

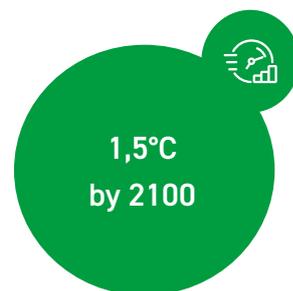
ERAFP's fossil fuel policy

Background

The latest scientific publications¹ confirm the reality of global warming. The latest climate report from Copernicus C3S indicates that 2024 was the first year in which the average temperature clearly exceeded 1.5°C above pre-industrial levels. As things stand, UNEP projections show that under current policies, global warming would increase by 2.8°C by the end of the century. By comparison, it is estimated that the Earth's average temperature during the last ice age was only 5°C lower than it is today.

With the concentration of CO₂ in the atmosphere reaching its highest level in 2 million years in 2024, the energy sector is of critical importance, accounting for most of the increase in greenhouse gas emissions through the combustion of fossil fuels. In 2024, fossil fuels accounted for almost 80% of the global energy mix. It is against this background that [Article 29 of France's Energy and Climate Act \(LEC\)](#), adopted on 8 November 2019, which applies to both the management companies in the portfolio and to ERAFP, requires "a plan for a gradual exit from coal and unconventional fossil fuels, specifying the exit timetable adopted and the proportion of total assets under management or held by the entity covered by these policies"

For this purpose, ERAFP has carried out a review of the main recommended scenarios for limiting warming to 1.5°C by 2100. For example, the IEA and the IPCC agree on the need to reduce coal production in the short, medium and long term. With regard to oil and gas, the IEA indicates that, if fossil fuel demand follows a trajectory consistent with a 1.5°C scenario, limiting investment to the maintenance of existing production from operating oil and gas fields would be sufficient. In addition, this scenario entails refraining from pursuing any oil and gas exploration or development projects not already underway by the end of 2021 and from exploiting any new oil or gas reserves.



ERAFP's policy is therefore consistent with the objectives announced by the French government in its [energy and climate strategy](#) and with the [commitment agreed at COP28](#) to reach carbon neutrality by 2050.

In order to contribute to energy security and autonomy in the interest of beneficiaries, in a global geopolitical and energy context marked by heightened tensions and a reassessment of historical dependencies, ERAFP is also introducing in this updated policy an eligibility criterion relating to the domicile country of companies in the sector. Given the interdependence of energy systems, the European level appears to be the most appropriate framework for addressing this issue.

Climate targets

ERAFP joined the [Net-Zero Asset Owner Alliance](#) (AOA) in March 2020 in order to reduce its greenhouse gas emissions. As part of this commitment, ERAFP has agreed to set interim targets every five years, with the aim of achieving the goal of net zero GHG emissions by 2050. The targets for the 2025-2030 period are summarised in [ERAFP's climate policy](#).

¹ See: International Energy Agency (IEA), [World Energy Outlook 2025](#), Copernicus, [Global Climate Report 2024](#), World Meteorological Organization, [Annual to Decadal Update 2025-2029](#) (UN agency), United Nations Environment Programme (UNEP), [Emissions Gap Report 2025](#), Global Carbon Project Global [Carbon Budget 2025](#), [IPCC Sixth Assessment Report \(2021-2022\)](#), 'Mitigation' chapter, [GIEC 2021](#)

Given the importance of the energy sector in the fight against climate change, ERAFP has decided to develop an investment policy concerning the fossil fuel sector, which includes both conventional fossil fuels (coal, oil and natural gas) and unconventional fossil fuels².

This fossil fuel policy describes how ERAFP will use the four main levers for action within its socially responsible investment policy (Best in Class; Shareholder Engagement; Voting; Exclusions) to engage with companies involved in the conventional and unconventional fossil fuels sectors, at pre and post-investment phase, where those companies do not meet the eligibility thresholds or align their businesses with 1.5°C scenario pathways.

SRI framework

Prior to the investment decision, ERAFP assesses the companies, projects and countries in which it invests based on ESG criteria, in accordance with its SRI framework, using specific criteria defined in its best-in-class approach. This assessment applies to 100% of ERAFP's assets.

