



SRI Charter

Principles adopted by Ircantec

June 2019

Signatory of:

CONTENTS

General investment policy	4
The Institution's values	4
The scheme's responsible investment approach	4
The reference framework	5
The scope of the SRI charter	6
Our ESG priorities	6
Exclusions	7
ESG selection of securities	7
Governance determining the implementation of the SRI Charter	9
A steered approach	9
A transparent approach	9
Appendices	10

General investment policy

Created in 1970 under a decree, Ircantec is the mandatory supplementary pension scheme for contracted employees of State, regional and hospital civil service branches. It also applies to local elected representatives.

The Institution's values

Ircantec's identity shapes its values: the pay-as-you-go pension system connects generations with each other in a spirit of solidarity and equality. To ensure fairness between generations, Ircantec's priority is therefore to secure over the long term the capital that will contribute to future retirees' quality of life: this means the financial capital used to pay pensions, as well as the natural and human capital of current and future generations.

By adopting a responsible investor approach, Ircantec believes it can help to guide capital towards sustainable, inclusive and less carbon-intensive growth that can meet the climate challenge.

The scheme's responsible investment approach

Aware of its responsibilities to its affiliates and to society, Ircantec's Board of Trustees decided on 18 December 2008 to implement an SRI (Socially Responsible Investment) approach regarding its asset portfolio.

The Board adopted the preamble to the six UN Principles for Responsible Investment (PRI):

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

The two principles that underpin Ircantec's efforts are as follows:

- Integration of SRI criteria into portfolio management;
- Be an active shareholder.

The Institution aims to both generate value from issuers in compliance with the principles that it has defined and interact with the financial community and investors that share the same objectives in order to advance the consideration of these principles.

Ircantec also joins forces with initiatives that contribute to their dissemination.

Initiated in 2009, Ircantec's responsible investor approach aims to be simple, progressive and pragmatic. As a signatory of the PRI since 2014, Ircantec actively rolls out this initiative and its six principles through:

- its SRI charter, which indicates the non-financial approaches and issues concerning Environmental, Social and Governance (ESG), prioritised by type of investment;
- its policy on exercising voting rights¹: by actively exercising its voting rights, Ircantec intends to encourage companies to undertake better governance, which may contribute to improving their long-term results and their alignment with the aspirations of society;
- its shareholder and institutional engagement policy², in order to strengthen dialogue with companies, investor peers and the contribution to methodological advances and marketplace reflections.

1 https://www.ircantec.retraites.fr/sites/default/files/public/polit_vote.pdf

2 https://www.ircantec.retraites.fr/sites/default/files/public/engagement_action.pdf

By adopting this approach, Ircantec intends to:

- act in the best long-term interests of its current and future beneficiaries;
- optimise the return on its investments over the long term, limited to the risks assumed by the Institution, as financial return is not the only objective sought;
- ensure that its investment policy continues to be consistent with respect for its values so that the capital contributes to future retirees' quality of life: this means the financial capital used to pay pensions, as well as the environmental capital and human capital.

The reference framework

■ Compliance with standards

To guide its efforts, Ircantec draws in the first instance on international norms, conventions and standards, including:

- the Universal Declaration of Human Rights and the Fundamental Conventions of the International Labour Organisation (ILO), which define four main principles and fundamentals of labour, which are: freedom of association and effective recognition of the right to collective bargaining; the elimination of discrimination in respect of employment and occupation; the elimination of forced labour and the effective abolition of child labour, and lastly the promotion of decent work in supply chains³.
- the United Nations Framework Convention on Climate Change and the Paris Agreement on combating climate change.
- the Rio Declaration on Environment and Development, and the main conventions on the preservation of natural resources, biodiversity protection and waste management.
- the United Nations Convention against Corruption in terms of exemplary governance.

Ircantec also complies with the legal and regulatory framework that applies to it and, in line with its public institutional position, encourages respect for environmental and social standards recognised in French and European Union legislation in cases in which it invests outside the EU.

■ Voluntary commitments

Ircantec is also actively involved in international and national initiatives that may emerge and guide its SRI approach. As such, Ircantec is a signatory of the Paris Appeal, through which the Institution confirms its support for the ambitions stated in the Paris Agreement on the climate. Through this commitment, Ircantec asserts its aim to maintain the temperature rise below 2°C and to continue efforts to limit the rise in temperatures to 1.5°C, thereby reducing climate change-related risks.

In addition, Ircantec believes that the 17 sustainable development goals (SDGs) can constitute a new framework of analysis and action for the international responsible investment community, although not all of the SDGs can be the subject of investments equally and are not relevant for all participants.

