodiversity underpins the functioning of ecosystems and provides essential and irreplaceable ecosystem services, such as climate regulation, pollination, food production, and water and soil quality. Along with climate change, biodiversity loss is now one of the major global environmental crises. This crisis is primarily the result of human activities, including the destruction and fragmentation of natural habitats, the overexploitation of resources, pollution, the introduction of invasive alien species, and climate change.

According to international assessments, approximately 75% of terrestrial environments and nearly 40% of marine ecosystems are already severely degraded. Furthermore, the current rate of species extinction is estimated to be between 100 and 1,000 times higher than the natural rate of extinction, leading the scientific community to refer to the current period as the "sixth mass extinction."

In this context, biodiversity has become a key issue for the economic and financial sectors; while it was long treated as a secondary concern in favor of climate issues alone, it is now increasingly being integrated into the strategies, regulatory frameworks, and practices of public and private stakeholders. International recognition of the need to preserve biodiversity was reaffirmed at the 1992 Earth Summit in Rio with the adoption of the Convention on Biological Diversity (CBD). This convention establishes a global framework based on three complementary objectives: the conservation of biological diversity, the sustainable use of its components, and the fair and equitable sharing of the benefits arising from the use of genetic resources. It remains the foundation of international biodiversity policies to this day.

In 2022, at the fifteenth Conference of the Parties (COP 15), the Kunming–Montreal Global Biodiversity Framework was adopted. This strategic framework establishes a common roadmap for all stakeholders to halt and then reverse biodiversity loss. In particular, it is based on twenty-three targets to be achieved by 2030, including protecting at least 30% of land and oceans, restoring 30% of degraded ecosystems, and significantly reducing the pressures caused by economic activities. In France, these objectives were set out in the National Biodiversity Strategy for 2030 [1], presented in November 2023,

(1) https://www.cbd.int/doc/decisions/cop-15/cop-15-dec-04-fr.pdf

which explicitly aims to halt and then reverse the decline in biodiversity within the country and to strengthen France's contribution to international commitments [1]. For the financial sector, the implementation of these commitments also entails a strengthening of the regulatory framework and transparency requirements. At the European level, the *Sustainable Finance Disclosure Regulation* (SFDR) requires financial institutions to disclose information regarding their material adverse impacts, including those related to biodiversity.

For its part, the European taxonomy explicitly recognizes the protection and restoration of biodiversity and ecosystems as one of its six environmental objectives. At the national level, Article 29 of the Energy and Climate Act of November 8, 2019, aims to strengthen and clarify the non-financial transparency obligations of market participants. For the first time, biodiversity is explicitly mentioned in the guidelines; entities subject to these guidelines must now disclose information about their strategy for aligning with long-term goals related to biodiversity conservation. Ircantec is directly affected by these requirements and reaffirms its commitment to full compliance.

Contribution by Ircantec to reducing the primary pressures and impacts on biodiversity

Ircantec has developed a policy aiming at fuller integration of biodiversity into the management of its reserves, through a variety of measures, enabling the Scheme to be compliant with regulations.

Measuring Ircantec's biodiversity footprint

The biodiversity footprint provides a holistic view of the impact of business activities by establishing a link between those activities, the pressures they place on ecosystems, and the resulting consequences. Various methods are currently used to quantify these impacts, which enable suitable interpretation of the global impact of investments on biodiversity.

The Scheme therefore uses the BIA-GBS (*Biodiversity Impact Analytics – Global Biodiversity Score*) method developed by Carbon4 and CDC Biodiversité to measure its impact on biodiversity. The Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) has defined five main anthropic pressures that are responsible for biodiversity loss and the deterioration of natural capital: the changing use of sea and land, direct exploitation of organisms, climate change, pollution and invasive non-native species, as well as three categories of ecosystems: land, fresh water and marine. The GBS covers two domains - land and aquatic biodiversity - and four of the five pressures identified by the IPBES, which are then divided into eleven GBS pressures (see appendix 11).

The GBS provides an estimate of the impacts caused by enterprise activity on ecosystems. This tool offers some interesting features, as it provides an aggregated metric (in MSA) to assess the level of ecosystem degradation attributed to companies or a portfolio. In addition, it differentiates between static impacts (inventories) and dynamic impacts (flows), while taking into account the impacts on biodiversity across the whole upstream value chain.

MSA (*Mean Species Abundance*), an important GBS metric, describes changes in biodiversity relative to the undisturbed state of ecosystems. It is defined as the mean abundance of species initially present in relation to their abundance in the undisturbed ecosystem, understood here as the equivalent to a natural state, intact and unaffected by human activity. In tangible terms, the MSA evaluates the integrity of ecosystems on a scale of 0% for a completely modified area, to 100% for a fully intact ecosystem. This metric is then combined with a given surface area to obtain the score in MSA/km². Thus, an impact of 1 MSA/km2 is equivalent to sealing the soil across 1 km2 of natural unaffected area.

The GBS draws a clear distinction between the dynamic footprint – which refers to changes or flows in biodiversity over a given period (new consumption, restoration, or conservation of biodiversity – and the static footprint, which encompasses all effects that persist over time, such as the spatial footprint of existing facilities or past emissions and pollution that continue to affect biodiversity today. This differentiation enables us to better measure the impacts on environmental integrity, by separating past cumulative impacts from new impacts, whether they are negative or positive. The GBS method uses this approach, separating the periodical gains or losses (dynamic impacts) from cumulative negative impacts (static), to ensure a comprehensive evaluation of the state of biodiversity.

Lastly, the GBS retains the concept of scopes developed by the GHG protocol for the climate footprint and transposes it to the biodiversity footprint to delineate the impacts through the value chain. As a result, Scope 1 represents the impacts of the company's direct operations, Scope 2 covers the impacts associated with the production of the energy consumed by the company, and Scope 3 includes the impacts on biodiversity throughout the upstream and downstream value chain.

Measuring the portfolio biodiversity footprint

To assess enterprise biodiversity footprints, the primary approach of the GBS is to link the data on economic activity to the pressures on biodiversity and to translate these pressures into modifications (impacts) of the state of biodiversity. A hybrid approach is adopted to make use of the best data available at each step of the assessment.

In addition, an aggregate score has been introduced in the BUA-GBS to generate a single figure related to biodiversity impact: the MSAppb [2]. This metric combines the impacts on land and aquatic ecosystems as well as the static and dynamic impacts into a single indicator. It provides an initial overview of the biodiversity performance of portfolio companies before going deeper analysis of their results using MSA.km².

Impacts financed by the portfolio in MSA.km²

	Dynamic	Static
Aquatic	0.6	89.9
Terrestrial	31.4	1,783.2

(1) https://www.ecologie.gouv.fr/sites/default/files/Doc-chapeau-SNB2030-HauteDef.pdf
(2) ppb = parts per billion

Based on the aggregate artificialization score expressed in MSApbb, the portfolio's absolute footprint stands at 731, reflecting pressure on biodiversity; however, this represents a lower score compared to 2024, when the figure was 798.

However, this composite score alone does not provide a detailed understanding of the mechanisms underlying the observed impacts. The MSA.km² analysis, recommended by the *Biodiversity Impact Analysis – Global Biodiversity Score* (BIA-GBS) approach developed by Carbon4, provides a more operational perspective by allowing users to distinguish impact intensities by sector, pressure type, and timeframe. Based on this, the sectors that contribute most significantly to the portfolio's biodiversity footprint are food manufacturing, financial services, and chemical manufacturing. The results show that certain sectors, particularly the agri-food sector, account for high impacts related primarily to land use and land conversion; these are known as "static" impacts, meaning they are directly associated with the physical use of the environment and the cumulative land footprint of activities. Conversely, for financial services activities, the dynamic impacts appear to be predominant, because the BIA-GBS methodology takes into account financed emissions and their delayed effects on biodiversity via climate change – particularly through rising temperatures and shifts in climate patterns.

The analysis also highlights a marked variation in pressures across different environments. In aquatic ecosystems, static impacts are primarily attributable to pollution, which accounts for 66% of the pressures, followed by water use (20%) and direct exploitation of the environment (14%). In contrast, the dynamic impacts on these same ecosystems are dominated by climate change, which accounts for 45.5% of the pressures, particularly through the gradual warming of the atmosphere and bodies of water, which has a lasting impact on rivers, seas, and oceans and leads to the degradation of aquatic habitats. For terrestrial ecosystems, these trends are even more pronounced: static impacts are overwhelmingly concentrated on land use, which accounts for 91% of the pressures, while dynamic impacts are primarily driven by climate change, which is responsible for 83% of the biodiversity loss observed over the long term, ahead of land-use changes that occur over time (16.7%).

This distinction helps explain the distribution of pressures observed in the analysis results. In aquatic ecosystems, static impacts are primarily driven by pollution, which is the main source of immediate degradation of aquatic habitats, as it directly alters the physicochemical quality of the water and affects the flora and fauna. Water use and direct exploitation of natural environments also contribute significantly to these static impacts by altering flow rates, water levels, and habitat structure. In contrast, the dynamic impacts on aquatic environments are largely driven by climate change, which has a gradual but profound effect. Atmospheric warming leads to a rise in the temperature of rivers, lakes, and oceans, alters biogeochemical cycles, and exacerbates heat stress, which explains why climate change plays a predominant role in the dynamic impacts observed in these ecosystems.

For terrestrial environments, the results show an even more pronounced distinction between static and dynamic impacts. Static impacts are overwhelmingly linked to land use and land-use change, which constitute the dominant pressure on terrestrial biodiversity. Land development, intensive agriculture, and land use result in immediate habitat loss, ecosystem fragmentation, and a decline in species richness, which explains the very high concentration of static impacts associated with this pressure. Conversely, from a dynamic perspective, climate change appears to be the main driver of long-term biodiversity loss. Rising average temperatures, changes in precipitation patterns, and more severe droughts are having a lasting impact on terrestrial ecosystems, exceeding the adaptive capacities of many species. Long-term changes in land use, although secondary to climate change, also contribute to dynamic impacts by amplifying the effects of global warming and reducing the resilience of ecosystems.

Ultimately, the analysis of 2025 and the comparison with 2024 reveal a decrease in the static impacts financed by the portfolio, with a notable 10% reduction in terrestrial static impacts.

Finally, the BIA-GBS analysis highlights that the bulk of the portfolio's biodiversity footprint is generated indirectly, under Scope 3 of the issuers, which accounts for between 93.10% and 99.13% of the total impact, expressed in MSA.km², depending on the ecosystem in question and the distinction between static and dynamic impacts, thereby confirming the decisive role of value chains and end uses in the pressure exerted by financial portfolios on biodiversity.

In fact, the very pronounced predominance of Scope 3 impacts in the results can be directly attributed to the logic behind the BIA-GBS methodology, which aims to capture the actual impact of financial portfolios on biodiversity. Most of the pressure on ecosystems does not stem from companies' direct operations, but from their entire value chain and the end use of their products and services. The impacts associated with raw material extraction, agriculture, energy production, and emissions resulting from financed activities thus occur both upstream and downstream, which explains why Scope 3 accounts for the bulk of the portfolio's biodiversity footprint, for both static and dynamic impacts, and confirms the decisive role that capital allocation decisions play in the pressures exerted on biodiversity on a global scale.

Assessment of dependencies

Although the initial focus of the GBS was on measuring the impact, the estimation of dependency on ecosystem services was added to provide an overview of the risk assessment in line with the double materiality approach. Ecosystem services are those supplied by biodiversity and which enable or facilitate human activities, in particular economic activities (pollination, water purification, etc.). The GBS serves to estimate dependencies on the 21 ecosystem services classified in the ENCORE methodology (*Exploring Natural Capital Opportunities, Risks and Exposure*), using two materiality ratings ranging from 0% (no known dependency) to 100% (very high dependency). The mean materiality rating measures the average dependency of the business on all ecosystem services. This materiality rating can mask high dependencies on a small number of ecosystem services if the dependency on all other services is low. For this reason it is completed by a critical materiality rating, which focuses on the part of a business that is highly dependent on at least one ecosystem service, i.e. dependent on at least one non-replaceable service. The services are considered non-replaceable if the dependency is rated as high or very high according to ENCORE.

Mean materiality rating – scope 1, businesses and financial institutions only

Critical materiality rating – scope 1, businesses and financial institutions only

The charts presented highlight the distribution of average and critical dependence within the portfolio by ecosystem service and by industry sector, for the industries most heavily represented in Ircantec's "corporate" portfolio, within the Scope 1 framework. This analysis aims to assess the degree to which economic activities are directly dependent on the functions provided by ecosystems, regardless of the impacts those activities have on the ecosystems, in accordance with the conceptual frameworks set out by the *Millennium Ecosystem Assessment* and the TNFD framework.

The results show that the highest levels of dependence are associated with ecosystem services related to surface water and groundwater, as well as erosion control and soil stabilization services. These findings are consistent with the scientific literature, which emphasizes that water is an indispensable resource for virtually all economic value chains, whether for industrial processes (cooling, cleaning, processing) or for energy, sanitation, or digital applications. The gradual depletion of water resources – already evident in many regions due to the combined effects of climate change, overexploitation, and pollution – is likely to lead to operational disruptions, rising costs, and an increased risk of conflicts over water use. Similarly, soil conservation and erosion control services play a fundamental role in maintaining land productivity, ensuring the stability of infrastructure, regulating water resources, and preventing natural disasters, which explains their cross-cutting importance to many economic sectors.

The sectoral analysis highlights the sectors that are most dependent on ecosystem services. The manufacturing of medical and dental devices, energy production and distribution, real estate, IT infrastructure, and electronic components all exhibit high levels of average dependence. These sectors rely heavily on a secure supply of high-quality water, stable soil conditions, and environmental conditions compatible with complex and sensitive supply chains. The pharmaceutical industry appears to be particularly dependent on biodiversity and related ecosystem services, particularly genetic resources and water-related services. In fact, a significant proportion of therapeutic molecules are derived directly from living organisms or inspired by natural compounds, and biological diversity serves as an essential resource for research, innovation, and the sector's resilience in the face of future health challenges.

Furthermore, the analysis reveals that the portfolio has low exposure to critical dependencies, which is generally a positive sign in terms of resilience. However, the critical dependencies identified mainly concern services related to surface water and groundwater, as well as services related to climate regulation, storm management, and flood control. These services are essential to maintaining the conditions necessary for economic activity in the context of climate change, which is characterized by more frequent extreme weather events, increased precipitation variability, and rising sea levels. The sectors most exposed to these critical dependencies are healthcare, infrastructure, real estate, and electricity generation from non-renewable sources, whose assets are often highly localized, capital-intensive, and vulnerable to climate and hydrological hazards.

Overall, these results highlight that, even in the absence of high exposure to critical immediate dependencies, Ircantec's portfolio remains structurally dependent on key ecosystem services, particularly those related to water, soil, and climate regulation. This dependence constitutes a latent financial risk that could materialize in the medium and long term in the event of further degradation of ecosystems, and justifies the gradual integration of biodiversity issues into asset allocation, shareholder engagement, and risk management strategies.

Nonetheless, it is important to report that the assessments of the portfolio's biodiversity footprint and dependency on ecosystem services still have to face limitations. These limitations are due to the insufficient quantity of data required for calculations, to the changes in methodology applied by CDC Biodiversité and Carbon4 Finance, and to the use of approximations. And yet, these assessments are crucial in generating a new inventory, which is essential for more effective integration of biodiversity in the Group's investment management.

Divestments from companies for biodiversity reasons

The damage caused by certain activities to ecosystems is now well documented. For this reason, Ircantec has implemented exclusion thresholds in domains related to biodiversity protection, to start limiting the damage caused to nature by its investments.

These thresholds will be in place by the end of the first half of 2025 for all listed assets in Ircantec reserves. The implementation went smoothly, with ongoing dialog with all of our asset management firms, alongside a campaign to reach out to companies that might be subject to divestment.

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

Palm oil

Deforestation and modification of natural ecosystems are among the main causes of global warming. They also have serious consequences in terms of biodiversity loss, such as the disappearance of fauna and flora from forests. The palm oil industry, alongside intensive animal agriculture and the soya, rubber, paper pulp and wood industries, is one of the main causes of deforestation. Large-scale oil palm tree cultivation has devastating consequences for ecosystems and species, but also for the rights of native populations. To limit investment in activities whose consequences include deforestation and soil conversion, Ircantec has set thresholds in the palm oil sector. The Scheme now excludes from the whole value chain companies which:

- generate over 5% of their annual turnover from palm oil and where less than 50% of their palm oil production is RSPO certified (Roundtable on Sustainable Palm Oil[1]);
- generate over 15% of their annual turnover from palm oil and where less than 80% of their palm oil production is RSPO certified.

(1) The Roundtable on Sustainable Palm Oil (RSPO) is a global certification system for certified sustainable palm oil.

Ircantec is also divesting from businesses involved in significant controversies on this theme (raw palm oil, palm kernel oil, etc.). Lastly, for producers, an additional condition must be met to remain in the portfolio: observe social safeguards based on the principles of the UN Global Compact [1].

Pesticides

The French National Institute for Statistics and Economic Research INSEE defines pesticides as "substances or products used to control organisms considered as pests, whether they be plants, animals, fungi or bacteria. They may be classified by type of use (herbicides, insecticides, fungicides, nematicides, rodenticides, etc.), by chemical family or by method of action."

The intensive use of chemical pesticides accelerates biodiversity loss 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 more pesticides were detected above the thresholds of concern in 22% of all river and lake monitoring sites in Europe. 83% of agricultural soils tested as part of a study in 2019 contained pesticide residues. A large-scale human bio-surveillance study undertaken in 2014 and 2021 in five European countries revealed that at least two pesticides were present in the body of 84% participants in the study [2].

Ircantec therefore implements an exclusion threshold concerning pesticides: exclusion of all companies which generate over 5% of their annual turnover from the production or distribution of pesticides.

GMO

From a regulatory standpoint, European legislation (and in particular the European Directive 2001/18/EC) define a 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 regulation forbids a GMO from introduced onto the market or released into the environment without prior authorization. This authorization can only be issued after a case-by-case examination of the risks of the organism to health and the environment. GMO authorized to be placed on the market require monitoring, traceability and labeling.

Ircantec acknowledges the debate and uncertainties surrounding the production and use of GMO and seeks to ensure minimal, responsible investment in these activities.

Therefore, Ircantec excludes companies where over 5% of annual turnover is generated through GMO.

Furs

Every year, around 100 million animals are killed for their fur. Fur is often obtained under conditions that are violent for animals. To support animal well-being, Ircantec has adopted exclusion criteria for the fur industry.

Companies involved in the production of fur must show one of the following elements:

- a scheduled exit from the use of fur, or
- a responsible policy exhibiting one of the following components:
  - observance of international standards on animal well-being, in particular:
    - *Agreement on International Human Trapping Standards,*
    - *World Organization for Animal Health,*
    - *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,*
  - transparent and traceable sourcing of furs (for example through the Saga Furs Auction House),
  - preferably a "Furmark" certification (global certification and traceability system for natural fur which ensures the well-being of animals and compliance with environmental standards throughout the supply chain).

Biodiversity strategy for the real estate segment

In 2022, an initial analysis of the quality of outdoor areas was carried out using the BAF (Biotope Area Factor) [3], to enable the identification of assets offering the greatest potential in terms of biodiversity. Following this analysis, a biodiversity score chart was developed in 2023 by the OPPCI's asset management company. It consists of twenty-four indicators grouped into four categories:

- commitments by the grounds maintenance contractor;
- project development according to the environmental engineering of the site;
- reintegration, improvement and increase of on-site flora and fauna;
- reconnection of users with living assets, improvement of their well-being and awareness.

(1) https://unglobalcompact.org/what-is-gc/mission/principles.
(2) European Environment Agency study: "How pesticides impact human health and ecosystems in Europe" 2023.
(3) The Biotope Area Factor (BAF) quantifies the relationship between the ecologically effective surface area (areas that support plant and animal life) and the total surface area of a land lot, an urban island, a district or a larger territory. The factor ranges from 0 (totally impermeable area) to 1 (in-ground green spaces).

This framework incorporates daily practices for managing natural areas and proposes action plans to improve the quality of biodiversity at these sites. To develop these action plans, the management company was assisted in conducting an environmental assessment by environmental experts. Seven sites, with varied characteristics, were selected to conduct the first assessments. In addition, SLAM conducted literature reviews and environmental studies on fifteen other active ingredients identified for their ecological potential. Accordingly, following on from these analyses, Ircantec's management company will implement approved actions and monitor performance charts on the seven selected sites. These initiatives are part of the Institution's new biodiversity policy, which calls for the implementation of the following commitments starting in 2024:

- request the Biodivercity certification in its letters of interest for 100% of VEFA (sale prior to completion) [1]/heavy renovation projects, with the aim of obtaining it for 70% of said projects with a value over €15 million;
- conduct environmental audits on 60% of sites by 2026;
- calculate the BAF for all OPPCI assets. In addition, an objective of BAF improvement will be requested on new sale prior to completion or heavy transformation projects: promoters will have to calculate before / after the BAF of projects and ensure monitoring;
- an additional constraint on soil sealing for the biodiversity investment table; at least 50% of new acquisitions on new projects (VEFA sale prior to completion) or transformations (heavy renovations) will have to be done on wasteland (industrial or tertiary brownfields, etc.) or buildings left abandoned;
- 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 [2].

Shareholder and collaborative commitments

A rising number of financial institutions and companies are voluntarily committing to preserving biodiversity. A range of collaborative commitments on the topic were recently developed based on specific individual sub-themes, actions and objectives. Through collaborative engagement, the Institution is working alongside other investors to promote biodiversity. The Scheme prioritizes commitments aimed at reducing the pressures on biodiversity identified by IPBES, with a particular focus on combating plastic pollution.

Shareholder commitment provides major leverage, particularly via votes at the shareholder general meeting. Ircantec plans to directly manage biodiversity-related resolutions for the securities in its portfolio, which will be listed in the voting report. The Institution may also amend its voting rules to incorporate criteria that promote the conservation of biodiversity.

A) Nature Action 100

Ircantec joined the Nature Action 100 collective in November 2024. Launched on December 11, 2022 by a group of institutional investors, this global initiative aims to encourage companies to take urgent action to reverse biodiversity loss by 2030, focusing on key sectors deemed to be of systemic importance.

B) PRI Spring initiative

The Scheme is a signatory of the Principles for Responsible Investment (PRI), a UN initiative that has supported responsible finance since 2014. In 2024, it joined the PRI's "Spring" initiative, which calls on institutional investors to use their influence to halt and reverse global biodiversity loss by 2030. This initiative also aims to address the systemic risk that environmental degradation poses to societies and to the long-term value creation of portfolios by improving corporate practices regarding deforestation and land degradation.

C) Commitment to addressing plastic pollution

Ircantec pays special attention to the fight against plastic pollution. As a result, it has signed several commitments, including the "Declaration on Plastic Action" in 2023, which encourages companies that use large amounts of plastic packaging to take meaningful action. This declaration inspired the PPWR Policy Letter addressed to the main political stakeholders of the European Union, to strengthen environmental regulations. The institution also signed the *Carbon Disclosure Project* (CDP) letter on mandatory plastic data disclosure, as well as an open statement for financial sector stakeholders in 2024 – co-sponsored by several organizations – ahead of the intergovernmental negotiating committee on plastic pollution.

Furthermore, the institution also aims to report on its efforts in favor of biodiversity through various objectives / initiatives:

TNFD

Introduced in July 2020, the Taskforce on Nature-related Financial Disclosures (TNFD) has created a set of disclosure recommendations and guidance that enable business and finance 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 applies the TNFD recommendations and reports on them in its sustainability report (see appendix 10).