Within the environmental pillar, the criterion "Limit greenhouse gas emissions and contribute to the energy transition" includes indicators aimed at assessing energy sector companies and ultimately encouraging them to reduce or stop production of thermal coal and conventional and unconventional fossil fuels.

The ESG ratings of all portfolios are monitored regularly and ERAFP pays particular attention to the exposure of its assets to conventional and unconventional fossil fuels, as disclosed in its Sustainability Report since 2021.

ERAFP's SRI framework is based on revised eligibility criteria for the following three fossil fuel energy sources:



**Thermal
coal**



**Unconventional
fossil fuels**



**Conventional
fossil fuels**

Engagement and voting policy specific to issuers in the fossil fuel sector

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

In particular, ERAFP is convinced that a key lever for accelerating the energy transition is to support companies in the sector through a robust and demanding engagement and voting approach.

To this end, ERAFP has adopted an active engagement approach towards issuers in which it invests or is likely to invest, either directly through collaborative engagement initiatives such as Climate Action 100+ or through its management companies, with a particular focus on the main contributors to the carbon intensity of its portfolio and on companies active in the fossil fuel sector.

The voting policy is one of the pillars of ERAFP's engagement and energy transition approach. Each year, ERAFP publishes [its shareholder engagement guidelines](#) on its website, setting out its approach to all matters relating to voting. When applying these guidelines through the exercise of voting rights, ERAFP pays particular attention to the complementarity of its engagement strategy and the non-financial criteria of its SRI framework vis-à-vis companies involved in the fossil fuel sector.

² Shale oil and gas, oil sands and shales, fossil fuels extracted from sensitive areas such as the Arctic or ultra-deep drilling.

This policy includes specific elements for companies in sectors with a high climate impact, including fossil fuels, and may result in ERAFP voting against resolutions such as the election or re-election of a nominee director or chair of the board, or executive compensation, if certain criteria are not met. Such elements may include the consideration given to climate issues, the setting of GHG emissions reduction targets, assessing emissions progress and engagement outcomes.

Expectations for fossil fuel companies

Through this policy, ERAFP sets out its expectations for companies operating in the fossil fuel sector.

Companies involved in thermal coal activities are expected to:

- cease the development of any new capacity related to thermal coal (mines, power plants, transport or storage infrastructure, etc.);
- align with 1.5°C scenarios, implying a complete phase-out of coal-fired power generation by 2030 in OECD countries and by 2040 globally;
- shut down sites instead of selling them, while considering the principle of a just transition, especially for affected employees.

Companies involved in conventional or unconventional oil and gas activities are expected to:

- cease the development of new oil and gas exploration or production capacities, especially for unconventional fossil fuels;
- align with 1.5°C scenarios, including a reduction in the overall volume of oil and gas production and a target of carbon neutrality by 2050;
- minimise fugitive methane emissions;
- align lobbying activities with pre-defined climate objectives;
- shut down sites instead of selling them, while considering the principle of a just transition, especially for affected employees.

Implementation rules

The following implementation rules for ERAFP's fossil fuel policy apply to mandates and dedicated funds investing directly in companies or infrastructure projects.

The "1.5°C scenarios" referred to should be understood as GHG emission scenarios limiting global warming to 1.5°C by 2100, with little or no overshoot.

The amendments to this policy will be implemented during the course of 2026 as part of the ongoing dialogue with the managers.



Positions and investment policy regarding thermal coal

ERAFP has included the following proposals in a timetable that aims for rapid disengagement while preserving energy security and ensuring a just transition:

- a. Planned exit from thermal coal by 2030 in OECD countries and 2040 worldwide.**

This timetable is consistent with the main international recommendations.

- b. All companies that generate more than 5% of their revenue from thermal coal-related activities as of January 1, 2024 are excluded from the portfolio, both in terms of existing holdings (excluding bonds) and new investments. This threshold will be lowered to 1% of revenue from 1 January 2026.**

Under this criterion, companies that generate more than 1% of their revenue from activities related to thermal coal will be ineligible.

- c. Any company developing new thermal coal capacities is excluded from the portfolio.**

ERAFP prioritises the cessation of all thermal coal capacity development, as stated in the exclusion condition. This includes activities such as mine development, coal-fired power plants, dedicated infrastructure, and other related activities.