Ircantec adopts the SDGs through its thematic investments and impact investments, as well as through actively exercising its voting rights and its engagement approaches, or further still by ensuring that it does not breach the SDGs.

The Charter applies to all of Ircantec's investments.

By integrating Environmental, Social and Governance criteria into the choice of its investments across all asset classes, Ircantec aims to fully ascertain the risks and opportunities of its investments and therefore to secure the value of its reserves over the long term, while also leveraging its reserves to serve an economy that protects the natural and human capital of current and future generations.

³ See ILO Declaration on Fundamental Principles and Rights at Work

The scope of the SRI charter

Our ESG priorities

Ircantec makes people and social progress its central concern by paying special attention to employment and decent work throughout the supply chain and value creation chain, as well as to decent living conditions, notably through access to housing, and gender equality. The scheme believes that social dialogue and employability are fundamental components of sustainable and inclusive growth. International labour standards (including those governing freedom of association and the right to collective bargaining, the minimum wage, valuing human resources, health and safety at work, the employment/re-employment policy) form a solid foundation that can be referenced for addressing problems raised by the transition to sustainable development.

Concerning the environment, Ircantec is aware that economic growth and demographic changes have been accompanied by a significant increase in demand for natural resources⁴. One of Ircantec's priorities concerns sustainable management of resources and their productivity, which requires measures on moderate energy consumption, energy efficiency and the development of sustainable buildings and infrastructures. Furthermore, Ircantec makes the climate one of its priorities and is firmly committed to a just ecological and energy transition, which requires supporting the ecological sustainability of our ecosystems and developing a growth economy that creates jobs and revenue over the long term. Ircantec asserts its ambition to ensure that its investments are aligned with a trajectory compatible with a 2°C scenario, to continue its efforts to achieve 1.5°C and to support the consideration of the social impacts of the energy and ecological transition.

Lastly, as part of a transition to a sustainable and inclusive economy, Ircantec views governance as a key issue, with respect to both businesses and States. In the case of businesses, the idea is to move beyond good governance, the goal of which is to ensure transparency, the balance of powers and

consultation between stakeholders in order to move towards exemplary governance. In the case of States, this involves in particular actively fighting against corruption. This is a key issue for the stability and security of societies, as by weakening democratic institutions and values, ethical values and justice, it compromises sustainable development and the rule of law.

As a long-term institutional investor, Ircantec intends to be attentive to the sustainability of the business models of companies and projects. The approach that Ircantec has chosen marries ESG Exclusions and Selection, combined with a strong engagement strategy.

⁴ Water, raw materials including from the perspective of waste prevention and management, social and environmental conditions around the extraction/procurement of natural resources and/or production of raw materials, scarcity of resources issue

Exclusions

Ircantec may exclude from its investment universe companies and/or sectors of activity based on failure to comply with international norms, conventions and standards, notably with respect to human rights. As such, the following are excluded:

- companies that manufacture and market weapons banned under international conventions;
- companies in the tobacco industry, based on the WHO Framework Convention on Tobacco Control;
- companies guilty of proven failure to comply with the aforementioned fundamental principles.

Ircantec may also exclude from its investment universe companies and/or sectors of activity based on a management analysis of the financial and non-financial risks. As such, certain sectors may be partially or totally excluded if the studies conducted show that the impact of these activities is deemed particularly negative, notably with regard to human rights, the environment and the fight against climate change.

■ Coal exclusion:

The use of this energy source generates very significant social and environmental costs. As such, Ircantec has a policy on coal divestment from a specific exclusion threshold⁵.

■ Reduction in exposure to fossil fuels (oil and gas):

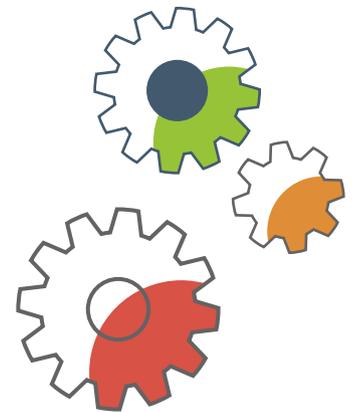
Ircantec applies a specific divestment strategy to shares in the "oil and gas" sector, combining targeted exclusions and enhanced shareholder engagement. The goal, in line with its strategy on transitioning to a low-carbon economy, is to limit investments in companies whose activities are not easily aligned with the energy transition, which pose high financial, environmental and social risks, in order to focus on companies that have a high capacity for change and diversification into renewable energies, and for which the shareholder engagement lever can be used.