(1) VEFA = *vente en l'état futur d'achèvement* or sale prior to completion, "off-plan"

(2) The French Labbé law of February 6, 2014 governs the use of pesticides across the national territory and since January 1, 2017, it prohibits the use of synthetic chemical pesticides by local authorities to control weeds in public areas such as parks, public gardens and roadsides. The order of January 15, 2021 extended the ban on pesticides as of July 1, 2022 in all public areas except professional sports grounds. This therefore applies to collectively-owned gardens, private parks and gardens, campsites, cemeteries, etc.

Contribution to the objectives of the convention on biological diversity

The contributions of Ircantec to the objectives of the convention on biological diversity are published in the sustainability report in accordance with the decree of article 29 (see appendix 12).

Principal Adverse Impacts relative to biodiversity

Ircantec is attentive to the Principal Adverse Impacts (PAI), especially those relating to biodiversity. Ircantec will assess its position in relation to the benchmark and the applicable measures to improve these indicators (see Part 7 of this report).

4 Alignment of investments with climate objectives and the Paris Agreement

The Transition Pathway Assessment enables investors to analyze how well their portfolios align with the goal of limiting global warming to 2°C above pre-industrial levels. This approach aims to assess the alignment between the emissions reductions actually achieved over time and the reduction trajectories needed to meet the goals of the Paris Agreement. It is based on an analysis of historical carbon data – available since 2012 – combined with emissions projections through 2035, which are based primarily on companies' current and future levels of activity. This dynamic analysis makes it possible to assess the credibility of emitters' transition trajectories in light of reference climate scenarios.

The approach developed by Trucost is based on two benchmark methodologies promoted by the *Science Based Targets initiative* (SBTi). In this context, Trucost has adapted and expanded upon two approaches derived from the SBTi guidelines to enable the assessment of portfolio alignment with a 2°C pathway:

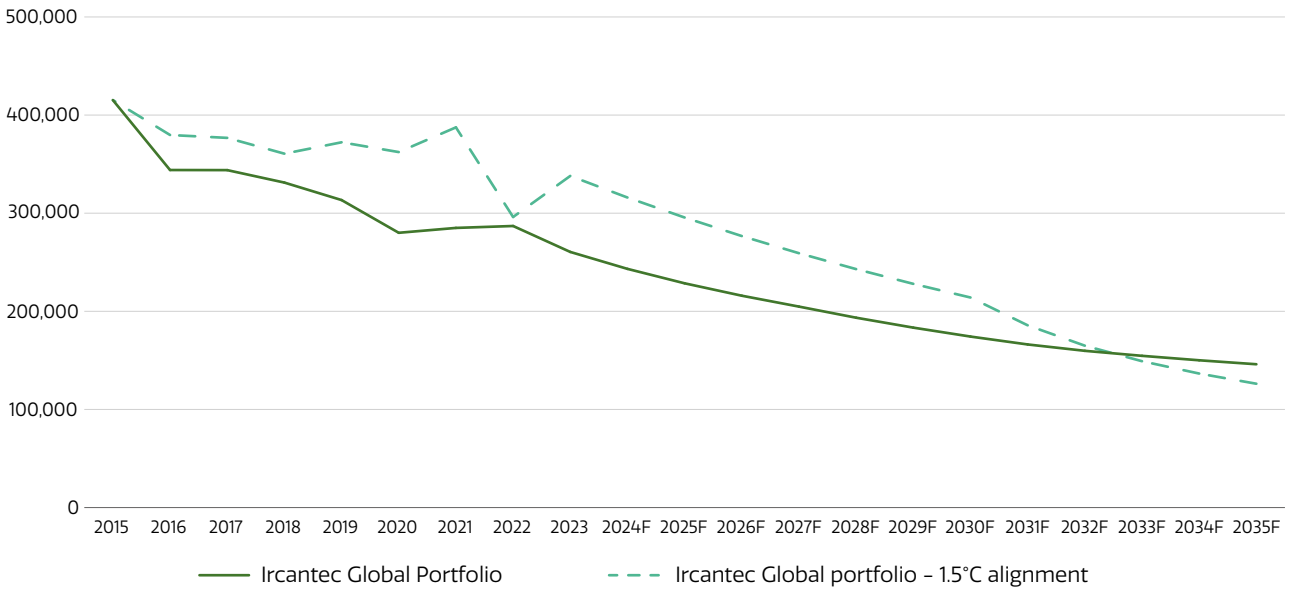
- the sectoral approach ("Sectoral Decarbonization Approach," SDA);
- the economic approach known as "Greenhouse Gas Emissions per Unit of Value Added" (GEVA).

These methodologies are recommended by the SBTi and widely used by companies to set their emissions reduction targets and structure their transition pathways in line with the Paris Agreement. To date, more than 7,700 companies worldwide have committed to SBTi-validated pathways consistent with a goal of limiting global warming to 2°C or even 1.5°C, using these approaches or equivalent methods. Applying this framework to financial portfolios enables investors to assess the overall alignment of their exposures with long-term climate goals.

The SDA approach applies primarily to companies engaged in homogeneous, high-carbon activities, such as those in the energy, materials, and heavy industries sectors. It is based on the principle that all companies in the same sector must move toward emission intensity levels compatible with a 2°C scenario by 2050. Companies with low emission levels in the baseline year and moderate production growth can therefore adopt a gradual reduction trajectory. Conversely, those characterized by high emission levels or strong growth in their operations must make faster and more ambitious reductions to comply with sectoral carbon budgets.

On the other hand, the GEVA approach is intended for companies whose operations are more diverse or whose emission levels are relatively low, making it difficult to apply sector-specific trajectories based on physical indicators. This methodology is based on a macroeconomic approach, according to which all the heterogeneous sectors of the economy must reduce their emissions at the same rate. Thus, if the global economy is to reduce its emissions by X% per year through 2050 to meet a given climate scenario, each company is expected to reduce its emissions at the same annual rate of X%, regardless of its initial emissions intensity. In absolute terms, this approach automatically implies that companies with the highest emissions must make greater efforts to reduce them than those with lower emissions. Unlike the sector-based approach, the GEVA methodology measures emissions intensity relative to a financial denominator – namely, value added – rather than relative to physical volumes, making it particularly well-suited for assessing emitters with diverse business models.

Emissions trajectory, 2015-2035



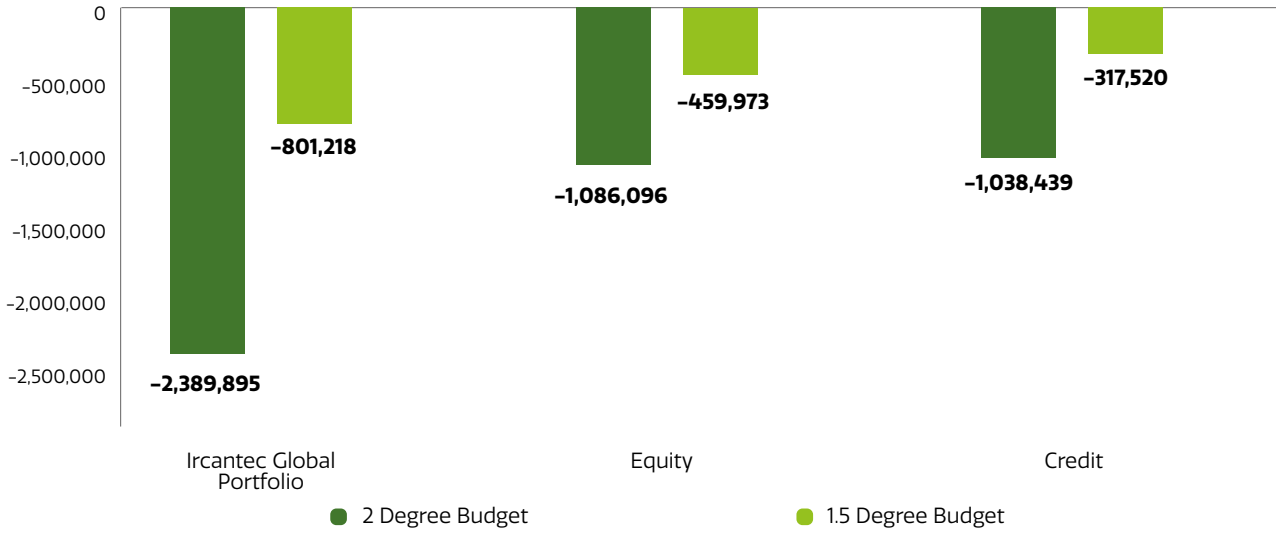
4.1 Listed companies

The carbon budget for the overall listed portfolio is estimated at –2,389,895, meaning the portfolio is below its carbon budget to align with a 2°C trajectory (taking into account Scopes 1 and 2 only), a significant improvement over last year's budget of –1,322,044 tCO_2e. In addition, the overall portfolio now has a carbon budget that, for the first time, is below the 1.5°C threshold, at –801,218 tCO_2e (compared to a previous overrun of 237,950 tCO_2e). This result clearly indicates that the portfolio's performance is improving, due to an increase in investments directly aligned with the TEE, in addition to the continued and significant decline in the portfolio's WACI.

This alignment with the 1.5°C temperature objective is the combined result of methodological changes and structural improvements to the portfolio. The update of the analysis to cover the period 2015–2035 (previously until 2030), the expansion of the SDA approach to include additional sectors (particularly the energy sector, a major contributor to the 1.5°C alignment), and the broadening of the scope of issuers make the assessment more robust and better aligned with current climate goals. Beyond these effects, several major issuers in the portfolio are on trajectories well below 1.5°C, with attributed emissions well below the carbon budget. For example, E.ON SE and Engie SA are projecting very significant reductions in carbon intensity by 2035 and are making a major contribution to the portfolio's positive carbon budget. Similarly, Iberdrola, whose weighting is set to increase between FY2024 and FY2025, is on a sustainable < 1.5°C trajectory thanks to its low-carbon electricity mix. Furthermore, Enel and EDP, which were previously classified as being on 1.5–2°C trajectories, now appear to be aligned with the < 1.5°C objective, reflecting a credible strengthening of their transition plans. Finally, the increase in the weighting of aligned industrial companies, such as Johnson Controls and Waste Management, automatically strengthens the overall alignment. All of these factors confirm that the portfolio is increasingly, credibly and sustainably aligned with the goals of the Paris Agreement.

Finally, the overall weight in the Ircantec portfolio of the (top 15) issuers that contribute most to 1.5°C alignment increased by 55 basis points, rising from 4.88% to 5.43% in 2025.

Alignment with the Paris Agreements



At the sector level, an analysis of the overall portfolio using the GEVA approach reveals that the materials, healthcare, and real estate sectors have the highest trajectories, with a temperature rise exceeding 4°C. Conversely, the information technology sector – and especially the public services sector – are on a trajectory below 1.5°C. The sector that contributes most negatively to the 1.5°C pathway in tCO_2e is the materials sector, with a contribution exceeding the budget by 216,236 tCO_2e. Indeed, cement alone is responsible for around 8% of global CO_2 emissions. The portfolio sector for which the 1.5°C trajectory is observed is that of electricity production, with the presence of nuclear energy, which is overweighted in relation to the benchmark, and the low portion of brown energy in the portfolio. Furthermore, the cement and steel sectors are not aligned with the SDA methodology, which is consistent with the analysis of the overall materials sector, whose GEVA assessment indicates a substantially negative contribution to the 1.5°C pathway.

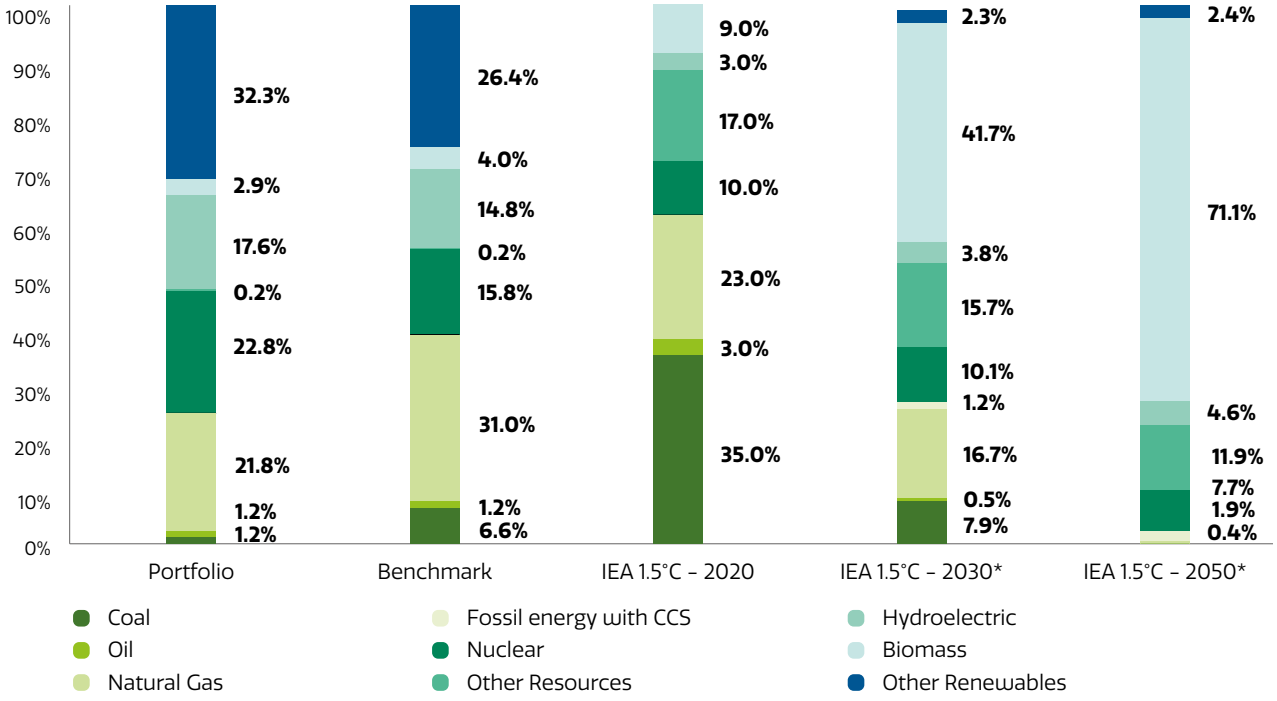
Ircantec Global Portfolio

Method	Sector	Ircantec Global Portfolio		Equity Portfolio		Credit Portfolio	
		Contribution to 1.5°C (tCO_2e)	Trajectory (°C)	Contribution to 1.5°C (tCO_2e)	Trajectory (°C)	Contribution to 1.5°C (tCO_2e)	Trajectory (°C)
SDA	Electricity production	−245,821	< 1.5	−57,168	< 1.5	−144,094	< 1.5
	Cement	11,002	1.5–2	−5,782	< 1.5	16,784	1.5–2
	Steel	391	1.5–2	391	1.5–2	0	
	Air transport	33,364	1.5–2	7,021	1.5–2	26,343	1.5–2
	Aluminum	3,555	2–2.7	1,512	2–2.7	2,043	2–2.7
	Real estate	20,158	> 2.7	13,495	> 2.7	5,482	> 2.7
	Maritime Transport	−4,930	< 1.5	0		−4,930	< 1.5
GEVA	Communication Services	11,682	2–3	2,215	1.5–2	9,678	2–3
	Consumer Discretionary	23,006	2–3	3,195	1.5–2	16,559	2–3
	Consumer Non-Cyclical	38,468	2–3	34,005	2–3	4,282	1.5–2
	Energy	0		0		0	
	Finance	−7,931	< 1.5	−4,503	< 1.5	−2,494	< 1.5
	Health	33,983	3–4	33,522	3–4	461	1.5–2
	Industry	13,188	1.5–2	−5,878	< 1.5	13,754	2–3
	Information Technology	−3,873	< 1.5	−2,805	< 1.5	−1,069	< 1.5
	Materials	215,236	3–4	157,317	> 5	44,339	2–3
	Real estate	11,728	> 5	2,143	> 5	8,365	> 5
	Utilities	−954,425	< 1.5	−638,654	< 1.5	−313,023	< 1.5

4.2 Sovereign funds and similar

Energy generation plays a key role in the transition to a low-carbon economy and in aligning with the goals of the Paris Agreement. It is therefore appropriate to examine the average electricity mix generated from the energy sources in each country, including low-carbon sources (hydroelectric, wind, solar, geothermal, tidal, and nuclear), weighted by each country's share of the total portfolio. Ircantec's reserves are slightly less exposed to natural gas than its benchmark. Furthermore, changes in the energy mix required to stay on a 1.5°C trajectory allow us to assess the portfolio's alignment with this goal. It is then possible to see that the portfolio is overexposed to nuclear power compared to the 1.5°C scenario due to its high exposure to France. We note that for a 1.5°C scenario by 2050, the energy mix is only oriented towards renewable energies - exposure to coal and oil disappear - with over-exposure to renewable energies. Ircantec is anticipating this trajectory by progressively reducing its exposure to fossil fuels, including gas.

Sovereign Analysis – Energy Mix



5 Integrating ESG and sustainability logic in the management of reserves

5.1 Fund-level ESG strategy

5.1.1 ESG integration

In addition to climate issues, Ircantec is interested in all of the ESG issues its portfolio faces. Like the climate and the environment, social issues such as human rights, freedom of association, health & safety of products and services, accessibility of products and services, etc. and governance such as shareholders' rights, organization of the Board of Trustees, compensation of executive management, etc., are of major importance for security issuers in the portfolio.

ESG considerations are integrated throughout the management process, and Ircantec strives to integrate SRI holistically and pragmatically. ESG issues are therefore taken into account from the selection phase of new asset management companies before assigning mandates.

Each mandate entrusted to a management company applies an SRI methodology specific to this manager, which is based on a selection strategy (positive filter), which can be best-in-class, best effort, best progress or best-in-universe . Unlisted funds focus more on an impact strategy and thematic investments. The climate policy (which includes exclusions and reduction targets) and the new biodiversity policy apply to all dedicated funds in the portfolio.

All funds are subject to rigorous monitoring of controversies. Ircantec's discretionary management firms systematically report major controversies affecting issuers in their portfolios, while the management team monitors the entire portfolio through its external ESG service provider to identify key controversies that pose financial or reputational risks. If a threshold is exceeded or a dispute arises, we immediately engage in dialog with the management companies to obtain their analysis and is judged necessary, request a reduction or sale of the positions.

To strengthen this integration, Ircantec is collaborating with Sustainalytics, a Morningstar Group company, which provides research, ratings, data, and non-financial analysis. These factors make it possible to identify, understand, and manage ESG risks and opportunities associated with various asset classes, companies, and funds. The Scheme also maintains an ESG database that is accessible to teams at all times, providing real-time monitoring of controversies or threshold breaches involving the securities in which it invests, as well as an additional tool for engaging with asset management firms to compare the ESG ratings of issuers in the portfolio.

Sustainalytics gives priority to global ESG risk assessment, scaled from 0 to 100 (where 0 is the level of least risk). The risk-based approach combines exposure to ESG risks, as well as their management by the issuer (see methodological appendix), and applies to the measurement of the overall level of risk without necessarily breaking it down into each E/S/G pillar.

5.1.2 Non-climate / biodiversity exclusions (tobacco, arms, controversies)

Ircantec's policy was strengthened in 2022 to clearly and transparently exclude sectors that have direct or indirect negative impacts on environmental, social, and governance issues. This policy is based on outright exclusions, such as those concerning controversial weapons, and on materiality thresholds, particularly for tobacco.

Controversial weapons

Ircantec defines controversial weapons as follows: anti-personnel mines, cluster bombs, depleted uranium weapons, chemical and biological weapons, incendiary weapons (including white phosphorus), blinding laser weapons and fragmentation bombs. Issuers involved in the production, storage, distribution, marketing, acquisition, conservation, supply, sale, importation, exportation or supplying assistance, technologies, essential services or components for weapons referred to above, as defined in international conventions.

This exclusion also applies to issuers involved in the brokering and transfer of nuclear weapons, as well as those engaged in the transfer of components to non-signatories of the Treaty on the Non-Proliferation of Nuclear Weapons. Finally, issuers holding more than 10% of the capital of companies engaged in the activities mentioned above are also excluded.

Tobacco

In line with the WHO, Ircantec considers tobacco to be a proven threat to public health, in addition to its high environmental and social costs. Thus, the Institution identifies four categories of exclusion for tobacco:

- companies involved in the production, manufacture and storage of tobacco or tobacco alternatives;
- issuers who generate 5% of their turnover from bulk or retail sales of tobacco products, goods/services related to tobacco or tobacco alternatives;
- issuers holding a stake above 5% in companies that produce tobacco, goods/services related to tobacco or tobacco alternatives;
- issuers holding a stake above 5% in companies who generate more than 5% of their turnover from bulk or retail sales of tobacco products, goods/services related to tobacco or tobacco alternatives.

Furthermore, the Program applies exclusions in cases of proven violations of fundamental conventions and principles, such as the Universal Declaration of Human Rights, the International Labor Organization's Declaration on Fundamental Principles and Rights, the Rio Declaration on Environment and Development, United Nations conventions, and the principles of the UN Global Compact.

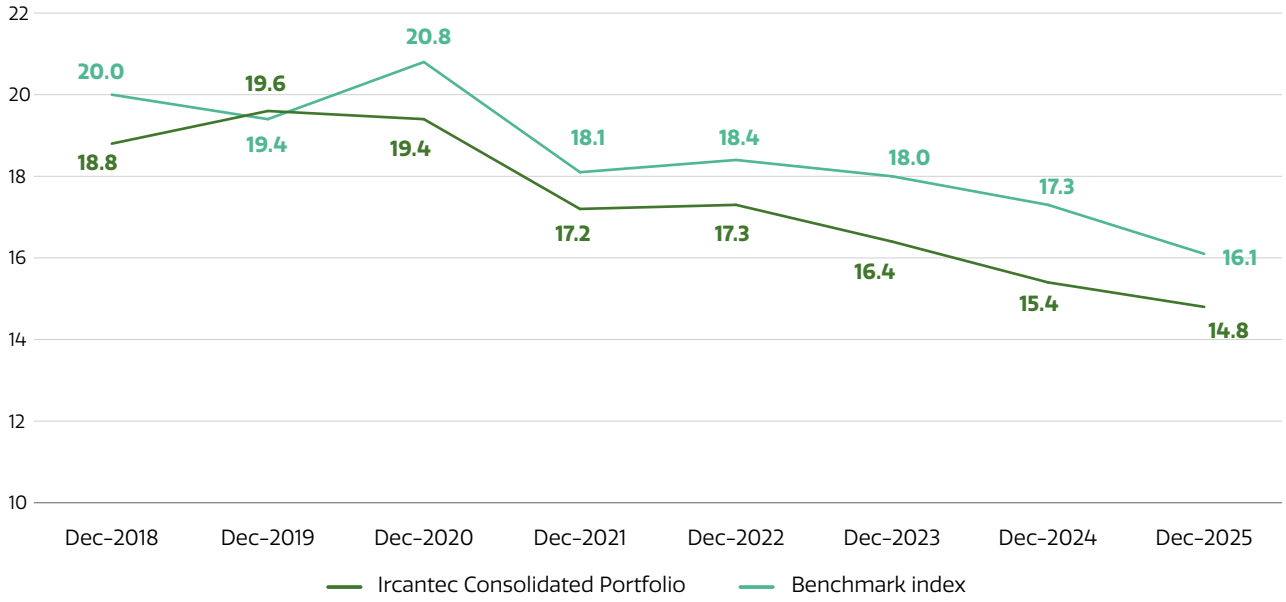
These exclusion filters, which are regularly updated and monitored, enable Ircantec to avoid investing in activities deemed dangerous.