- d. These exclusions do not apply to companies with a credible exit plan from thermal coal that is aligned with the exit dates referred to in a) above, to companies aligned with a 1.5°C pathway whose target is certified by the SBTi initiative, or to green bonds issued by companies that do not yet meet the threshold referred to in b) above.**

- e. A systematic in-depth annual follow-up will be conducted with the asset managers on the evolution of these companies and their exit plans. This will also help to determine any associated engagement actions to be taken.**

If exit plans are not followed, a case-by-case review will be conducted, which may lead to divest the position in the best interests of ERAFP.



Positions and investment policy regarding conventional³ and unconventional fossil fuels

Through the following measures, ERAFP aims to take scientific recommendations on board while recognising the need in the medium term to use these fossil fuel sources, particularly in view of energy security concerns:

- a. From 2026 onwards, investments in the debt of companies developing oil and gas exploration or production projects will be excluded.**

This measure aims to ensure that ERAFP no longer participates in the financing of new oil and gas exploration and extraction projects after 2026, which has been identified as a key criterion for limiting global warming.

In order to support the energy transition, investments in green bonds and bonds issued by companies with a credible strategy aligned with 1.5°C scenarios will remain eligible.

- b. The exclusions mentioned in point (a) do not apply to companies whose registered head office is located in Europe and whose capital expenditure (CAPEX) aligned under the EU Green Taxonomy has represented, on average over the past three years, at least 25% of the total. This exemption applies until 2030.**

- c. Systematic monitoring of positions and of the development of the climate policies of these companies will be carried out, together with enhanced engagement.**

This position reflects ERAFP's desire to engage in enhanced and challenging shareholder dialogue to encourage these companies to align their strategies with 1.5°C scenarios.

Where a company is not aligned with a 1.5°C temperature increase scenario, a case-by-case review will be conducted, which, after failed engagement efforts, may lead to divest the position in the best interests of ERAFP.

Furthermore, systematic engagement on climate issues will be required from the asset management company, particularly with respect to the criterion that could lead to the company's exclusion, in order to support its transition. This engagement will be subject to regular monitoring.

- d. In addition, ERAFP will make its best efforts not to increase the Scheme's overall relative exposure to equities of companies producing fossil fuels.**

³ Crude oil and natural gas.



Positions and investment policy regarding companies producing unconventional fossil fuels

Through the following measures, ERAFP aims to divest from companies producing unconventional fossil fuels or that are clearly not committed to energy transition and with whom there is no prospect of productive dialogue:

- a.** All companies that generate more than 15% of their revenue from activities related to unconventional fossil fuels are excluded from the portfolio, both in terms of existing holdings and new investments.
- b.** New investments in the debt of companies that generate more than 5% of their revenue from unconventional fossil fuels are excluded, except for green bonds and bonds issued by companies that have a credible strategy aligned with 1.5°C scenarios.
- c.** The exclusions mentioned in points (a) and (b) do not apply to companies whose registered head office is located in Europe and whose capital expenditure (CAPEX) aligned under the EU Green Taxonomy has represented, on average over the past three years, at least 25% of the total. This exemption applies until 2030.
- d.** Systematic monitoring of positions and climate policy developments of companies in the sector will be carried out, together with enhanced engagement actions to ensure that exit plans are implemented.

Where a company is not aligned with a 1.5°C temperature increase scenario, a case-by-case review will be conducted, which, after failed engagement efforts, may lead to divest the position in the best interests of ERAFP.

Furthermore, systematic engagement on climate issues will be required from the asset management company, particularly with respect to the criterion that could lead to the company's exclusion, in order to support its transition. This engagement will be subject to regular monitoring.

Gouvernance

As a reminder, the Board of Directors defined ERAFP's SRI framework and oversees it internally.

In accordance with Article 24 of decree 2004-569 relating to the French public sector additional pension scheme, the investment policy monitoring committee (CSPP) is responsible for preparing the Board of Directors' decisions on the general guidelines of the SRI policy, monitoring their implementation, assessing its effects on the Scheme, ensuring compliance with the principles of the SRI Charter and preparing any updates thereto.

Within this framework, the CSPP has validated the publication of this fossil fuel policy, and will review it with the Board of Directors every two years from its effective date. It will monitor and evaluate the follow-up and engagement actions specified for the three fossil energy sources.