ESG selection of securities

■ Companies

Ircantec asks the asset management companies to adopt a dynamic view on a company's level of engagement and its overall performance in order to identify and select, through a selection process, companies that implement a committed CSR and EET approach.

The incorporation of ESG criteria into the investment process is supplemented by in-depth monitoring of controversies in order to anticipate financial and reputational risks.



⁵ See appendix 1: exclusion criteria

■ States

The Institution's identity and values tend to guide it towards public policies that look ahead to the long term in order to guarantee resources for future generations and that make the public interest a central component of their ambition. The assessment can be conducted with respect to the contribution and/or implementation by States of the SDGs, notably through the integration of measures that foster a just transition into national plans and policies for the achievement of the SDGs and into national action plans concerning environmental issues and climate change.

■ Real assets

→ Real estate

To foster sustainable real estate, Ircantec's investment policy incorporates strong social and environmental drives, with a pronounced priority placed on goods that meet a societal need (intermediate housing, student residences, healthcare establishments and accommodation establishments for elderly dependent persons, etc.) and on environmental issues such as the consumption of natural resources and the health and safety of occupants. Ircantec is especially committed to ensuring that the existing assets form part of the sustainable development approach aimed in particular at improving the environmental quality of buildings and tenants' quality of life.

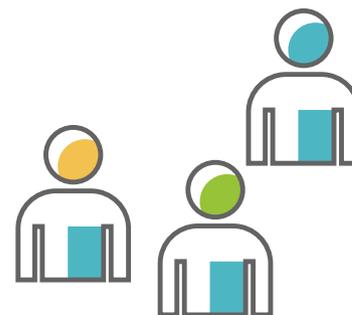
→ Infrastructure assets

The targeted investment strategy aims to invest in sustainable themes, including the financing of the energy and ecological transition, by investing in green sectors that have a positive environmental footprint, as well as the financing of social infrastructures.

The ESG quality of the entire project must also be assessed.

In any event, the fossil fuels sector (except for providers of innovative solutions that foster energy efficiency) and issuers whose activity appears to be incompatible with the 2°C scenario, based on information available when the asset management company makes its decision, are excluded.

Furthermore, Ircantec encourages methodological advances that enable the principles stated in its SRI charter to be implemented.



Governance determining the implementation of the SRI Charter

A steered approach

■ The Board of Trustees

The Board defines the general direction of the SRI policy; it validates updates and extensions to this policy by drawing on research work and its dialogue with other investors. It verifies the implementation of the principles defined in the Charter by periodically examining the extent to which they are integrated into the management process; it bases its analysis on the extra-financial reports provided by an extra-financial rating agency. It draws on the Technical and Financial Steering Committee, which is tasked with preparing the Board's work concerning the scheme's investment policy.

■ La Caisse des Dépôts et Consignations: the manager of the Institution

La Caisse des Dépôts assists the Board of Trustees with preparing its SRI policy and submits proposals regarding changes to the policy. As such, it conducts SRI monitoring, communicates the Institution's SRI policy to asset management companies and ensures compliance with the principles in the execution of their mandates. Lastly, La Caisse des Dépôts periodically reports to the Board of Trustees on the application of the SRI policies to the investment strategies.

■ Asset management companies

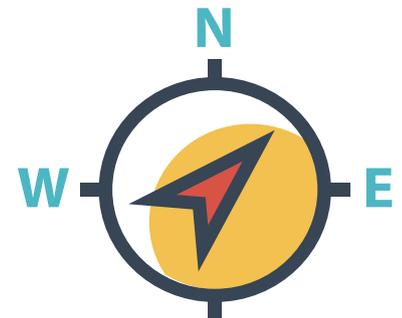
The asset management companies incorporate Ircantec's SRI principles into their methodology and their investment processes, conduct investments in line with the strategy and principles defined by the Board, provide information on the methods used in their management of SRI principles and provide alerts on the application difficulties; they identify and monitor the risks that the financial investments may have for the scheme's image and reputation.

The asset management companies are selected via a call for tenders, both regarding their financial capabilities and their abilities to meet Ircantec's requirements on SRI subjects. These companies must be signatories of the PRI. Those that have not signed them must be able to explain their position.

A transparent approach

Ircantec is committed to being transparent and responsible in dealings with its affiliates and all of its stakeholders. As such, the scheme reports each year:

- via its Annual Activity Report and its investment decisions;
- via its Climate Action Report, and its Climate, ESG and engagement strategy;
- via its Annual Voting Report and the implementation of its Voting Policy.