5.2 Results of the non-financial assessment

5.2.1 Consolidated portfolio (sovereigns and corporate issuers)

An analysis of the ESG risk level of the consolidated portfolio since the end of 2018 shows a strong correlation between the portfolio and its benchmark index, with the portfolio consistently exhibiting a lower level of risk over the entire period. The only exception to this trend occurred in late 2019, with the addition of new mandates focused on European equity funds and global (ex-Europe) equity funds, which led to a significant shift in the breakdown of the companies with the largest weightings in the portfolio.

Historical Analysis of the Consolidated Portfolio



At the end of 2025, the portfolio's ESG risk level stood at 14.8, outperforming its benchmark index (16.1). Unlike 2022, 2023, and 2024 – when the portfolio's risk rating diverged from that of the index – 2025 marks a convergence between the two, given a more modest reduction in risk. Over the past year, Ircantec's "corporate" portfolio saw its ESG risk decrease by 1.2 points, from 16.6 to 15.4, while the risk rating for "sovereign" investments remained stable between the two periods at 12.7. These good results illustrate the strong stock selection by fund managers and that the Ircantec portfolio is regularly monitored by the management service (management committee, dialog with asset management companies) to ensure that they comply with all specific requirements of the SRI charter and seek to improve over time and in relation to their benchmark index.

However, it is possible that the Ircantec portfolio, which is already highly optimized, may reach a point where its ability to further reduce its exposure to ESG risks is significantly limited. In this context, potential improvements in ESG criteria yield increasingly smaller marginal benefits.

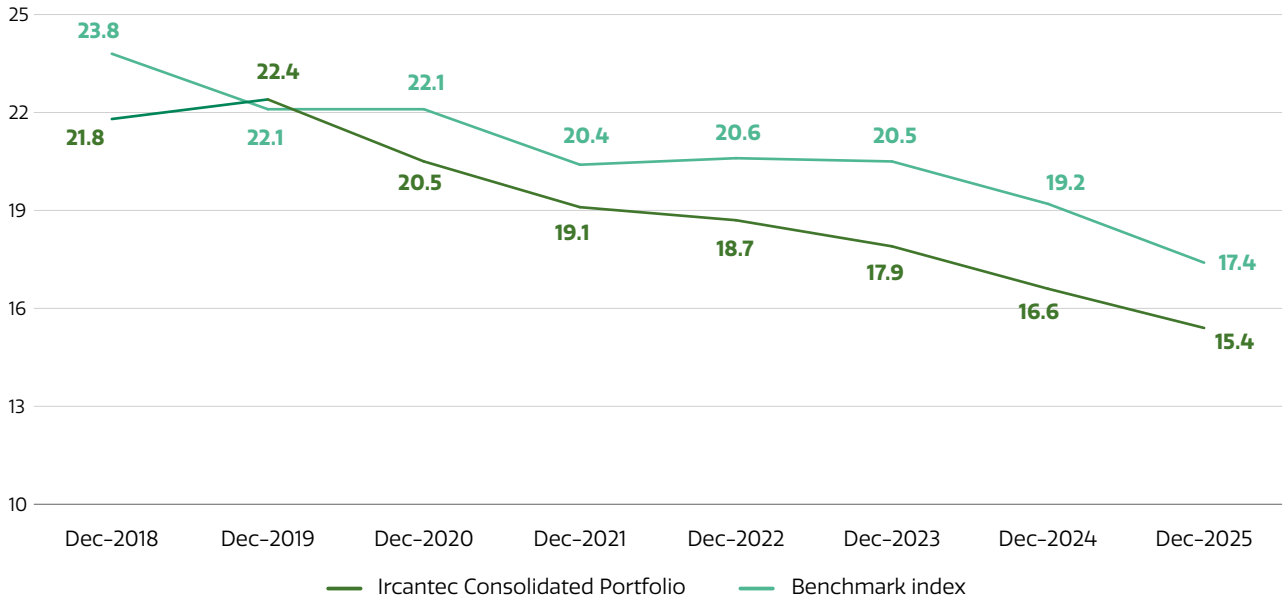
Over a four-year period, Ircantec's consolidated portfolio showed a steady improvement in its ESG profile, with a 2.5-point reduction in ESG risk, from 17.3 in 2022 to 14.8 in 2025. To put these developments into context, it is helpful to refer to the Morningstar Sustainalytics research universe: between 2021 and 2024, it saw a marked decline in average ESG risk – in the order of 4 points – reflecting widespread progress in issuers' management practices and transparency. In 2025, this trend reversed, with the average ESG risk rising by 1.5 points across the research universe. In this context, the continued decline in the ESG risk of the Ircantec portfolio in 2025 clearly reflects the strategy of reducing ESG risks in Ircantec's asset allocations.

In terms of fund analysis, most Ircantec FCP mutual investment funds have a lower risk than their respective benchmark index. It should be noted that three funds are slightly riskier than their respective indices (these are the "Ircantec Souverains BNPP AM," "Ircantec Souverains AXA IM," and "Ircantec Social Bonds BNPP AM" funds).

5.2.2 Corporate portfolio

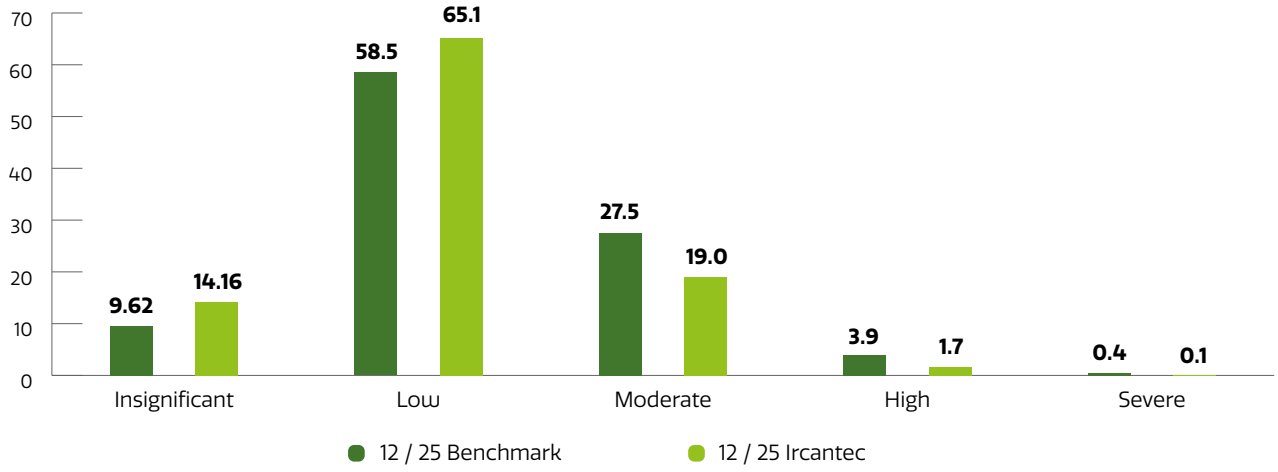
With a score of 15.4 (low risk category), the corporate portfolio (equities and bonds) presents a lower level of risk than its benchmark index (17.4). The portfolio is less risky than its benchmark over the period, except at the end of 2019, which shows a trend reversal due to a rotation of the most represented companies in the portfolio (replacement of low-risk companies by higher-risk companies when changing mandates), as highlighted for the consolidated portfolio. Since 2022, the difference between the portfolio ESG risk rating and that of its index grew further, with a positive change from 1.9 points in 2022 to 2.6 points in 2023 and 2024. As previously indicated, this high jump in the difference is partly explained by a change in asset allocations, a change in the methodology, and good stock selection. These good results compared to the index illustrate the continued effort by Ircantec to ensure a lower-risk portfolio.

History of ESG risk rating of Ircantec corporate portfolio *vs.* benchmark index



This portfolio performance is explained by a significant over-weighting of issuers with low levels of risk and an under-weighting of issuers with a moderate level of risk. It should be noted that the Ircantec portfolio holds only two investments with a "severe" risk rating in 2024(1).

Distribution of Portfolio Companies by Risk Level: Ircantec *vs.* benchmark



Using an analysis of ESG risk by geography, Ircantec has an over-weighting in Europe and a slight under-weighting in North America but invests in issuers that are generally less risky than the benchmark. The Institution's geographic allocation – with a very high proportion of issuers in Europe – is particularly favorable in terms of the overall risk level of the "corporate" portfolio. In fact, Europe is the region that contributes most to reducing the portfolio's risk level, as its risk level is lower than that of its benchmark index. This performance can be attributed to a more stringent ESG regulatory framework in Europe, which requires companies to adopt best practices in these areas. As a result, their ESG risk management score is generally higher than that of companies in other regions.

(1) These are the stocks "Mitsui Mining and Smelting Company" and "Heico Corp.," which are included in the Global Equity System Schroders fund.

ESG risk rating by geographical region

Zones	Portfolio		Benchmark		*Risk Score*	
	Weight	*Risk Score*	Weight	*Risk Score*	PTF *Risk Score* Benchmark	PTF *Risk Score* Global
Europe	66.4%	14.60	62.5%	16.5	-1.9	-0.9
North America	31.4%	32.62	36.6%	19.7	-2.6	1.6
Asia-Pacific	2.2%	18,30	4.1%	21.5	-3.3	2.9
Latin America	0.0%	12.00	0.2%	23.5	-11.5	-3.4
GLOBAL	**100%**	**15.40**	**100%**	**17.4**	**-1.95**	**N/A**

The "corporate" portfolio's outperformance relative to its benchmark index can be attributed to two main factors: sector allocation and issuer selection.

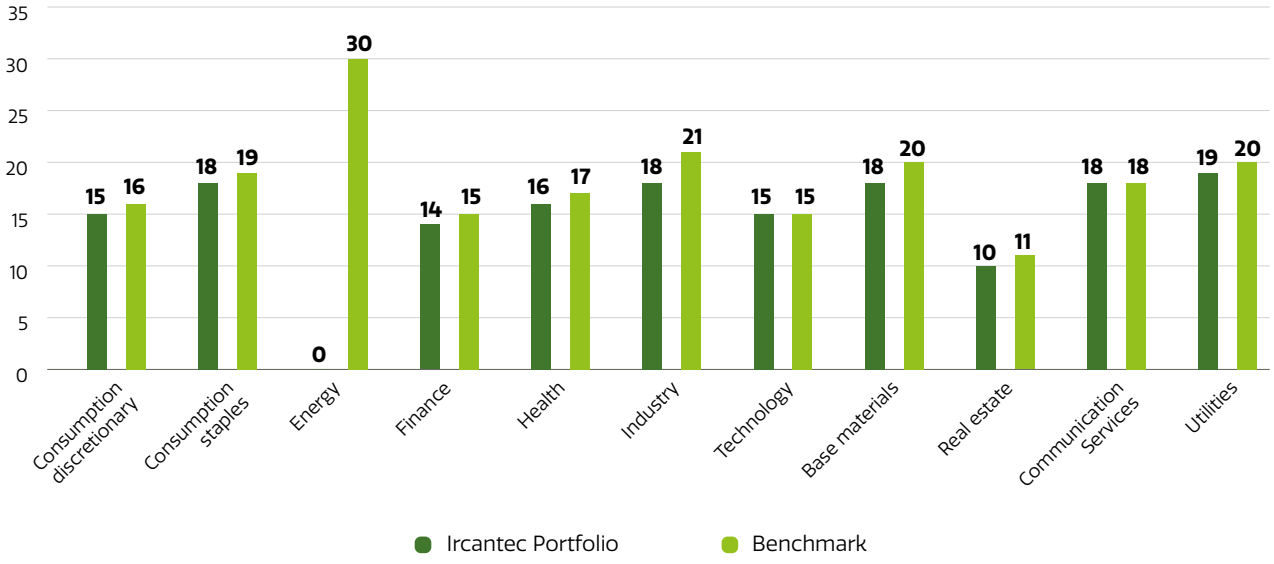
From an asset allocation perspective, the Ircantec portfolio is overweight in sectors that are generally less risky from an ESG standpoint, such as financial institutions, healthcare, real estate, and public utilities. Conversely, it is underweight in sectors with greater exposure, such as consumer discretionary, consumer staples, and telecommunications. This allocation directly contributes to the portfolio's outperformance.

One detail highlights this difference: with the exception of a 0.8% investment in the basic materials sector (classified as "severe risk"), no other sector in the Ircantec portfolio contains any companies in this category, unlike the benchmark index. In fact, the benchmark includes companies with high-risk profiles in three sectors, primarily in the energy sector.

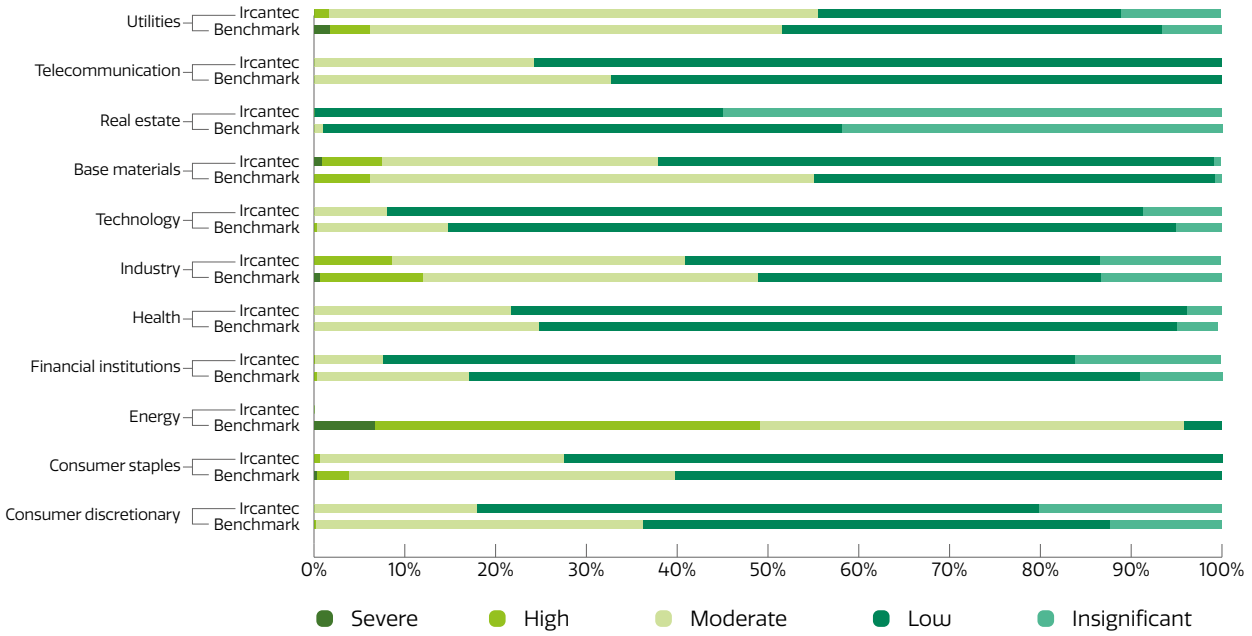
In the Ircantec portfolio, the riskiest companies fall into the high-risk category and are found in a few sectors, with the exception of telecommunications, real estate, technology, healthcare, and consumer discretionary. The industrial sector has the highest exposure to this category of high ESG risk, with 8.5% of the sector's investments affected.

With regard to the selection process, the issuers chosen within each sector show that the least risky companies are overrepresented, while the riskiest ones are underrepresented. This approach enables Ircantec's "corporate" portfolio to post lower ESG risk scores than its benchmark index across all sectors.

Comparison of ESG risk score of Ircantec corporate portfolio *vs.* benchmark index



Breakdown of Investments by Industry Sector and Risk Category



5.2.3 Companies with the greatest impact on the portfolio

By taking into account the weight of the issuers in the portfolio and their ESG risk score, it is possible to highlight the issuers that contribute positively and negatively to the overall risk level of the portfolio.

Thus, KfW, ASML, Intesa Sanpaolo, Schneider and Unibail-Rodamco Westfield (cumulative weight in the portfolio, 2.43%) have a weighted risk score of 8.7, i.e. a difference of -6.73 compared to the rest of the portfolio, thus contributing favorably to reducing the overall risk level of the portfolio.

Conversely, Iberdrola, Shopify, Argenx, NextEra Energy, and Lundin Mining (combined weighting of 4.72%) have a weighted risk score of 24.69, representing a difference of +9.26 compared to the rest of the portfolio. The controversies over these issuers partly explain the high level of risk of these companies.

5.2.4 Compliance with international norms and standards

No company present in Ircantec's portfolio is suspected of violating international standards as defined by the United Nations Global Compactl [1]. However, nineteen are considered "companies to watch," the majority of which are in the healthcare and consumer discretionary sectors. These are potentially at risk on matters such as non-observance of human rights or freedom of association.

5.2.5 Controversial weapons

Concerning controversial weapons, zero presence in the portfolio of companies producing essential or tailor-made components for cluster munitions (CM), anti-personnel mines (APM) or other controversial weapons as defined in the Ircantec SRI Charter.

5.2.6 Controversies

Sustainalytics rates controversies impacting portfolio companies on a severity scale of 1 (low) to 5 (severe). In December 2025, the number of serious and severe controversies is much lower for Ircantec's portfolio than for the benchmark, and no company in the portfolio is exposed to level 5 controversies. This analysis of controversies is consistent with the overall ESG analysis of the portfolio: the management of ESG risks is incorporated in the rating of ESG risk scores.

5.2.7 Involvement in sustainable activities and products

Via its corporate portfolio, Ircantec is exposed to several sustainable investment themes (responding to environmental or social challenges, or products that meet fundamental social needs and are designed in a sustainable manner) in connection with the Sustainable Development Goals (SDG).

- In terms of the "Health" theme (SGD3 - Access to healthcare): a total of ten companies (2.0008% of the portfolio) generate turnover that is between 83,59% and 100% dependent on access to health by treating major and/or neglected diseases as defined by the WHO.

Companies	% aligned turnover	Weight
Edwards Lifesciences Corp.	100%	0.22%
Vertex Pharmaceuticals, Inc.	99.91%	0.08%
Insulet Corp.	98.12%	0.01%
Gilead Sciences, Inc.	97.40%	0.18%
Argenx SE	97.06%	0.17%
Bristol Myers Squibb Co.	96.85%	0.01%
United Therapeutics Corp.	95.48%	0.0003%
AstraZeneca plc	93.02%	1.30%
Grifols	88.91%	0.0005%
Republic Services, Inc.	83.59%	0.03%

(1) The Global Compact (Global Compact, 2000) is a set of ten fundamental principles enacted by the UN for companies and non-profit organizations based around four themes: human rights, international labor standards, environment and fight against corruption.

- "Renewable energy" theme (SDG 7 – Affordable and clean energy, SDG 13 – Climate action): on the "renewable energy theme", between 94.43% and 100% of the turnover of the ten companies most involved in this area (1.02% of the portfolio) depends on renewable and clean energy.

Companies	% aligned turnover	Weight
ERG SpA	100%	0.03%
First Solar, Inc.	99.93%	0.16%
EDP Renováveis SA	99.80%	0.05%
Klépierre SA	98.93%	0.08%
Vestas Wind Systems A/S	98.76%	0.23%
Mercialys SA	97.95%	0.09%
Tennet Holding BV	97.80%	0.20%
Boralex, Inc.	95.78%	0.09%
NE Property BV	95.77%	0.08%
Vesteda Finance BV	94.43%	0.01%

- "Resource efficiency" theme (SDG 6 – clean water and sanitation, SDG 11 – sustainable cities and communities, SDG 12 – responsible consumption and production): ten issuers (0.5615% of the portfolio) have a turnover that is between 91% and 99,99% aligned with this theme, which supports a circular economy by increasing the efficiency of the use of resources, and by enabling recycling and resource recovery.

Companies	% aligned turnover	Weight
Pennon Group Plc	99.99%	0.0009%
Klépierre SA	98.93%	0.08%
Mercialys SA	97.95%	0.09%
Tennet Holding BV	97.80%	0.20%
United Utilities Group Plc	97.66%	0.01%
CC Aqualia	96.98%	0.01%
DS Smith Plc	96.63%	0.08%
NE Property Ltd.	95.77%	0.08%
Vesteda Finance BV	94.43%	0.01%
Belimo Holding AG	91.00%	0.0006%

5.2.8 Sovereign portfolio

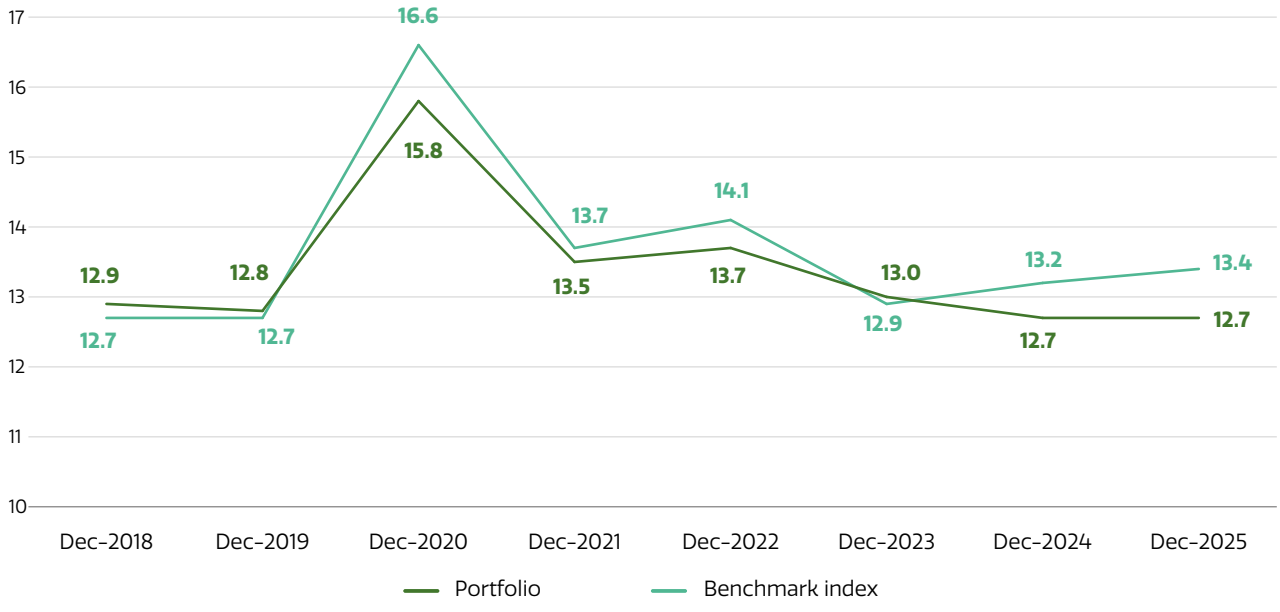
Analysis of the ESG risk level of sovereign issuers is based on an equal weighting of an ESG wealth score (based on three capitals: natural & product, human, institutional) and an ESG factor score (capacity of a State to manage its assets in a sustainable and responsible way). Development trends over the last five years and major events affecting a State (natural disaster, pandemic) also influence the ESG score.

Over the 2016–2025 period, the ESG risk score of the Institution's sovereign portfolio remained generally low and stable, with a trajectory similar to that of its benchmark index. Both indices fluctuated between 12.7 and 13.5 for most of this period.

The year 2020 marked a turning point, with a significant increase in ESG scores, reflecting a deteriorating macroeconomic and geopolitical environment. However, the Ircantec portfolio proved more resilient than its benchmark index, posting a score of 15.8 compared with 16.6.

Starting in 2021, the scores quickly returned to normal. In 2024, the portfolio even strengthened its ESG advantage over its benchmark index, with a score of 12.7 compared to 13.2. In 2025, this advantage persisted: the portfolio's score remained stable at 12.7, while the index's score deteriorated to 13.4, thus confirming the portfolio's overall more favorable ESG risk profile.

Historical Analysis of ESG Risk in the Sovereign and Supranational Portfolio Compared to the Benchmark Index



The breakdown by country and the ESG risk scores by country illustrate the changes in scores between December 2024 and 2025, as well as changes in weightings. In 2025, ESG risk is expected to increase for all countries in which Ircantec holds debt, with the exception of Chile, Canada, Slovenia, and Latvia.

The sharpest increases were seen in Germany and Slovakia, with a rise of +0.7 points compared to 2024. However, it should be noted that all the countries in the Ircantec sovereign portfolio remain in the low-risk category (less than 20 points).

Country	*Country Risk Ratings* – Score December 2025	*Country Risk Ratings* – Score December 2024	Change	Weight December 2025	Weight December 2024	Change in weight between December 2024 and 2025	Benchmark weight
France	13	12.99	0.01	20.0%	20.9%	–0.9%	22.3%
Italy	15.9	15.94	–0.04	19.0%	15.6%	3.4%	17.0%
USA	11.8	11.66	0.14	15.9%	14.5%	1.4%	27.7%
Spain	15.6	15.49	0.11	10.8%	13.0%	–2.2%	10.0%
United Kingdom	12.7	12.71	–0.01	7.6%	6.5%	1.1%	5.4%
Germany	12.8	12.07	0.73	7.3%	9.5%	–2.2%	8.0%
Japan	14.1	13	1.1	1.8%	0.0%	1.8%	3.9%
Chile	17.9	18.11	–0.21	1.4%	1.5%	–0.1%	0.0%
Austria	11.8	(11,67)	0.13	0.8%	1.0%	–0.2%	0.6%
Australia	10.2	9.67	0.53	0.6%	0.7%	–0.1%	0.6%
Belgium	13.1	12.93	0.17	1.0%	1.0%	0.0%	1.1%
New Zealand	11.6	11.22	0.38	0.9%	0.3%	0.6%	0.1%
Canada	11.6	11.7	–0.1	0.4%	0.5%	–0.1%	0.5%
Finland	11.9	11.67	0.23	0.5%	1.6%	–1.1%	0.3%
Greece	18	17.96	0.04	0.00%	0.00%	0.0%	0.2%
Ireland	11.3	11.23	0.07	0.2%	0.2%	0.0%	0.2%
Netherlands	12.1	12.04	0.06	0.4%	0.7%	–0.3%	0.9%
Portugal	15.9	15.64	0.26	0.2%	0.1%	0.1%	0.3%
Slovenia	14.8	15.03	–0.23	0.2%	0.1%	0.1%	0.1%
Slovakia	17.3	16.64	0.66	0.1%	0.2%	–0.1%	0.1%
Latvia	16.5	16.68	–0.18	0.02%	0.02%	0.0%	0.0%
Sweden	10.7	10.25	0.45	0.5%	0.4%	0.1%	0.2%
Supranationals	7.3	6.81	0.49	5.80%	8.00%	–2.2%	0.0%
TOTAL	**12.7**	**12.7**	**N/A**	**94%**	**99%**		**100%**

5.3 Thematic investments and impact investments

5.3.1 Support for employment and growth of the regions (SDG 13 – Climate action, SDG 7 – Affordable and clean energy, SDG 9 – Industry, Innovation and Infrastructure)

Through its thematic and impact-based funding, the Program aims to strengthen and consolidate its commitment to society by promoting the inclusive development of regions and supporting innovative companies that contribute to a growth dynamic that generates economic activity and jobs.

Thus, 1.71% of Ircantec's reserves are used to finance French and/or European small and medium-sized enterprises (SMEs) and mid-sized companies. The targeted companies have annual revenue of less than €500 million for debt investments and less than €250 million for equity investments. This financing is provided primarily through a dedicated fund managed by Access Capital Partners. As of December 31, 2025, €190.8 million had been invested through this fund (private equity and private debt), representing 94% of the initial commitment. Other funds complement this strategy to diversify investments and expose the portfolio to a variety of assets: Meanings Private Equity Funds B & II, Alter Equity 3P, Alter Equity 3P II, Omnes Croissance 4, Paris Fonds Vert, WCP Impact Dev 1, and Meanings Private Equity Fund IV, etc. This latest fund has committed to the *Science-Based Targets Initiative* (SBTi) to ensure that its portfolio assets align with the goals of the Paris Agreement and follow a trajectory compatible with limiting global warming to 1.5°C.

In total, Ircantec has committed €462.12 million to finance small and medium-sized enterprises (SMEs) and mid-sized companies. By the end of 2025, €319 million had been invested, representing 69% of the total commitment.

Other impact funds also help promote solidarity and employment:

- funds earmarked for the social and solidarity economy (SSE), to which Ircantec has allocated €10 million. The Scheme has committed €5 million to the NovESS fund, launched by Caisse des Dépôts, and €5 million to Amundi's Finance et Solidarité fund;
- two life annuity funds, Certivia (€15 million commitment) and Certivia 2 (€30 million commitment), designed to address the structural decline in older adults' incomes and improve their daily lives;
- a support fund for local tourism stakeholders (the Social Tourism Investment Fund – TSI), in which Ircantec has committed to investing €22.5 million over time. The goal is to support social tourism operators in renovating or reconfiguring their facilities, in order to maintain a significant number of beds and promote local development as well as access to vacations for all;
- a disintermediated loan fund for local authorities with more than 10,000 inhabitants, managed by Arkea, whose objective is to enable these authorities to finance responsible and long-term investment projects. Established in 2012, at a time when the banking sector was pulling back from financing local governments, this fund has reached its maximum commitment of €14.6 million, all of which has been invested.

5.3.2 A commitment to decent work and gender equality (SDG 5 – Gender equality, SDG 8 – Decent work and economic growth)

In 2019, Ircantec invested €2 million in the "Mirova Women Leaders" fund. This commitment was reinforced by additional investments of €7 million in 2020 and €3 million in 2021. The main focus of this fund is the advancement of women in order to strengthen gender equality, particularly in leadership positions. Through this fund, Mirova seeks to make an impact on gender diversity in two main areas:

- Shareholder engagement: The management company implements an engagement policy aimed at promoting best practices in gender equality within the companies in which the fund invests;
- A partnership with UN Women France: Mirova donates 5% of its management fees to the UN to support its efforts to empower women.

5.3.3 Support for inclusive and socially-aware growth (SDG 8 – Decent work and economic growth, SDG 11 – Sustainable cities and communities)

In terms of sustainable urban planning, Ircantec is committed to responsible real estate development. OPPCI Villiers Immobilier adheres to the Scheme's social policy, which is based on five priorities: intermediate housing, social tourism, student housing, healthcare facilities, and nursing homes (EHPAD) managed by non-profit organizations, public entities, or social and solidarity economy (ESS) enterprises, as well as assisted living facilities for seniors. The Institution ensures that its existing real estate portfolio is managed in accordance with a sustainable development approach, aimed at improving the environmental quality of the buildings and the quality of life for tenants. This is reflected in the commitments set out in its SRI charter, including aligning real estate assets [1] with a trajectory consistent with the Paris Agreement and establishing biodiversity-related targets.

Ircantec is also committed to the tune of €30 million in the Immobilier Impact Investing fund, which has a strategy based on a portfolio of high-yield assets and social real estate assets. The Scheme also contributes to two "lifetime" funds, Certivia (€15 million) and Certivia 2 (€30 million), to address the structural decline in older adults' incomes and improve their daily lives.

FOCUS ON THE DEDICATED SOCIAL BONDS FUND

In 2023, in line with its latest roadmap, Ircantec started the integration of *social bonds* in its portfolio, introducing a new dedicated innovation fund with €250 million in assets. The bonds issued on financial markets will finance projects of high social value. The broad investments of the *social bonds* will target specific populations such as those in underserved areas, low-income populations, women entrepreneurs, young people in priority education areas, SMEs or VSE, or even public service bodies. They also contribute to achieving the SDG related to the social sphere, especially objectives 3, 4, 5, 8, 10 and 12.

In this way, the Ircantec *social bonds* fund mainly contributed to financing SDG as follows:

- **37% of the fund contributed to SDG 10 – reduced inequalities – by financing unemployment allocations or the construction of affordable housing (Council of Europe Development Bank and Caisse d'amortissement de la dette sociale – state-owned special financial vehicle to repay the French social security system debt);**
- **23.4% contributed to SDG 8 – Decent work and economic growth – mainly by financing loans to SMEs (UNEDIC, Instituto de Credito Oficial [Spanish public bank] and via the Banque Fédérative du Crédit Mutuel);**
- **17.4% contributed to SDG 3 – Good health and wellbeing – in particular through financing loans to support sports and healthcare infrastructures (French community in Belgium and Caixabank).**

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

5.3.4 Protection of terrestrial (SDG 15 – Life on land) and aquatic resources (SDG 14 – Life below water)

Ircantec places special importance on the protection of terrestrial flora and fauna, paying particular attention to the preservation of terrestrial ecosystems through its investments.

Ircantec is therefore invested in the dedicated "Groupement Forestier de Brèves" fund, in which €70.1 million have already been invested. More information is provided in the paragraph "Exposure to other environmental factors (excluding climate)" on forest management. Pursuant to article 29, Ircantec continues to work with its ESG and carbon data providers to be able to set biodiversity protection objectives.

5.4 SFDR classification (articles 8 and 9)

Within the framework of the European Sustainable Finance Disclosure Regulation (SFDR), the dedicated funds and open funds held by Ircantec are classified according to their consideration of ESG issues:

- Article 8 brings together funds that have environmental and social characteristics. Most of Ircantec's listed dedicated funds (with the exception of article 9 funds) fall into this category, i.e. 76.54% of total reserves (representing an amount of €13.13 billion) as well as several open-ended and unlisted funds (Villiers Multi-Actifs);
- Article 9 (23.45 %) is the highest requirement level because it is specific to funds with a stated sustainability objective (represents an amount of €4.02 billion). Eight dedicated Ircantec funds (the two green bonds fund, the European equity and credit fund managed by Candriam, European / World equity funds managed by Mirova, the social bonds fund and the global equity fund TEE Nomura) are in this category alongside several open and unlisted funds (Mirova Women Leaders, Mirova Eurofideme 3, Mirova Eurofideme 4, Infragreen IV, Meeschaert Eurofideme 4, SWIFT 1, SWIFT 2, etc.).

Since March 2021, the SFDR has required management companies to classify their sustainable funds under Articles 8 and 9 based on their characteristics. Effective January 1st, 2023, Article 9 funds must comply with new technical requirements published in 2022. In light of these developments, many investment management firms have reclassified their Article 9 funds. No fund has been downgraded from article 9 to article 8 within the Ircantec portfolio.

5.5 Fund SRI labeling

The SRI label was created in France in 2016, as the first State label enabling the general public to select investment vehicles that incorporated environmental, social and governance principles in their management.

The third version of the label, published in December 2023, strengthens its foundation by incorporating a climate dimension. It now excludes companies involved in coal or unconventional hydrocarbon extraction, as well as those launching new projects for the exploration, production, or refining of hydrocarbons (oil or gas). In addition, the SRI label aims to support companies in their transition by gradually aligning SRI portfolios with the goals of the Paris Agreement. While maintaining its generalist nature, it also strengthens its focus on other environmental, social, societal, and governance criteria.

With this in mind, Ircantec's board members sought to have the relevant funds certified in order to highlight the plan's advanced ESG practices. Thus, in early 2026, Ircantec announced that it had obtained SRI certification for all of its dedicated funds listed in the corporate sector, representing approximately €11 billion of its reserves. The Scheme thus becomes the first institutional investor to take this voluntary step.

5.5.1 A Stronger Commitment to Sustainability

This certification, awarded by an organization recognized for its rigor and integrity, constitutes official recognition of the responsible investment approach that Ircantec has been pursuing for many years. It is part of a comprehensive strategy aimed at integrating ESG criteria into all of the Institution's investment decisions. By prioritizing sustainable investments, Ircantec contributes not only to the financial security of its members but also to a more sustainable future for everyone.

5.5.2 Transparency and Accountability

By earning this certification, Ircantec reaffirms its commitment to the requirements of public SRI certifications and sends a strong message against greenwashing. This approach also allows the organization to fulfill its social responsibility toward its 3.2 million contributing members and 2.37 million benefit recipients, in line with its commitment to accountability.

Finally, the example of Ircantec, a public-sector entity, demonstrates that asset owners, too, can seek SRI certification for diversified portfolios, with the aim of setting an example.

6 Review of engagement and voting policies

6.1 Engagement report

Since the formal definition of its engagement policy in 2017, Ircantec initially structured its shareholder engagement actions around three main themes with a long-term outlook, which it has expanded recently with a fourth:

- Energy and environmental transition;
- Respect for human rights in business;
- Corporate tax responsibility in France;
- Protection of biodiversity (since 2023).

Indeed, protecting biodiversity is a core purpose of marketplace work and the basis of article 29 of the French energy and climate law. The aim of this new theme of engagement is to promote a measurement of company biodiversity footprints, while working to preserve and restore biodiversity.

The Ircantec engagement policy lists the avenues of engagement preferred by the pension scheme: shareholder dialog (individual engagement), cooperation with other institutional investors and marketplace organizations (joint engagement), and voting at general meetings.

Ircantec maintains its commitment via various marketplace organizations:

- Member of the PRI (*Principles for Responsible Investment*);
- member of Af2i (*French Association of Institutional Investors*);
- Member of the FIR (Forum pour l'Investissement Responsable) and active in several working groups and committees.

6.1.1 Energy and environmental transition

For several years now, Ircantec has been committed to promoting an energy and environmental transition of the economy, in a context where the climate emergency is generating physical and transition risks that are weighing on economies and on terrestrial and marine ecosystems.

Engie and Climate Action 100+

Ircantec serves as a co-lead alongside Engie as part of the Climate Action 100+ initiative (in conjunction with the PRI). This initiative questions the world's largest emitters on their governance and their strategy with regard to climate-related risks and opportunities, in particular by integrating the social aspects of the ecological and energy transition (just transition).

As a reminder, since the beginning of 2022, Engie has significantly increased its imports of liquefied natural gas (LNG), particularly U.S. shale gas. Ircantec had signed a private letter sent to Engie in December 2022 to encourage the company to be more transparent about its climate strategy. At the 2023 annual general meeting, Ircantec co-sponsored a resolution aimed at strengthening Engie's climate transparency and establishing a "Say On Climate" process. In October of that same year, a discussion with CEO Catherine MacGregor provided an opportunity to review the results of that AGM and discuss the progress expected for the upcoming season. Topics discussed included, among others, the possibility of Engie raising its SBTi target to 1.5 degrees, the Group's lobbying activities, and LNG orders.

In 2024, no resolution was filed in order to give Engie time to meet expectations. However, the Institution signed a joint letter addressed to the Chairman of the Board of Directors, Jean-Pierre Clamadieu, to reiterate the expectations of CA100+ investors regarding the company's transition plan. Several discussions took place with management, particularly on the topics of green gas, the just transition, and carbon offsets.

In 2025, conference calls provided an opportunity to discuss climate goals, pro-gas lobbying, and Engie's climate strategy. These discussions led to greater ESG transparency, monitoring of just transition KPIs, and plans for another meeting on lobbying activities. At the 2025 Annual General Meeting, Ircantec voted against Engie's "Say On Climate" proposal due to the lack of SBTi 1.5°C certification, the absence of adequate interim targets, and the controversial financing of projects to import LNG produced through fracking. Consequently, Ircantec also voted against the approval of the consolidated financial statements and the renewal of Catherine MacGregor's term of office, even though the SoC was approved by 96.93% of the shareholders.

ShareAction

The engagement of financial institutions is one of the four key pillars of Ircantec's climate policy. ShareAction, an NGO specializing in responsible finance, conducts targeted campaigns to promote high standards and collaborative commitments among private issuers and investors. Ircantec has participated in investor calls and signed letters to financial institutions on climate topics with ShareAction since 2021, with notably HSBC and Barclays.

Engagement with Barclays

In 2022, Barclays' SOC was rejected by 19.2% of shareholders at the annual general meeting, including Ircantec. Consequently, Ircantec and other investors turned to ShareAction to organize dialog with Barclays, to enable the bank to explain its climate policy in greater detail, address the high level of opposition and the manner in which they intend to integrate the comments on climate issues raised at the general meeting. Following the engagement of investors and ShareAction, the bank proposed to bring the date of the coal phase-out in the USA forward by five years (currently 2035).

In 2023, Barclays received stronger engagement from ShareAction to which Ircantec contributed, mainly prior to the publication of its new energy policy in early 2024. After much dialog with Barclays, the NGO sought to submit a shareholder resolution to the company at the 2024 general meeting, on topics relating to fossil fuel energies. Discussions with Barclays and investors took place and led to concessions by the bank for its new energy policy, concerning greater clarity on transition plans now expected of the businesses financed. Subsequently, ShareAction decided to withdraw the resolution, determining the progress as acceptable.

In 2024, Ircantec signed a letter circulated by ShareAction to Barclays in the run-up to the annual shareholders' meeting. This letter strongly encouraged the bank to go further in its fossil fuel policy. In addition, Ircantec was also a signatory to various statements read by ShareAction at the 2024 annual shareholder meetings of HSBC, BNP P, Crédit Agricole, and Société Générale.

In late 2025, a call with the CEO of Barclays took place. This discussion highlighted several priority areas for the bank to pursue its climate transition, while taking into account operational constraints and the differing expectations of investors. Participants emphasized the importance of framing the issues around concrete and achievable demands, such as improving the mechanisms of *Climate Transition Finance* (which was praised for its transparency but whose operational impact still needs to be strengthened) or the targeted reduction of fossil fuel financing. In addition, two strong options have emerged for public engagement: either reaffirming the priority of climate action (with some nuances regarding the role of fossil fuels), or linking executive compensation to decarbonization targets. The challenge will be to identify a unified and actionable set of requirements for 2026, while navigating geopolitical sensitivities (particularly between the U.S. and Europe) and the limitations of existing tools.

Other Initiatives with ShareAction in 2025

Ircantec signed the ShareAction statements, which were read at the 2025 annual shareholder meetings of HSBC, Barclays, Standard Chartered, and Crédit Agricole:

- **HSBC:** The statement calls on HSBC to publicly commit to upholding its existing climate commitments and to consult with investors during its next review;
- **Barclays:** The statement calls on Barclays (i) to provide a robust methodology for its sustainable finance targets in order to understand how the bank calculated its target of US$1,000 billion and the trajectory that this target follows, and (ii) to set a renewable energy financing target that specifies the sectors that will play a non-negotiable, large-scale role in the transition toward its US$1,000 billion commitment;
- **Standard Chartered:** The resolution calls on Standard Chartered to establish a strategy and a target for increasing financing for renewable energy in emerging markets and developing economies (MEED);
- **Crédit Agricole:** The statement calls on Crédit Agricole to set an ambitious sustainable finance goal and to build on its current commitments regarding fossil fuels by conducting rigorous assessments of its clients' transition plans.

The Scheme also participated in conference calls with the *Chief Sustainability Officer at Standard Chartered* following the 2025 Annual General Meeting. Among the topics discussed were setting revenue targets for sustainable finance.

EET Letters

Since 2018, the management department has been monitoring the EET strategy of several companies identified as high-stakes, with the support of a proxy voting advisory firm and asset management companies in the run-up to the annual shareholder meetings. This analysis, conducted prior to the annual general meeting campaigns, covered fourteen companies in 2025. Of these, seven (Air Liquide, Barclays, Engie, Home Depot, Legal & General, Société Générale, and Toyota) were assessed as having an inadequate EET strategy. Their analysis resulted in five votes in favor and two abstentions. Following this process, the Institution sent an EET letter to the executives of the companies in question to highlight the shortcomings in their transition policies.

Signing of EET-Related Declarations in 2025

- **Joint Statement via the FIR**: Signing of an investor statement aimed at preserving the fundamental principles of the CSRD, CS3D, and the Green Taxonomy, following the publication of an omnibus directive.
- **Op-Ed Calling for Ambitious Climate Plans**: Again through the FIR, an op-ed was signed calling on stakeholders in the financial industry to reaffirm their expectations regarding companies' climate transition plans.
- **Statement by a coalition of investors**: Twenty-six institutional investors (representing €1.39 billion, mostly from the United Kingdom) signed a statement in support of climate action. This initiative aims to clarify expectations for management companies and encourage them to continue their efforts.
- **Letter to the FTSE 100**: Signing of a letter to promote "Say On Climate" resolutions among FTSE 100 companies.
- **Letter to the European Commission**: In collaboration with partner NGOs from several EU member states, Reclaim Finance (an NGO working to ensure that finance serves social and climate justice) sent a letter to the European Commission ahead of the revision of the SFDR, scheduled for late 2025. This letter calls for stronger safeguards against *greenwashing* and the exclusion of fossil fuel developers from all categories of SFDR funds (including funds labeled "sustainable," "transition," or "impact").

6.1.2 Protect biodiversity

Ircantec has raised its biodiversity commitment following its inclusion in the avenues of engagement in 2023.

Biodiversity-related declarations signed in 2025

- In late 2024, Ircantec sent letters to AAK AB (reason: palm oil) and BASF (reason: pesticides) to inform them of their upcoming exclusion from the portfolios and to encourage them to adapt their business models.
- Nature Action 100 (NA100) issued a letter to socially responsible companies, calling on them to step up their efforts to meet investor expectations regarding biodiversity. Ircantec has signed on to this initiative.
- In collaboration with ShareAction, Ircantec co-signed two investor statements, developed in partnership with Achmea Investment Management, ChemSec, Erste Asset Management, IEHN of Clean Production Action, Planet Tracker, and Mercy Investments: one addressed to the chemical industry, and the other to the governments represented in the Global Chemicals Framework and the Global Biodiversity Framework. Ircantec is a signatory.

Nature Action 100

Nature Action 100, launched in 2020 by a group of institutional investors, is a global initiative which aims to encourage investors to promote urgent measures to manage nature-related risks and dependencies in the companies in which they hold shares. It targets key sectors – which are consistently considered important – in order to reverse biodiversity loss by 2030.

The Scheme joined this initiative in late 2024, as part of the adoption of its biodiversity policy. As part of NA100, Ircantec is partnering with Amcor, a specialist in packaging solutions, to reduce plastic pollution.

In late 2025, Ircantec participated in a meeting with Amcor to discuss non-financial reporting, reduction targets, and progress made. Amcor has increased its transparency regarding post-consumer recycled (PCR) content following its merger with Berry, with harmonized data and targets validated by the SBTi. Chemical recycling is making progress through strategic partnerships, but remains limited by the maturity of startups and carbon traceability requirements. Renewable materials, which account for 12% of purchases (primarily fiber-based), are becoming increasingly attractive due to EPR regulations, despite logistical and economic challenges.

The target of 15% PCR by 2030 reflects a realistic ambition, supported by investments in recycling infrastructure and partnerships (EMF, Consumer Goods Forum). Amcor is focusing on innovation – such as with AmFiber – and reuse, while advocating for harmonized regulations (EPR, global plastics treaty). The next steps include improved *disclosure* on rigid and flexible packaging, as well as the expansion of fiber-based solutions.

6.1.3 Respect for Human Rights in business

The interconnection of economies and globalization are accompanied by increased social risks on increasingly long, complex and physically distant value chains. The distance between contractors and their numerous subcontractors makes it difficult, if not impossible, to accurately and reliably monitor working conditions, particularly in the early stages of these supply chains.