Appendix 1: Exclusion criteria

■ Criteria on the exclusion of coal shares

- in the case of mining companies, exclusion of any company with a coal-related revenue that accounts for over 1% of the total market share;
- in the case of energy companies, exclusion of any company with a coal-related energy mix higher than 30% or a carbon intensity of over 500 gCO₂/KWh;
- in the case of mining companies and energy producers, exclusion of any company with a coal-related revenue higher than 10% of total revenue.

An agreement can be made on a case-by-case basis if the company demonstrates a strong commitment to the energy transition. For example, an investment can be made in a green bond issued by a company that meets the divestment criteria if it improves the energy mix of the business.

■ Reduction in exposure to fossil fuels (oil and gas)

The following are excluded from the portfolio:

- companies specialising in the "oil and gas" sector whose business model is focused on exploration and production;
- non-arrow bonds⁶ of companies in the oil sector whose investment spending is incompatible with a 2°C strategy;
- shares in non-European integrated oil companies whose investments are incompatible with a 2°C strategy.

Divestment from shares and bonds of companies specialising in the "oil and gas" sector whose business model is focused on oil exploration and production indicates Ircantec's drive to not support companies that have a high transition risk.

Divestment from non project-linked bonds of companies in the "oil and gas" sector indicates Ircantec's drive to not support controversial businesses. Indeed, bond issues are a source of financing for all investments, including controversial projects and projects incompatible with a 2°C trajectory. Discontinuing purchases of these bonds until these companies stop developing such projects is a way to no longer passively contribute, even partially, to the financing of investments in such projects. This bond divestment is supplemented by enhanced shareholder dialogue with European integrated companies.



⁶ Arrow bonds are green bonds, social bonds and sustainable bonds

Appendix 2: Deployment of Ircantec's vision on the ESG criteria for companies

Ircantec aims to favour companies that:

- place people at the forefront and foster social progress;
- strive to protect the environment and the sustainable development of local areas;
- have exemplary governance.

For Ircantec's Board of Trustees, these values are rolled out as follows:

■ Place people at the forefront and foster social progress

To assess the degree to which companies comply with human rights and the measures they take to foster social progress, Ircantec refers to:

- companies' compliance with fundamental social principles;
- non-discrimination in all its forms, particularly regarding seniors and women;
- respect for freedom of opinion and expression and in particular union rights and human rights at work across the entire supply chain.

The Institution is particularly attentive to the various aspects of work and employment, and favours companies that:

- observe fundamental rules on labour law and social partners;
- contribute to the growth of employment both quantitatively and qualitatively (professional promotion and career development, gender equality, rejection of child labour, etc.);
- have forward-looking strategies on employment (lifelong training, value placed on the benefits of experience, retraining, responsible support for restructuring, etc.);

- develop specific projects that foster growth in employment (research and development).

■ Protect the environment and sustainably develop local areas

Ircantec assesses companies' environmental responsibilities by taking into account the environmental impact of their activity, particularly regarding the following aspects:

- the fight against climate change and the control of CO2 emissions;
- energy efficiency;
- prevention of industrial accidents;
- management of water resources and waste treatment;
- development of "green jobs".

■ Have exemplary governance

Ircantec aims to determine its choices by assessing companies relative to several major themes:

- the existence and observance of the rights of various supervisory bodies;
- the independence and competence of board members;
- transparency in the methods of remunerating directors;
- mechanisms on internal control and conflict prevention, the fight against corruption and money laundering, business ethics;
- transparency on activity, the financial and non-financial situation and the growth strategy.

■ Ircantec also assesses companies' social responsibility with particular respect to:

- their participation in the economic growth of the regions in which they are established;
- their remuneration policy, which must enable their personnel to have a satisfactory standard of living and living conditions;

→ measures put in place concerning the health and safety of workers, the promotion of social dialogue and employee training, across the entire value chain;

→ where applicable, their adoption of international CSR standards and norms: the United Nations Global Compact, Guidance on social responsibility (ISO 26000), OECD Guidelines for Multinational Enterprises, United Nations Human Rights Council's Guiding Principles on Business and Human Rights, and/or sectoral standards (Extractive Industries Transparency Initiative, Equator Principles, Carbon Disclosure Project, etc.);

→ transparency and the way in which financial and non-financial information is reported (GRI etc.).



Appendix 3: Deployment of Ircantec's vision on the ESG criteria for States

Ircantec favours States that:

■ foster social progress

Ircantec assesses a State's social dimension, more specifically regarding the following aspects:

- education, employment and living conditions;
- health.