In 2025, Ircantec made a commitment by signing a letter from UNI Global Union (an international trade union federation founded in 2000, representing 20 million workers in the service sector worldwide). This initiative follows the announcement on January 22, 2025, of the closure of Amazon's seven warehousing and distribution centers in Quebec, resulting in massive job losses. According to Amazon, this decision is reportedly in response to a need to cut costs. However, local unions dispute this justification, claiming that Amazon refuses to engage in any constructive dialogue or union negotiations, which began as early as 2022. To avoid signing a collective bargaining agreement, the company unilaterally broke off negotiations.

This move by Amazon underscores the company's consistent stance, which is aimed at combating unions around the world. Whenever possible, the group takes decisive action to limit the influence of labor unions or even prevent them from growing. Ultimately, the decision to close all sites in Quebec – and thereby lay off a large number of employees without notice in the middle of negotiations – is unprecedented. As a result, the Canadian federal government announced that it would review government contracts with Amazon, and the union filed a lawsuit against the company, arguing that the closure violated Quebec labor law.

6.1.4 Theme – Corporate tax responsibility in France

In a context of globalization in which multinationals need to make decisions based on strategies and tax incentives that differ from country to country, tax responsibility aims to promote the taxation of value creation in the country in which it is actually generated, to ensure that the company contributes to the budget of the community and of the State in which its activities are located.

In 2025, Ircantec opposed the approval of the financial statements of three companies on the *Focus List*, in part on the grounds that their tax planning was deemed excessive:

- **AstraZeneca**: With a tax burden of US$1.65 billion, its effective tax rate stands at 18.99% in 2024 (compared to 13.60% in 2023), which is below the 20% threshold set by Ircantec. In addition, the company is involved in tax disputes in Brazil;
- **ASML**: despite a tax burden of €1.68 billion, its effective tax rate remains at 18.59% in 2024 (compared to 15.81% in 2023 and 15.02% in 2022), without reaching the 20% threshold required by Ircantec;
- **Legal & General:** Although its effective tax rate reached 41% in 2024 (well above the standard corporate tax rate in the United Kingdom, which is set at 25%), questions remain about its tax practices. In fact, a significant portion of its profits (£141 million) is generated in Bermuda, where the tax rate is 15 percent, with tax credits in place to maintain its competitiveness. This situation, combined with a relatively low tax burden, suggests aggressive tax planning compared to competitors such as Axa or Allianz.

In light of these findings, Ircantec plans to strengthen its voting guidelines on these issues in 2026.

6.1.5 Engagement beyond priority themes

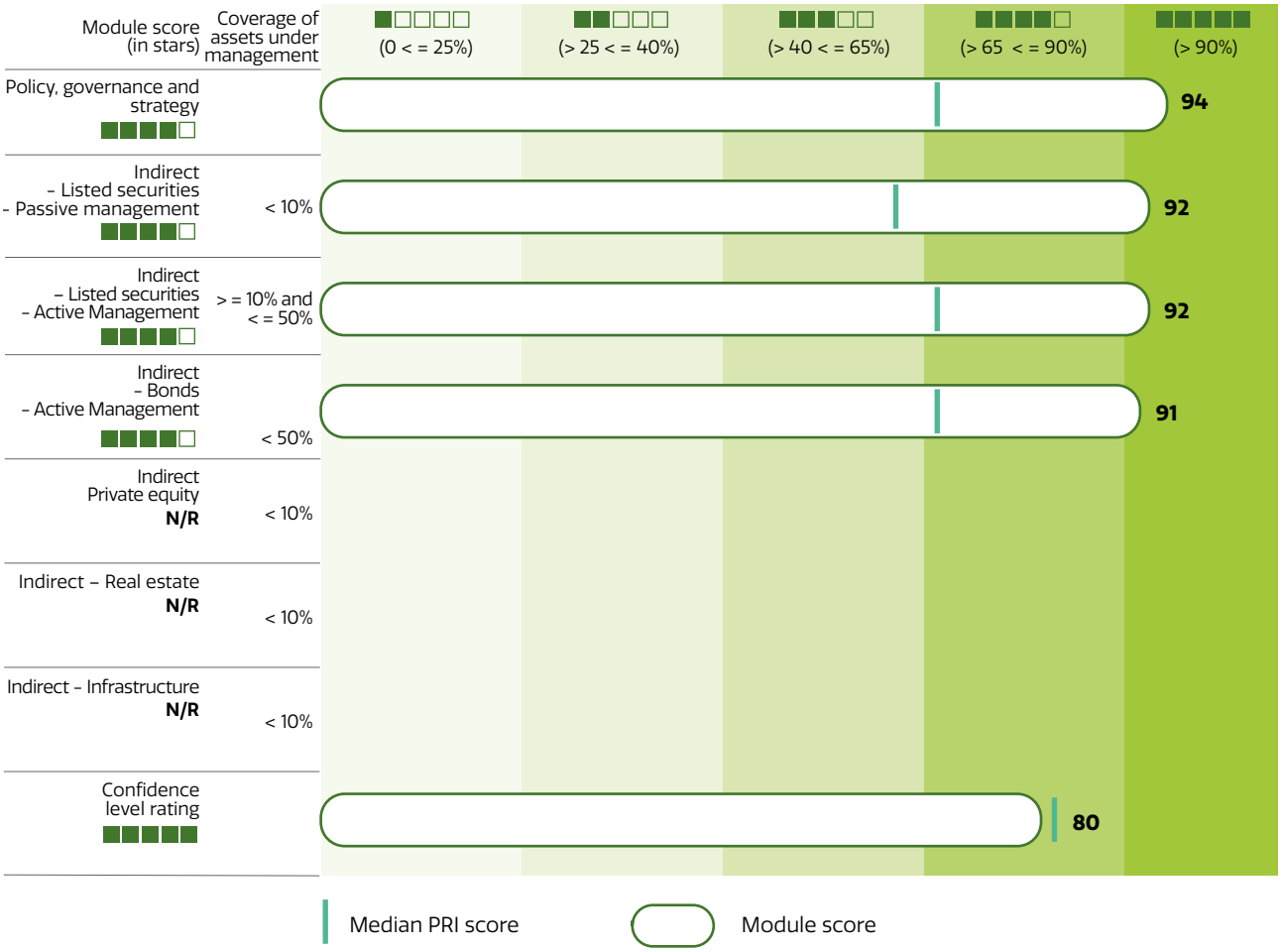
Ircantec's engagement not limited to the main themes identified and other engagements are broader than the Pension Scheme's priority areas of interest. As an example, Ircantec signed the Charter of French investors in favor of the SDG. Since 2014, Ircantec has also been a signatory to the PRI established by the United Nations. It files an annual report on its commitment to respecting the founding principles. Every year (with a hiatus in 2022), the PRI require that signatories report on their non-financial activities and then award scores.

Ircantec received the highest rating of five stars in 2025. This award, the result of the work carried out by the board of trustees, the management team, and the Caisse des Dépôts Group, covers governance, listed equities (active and passive management), and bonds, and reflects:

- the excellent performance of our outsourced management services over the past few years;
- the implementation of new, ambitious policies;
- expanding the scope of our activities, particularly in the areas of biodiversity and carbon (all scopes).

This recognition reinforces our commitment to sustainable and rigorous finance in the service of our members.

Summary Scorecard



6.2 Voting report

Being an active shareholder is a way to encourage companies to be more transparent but also to encourage them to adopt better governance and more effectively consider the social and environmental impacts. With this in mind, through its voting policy adopted in 2013 and regularly updated to reflect its evolving priorities, Ircantec has chosen to focus specifically on the following areas: socially acceptable executive compensation, the independence and increased representation of women on boards of directors, support for the EET and corporate climate strategies, and the implementation of a responsible dividend policy.

The exercise of voting rights associated with the securities held by Ircantec is carried out by the asset management companies in accordance with Ircantec's Voting Policy and Voting Rules on all of the equity stocks present in Ircantec's portfolio.

Ircantec also conducts a specific monitoring program – with the support of a voting advisory firm – for thirty companies in its portfolio. Each of the resolutions proposed during these thirty general meetings is individually managed to ensure that the voting rules are uniformly and consistently applied.

6.2.1 Very active voting to support the EET and climate

Initially, Ircantec's enhanced monitoring focused on the thirty companies with the highest market capitalization in its portfolio. Starting in 2018, this list was expanded to include Ircantec's twenty largest holdings, the five largest CO_2 emitters, and the five largest holders of stranded assets, reflecting a stronger commitment to addressing the challenges of the energy and environmental transition.

Since 2022, this approach has been adjusted to reflect the Regime's new climate policy. In response to the climate emergency, Ircantec has strengthened its commitments to align its reserves with a trajectory compatible with the 1.5°C scenario of the Paris Agreement. Amongst others, these decisions impact stricter exclusions on the operation and development of thermal coal-related activities or non-conventional activities (shale gas and oil, oil sands, extra-heavy oil, etc.).

The list now includes the main stakes in financial institutions involved in controversial practices such as thermal coal or non-conventional energies without a credible exit plan. An engagement will also be formed with these financial institutions. It should be noted that the monitoring of these securities

replaces the monitoring of stranded assets held directly, which have gradually disappeared from Ircantec's portfolios following the deployment of the new climate policy.

Furthermore, to ensure consistency with these commitments, Ircantec expects the following from the companies in which it holds a stake:

- the adoption of a strategy to achieve a 1.5°C global warming scenario with validation by a scientific body such as the *Science Based Targets* initiative, or to align with an annual decarbonization trajectory of greenhouse gas emissions of 7% on average (in terms of intensity);
- The implementation of quantitative targets for reducing CO_2 emissions for all scopes for companies in high climate-impact sectors[1] ;
- the definition of intermediate targets (short, medium and long term) to ensure a sufficient reduction in greenhouse gas emissions in order to comply with the 1.5°C global warming scenarios;
- for companies involved in the mining, production and use of coal, the implementation of a plan to exit coal before 2030, alongside a conversion plan for activities and employees (just transition).

Ircantec will also ensure the establishment of regular voting on the implementation of the climate strategy and the regular publication of a climate strategy update, in accordance with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD).

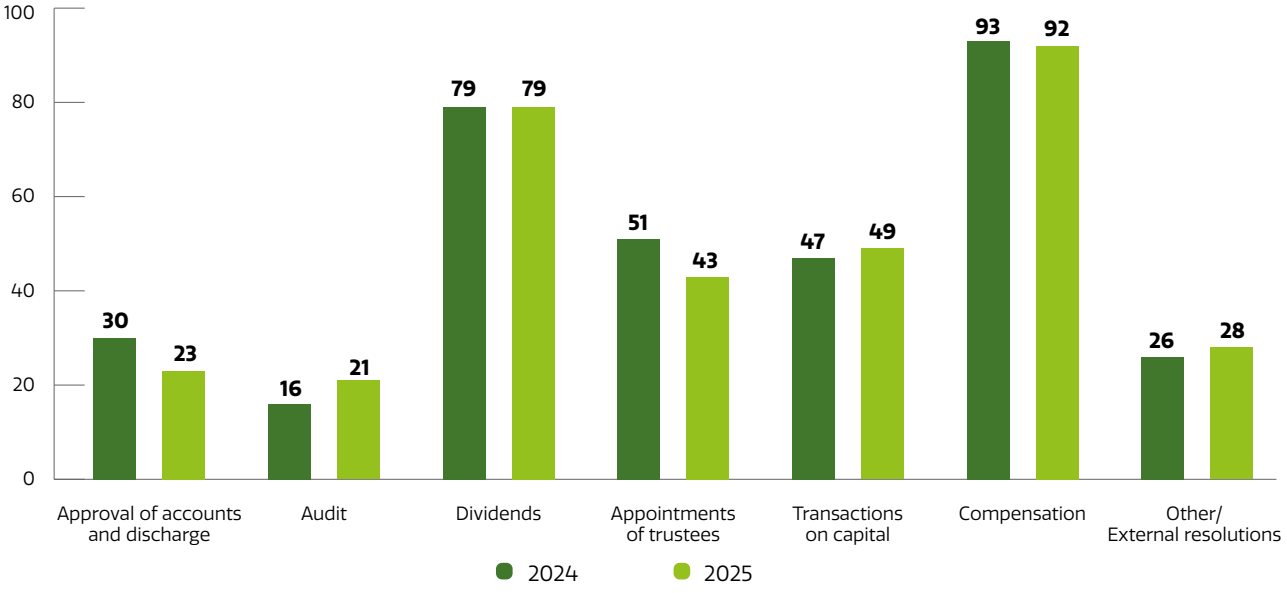
In addition, prior to the general meeting campaign, the management service carries out an analysis of the EET strategy of several companies considered critical. This year, this preliminary work was carried out with 14 companies. Five of them received a favorable assessment in terms of their EET strategy, while for seven companies, it was determined that the strategy was not yet sufficiently developed (there were also two abstentions).

A letter signed by the Scheme Chairman was therefore sent to the executives of companies whose transition policies are considered insufficiently developed by Ircantec, whether in terms of the strategy presented or the expected results. The purpose of this approach is above all to inform companies on the assumption that it may be useful to them in their current and future efforts on these issues. In 2025, the EET contribution of these 226 companies on the Focus List was assessed based on 181 resolutions. Of these, twenty-nine received an "Against" vote:

- Resolutions to approve the financial statements were opposed if the EET strategy was observed to be insufficiently engaging;
- certain dividend payment resolutions were rejected where the EET and R&D investments were insufficient;
- Resolutions concerning executive officer compensation were opposed where the structuring of the variable portion did not involve ESG, and in particular environmental criteria.
- Resolutions concerning the re-election of executive officers were opposed where the EET strategy was assessed as insufficient during the previous mandate.

In 2025, eight resolutions were rejected due to the lack of an EET strategy. Ircantec also opposed resolutions concerning the appointment of the Chief Executive Officers of Engie, Barclays and Legal & General as trustees, finding that they did not meet the requirements with respect to an EET strategy. 21 additional opposing votes were at least partially motivated by considerations related to the Energy and Ecological Transition.

Focus List: changes in opposition rate according to category of resolution



(1) Sectors with high climate impact are defined using the NACE classification which is recommended for the Paris Aligned Benchmark (PAB).

6.2.2 "Say on climate" and biodiversity-related resolutions

Ircantec is stepping up its monitoring of "Say On Climate" proposals and biodiversity-related resolutions in its portfolio. In 2025, although no specific resolution on biodiversity was announced, a follow-up to the "Say on Climate" initiatives was conducted. The following are the positions adopted during the year:

- **Rio Tinto** received an **opposing vote**, as the company has not set any quantified emissions reduction targets after 2030 or defined a global commitment for scope 3, despite this category representing 95% of its emissions.
- For **Aena**, Ircantec **abstained**, despite the SBTi's validation of its short- and long-term goals aligned with the 1.5°C objective. In fact, the company does not specify either the level or the nature of its carbon offsets, nor does it provide details on its trajectory between 2030 and 2050.
- Concerning **Infrastrutture Wireless Italiane**, Ircantec's **abstention** was motivated by the fact that, although its short- and long-term targets have received SBTi validation for 1.5°C, its certified 2030 target only covers Scopes 1 and 2.
- **Ferrovial** was also the subject of an **abstention** because its long-term climate goals were considered insufficient and its emissions calculation methodology was considered overly minimalist.
- Ircantec voted against **Aviva's strategy, due to a lack of information and long-term vision, in addition to climate goals that were underdeveloped and lacking in detail.**
- **For Holcim, abstention was the result of an SBTi-validated 1.5°C trajectory for 2050 across all scopes, combined with excessive dependence on carbon offsetting to achieve its** Net Zero commitment.
- **Severn Trent** received an **Against** vote, as the company presented neither a long-term commitment nor a 1.5°C target for Scope 3.
- Ircantec **voted against SSE Plc**'s strategy due to the lowering of the company's ambitions concerning renewable capacity development and investment in its decarbonization plan.
- Finally, **Pennon** also received an **opposing vote** because its plan for carbon neutrality by 2045 has not been validated by SBTi and its goals are unclear with respect to the scopes covered and its long-term targets.

ENGIE

Ircantec applauds the progress made by Engie, in particular the strengthening of its climate goals in February 2023: the company scaled up its SBTi-validated commitments from alignment with 2°C to a target "well below 2°C" by 2030, while also improving the transparency and level of detail of its climate reports.

However, despite this progress, questions remain with respect to its gas operations, including in the context of electricity production, grid management, sale and storage. In addition, contracts for the import of LNG obtained through hydraulic fracking generate emissions that are greater than the average in the coal industry, which casts doubt on Engie's alignment with a 1.5°C scenario, in accordance with best practices in the sector.

In light of these elements, which Ircantec considers insufficient, the Scheme decided to vote against Engie's *Say On Climate*, against the approval of its consolidated financial statements and against the renewal of Catherine MacGregor's mandate.

The voting report is published annually and is posted on Ircantec's website [1].

(1) https://www.ircantec.retraites.fr/sites/default/files/Charte_ISR-Gb25v1.pdf

7 Principal adverse impacts (PAI)

Ircantec opted to publish the Principal Adverse Impact (PAI) indicators for its portfolio in the 2024 Sustainability report. EU regulation 2019/2088 on sustainability-related disclosure in the financial services sector, or the SFDR, imposes the disclosure of policies on the integration of sustainability risks in the investment decision processes and their principal adverse impacts (PAI) on sustainability factors. Although Ircantec is excluded from the scope of the SFDR, it is subject to the alignment of domestic law with European standards. These regulations require the disclosure, in a standardized annual report published within six months of the end of the fiscal year, of information on risks associated with climate change as well as risks related to biodiversity.

This list of indicators contains a foundation of 14 PAI indicators and four others concerning investments in sovereign bonds and real estate assets. Companies subject to the SFDR must report on these 18 PAI indicators. They cover the following topics: greenhouse gas emissions, biodiversity, water, waste, as well as social issues, labor issues, human rights, and anti-corruption efforts.

In addition, financial market participants are required to adopt two optional indicators from a list of 46, which includes 22 indicators related to climate and the environment, and 24 related to social issues, human rights, and anti-corruption.

In total, Ircantec reports on 20 PAI indicators: 18 mandatory indicators including two applied to real estate assets and two to sovereign assets, as well as two optional indicators.

7.1 Performance of "mandatory" PAI

Two data suppliers are provided:

- **S&P Trucost** for mandatory indicators concerning greenhouse gas emissions *(1.1, 1.2, 1.3, 1.4, 1.15)* to be consistent with the portfolio carbon emissions measurements published in the 2022 sustainability report;
- **Sustainalytics** for the eleven other mandatory indicators *(1.6 to 1.14 and 1.16)* and for the optional indicators.

The two indicators "1.8 – Releases into water system" and 1.12 – "Uncorrected gender pay gap" are not reported due to very low coverage rates, explained by limited disclosures by issuers on data relating to these indicators.

The results of the mandatory PAI indicators for the Ircantec portfolio and its benchmark are presented in the two tables:

Results of five mandatory PAI supplied by S&P Trucost

Name of PAI	Metric (units)	Portfolio		Benchmark		Ratio B/P (%)
		Value	Coverage	Value	Coverage	
CORPORATE						
1. Total GHG emissions by portfolio (Scopes 1, 2 and 3)			99%		99%	
	Scope 1 (tCO_2eq)	167,721		441,489		62.0%
	Scope 2 *Location Prioritized* (tCO_2eq)	85,523		104,742		18.3%
	Scope 3 *Upstream + Downstream* (tCO_2eq)	3,739,883		5,743,895		34.9%
	Total scopes 1 + 2 + 3 (tCO_2e)	3,993,127		6,290,126		36.5%
2. Portfolio carbon footprint	Total Scopes 1 + 2 + 3 (C/V: in tCO_2e per € million invested)	334		527		36.6%
3. GHG intensity of companies receiving investments	Total Scopes 1 + 2 + 3 (WACI: in tCO_2e per € million)	1,257		1,587		20.8%
4. Portion invested in companies active in the fossil fuel sector	Portfolio involvement (%)	0.42%		1.29%		67.4%
SOVEREIGNS						
15. GHG intensity	(in tCO_2e per € million of GDP)	290	91%	291	100%	0.30%

Results of five mandatory PAI supplied by Sustainalytics

Name of PAI	Metric (units)	Portfolio		Benchmark		Ratio B/P (%)
		Value	Coverage	Value	Coverage	
CORPORATE						
5. Portion of non-renewable energy in the production and consumption of energy by portfolio companies (as %)			71%		67%	
	Consumption (%)	50		53		5.7%
	Production (%)	15		18		16.7%
6. Intensity of energy consumption by high climate impact sector			50%		53%	
	Agriculture, forestry and fishing (GWh/€million)	-		2.66		-
	Construction (GWh/€million)	0.07		0.12		41.7%
	Supply of electricity, gas, steam and air conditioning (GWh/€million)	2.65		2.94		9.9%
	Industry (GWh/€million)	0.18		0.25		28.0%
	Mining and extraction (GWh/€million	1.26		1.18		-6.8%
	Real estate (GWh/€million)	0.58		0.67		13.4%
	Transport and storage (GWh/€million)	0.89		1.17		23.9%
	Water supply and sewage treatment, waste management and pollution removal (GWh/€million)	0.46		0.59		22.0%
	Wholesale and retail trade, vehicle and motorcycle repairs (GWh/€million)	0.08		0.07		-14.3%
7. Activities with adverse impact on biodiversity-sensitive areas	% of involvement	0.66	99%	4.15	99%	84.1%
8. Releases into water system	(t/€million)	0	1%	0.03	1%	-
9. Ratio of dangerous waste and radioactive waste	(t/€million)	0.56	84%	2.67	85%	79.0%
10. Violation of the principles of the UN Global Compact and the OECD guidelines for multinationals	% of involvement	0	99%	1.62	99%	100.0%
11. Lack of process and compliance mechanisms to verify observance of the principles of the UN Global Compact and OECD guidelines for multinationals	% of involvement	32.62	98%	42.97	99%	24.1%
12. Uncorrected gender pay gap	% difference	13.57	18%	12.34	15%	-10.0%
13. Diversity in governance bodies	% of women	40.04	84%	35.45	85%	12.9%
14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical or biological weapons)	% of involvement	0	99%	0.01	99%	-
SOVEREIGNS						
16. 16. Investment countries exhibiting violations of social standards			92.00%		100.00%	
	Number	0		0		-
	Percentage	0		0		-

Globally, the Ircantec portfolio performs better than its benchmark.

The portfolio greenhouse gas intensity dropped by 7.02% between 2024 and 2025 (PAI 1.3). This result marks Ircantec's success in achieving its goal of reducing average emissions across its portfolio of companies. These efforts also affect the pension scheme's engagement and voting policy. In terms of investments in the fossil fuel sector (PAI 1.4), Ircantec's exposure is much below that of the benchmark and the investment portion has fallen from 0.62% to 0.42%. This reduction can be explained by its progressive disengagement from the mining of fossil resources, reflecting the trajectory of Ircantec towards an exit from fossil fuels by 2030.

With regard to the sovereign segment, the portfolio's favorable positioning in terms of greenhouse gas intensity (PAI 1.15) is primarily due to domestic emissions and imported emissions associated with domestic consumption in Countries; these include emissions generated abroad to produce the goods and services consumed locally. Structurally, the top contributors to the WACI are the countries with the highest portfolio weightings, as the "weight" effect plays a decisive role in the final contribution – sometimes even more so than the absolute level of carbon intensity. Thus, France, Italy, the United States, and Spain alone account for approximately 73% of the sovereign portfolio allocation and contribute about 71% to the total WACI. This correlation between weight and contribution, as shown in the table, reflects a generally proportional distribution of contributions, with no excessive concentration on any single issuer.