■ implement environmental protection policies

The Institution is particularly sensitive to the following environmental aspects:

- the preservation of national resources;
- the fight against climate change;
- biodiversity protection.

■ have exemplary governance

Ircantec is particularly attentive to actions implemented by States concerning:

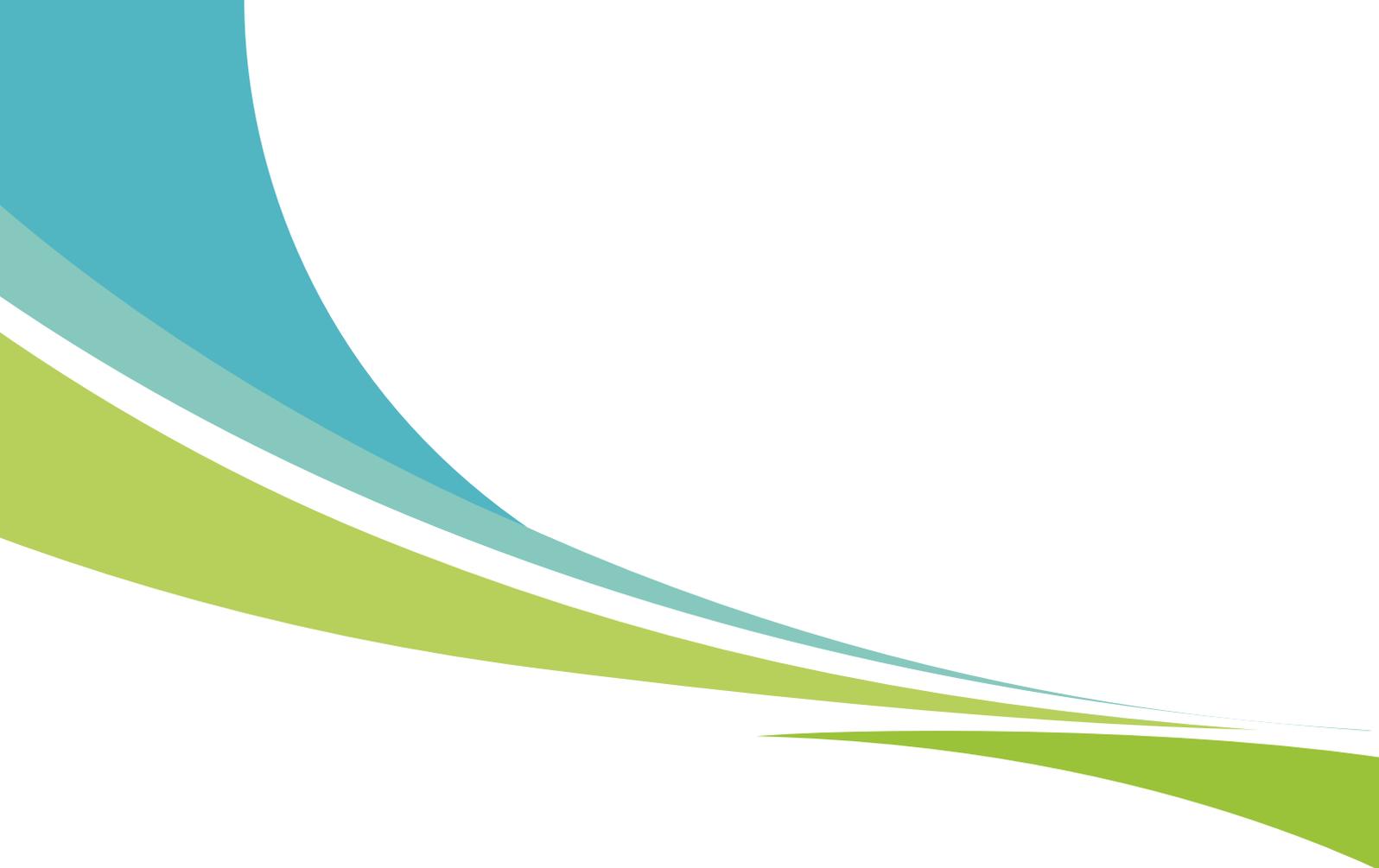
- the fight against corruption, tax practices;
- freedom of expression;
- solidarity between countries.

■ have ratified international conventions and treaties (particularly regarding unconventional weapons)









www.ircantec.retraites.fr

 Chaîne Ircantec

 Suivre @Ircantec