Furthermore, the results of the eleven indicators supplied by Sustainalytics are overall better than those of the benchmark. Indeed, the portion of non-renewable energy is low in the portfolio, the biodiversity-related indicators show better results and no companies are seen to violate the United Nations Global Company nor the OECD guidelines.

7.2 Real estate assets

Performance of indicators applicable to investments in real estate assets[1]

	Value	Data coverage rate	Applicable threshold
1.17 – Exposure to assets involved in the production, storage or distribution of fossil fuels (% of assets under management)	0%	100%	10% maximum
1.18 – Assets under management associated with inefficient assets in energy terms (%)	70.60%	94.60%	90% maximum

For 2023, two indicators on real estate assets as part of the OPPCI are defined. A definition is provided here (source: SwissLife).

- **Exposure to fossil fuel assets through real estate assets**

The indicator is calculated as the market value on the reporting date of real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels, divided by the total market value of real estate assets in the financial product on the reporting date of the period. Only market values of real estate assets used in the activities described above are considered (e.g. service stations). However, they exclude real estate assets heated with fossil fuel heating systems or lessees involved in the fossil fuel industry. If only a part of the real estate asset is used for mining, storage, transport or manufacture of fossil fuels, the pro-rated market value is calculated from rental income.

- **Exposure energy-inefficient real estate assets**

The indicator is calculated as the market value of energy-inefficient real estate assets divided by the total market value of real estate assets[2] in the financial product on the reporting date of the period. Buildings built before December 31, 2020 are considered to be energy-inefficient if their energy performance class rating is C or less. For buildings completed after December 21, 2020, energy inefficiency reflects a primary energy demand (PED) below the EU level of European Directive 2010/31/EU ("Net Zero Emission Building").

The result for indicator 1.17 for Ircantec real estate assets is good, thanks to its zero value. In terms of indicator 1.18, the European SFDR considers that an asset is efficient if it exhibits a class A or B EPC. Yet most OPPCI assets are classified as C or D, meaning that the OPPCI assets are listed as inefficient and the indicator result poor-performing.

Note that Ircantec conducted several energy audits through its *asset manager* to draw up an inventory and define suitable recommendations to improve the energy performance of the assets in question. The completion of this work will improve this indicator.

(1) The scope of analysis for these two indicators is the OPPCI fund (excluding the Vesta segment).
(2) I.e., levels C, D, E, F, and G.

7.3 Performance of "additional" PAI

Ircantec opted to create optional PAI to be consistent with the main themes of the SRI Charter and in line with the engagement issues where it has made commitments. Two additional PAI are therefore used:

- 2.4 – Investment in companies not taking initiatives to reduce their carbon emissions;
- 3.9 – Lack of a human rights policy.

Performance of two additional indicators used

Name of PAI	Metric (units)	Portfolio		Benchmark		Ratio B/P (%)
		Value	Coverage	Value	Coverage	
CORPORATE						
2.4 – Investment in companies not taking initiatives to reduce their carbon emissions;	Engagement percentage	14.9	99%	15.6	99%	4.5%
3.9 – Lack of a human rights policy.		1.65	99%	1.79	99%	7.8%

Ircantec has strengthened its commitments regarding respect for human rights, which is a key focus of its policy. In particular, in 2023, Ircantec adopted a declaration in favor or more robust regulations against forced labor, jointly with IAHR and FIR. Ircantec also subscribed to the FIR declaration in 2023, for a European Directive on due diligence aligned with international standards, developed in partnership with several businesses and civil society organizations. These actions demonstrate Ircantec's commitment to protecting human rights and reinforce its social responsibility.

Indicator 3.9 measures the percentage of the portfolio exposed to companies engaged in activities without a human rights policy. The results show an improvement among companies that do not have a human rights policy in 2025 compared to 2024, with an absolute increase of 1.74 percentage points. According to Sustainalytics, it is very difficult to attribute a change of less than one percentage point to a specific event, due to the significant volatility in the reporting of indicators by businesses. This result is not satisfactory for the Scheme but in no way alters its SRI strategy, in particular stronger checks and observance of human rights.

With regard to the environment, Ircantec adopted a new climate policy in October 2021 – an ambitious policy committed to aligning with the Paris Agreement and compatible with a 1.5°C scenario. As a reminder, this policy includes a target of reducing carbon emissions by 7% per year, a phased exclusion strategy for conventional and unconventional energy sources aligned with the PAB indices, and a target for financing high-impact companies. The PAI 2.4 indicator, which measures the percentage of the portfolio exposed to companies that do not implement carbon emission reduction initiatives aimed at aligning with the Paris Agreement, appears to be slightly better positioned in the portfolio than in the benchmark (14.9% versus 15.6%).

It has been observed that certain sectors, such as financial services, are overweight in the portfolio relative to the benchmark. These sectors invest more in companies which have not yet made any commitments to align with the Paris Agreement. The engagement of financial institutions is one of the four fundamental pillars of Ircantec's approach in its climate policy. Since 2022, Ircantec has taken part in collaborative commitments with ShareAction, notably sending a letter in 2023 to five banks (Société Générale, Barclays, BNP Paribas, Crédit Agricole and Deutsche Bank), requesting them to cease the operation of new oil and gas deposits. This indicator bolsters Ircantec engagements in favor of climate sustainability, underlines its commitment to the objectives of the Paris Agreement and supports its search for transparency.

7.4 Additional optional PAI concerning biodiversity

PAI related to biodiversity will be monitoring as part of the deployment of Ircantec's 2024 biodiversity policy.

Biodiversity encompasses all living beings, ecosystems and genetic diversity, playing a crucial role in the operation of human activities through natural assets and ecosystem services. However, biodiversity is in danger, reflected by the destruction of ecosystems and the life they support due to human activities. According to the IPBES, one million species are threatened with extinction, 75% of Earth's surface is significantly damaged and 85% of wetlands have disappeared, giving rise to a sixth mass extinction. The WWF also reports that of 69% of vertebrate animals disappeared between 1970 and 2018, underlining the urgency of the situation. Ircantec acknowledges the adverse impacts on biodiversity and the associated risks (physical, transitional, reputational). To reduce the five pressures identified by the IPBES, Ircantec is driving action on: 1) changing land use (exclusion filters for palm oil and GMO, followed by soil sealing); 2) resource use (conservation indicators for forestry assets and limitation of resource over-exploitation); 3) climate change (ambitious climate policy, EET financing objectives up to 20% of reserves); 4) pollution (exclusion of activities relating to pesticides, commitment against plastics); and 5) invasive species (annual review of invasive species in forestry assets managed).

For this reason, the Scheme decided to include three opt-in metrics to its PAI indicators, to publish its biodiversity-related performance with transparency and enable an assessment of the results of the actions taken over time.

Results for the three optional biodiversity-related indicators

Results of the selected optional indicators						
Name of PAI	Metric (units)	Portfolio		Benchmark		Ratio B/P (%)
		Value	Coverage	Value	Coverage	
CORPORATE						
Optional						
3.10 – Deterioration of soil, desertification, soil sealing	% of involvement	16.1	99%	23.77	99%	32.3%
3.14 – Natural species and protected areas	% of involvement	2.72	99%	5.87	99%	53.7%
3.15 – Deforestation	% of involvement	75.66	98%	74.43	99%	–1.7%

Globally, the Scheme portfolio exhibits better risk management performance in terms of deterioration of soils, desertification, soil sealing, natural species and protected areas, as shown by the portfolio's positive ratios compared to the benchmark. However, it is slightly less well positioned in terms of deforestation, with a negative B/P ratio. Overall, the relative performance of the portfolio improved significantly in relation to the benchmark this year, improving from -2.5% in 2023.

8 Appendices

Appendix 1 – Progressive reinforcement of Ircantec climate exclusions

Starting in 2022	Starting in 2024	Starting in 2030
THERMAL COAL		
Exclusion from the portfolio of companies: • where the share of thermal coal in overall turnover is **above 5%** (mining companies and energy producers); • whose annual production of coal is **greater than 10 Mt**; • whose electricity production capacity from coal is **greater than 5 GW**. However, these exclusion thresholds do not apply to companies that present **a credible plan to phase out coal by 2030:** • companies that develop or contribute to **new projects;** • **partners of this industry** (for whom 5% of turnover is associated with thermal coal or who take part in new projects). **Investments in green bonds will be maintained** if the company has committed to phasing out thermal coal by 2030.	**Stronger exclusions** • The exclusion threshold will change from **5 to 1%** of turnover, in accordance with the "Paris Aligned Benchmark–PAB" European indexes. **Exclusion** from the portfolio of companies: • whose annual production of coal is **greater than 10 Mt**; • whose electricity production capacity from coal is **greater than 5 GW**. These exclusion thresholds will not concern companies that present a **credible plan to phase out coal by 2030**: • companies that develop or contribute to **new projects**; • **partners of this industry** (for whom 5% of turnover is associated with thermal coal or who take part in new projects). Investments in green bonds will be maintained if the company has committed to phasing out thermal coal by 2030.	**Commitment to ensure zero exposure to thermal coal in the portfolio across all geographical areas.**
OIL AND GAS		
Exclusion of companies from the portfolio due to their **non-conventional production**: • which develop **new projects** in non-conventional energies or which **increase their capacity** in non-conventional energy production; • which produce **over 10 mmboe** in non-conventional energy; • for which **over 30% of production** is associated with a non-conventional activity. The exclusion limits above do not concern companies that present a **credible plan to phase out non-conventional energies by 2030**. **Investment in green bonds will be maintained if the company has committed** to phasing out non-conventional fossil energies by 2030.	**Stronger exclusions** Application of *Paris Aligned Benchmark thresholds:* • **oil** represents **over 10% of turnover**; • **gas** represents over **50% of turnover**. These thresholds do not apply to companies **presenting a credible plan to reduce their emissions, compatible with a 1.5°C scenario validated by the Science-based target initiative (SBTi).** **Exclusion of:** • any company initiating **new projects in conventional energies or contributing to the development of new projects**; • any company **whose production is related to non-conventional activities** and which is **not engaged** in a credible exit plan. **Investment in green bonds will be maintained if the company has committed** to phasing out non-conventional fossil energies by 2030.	**Commitment to ensure zero exposure to any company in the oil and gas sector that has not adopted a credible emissions reduction plan compatible with a 1.5°C scenario validated by the SBTi.**
FINANCIAL SECTOR		
Engagement of companies **which finance or insure:** • companies in the **thermal coal** sector; • companies involved in **non-conventional** activities, so that they develop **credible plans to phase out coal and non-conventional energies** by 2030.	**Engagement of the companies most involved in financing coal and non-conventional energies so that they develop credible plans to phase out coal and non-conventional energies** by 2030.	

Appendix 2 – ESG methodology

For listed and quasi-sovereign companies

The ESG Risk Rating reflects the residual ESG risk of an issuer, namely the risk it does not control. The aim is to analyze the factors that will impact the financial performance of the issuer in the medium and long term. These factors are selected on a financial materiality basis.

The ESG risk ratings comprise three components that contribute to the overall company rating. These components are corporate governance, Material ESG Issues (MEI) and idiosyncratic ESG questions.

Component no. 1: Corporate governance and stakeholder relations

Corporate governance and stakeholder relations represent a fundamental component of ESG risk analysis. They reflect our belief that poor corporate governance poses material risks for issuers. These ESG factors are analyzed for all companies in our research universe, regardless of their sector of activity.

Component no. 2: material ESG issues

Material ESG issues focus on a set of related topics that pose a risk to the financial stability of the company. These require good management in terms of internal policies, programs for implementing these policies and communication with the public. For example, the themes of recruitment, development, diversity, engagement and labor relations are all encompassed under the material ESG topic of human capital, as they relate to employees and require initiatives and human resource monitoring. The common thread running through all human capital topics is attracting and retaining skilled employees. The selection and assessment of material ESG issues take place at the sub-sector level. They are reviewed annually as part of a comprehensive and structured process. At the company level, material ESG issues can be removed from the assessment if they are no longer relevant to the company's business model.

Component no. 3: idiosyncratic events

Idiosyncratic events of an environmental, social or governance nature are not specific to an economic sub-sector or business model. For this reason, they are not analyzed under Material ESG Issues. They have an unforeseeable or unexpected character and can randomly impact any company, whatever its sector of activity. An accounting scandal, for example, can occur in any economic sector. Idiosyncratic events therefore become material ESG issues if the assessment of the associated event exceeds a materiality threshold. This threshold has been set at a category 4 or 5.

Rating scale

The ESG risk rating is classified on a scale of 0 to 100 with five levels of severity, from negligible to severe. This scale makes it possible to define categories of residual risk. For the assessment of controversies, Sustainalytics assesses the involvement of companies in incidents resulting in negative environmental, social and governance (ESG) consequences. Involvement in controversy is a key measure of ESG performance that can inform the investment decisions of our clients. The controversy rating reflects the level of a company's involvement in issues and how it handles those issues.

Incident

An incident is the core component of the controversy rating. It is a business activity that has unintended and/or undesirable negative environmental and/or social impacts on stakeholders. Incidents are mainly assessed according to the negative environmental and/or social impact of the company's activity, as well as the reputational risk that this activity represents for the company. The incidents are tracked by various media and NGOs, and usually fuel the controversy rating for a period of three years. In exceptional cases, long-lasting, high-impact incidents continue to fuel the controversy rating for more than three years, until they no longer pose a risk to the business.

Events

Events are series of isolated or related incidents that pertain to the same ESG issues. The events are categorized into forty event indicators related to these ESG issues. For example, a series of strikes by employees at a company's operational locations constitutes an event under one of the event indicators, "Labor Relations". To assess an event, an analyst looks at the underlying series of incidents holistically and rates it based on the following factors:

- impact: negative impact of incidents on the environment and society;
- risk: business risk for the company due to the incidents;

- management: enterprise management systems and incident response;
- an event is assessed on a scale of five levels:
  - Category 5 – Severe
    The event has a severe impact on the environment and society, posing serious business risks for the company. This category corresponds to exceptional behavior by the company, a high frequency of recurrence of incidents, very poor management of ESG risks and a manifest lack of will on the part of the company to deal with these risks,
  - Category 4 – High
    The event has a high impact on the environment and society and presents high business risks for the company. This rating level represents systemic and/or structural issues within the business, weak management systems and business response, and recurrence of incidents,
  - Category 3 – Significant
    The event has a significant impact on the environment and society, posing significant business risks for the company. This rating level represents evidence of structural problems in the business due to recurrence of incidents and inadequate implementation of management systems or lack thereof,
  - Category 2 – Moderate
    The event has a moderate impact on the environment and society and presents moderate risks for the company. This rating level represents a low frequency of incident recurrence and adequate or robust management systems and/or business response that mitigate additional risks,
  - Category 1 – Low
    The event has a low impact on the environment and society, and the risks for the company are minimal or negligible.

For sovereigns

The country risk ranking assesses the ESG risks to a country's long-term prosperity and economic development by looking at its three types of "capital":

- Natural capital and produced capital: natural capital includes energy, mineral, agricultural and forestry assets. Produced capital includes assets such as machinery, buildings, equipment, residential and non-residential urban land;
- Human capital: includes the value of the skills and efforts of the working population over their lifetime;
- Institutional capital: measures the quality of a country's institutions. The table below shows how the three types of capital are assessed based on a set of metrics that are scored and summarized in ESG factor scores.

Performance and trends

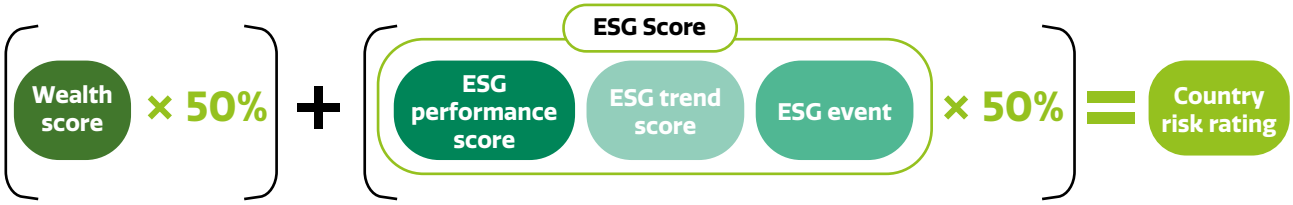
Natural + produced capital (environment)		Human capital (social)		Institutional capital (governance)	
ENERGY & CLIMATE CHANGE	• Energy intensity • Carbon intensity • Renewable energy consumption • Energy imports • Percentage of land less than 5 m above sea level • Risk of natural catastrophe	**ESSENTIAL NEEDS**	• Access to water • Access to sanitation • Food safety • Access to electricity • Secondary education	**INSTITUTIONAL STRENGTH**	• Efficiency of public authorities • Quality of regulations • State of law • Corruption • Ease of doing business
USE OF RESOURCES	• Water productivity • Water stress • Habitat protection	**HEALTH & WELL-BEING**	• Life expectancy at birth • Doctors per 1 000 residents • Air pollution	**RIGHTS & FREEDOMS**	• Political rights • Civil liberties • Voices and responsibilities
GOVERNANCE	• Corruption • State of law	**EQUITY & OPPORTUNITIES**	• Development of gender equality • Unemployment • Percentage of people using Internet	**PEACE & SAFETY**	• Political stability • Level of peace

A country's ability to leverage and manage this capital effectively and sustainably is determined in the model by aggregating three ESG factor scores into an overall ESG factor score.

These three individual factors are:

- ESG performance: assesses how a country manages its three types of capital based on a set of ESG metrics;
- ESG trends: capture the dynamics of a country's ESG performance based on a 5-year moving average for each of the three types of capital;
- ESG events: systematically capture incidents / events based on the news flow that can impact on a country's prosperity and economic development; measure its ability to manage the impact of these incidents/events on its three types of capital in an efficient and sustainable manner.

Finally, the overall ESG factor score is combined with a wealth score for each of the three types of capital, which measures a country's wealth and is based on World Bank estimates to form our final country risk rating score.



This final score ranges from 0 to 100, reflecting a country's ESG risk on an ascending scale (low score = "good', high score = "bad"). As part of our rating, all countries are assigned to five risk categories, ranging from negligible risk (risk score ≤ 10) to severe risk (risk score > 40). This approach allows for a comparison with the ESG risk score of companies and a precise calculation of the ESG risk score of a diversified investment portfolio including sovereign securities and private issuers.

Appendix 3 – Carbon cost methodology

Trucost has compiled a database of public information on current carbon prices in over 44 jurisdictions, valid as of January 2022. The Unpriced Carbon Cost (UCC) is the estimated additional financial cost per tonne of greenhouse gas emissions in a future year. It is the difference between current carbon prices and possible future carbon prices for a given sector, geographical area and year.

Rising carbon prices have direct financial implications for businesses where regulations impose a higher price on greenhouse gas emissions from direct business operations. Businesses also face indirect financial risks associated with the repercussions of higher carbon prices on emissions from suppliers, which, in turn, seek to partially or fully recover additional regulatory costs through price rises. Factors have been developed to estimate the proportion of carbon price increases on scope 2 emissions that are passed on from suppliers to businesses.

The carbon price risk premium varies by geography due to differences in government policies and by sector due to the differentiated treatment of sectors within many climate change policies. The sectors are based on OECD research and include:

1. Agriculture and fishing;
2. Electricity;
3. Industry;
4. Air transport;
5. Off-road transport;
6. Residential and commercial real estate;
7. Road transport.

Each of Trucost's 464 business activities were then classified into one of these seven sectors.

High Carbon Price Scenario (RCP 2.6)

This scenario represents the implementation of policies considered sufficient to reduce greenhouse gas emissions in accordance with the objective of limiting the global temperature rise to 2°C by 2100 (Paris Agreement). This scenario is based on research by the OECD and the IEA.

Moderate Carbon Price Scenario (RCP 4.5)

This scenario assumes that policies will be implemented to reduce greenhouse gas emissions and limit the temperature rise to 2°C in the long term, but with delayed measures in the short term. This scenario is based on research by the OECD and IEA as well as NDC assessments by Climate Action Tracker, Ecofys, Climate Analytics and New Climate Team. Countries whose nationally determined contributions are not aligned with the short-term 2°C goal are expected to increase their climate change mitigation efforts in the medium to long term.

Low Carbon Price Scenario (RCP 8.5)

This scenario represents the full implementation of NDCs, based on OECD and IEA research.

Appendix 4 – Methodology for alignment with the objectives of the Paris Agreement

Trucost's approach to assessing transition pathways is adapted from two methodologies put forward by the Science Based Targets Initiative (SBTi), namely the Sectoral Decarbonization Approach (SDA) and the Greenhouse Gas Emissions per Unit of Value Added (GEVA).

SDA approach

The first methodology (SDA) applies to companies whose commercial activities are homogeneous and have high carbon emissions. It is based on the idea that all the companies in a portfolio, regardless of the sector, must converge towards emission intensities in line with a 2°C scenario by 2050. The method uses 2°C transition scenarios that are specific to each industry, and the performance of companies is measured according to their emission intensity and their production level (for example in tCO_2e per GWh or per ton of steel). Indeed, trajectories may vary from one sector to another (*i.e.* faster for energy and slower for cement), depending on available technologies, mitigation potential and mitigation costs. Companies with low reference year emissions and low production growth can therefore reduce their emissions at a gradual pace. In contrast, companies with high emissions or high growth must achieve faster reductions.

The scenarios used in the SDA approach are the International Energy Agency's (IEA) scenarios taken from the 2017 *Energy Technology Perspectives* (ETP) providing compliant SDA assessment parameters with a global warming of 1.75°C, 2°C and 2.7°C. The integration of a 1.5°C scenario is in progress.

GEVA approach

The second methodology (GEVA) applies to companies whose activities are more heterogeneous or characterized by low carbon emissions. This approach assumes that many companies have diverse business activities for which specific trajectories are not available at the scale of physical production. For these companies, the GEVA method assumes that all the heterogeneous sectors of the economy must reduce their emissions at the same rate. Thus, if the global economy must reduce its emissions by X% per year until 2050, then according to the GEVA approach, each company must also reduce its emissions at the same rate of X% per year, regardless of the starting intensity. In absolute terms, this condition implies that the companies that emit the most must reduce their emissions much faster than those that emit the least. Unlike the first methodology, the value-added unit approach is based on an economy-wide scenario, and emissions intensity is measured against a financial denominator, not a physical one.

Each company's transition trajectories are measured in terms of carbon per unit of value added, adjusted for inflation, which represents their contribution to total global emissions. These results are then compared to global decarbonization trajectories satisfying a given temperature rise scenario.

The scenarios used in the GEVA approach are the Representative Concentration Pathways scenarios used in the IPCC's AR5 report, providing GEVA assessment parameters consistent with 1.5°C, 2°C, 3°C, 4°C and 5°C warming scenarios.

Evaluation horizon and data sources

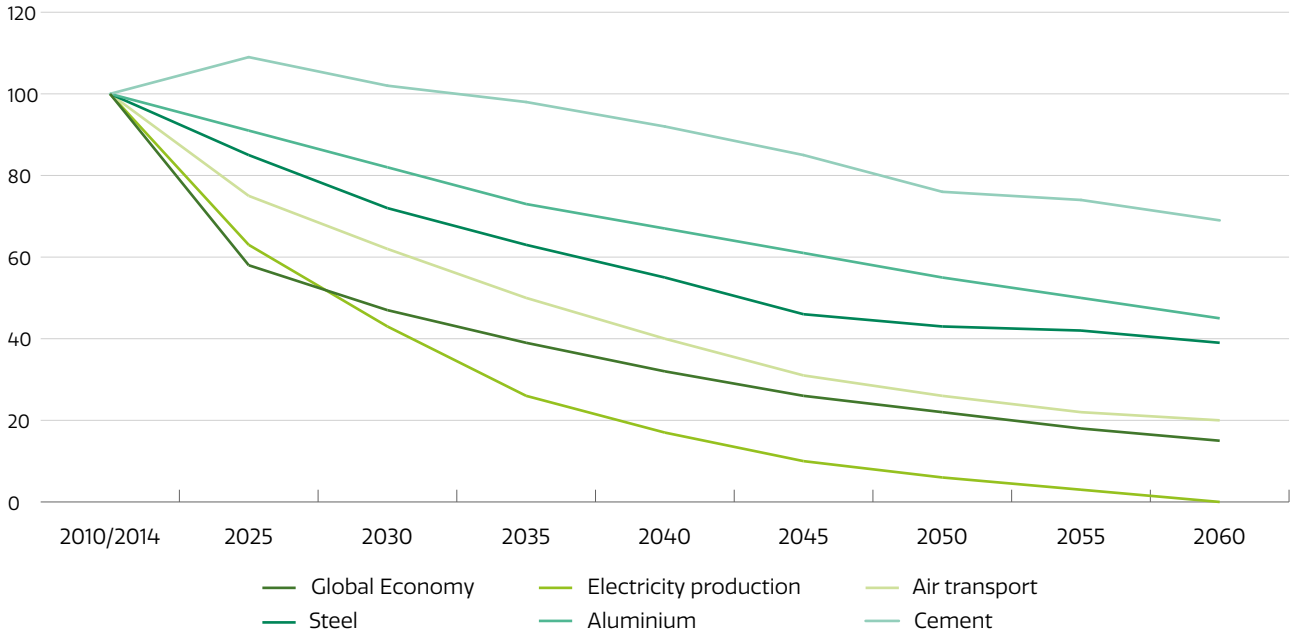
The transition trajectories analyzed incorporate both historical and prospective data to provide a medium-term assessment. This minimizes the uncertainties of using only forward-looking data and provides sufficient time to minimize the effect of any year-to-year volatility. Historical data on greenhouse gas emissions and business activity levels are incorporated from a reference year of 2012. Forward-looking data sources are used to track likely future transition trajectories from the most recent year of disclosed data through 2025. Forward-looking data are used based on an established data hierarchy, consisting of the following sources:

1. Emission reduction targets disclosed by the company
2. Asset-level data sources that provide signals about potential future changes in production from high-emitting sources.
3. Historical trends in company-specific emissions for companies assessed on the basis of homogeneous business activities.
4. Average historical trends in emissions by sub-sector for companies assessed on the basis of heterogeneous business activities.
5. No change in emissions intensity beyond the last year.

Evaluations of the portfolio use the combined scopes 1 and 2 emissions as the evaluation limit.

The graph below illustrates the decarbonization trajectories for the five sectors covered in the SDA approach, as well as the trajectory used for the remaining sectors in the GEVA approach ("Global Economy" in the key). Each sector's unique intensity unit has been indexed out of 100 for ease of comparison. Sectors where carbon-saving technologies and/or processes are most profitable are expected to decarbonize faster and end at a lower overall intensity than sectors where these measures are not profitable. For example, carbon intensity reductions are expected to be greater in power generation than in cement production.

Decarbonization trajectories aligned with 2°C by sector



Appendix 5 – Environmental Footprint Methodology

Traditional approaches to measuring environmental impact provide a variety of different metrics. For example, carbon and other pollutants are measured in tons, and water is measured in cubic meters. This makes it difficult to compare the relative contribution of each impact and therefore to prioritize the risks. Trucost solves this problem by applying monetary assessments to each impact, providing a common global metric to assess risk and opportunity across companies and portfolios.

The analysis quantifies the impacts associated with the company' s own activities and those of its upstream suppliers, up to the extraction of raw materials. Environmental impacts are often hidden in global supply chains, so we use an Extended Environmental Input-Output (EEIO) model to isolate responsibilities at each level of the value chain for a holistic analysis of risks and opportunities.

Environmental indicators:

- greenhouse gases: carbon dioxide, methane, nitrous oxide, sulfur hexafluoride, perfluorocarbons, hydrofluorocarbons and nitrogen trifluoride;
- water abstraction: direct cooling and direct process water but also purchased water (i.e. water acquired from utilities);
- waste generation: waste incineration, landfill waste, nuclear waste (e.g. from product manufacturing, nuclear fuel combustion or other industrial and medical processes) and recycled;
- air pollutants: all emissions released into the air from fossil fuel consumption and company-owned or controlled production processes. This includes acid rain precursors (nitrogen oxide, sulfur dioxide, sulfuric acid, ammonia), ozone depleting substances (HFCs and CFCs), dust and particulates, metal emissions, smog precursors and volatile organic compounds (VOCs). Each has a set of impacts on human health, buildings and/or crop and forest yields;
- terrestrial and aquatic pollutants: pollution from fertilizers and pesticides, metal emissions into the soil and water, acid emissions in water, pollution of nutrients and;
- use of natural resources: mining/extraction of minerals, metals, natural gas, oil, coal, forestry, agriculture and aggregates.

Appendix 6 – Physical Risk Methodology

The publication of the TCFD recommendations has highlighted the importance of climate change as a significant financial risk driver for businesses and investors and the fact that these risks need to be assessed, disclosed and managed. The task force divided these risks into two broad categories, the first being transition risks (including political and legal risk, technology risk, market risk and reputational risk), and the second being physical risks. Trucost has developed physical risk assessment data and analytics to complement the existing suite of transition-focused products. Key features include:

- a robust and scientific methodology for characterizing physical risks related to climate change based on the latest climate change models available and exclusive methodologies.
- coverage of eight major physical risks associated with climate change: coastal flooding, river flooding, extreme heat, extreme cold, tropical cyclone, forest fires, water stress, and drought;
- coverage of four climate change scenarios based on SSP (Shared Socioeconomic Pathway) and RCP (Representative Concentration pathway) scenarios produced by the IPCC, and offering annualized ten-year averages for all risks from 2020 to 2090;
- physical risk exposure scores representing occasional exposure to climate risks, and measurement of the financial impacts of physical risks describing the financial consequence of changes to the climate risk exposure of over 250 types of unique assets:
- built on a proprietary database of nearly 3.1 million physical assets linked to corporate entities and ultimate parent entities – based on S&P Market Intelligence and all data gathered by Trucost;
- an estimation methodology for businesses without asset information, covering Trucost's CorePlus universe of over 20,000 companies.

Exposure score and financial impact metrics

	Physical risk exposure scores	Financial impacts related to physical risks
What does this metric represent?	Occasional exposure to climate risks in relation to world conditions, independent of the nature of the asset present at a given location.	The financial consequences of the modification of exposure to climate risks in relation to a baseline specific to the asset at a given location.
Benefits	• Efficient for a brief examination of large asset portfolios. • Offers an overview of climate risks present at a given location without limitation to risks supposed significant. • Easily applicable when limited information is available (location only) about the assets analyzed. • Precious as a risk indicator at a given location if data on assets are not available.	• In-depth analysis to quantify the financial impact of changes in exposure to climate risk based on the best data available. • Granular analysis based on 250 asset types and associated impact models. • Easy integration into financial analyses (e.g. evaluation models, credit risk models, accounts restated for climate risk). • Precious to inform climate resilience strategies.

Practical cases	• Exercises in risk selection and portfolio analysis to understand:
	  • global exposure of the asset, company or portfolio to physical risk, compared to appropriate benchmarks;
	  • what climate risks represent the greatest exposure;
	  • the assets or companies in a portfolio making the biggest contribution to the portfolio;
	  • inform the initial disclosures of the TCFD and the risk selection initiatives;
	  • focus attention on the most exposed assets, companies or portfolios in order to orient research to fields with the greatest potential impact.
		• In-depth analysis of physical risks, oriented to the financial materiality of exposure to climate risks for specific asset types.
		• Inform disclosures and detailed TCFD reports.
		• Integration of climate physical risk in financial model, including the creation of adjusted financial accounts, a credit risk model and stock value modeling.
		• Climate resilience strategy.

What results have been obtained?	• Exposure score: score from 1 to 100 representing exposure to each risk in relation to global conditions.	• Financial impact: financial losses (e.g. Capex, Opex, activity shutdowns), expressed as a percentage of the asset value due to the exposure to climate-related physical risks.

Physical risk types

Physical risk	Indicator	Description of indicator	Spatial resolution	Data source
Coastal flooding	Frequency of 100-year flood	Forecast frequency of reference historical 100-year coastal flood	30x30 m (USA) 90x90 m (RoW)	*GTSR Hydrodynamic Surge model* *Kopp et al. SLR Data* *MERIT /US3DEP* *USGS Global Coastlines*
River flooding	Frequency of 100-year flood	Forecast frequency of reference historical 100-year coastal flood	~ 25x25 km	*Hydro Atlas* *NEX-GDDP Downscaled CMIP6*
Extreme heat	Projection Tx90p Exposure scores Tx50pAbsChg (Financial impact)	Annual percentage of days when the maximum temperature is higher than the 90th percentile of the local benchmark daily maximum temperature.	~ 25x25 km	*NEX-GDDP Downscaled CMIP6*
Extreme cold	Projection Tx10p	Annual percentage of days when the minimum temperature is below than the 10th percentile of the local benchmark daily minimum temperature.	~ 25x25 km	*NEX-GDDP Downscaled CMIP7*
Tropical cyclone	Frequency of Category 3 storms and higher	Forecast annual frequency of category 3 tropical cyclones and higher	~ 25x25 km	*HURDAT / Archives JTWC TC* *CMIP5/6 SST*
Forest fire	Days of existing conditions of forest fire	Forecast of number of days where the Z index is below or equal to the 10th historic percentile.	~ 25x25 km	*NEX-GDDP Downscaled CMIP7*
Water stress	Water stress index	Forecast future ratio between water abstraction and total supply of renewable water in a given area.	Hydrographic Basin	*WRI Aqueduct*
Drought	Palmer drought severity index	Forecast of number of days where the self-calibrated Palmer drought severity index (scPDSI) is below or equal to the 10th historic percentile.	~ 25x25 km	*NEX-GDDP Downscaled CMIP7*

All data is focused on four future climate change scenarios based on representative concentration pathways (RCP) and shared socio-economic pathways (SSP) of the IPCC, and informed by TCFD technical directives:

- **high (RCP 8.5):** low-mitigation scenario where the total emissions of greenhouse gases triple by 2075 and average global temperatures by 3.3 to 5.7°C by 2100;
- **moderately high (RCP 7.0):** limited-mitigation scenario where total greenhouse gas emissions double by 2100 and global average temperatures increase by 2.8 to 4.6°C by 2100;
- **moderate (RCP 4.5):** high-mitigation scenario where total greenhouse gas emissions remain stable at current levels until 2050, then decline until 2100. This scenario should result in an increase in global average temperatures of 2.1 to 3.5°C by 2100;
- **low (RCP 2.6:** stringent mitigation scenario where total greenhouse gas emissions are reduced to zero by 2050, leading to an increase in global average temperatures of 1.3 to 2.4°C by 2100, in line with the objectives of the Paris Agreement.

The Trucost data set evaluates the physical risks associated with climate change for the 10-year averages from the 2020s to the 2090s. The financial impact quantification pathways are not currently available for extreme cold but are available for all other risks.

Analytical approach

The quantification method for physical risks and the related financial impacts is based on the five analytical steps. Details are provided below.

1. climate risk modeling;
2. quantification of exposure to physical risks;
3. calculation of physical risk exposure scores for assets and the company;
4. modeling the financial impact function;
5. calculating the financial impact of the physical risk for assets and the company

The details of each of these steps are described below.

1. Climate risk modeling

Trucost assembled models and data representing the estimated absolute risk of eight global-scale climate change-related risks based on four climate change scenarios and eight time periods to produce maps of physical risks related to global climate change. Each indicator, scenario and period is represented as a set of geospatial data with risk values assigned at a resolution considered appropriate for each event. This enables us to model the exposure to each climate risk for a given period and changes in the risk exposure over time and in relation to a historical basis.

2. Quantification of exposure to physical risks

Exposure to physical risks related to climate change is quantified by overlaying the locations of assets impacted on the climate risk maps described in step 1. In this analysis, the "assets" represent any structure or physical asset owned or leased by a company listed in the Trucost database of over 20,000 companies. The database on climate change-related physical risks is generated from a vast corpus of data on the location of physical assets, cross-referenced to owner companies (or lessees), developed and updated by S&P Global.

3. Physical risk exposure scores for assets and the company

The Trucost physical risk exposure score model assigns risk exposure scores from 1 (lowest risk) to 100 (highest risk) to each asset in the database, according to its location in the climate risk maps described in step 1. The exposure score is intended to represent the relative level of risk exposure for each risk at each location compared to the global conditions in all scenarios and time periods. The exposure scores for physical risks involving assets are aggregated on company level as a weighted average of all assets mapped for the company in question, based on assumed asset values for each type of asset. The assumed asset values are produced by document analysis and supposed to represent the relative value of each type of asset. The businesses assessed using asset data are classified in the Data Quality A category.

For some companies in the Trucost universe, there is insufficient asset-related data to calculate the exposure scores to different physical risks. In these cases, exposure is estimated based on a combination of exposure to physical risk at the company head office (20% weighting) and a turnover-weighted average of the average physical risk for each country where the company generates turnover (80% weighting). Country physical risk profiles are calculated as an average weighted by the GDP within country borders, using the data on climate risks described in step 1 and spatial data on GDP to scale. Companies assesses for physical risk exposure using this method are designated as Data Quality B.

The composite exposure score is intended to provide a combined measure of the company's exposure to the eight climate change-related physical risks. It is calculated using an additive combination of equal weightings of the company's physical risk score for each risk for a given scenario and year, then adjusted to a scale of 1 to 100 using a logarithmic grading curve. The grading curve is designed to ensure that assets or companies highly exposed to one risk but weakly exposed to all others, will receive a moderate to high composite physical risk exposure score. Other approaches such as a simple average of risk exposure scores for a given scenario and period, risk under-estimating the exposure of an asset or company to the physical risks of climate change.

4. Modeling the financial impact function

The Trucost physical risk model quantifies the expected financial impacts of changes in physical risk exposure, both for assets and companies. This model is based on a library of impact functions developed by S&P Global, and which describes the relationship between the degree of change to climate risk exposure and the financial impact on a given asset type over time and in different climate change scenarios. The impact functions were developed for over 250 unique asset types, each focusing on a set of pathways where climate risks could impact on the value, turnover, operations, or other value factors for this asset type. The impact function database was developed over several years through in-depth document research and analytical development. In asset terms, the financial impact is quantified as forecast financial costs associated with changes in climate risk exposure, expressed as a percentage of the asset value.

Measurement of the financial impact is calculated on the asset for each risk and can be added to produce a combined measurement of the financial impact, and aggregated at company level as a weighted average based on the assumed asset value. The financial impact is expressed as a relative measurement as we do not currently have precise data or estimations of the actual value of each asset. The example below describes the process applied to the development of impact functions for a unique combination of risks and asset types.

Step 1 – Identify the material impacts

S&P Global has developed over 1,280 impact functions associated with over 250 asset types for application to all data on physical risks and the associated tools. The example below shows the extreme heat impact function for the office building asset type, from the standpoint of the owner/occupant. The temperature risk measurement used in this function is the projected Tx 50 pAbsChg, which measures the absolute change in annual local daily maximum temperature to the 50th centile (degrees Celsius), in relation to the historical value (1950–1999). To analyze the impact of the maximum temperature increase on owned/occupied office buildings, the research documentation available was searched to identify a series of impact pathways where operations and the value of an office building could be impacted by the temperature increase. The following impact pathways have been identified as important to the office building asset type:

- Cooling costs: spending on excessive use associated with increased use of cooling equipment or systems to maintain optimal temperatures for employees and facilities/equipment in a context of rising temperatures;
- Deterioration of Heating, Ventilation and Air Conditioning (HVAC) systems: annualized costs of reduced lifetime and early replace of HVAC systems due to increase use in response to higher temperatures;
- Employee productivity: costs associated with reduced employee productivity and associated spending due to higher ambient temperatures (including employees working indoors).

Step 2 – Modeling impact pathways

For each impact pathway, a series of research projects and pertinent data sources are gathered to quantify the impact of a unit change to the risk on suitable financial performance metrics:

- Cooling costs: excess electricity consumption related to higher temperatures was estimated based on trends identified in a series of documents concerning changes to energy demand and electricity production, as well as the estimated economic harm resulting from climate change in the USA. Based on this data, the energy demand for cooling should rise by 5% per °C of increase in the average maximum temperature;
- Deterioration of HVAC systems: the excess costs associated with the reduced operating lifetime of HVAC systems per unit of temperature change were estimated from a series of studies, in particular Fenaughty and Parker (2018). Based on this data, the lifetime of HVAC systems should fall by 6.76% per °C of increase in the average maximum temperature;
- Employee productivity: reduced employee productivity has been estimated based on a global study of the effects of heat on active populations. Based on this data, the productivity of labor should fall by 1.14% per °C of increase in the average maximum temperature.

Step 3 – Quantify the financial impact

To quantify the total financial impact on asset values, the impact pathways described in the previous section are weighted based on a set of financial ratios reflecting the proportion of the total value of a given asset type, represented by the value factor impacted by the temperature change for each pathway. The asset value metric for the type of office building owned/occupied is the replacement value and the financial ratios applied to each impact function are described below (these assumptions are based on an in-depth review of the literature and an analysis by S&P Global):

- Cooling costs: 1.19% of the asset value;
- Deterioration of HVAC system: 13.29% of the asset value;
- Employee productivity: 7.84% of the asset value.

The financial impact (%) of each impact pathway is multiplied by the corresponding financial ratio and added to quantify the aggregate financial impact on the asset value of an office building occupied by its owner, of a 1°C increase in the average maximum temperature, extrapolated to the range of forecast future temperature rises.

5. Calculation of the financial impact of physical risks on assets and the company

The Trucost financial impact model for the physical risk quantifies the percentage of the asset value at risk for each asset, based on: [1] the change in physical risk related to climate change in the case of a scenario and given time period in relation to a historical base, and [2] the classification of the asset type and the related impact functions, for an asset in a given location.

The financial impact on assets is aggregated at company level as a weighted average of all assets related to the company in question, based on assumed asset values for each type of asset. The assumed asset values are taken from document analysis and are supposed to indicate the relative value of each asset type. The financial impacts on the asset and the company are calculated for each climate risk, scenario, and time period. They are aggregated into a combined financial impact metric covering all risks. The financial impact metrics are not calculated for companies without associated data for their assets (other than the company head office) in all 2022 data on physical risks.

Appendix 7 – Exposure to the European Taxonomy methodology

Analytical approach

The Taxonomy describes approximately 96 business activities related to 13 NACE macro-sectors. Business activities include those that have direct carbon mitigation potential (e.g. renewable energy) as well as those that are relatively carbon intensive but have significant potential to reduce their carbon emissions (e.g. steel manufacturing).

Trucost uses a blended approach to assess a company's turnover eligibility for the Taxonomy. First, Trucost performed a direct mapping between the 464 business activities of its proprietary sector classification system with the Taxonomy activities mentioned above. All business activities that are not mapped directly by this process are reviewed using a bottom-up assessment of their alignment with the Taxonomy goals. During this stage, Trucost reviews the company's turnover and emissions data in its Core Plus universe. Any remaining business activities after this step are considered not Taxonomy-aligned. Note that the dataset covers over 15,000 listed companies in Trucost's Core Plus universe.

Transitional and enabling activities

This component assesses the share of turnover from products, services and technologies that contribute more directly to climate change mitigation ("transitional activities") and activities that are more indirectly related that involve providing services and products to transition activities ("enabling activities").

The portfolio's exposure to these two types of activities is evaluated as a weighted average as well as in terms of the value of the holdings (VOH). The Taxonomy defines most activities as transitional or enabling. However, on occasions where this distinction is not explicitly made, Trucost uses indirect references from the Taxonomy to decide which activities are transitional and which are enabling.

The 'multiple' sector category

During the business activity mapping process, three Trucost business activities were mapped to several specific NACE business activities in the EU Taxonomy. These are summarized below:

- **"Water, sewage & other systems"** was mapped to the "Generation and distribution of electricity, gas, steam and air conditioning" and "Generation and distribution of water, sewage, waste management and pollution removal" activities;
- **"Non-residential maintenance and repair"** was mapped to "Transport & warehousing (low carbon emission infrastructure construction)" and "Construction & real estate" activities;
- **"Other non-residential structures"** was mapped to the "Transport & warehousing (low carbon emission infrastructure construction)" and "Construction & real estate" activities.

Appendix 8 – Data Collection Methodology

Trucost's unique approach to environmental data collection and modeling allows for near-complete coverage of most investment universes, despite often low levels of reporting amongst companies. A four-step process is used in our data collection exercise:

1. **Analyze financial and sectoral data** – A company's financial statements are analyzed by collecting consolidated revenues from all companies and specifying their reporting scopes and operational limits.
2. **Map activities on Trucost's Environmentally Extended Input-Output model** – Trucost's EE-IO model uses over 450 business activities (largely aligned with NAICS, with some additional sectors included to distinguish key activities with significantly different physical impacts) to model the environmental impacts of a company by allocating a portion of each company's revenue to one or more of these activities. The EE-IO model then estimates the pollutant emissions and resource use associated with each business activity, both directly (for a company's own operations) and through the supply chain, using a breakdown by income sector;
3. **Incorporate disclosures and public registry data** – Trucost searches all publicly disclosed company data sources to find usable environmental data that will be used to make modeled estimates. Trucost verifies that the scope and time horizon of all environmental data found matches that of its financial statements;
4. **Engage with the company and verify data** – Trucost analysts verify the quality of the entire research process internally, then share the results with each company directly through a secure online portal. Companies have one month to respond to Trucost to verify its data or directly commit to providing additional or non-public information. If appropriate and applicable data are provided, Trucost will incorporate the data into its analysis before publishing the data.

Appendix 9 – Previous & terminated commitments

- Ircantec joined the Assessing Low Carbon Transition initiative in 2018 (led by the Carbon Disclosure Project and Ademe) to encourage companies to take relevant action in terms of climate strategy.
- Between March 2018 and October 2020, the commitment group Climate Change Transition for Oil and Gas spoke with 25 companies in the energy sector about the evaluation of their exposure to climate risks, the implementation of the TCFD recommendations, the adaptation to the climate regulations, as well as the structure of their future investment expenses. Ircantec was the leader of the initiative to engage with Total.

Appendix 10 – Concordance tables for TCFD/Article 29 of the French Energy and Climate Law

TCFD recommendations	Page number of corresponding chapter
GOVERNANCE	
Describe how the Board of Trustees supervises the risks and opportunities of climate change	5
Describe the role of management in the assessment and management of climate change risks	5
STRATEGY	
Describe the risks and opportunities identified by the company for the short, medium and long term	14–22
Describe the impact of these risks and opportunities on company strategy, policies and financial planning	28–42
Describe the resilience of organizational strategy in the range of scenarios, including a 2°C or lower scenario	52–55
RISK MANAGEMENT	
Describe the process of identifying and assessing climate risks	13–47
Describe the process of managing climate risks	13–58
Describe how the climate risk identification, assessment and management processes are incorporated into the risk management system	9
INDICATORS AND OBJECTIVES	
Publish indicators tracked by the company to measure and quantify climate change risks and opportunities	28–55
Publish scope 1, scope 2 and where appropriate scope 3 GHG emissions data and the associated risks	4; 29; 30; 33
Describe the objectives set by the company to manage risks and opportunities, and how their achievement is monitored	4

Article 29 of the French Energy-Climate Law (resulting from the draft decree of February 2021)	Page number of corresponding chapter
Summary presentation of the entity's general approach to the integration of environmental, social and quality of governance criteria, particularly in the financing and investment policy and strategy	9
Content, frequency and means used by the entity to inform subscribers, affiliates, contributors, beneficiaries or customers regarding criteria on the environmental, social and quality of governance objectives incorporated in the financing and investment policy and strategy	10
Global share of assets integrating environmental, social and quality of governance criteria in the total amount of assets managed by the entity, as a percentage	27-47
Adherence of the entity or of certain financial products to a charter, code, initiative or label on the consideration of environmental, social and quality of governance criteria, as well as a brief description thereof	7
Description of the financial, human and technical resources dedicated to taking into account environmental, social and quality of governance criteria in the investment strategy by comparing them to the total resources of the entity	7
Means of informing holders and subscribers on how the entity meets regulatory requirements in terms of non-financial reporting	9-10
Actions taken to strengthen the entity's internal capacities	6
The knowledge, skills and experience of governance bodies, in particular administrative, supervisory and management bodies, in terms of decision-making relating to the integration of environmental, social and governance quality criteria into the entity's policy and investment strategy	6
The integration, where appropriate, of sustainability risks in compensation policies	10
The integration of environmental, social and quality of governance criteria in the operation of internal committees	7
Information on the entity's engagement strategy with issuers or asset management companies	68
Presentation of the voting policy, filing of resolutions, voting instructions and voting on resolutions on environmental, social and quality of governance issues at general meetings	71-72
Consideration of environmental, social and quality of governance criteria in the decision-making process for the allocation of new management mandates	58
Decisions taken in terms of sector disengagement policy	14-15
Information regarding the proportion of assets under management related to activities involving the exploration, production, processing, transportation, refining, and marketing of fossil fuels.	20-21
Information on the strategy for alignment with the international objectives for limiting global warming defined by the Paris Agreement	14-15
Information on the strategy for alignment with long-term objectives related to biodiversity	49-50
The process of identifying, evaluating, prioritizing and managing risks related to the consideration of environmental, social and quality of governance criteria	58
A description of the main environmental, social and quality of governance risks incorporated and analyzed (including physical risks, transition risks)	13-28
An indication of the review frequency of the risk management framework	4; 6
An action plan aimed at reducing the entity's exposure to the main environmental, social and quality of governance risks taken into account	13-28
A clear distinction between the risks emanating from impacts caused by the investment strategy and the risks emanating from the biodiversity dependencies of the assets and activities in which the entity has invested	28-45

Appendix 11 – Pressures covered by BIA-GBS

IPBES pressures	GBS pressures	Definitions
LAND PRESSURES		
Changing use of sea and land	Human encroachment (E)	Human encroachment refers to the expansion of human activity into natural habitats. Direct disturbances (noise, light, etc.) and indirect disturbances (hunting licenses, tourism, etc.) caused by human activities are included.
	Fragmentation of natural habitats (F)	Fragmentation is the pressure caused by the reduction and separation of natural habitats and by the disappearance of environmental corridors, which prevents the movement of wildlife and limits their living space (the population size of a species is positively correlated to the surface area of its habitat).
	Land use (LU)	The intensity of land management affects the quality and quantity of natural habitats. Intensive management modes – such as intensive agriculture – maintain a high level of pressure which prevents the ecosystem from returning to a more natural state. The conversion of natural ecosystems into urban areas, agricultural areas, managed forests, etc. also directly damages ecological integrity.
Climate change	Climate change (CC)	Excessive greenhouse gas emissions are disrupting the global climate. A rising average temperature and the induced climate change modify the distribution areas of biomes, thereby threatening the survival of many species that are unable to adapt sufficiently rapidly to this phenomenon.
Pollution	Airborne nitrogen deposition (N)	Agricultural and industrial activities contribute to nitrogen emissions in the atmosphere. Nitrogen can be transported by wind or water (acid rain) and deposited on land ecosystems. If the maximum nitrogen load sustainable by the ecosystem is exceeded, the imbalance caused by excess nitrogen deposition harms ecological integrity by such incidences as eutrophication and alterations to rivalry between plants.
	Terrestrial ecotoxicity	Terrestrial ecotoxicity is the pressure exerted by chemical substances (organic substances and metal ions) on land ecosystems. It includes actions such as harm to ecosystems caused by certain pesticides.
AQUATIC PRESSURES (FRESHWATER)		
Changing use of sea and land	Wetland conversion (WC)	The conversion and drainage of wetlands for human use result in the loss of aquatic ecosystems, which are then transformed into degraded land ecosystems.
Direct exploitation	Hydrological disturbance resulting from direct water use (Hdwater)	Hydrological disturbance is caused by the difference between current system flows and natural flows. There are many factors behind these variations in flow, including human water use, climate change, and infrastructure (such as dams). In the GBS, the "Hydrological disruption" pressure is sub-divided according to the origin of the change, to distinguish between disruption caused by direct water use and that caused by climate change.
Climate change	Hydrological disruption resulting from climate change (HDcc)	The second component of the "Hydrological disruption" pressure assessed in the GBS is the change in flow as a result of climate change (i.e. due to altered rainfall or evaporation).
Pollution	Aquatic ecotoxicity (X)	Aquatic ecotoxicity is the close relative of terrestrial ecotoxicity, impacting freshwater ecosystems: the harmful effects of chemical substance on aquatic ecosystems.
	Freshwater eutrophication (FE)	Human activities can result in the excessive leaching of nutrients into water bodies. The imbalances caused can stimulate the excessive growth of algae and aquatic plants, depleting the oxygen available and thereby harming other organisms.
	Land use in catchment areas: rivers (LUR) and wetlands (LUW)	Changes in land use upstream, and in particular intensified land use upstream of a catchment area – resulting from urbanization or intensive agriculture – have an indirect negative impact on downstream water bodies. The type (and intensity) of land use is a good indicator of nutrient leaching released by human activities into ecosystems. In the GBS, this pressure distinguished two types of ecosystems affected: rivers and wetlands.

Appendix 12 – Biodiversity – contribution to objectives of COP 15

Protection and preservation of natural spaces

NO.	Target	Associated action(s)
Target 1	**Spatial planning** > Bring the loss of areas of high biodiversity importance close to zero by 2030, while respecting the rights of indigenous peoples and local communities.	These targets primarily relate to national objectives (FR: National Biodiversity Strategy 2030/EU: European Union Biodiversity Strategy to 2030). Nonetheless, Ircantec can contribute indirectly to achieving these targets, for example through its engagement in various initiatives.
Target 2	**Restoration** > Ensure that by 2030 at least 30% of areas of degraded terrestrial, inland water and coastal and marine ecosystems are under effective restoration.	
Target 3	**Protect terrestrial and marine environments** > Ensure and enable by 2030, that at least 30% of terrestrial, inland water, and of coastal and marine areas are effectively conserved and managed.	

Protect species

NO.	Target	Associated action(s)
Target 4	**Management actions to protect species and genetic diversity** > Halt human induced extinction of threatened species and foster the recovery and conservation of species, in particular those threatened.	Target 4 is covered by exclusions concerning GMO. Also appearing in the Ircantec SRI Charter is the requirement to observe "the Rio Declaration on Environment and Development, as well as the main conventions on the preservation of natural resources, protection of biodiversity and management of waste." Investment in companies that do not observe this declaration could be questioned by Ircantec.
Target 5	**Sustainable use, harvesting and trade of wild species** > Ensure that the use, harvesting and trade of wild species is sustainable, safe and legal, preventing overexploitation, minimizing impacts on non-target species and ecosystems, and reducing the risk of pathogen spill-over.	

Reduce invasive alien species and pollution

NO.	Target	Associated action(s)
Target 6	**Prevent and reduce invasive species** > Eliminate, minimize, reduce and or mitigate the impacts of invasive alien species on biodiversity and reduce their rate of introduction by 50% by 2030.	Concerning target #7, exclusion thresholds on pesticides partly meet the objectives. Engagements are also planned in terms of plastics. Regarding invasive species, Ircantec is committed to monitoring the presence of invasive species through its forest asset manager. Furthermore, the climate policy meets certain aspects of this objective.
Target 7	**Reduce pollution** > Reduce pollution risks and the negative impact of pollution from all sources, by 2030, to levels that are not harmful to biodiversity; reduce excess nutrients lost to the environment (fertilizer) by at least half; reduce the overall risk from pesticides and highly hazardous chemicals by at least half; and also prevent, reduce, and work towards eliminating plastic pollution.	

Minimize the impacts of climate change

NO.	Target	Associated action(s)
Target 8	**Target 8 aims to minimize** the impact of climate change and ocean acidification on biodiversity and increase its resilience through mitigation, adaptation, and disaster risk reduction actions, through nature-based solutions and/or ecosystem-based approaches.	Ircantec fully addresses this target through its SRI Charter and its climate policy. Furthermore, the voting policy includes rules on invested company energy transitions.

Sustainable management of species and areas

NO.	Target	Associated action(s)
Target 9	**Protect the benefits** > Ensure that the management and use of wild species are sustainable, thereby providing social, economic and environmental benefits for those most dependent on biodiversity.	The scheme works towards target #10 through its investments in forestry assets. These are managed sustainably with specific biodiversity protection actions in place.
Target 10	**Ensure sustainable area management** > Ensure that areas under agriculture, aquaculture, fisheries and forestry are managed sustainably (sustainable intensification, agroecology, etc.).	

Integration of biodiversity in public sector policy and corporate strategy

NO.	Target	Associated action(s)
Target 11	**Maintain and increase nature's contributions** >Restore, maintain and enhance nature's contributions to people, including ecosystem functions and services, such as regulation of air, water, and climate, soil health, pollination and reduction of disease risk.	Of the three targets indicated, Ircantec can indirectly respond to objective #12. Through its investments in the OPPCI, the scheme promotes biodiversity across its sites through the environmental management of parks and gardens.
Target 12	**Increase green and blue spaces in urban areas** > Significantly increase the area and quality and connectivity of, access to, and benefits from green and blue spaces in urban and densely populated areas sustainably, and ensure biodiversity-inclusive urban planning.	
Target 13	**Access and share the benefits** > Ensure the fair and equitable sharing of benefits that arise from the utilization of genetic resources and from digital sequence information on genetic resources, as well as traditional knowledge associated with genetic resources. By 2030, facilitate an increase in the sharing of these benefits.	

Integration of biodiversity in public sector policy and corporate strategy

NO.	Target	Associated action(s)
Target 14	**Fully integrate biodiversity in the public and all economic activities** through policies, regulations, planning and development processes, poverty eradication strategies, strategic environmental assessments, environmental impact assessments within and across all levels of government and across all sectors, in particular those with significant impacts on biodiversity, progressively aligning all relevant public and private activities, fiscal and financial flows with the goals and targets of the post-2020 framework.	Ircantec clearly responds to target #15 through applicable French regulations (article 29 of the ECL) and its biodiversity policy.
Target 15	**Integrate biodiversity in the private sector** > Develop non-financial reporting by business on their dependencies and impacts on biodiversity along their operations, supply and value chains and portfolios.	
Target 16	**Integrate consumer biodiversity awareness** to foster more sustainable consumption choices.	

Biotechnologies and reduction of subsidies for harmful activities

NO.	Target	Associated action(s)
Target 17	Target 17 aims to establish, strengthen the capacity for, and implement in all countries biosafety measures as set out in article 8 (g) of the Convention on Biological Diversity.	The two targets imply country-level action. Consequently, it may be difficult for the scheme to work toward these targets. Nonetheless, the creation of a biodiversity-related exclusion policy may have an impact on target #18.
Target 18	Target 18 aims to identify by 2025 and eliminate incentives and subsidies harmful for biodiversity. It foresees a reduction to the tune of US$500 billion per year by 2030 (which matches the OECD 2020 estimate of the world total). Positive incentives for the conservation and sustainable use of biodiversity will be scaled up.	

Financial engagements decided at COP 15

NO.	Target	Associated action(s)
Target 19	**(1)** A target of US$200 billion in financing from all sources (national, international, public and private) to be obtained every year by 2030. This financing must contribute to implementing national biodiversity strategies and action plans. **(2)** A target of US$30 billion in financial resources from developed countries transferred to developing countries to be achieved by 2030, with an intermediate objective of US$20 billion by 2025. • This triples the current international financial resources according to the OECD (US$8 billion on average between 2015 and 2020). • Certain developing countries (African Group, Brazil and Argentina) were seeking an objective of US$100 million per year.	The target concerns developed countries and other donors: multilateral organizations (international banks and financial institutions) or the private sector (implicitly mentioned), for which the financing potential is largely untapped. Ircantec will investigate the possibility of working towards this target, in particular through thematic fund financing.

Mobilization of non-financial resources and integration of diversity

NO.	Target	Associated action(s)
Target 20	**Mobilization of non-financial resources** > Strengthen capacity-building and access to technology in developing countries.	These targets can be met through appropriate engagement, which Ircantec will support through collaborative engagement opportunities.
Target 21	**Traditional knowledge** > Ensure that the best available data, information and knowledge, are accessible to decision makers and that practices and technologies of indigenous peoples and local communities are only be accessed with their free, prior and informed consent.	
Target 22	**Inclusion** > Ensure inclusive representation in decisions relating to biodiversity with regard to women and children, young people, indigenous peoples and people with disabilities.	
Target 23	**Gender** > Ensure gender equality in the implementation of the framework through a gender-responsive approach where all women and girls have equal opportunity and capacity to contribute to the three objectives of the Convention.	

Appendix 13 – TNFD reporting

Governance

A. Describe the control exerted by the Board of Trustees on nature-related dependencies, impacts, risks and opportunities.

B. Describe the role of management in the assessment and management of nature-related dependencies, impacts, risks and opportunities.

C. Describe the engagement policies and activities by the organization in terms of human rights and the control exerted by the Board of Trustees and Management in terms of indigenous peoples, local communities, impacted people and other stakeholders in the assessment of the organization, and the response to nature-related dependencies, impacts, risks and opportunities.

The Ircantec Board of Trustees plays a central role in **reviewing and validating** the SRI policies of the Scheme, including the Biodiversity policy. This policy represents one of Ircantec's current ESG priorities. It aims to create a **biodiversity impact mitigation approach.**

To urgently respond to these issues, the Board is seeking to implement tangible measures, notably through the creation of exclusion thresholds for activities that are particularly harmful to biodiversity.

Ircantec is also **a committed investor in promoting human rights** in business. As part of its commitment to the Investors Alliance for Human Rights (IAHR), Ircantec **has signed several declarations on this issue, in particular:**

- The Make Finance Work for People and Planet declaration dated February 2019, which invites the members of the European Commission to require investors to put in place a systematic due diligence approach throughout the value chain, as part of the European Commission's action plan to finance green growth, and
- The Investor Case for Mandatory Human Rights Due Diligence declaration of September 2019 to support the implementation of mandatory human rights due diligence for all companies.
- In 2018, Ircantec joined the Know The Chain initiative (partnership between NGOs, research centers and non-financial audit firms), which produces benchmarks on respect for human rights within the subcontracting companies of major contractors. In 2022, the Scheme also signed a declaration in favor of more robust regulations against forced labor (Forum for responsible investment – FIR, and IAHR), as well as a declaration on due diligence via the FIR in March 2023.

Strategy

A. Describe the nature-related dependencies, impacts, risks and opportunities identified by the organization for the short, medium and long term.

B. Describe the nature-related dependencies, impacts, risks and opportunities on the organization's business model, value chain, strategy and financial planning, as well as any transition plans or analyses in place.

C. Describe the resistance of the organization's strategy to the nature-related risks and opportunities, taking into account different scenarios.

D. Indicate the location of assets and/or activities in the organization's direct activities and if possible, in the upstream and downstream value chains which meet priority location criteria.

Ircantec is currently examining the implications of these **nature-related dependencies, impacts, risks and opportunities** on the organization's business model, strategy and financial planning.

Ircantec intends to publish a **biodiversity policy** in 2024, and thus provide the initial elements in responding to the requirements of article 29 of the French law No. 2019-1147 of November 8, 2019 on Energy and the Climate (article 29 ECL). Initially, the strategy to mitigate the impacts of Ircantec investments on biodiversity involves the **exclusion of activities harmful to biodiversity** beyond a certain level of associated turnover. Moreover in terms of the **forestry and real estate scope**, Ircantec is working with asset managers to reinforce the biodiversity-related approaches and strategy.

In 2023**, the Ircantec engagement policy** was extended to integrate a fourth main theme: **protecting biodiversity**, a core purpose of the Marketplace work and the basis of article 29 of the French Energy and Climate law. The aim of this new theme of engagement is to promote a measurement of company biodiversity footprints, while working to preserve and restore biodiversity.

In 2022, the Scheme signed an Investor PRI statement ahead of the COP 15 conference on Biodiversity, to support the creation of a global framework to halt and reverse biodiversity loss. In 2023, Ircantec signed two declarations on plastics, sponsored by VBDO and Client Earth:

- For business: declaration to encourage companies which make intensive use of plastic packaging to take robust and immediate measures;
- In European regulations: signature of a letter addressed to the main EU policy decision makers. The letter recalls the key messages of the declaration on plastics and asks the European Parliament and Council to adopt an ambitious position on "Packaging and Packaging Waste Reform" (PPWR).

In 2022 and 2023, Ircantec proposed questions relating to biodiversity as part of the collaborative engagement campaign orchestrated by FIR for the CAC 40 (ESG questionnaire for listed companies).

Currently, the pension scheme intends to join **initiatives in favor of biodiversity**, in particular Nature Action 100, the section of Climate Action 100+ devoted to Biodiversity. The scheme has also signed the PRI Spring initiative on biodiversity.

Lastly, in 2024 the Scheme opted to declare its **PAI** (Principal Adverse Impacts)`, in line with the European SFDR regulation. The aim of the principal adverse impacts is to examine the negative effects on ESG issues generated by an investment decision. A mandatory PAI (activities negatively impacting biodiversity-sensitive areas) and several optional PAI (deterioration of soils, desertification, soil sealing, anti-deforestation policy) are associated with biodiversity.

Risk and impact management

A (i) Describe the processes implemented by the organization to identify, assess and prioritize the nature-related dependencies, impacts, risks and opportunities in the course of its direct activities.

A (ii) Describe the processes implemented by the organization to identify, assess and prioritize the nature-related dependencies, impacts, risks and opportunities in its value chain(s) upstream and downstream.

B. Describe the organizational processes implemented to manage nature-related dependencies, impacts, risks and opportunities.

C. Describe how the processes of identification, evaluation, prioritization and monitoring of nature-related risks are integrated into the organization's global risk management processes and clarify them.

Ircantec is fully aware of the risks related to biodiversity. The Scheme is seeking to integrate these concerns into its management processes through **targeted exclusions** considered harmful to biodiversity above certain related turnover thresholds.

Article 29 of the French Energy-Climate law demands the use of a biodiversity footprint. **A call for proposals will be implemented in late 2024** to identify a biodiversity footprint service provider.

Nonetheless, the 2022 and 2021 sustainability reports already highlight **several biodiversity-related indicators** before arriving at footprint tool solutions:

- **Environmental intensity,** provided by Trucost, quantifies in euros the environmental impact of investments, assigned an environmental cost to each resource and pollutant. The Ircantec global portfolio generated lower environmental costs than its benchmark in 2022 and generally succeeded in reducing them between 2021 and 2022;
- **Biodiversity score,** also provided by Trucost, evaluates the awareness of business to risks related to biodiversity. It reveals whether they integrate stakeholders in the development of their biodiversity strategy and if this implementation is subject to an internal or external assurance process. Biodiversity scores are taken from the annual Corporate Sustainability Assessment process and represent the weighted average of individual biodiversity scores of companies making up the portfolio or the benchmark. Although the Ircantec portfolio was slightly below its benchmark in 2022, the focus is on continuous improvement.

By continuing to demonstrate its engagement toward biodiversity, Ircantec intends to **scale-up its biodiversity strategies in the real estate and forestry scopes.** These efforts will further reinforce the monitoring and assessment of biodiversity-related dependencies and impacts.

Metrics and objectives

A. Indicate the parameters used by the organization to evaluate and manage significant nature-related risks and opportunities, in line with its strategy and its risk management process.

B. Indicate the parameters used by the organization to evaluate and manage dependencies and impacts on nature.

C. Describe the targets and objectives used by the organization to manage the nature-related dependencies, impacts, risks and opportunities, as well as its performance in relation to these targets and objectives.

Ircantec has already introduced **metrics to evaluate and manage nature-related risks and opportunities**, aligned with its strategy and risk management process, as set out in its 2022 sustainability report. Two indicators are currently used for this purpose, namely **environmental intensity and the biodiversity score**. The two indicators are supplied by Trucost:

- **Environmental intensity** is calculated at corporate portfolio level. It quantifies the environmental impact of greenhouse gas emissions, water use, waste, air, soil and water pollutants, as well as the use of natural resources. The analysis not only incorporates the impacts associated with the company's own activities, but also those of its upstream suppliers, up to the extraction of raw materials;
- **The biodiversity score** is a weighted average of the individual biodiversity scores of companies making up the portfolio or benchmark. This evaluation examines the awareness of risks related to biodiversity, the inclusion of stakeholders in the development of their strategy, and if this implementation is subject to internal or external assurance process.

In a continuous improvement approach, Ircantec is currently preparing a call for proposals to **select a biodiversity footprint service provider by the end of 2024**. This initiative aims to complete existing tools by providing a specific biodiversity dependence and impact score, thereby reinforcing Ircantec's capacity to assess and manage its interactions with nature in the most comprehensive manner possible.

Appendix 14 – Definition of non-conventional fossil energies

Ircantec considers the following fossil fuel energies to be non-conventional:

- **shale gas and oil**: stored deep underground in impermeable and non-porous rock, extracted by fracking. This method raises many issues, especially the extensive use of water and chemical products that can pollute sub-soils, the resulting emission of methane and the risk of earth tremors;
- **oil sands**: these comprise a mixture of rough tar, sand, mineral clay and water. For this reason they are very viscous and cannot be pumped like conventional oil. The production of oil from oil sands (or tar sands) required immense quantities of water and energy. The production of a barrel of oil from oil sands generated over 190 kg of greenhouse gases. Using a life cycle analysis, it is estimated that the fuel derived from oil sands generates up to 37% more greenhouse gas emissions than fuel derived from conventional oil;
- **extra-heavy oil**, with an API gravity above 15°. Due to its composition, its extraction and refining process, extra-heavy oil consumes large amounts of energy and high emissions levels;
- **deepwater hydrocarbons** this concerns sea wells with a depth equal or greater than 1,500 m. These extraction operations are controversial because it is impossible to contain potential leaks at this depth, which would result in adverse environmental impacts;
- **coal gas**: this gas is extracted from coal veins, usually by fracking. It presents multiple issues (methane leaks, water contamination, health risks for local populations, etc.).
- **Arctic oil and gas resources**: the definition of Arctic used by Ircantec is that of the Arctic Monitoring and Assessment Program (AMAP): "The terrestrial and marine areas north of the Arctic Circle (66°32'N), and north of 62°N in Asia and 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 an adverse impact on fragile marine and coastal ecosystems of the Arctic. This also contributes to developing maritime traffic in the region and black carbon emissions limit the region's capacity to reflect solar radiation, which limits climate change.

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Une gestion Caisse des Dépôts GROUPE