CLIMATE TRANSPARENCY REPORT 2020

Ircantec

About the Climate-related Disclosure Indicators

Climate has been identified as a top priority for PRI signatories, with over 70% of asset owners reporting this as the most important long-term trend they are acting on.

The FSB Task Force's guidance on climate-related financial disclosure aim to create a single framework for disclosure on assessment and management of climate-related risk. The recommendations, supported by investors representing US$22 trillion, identify four main disclosures, Governance, Strategy, Risk Management, Metrics and Targets, and include specific guidance for asset owners and managers.

As a result, the PRI introduced climate-related disclosure indicators that can be used to align with the TCFD recommendations in the 2020 PRI Reporting Framework.

About this report

This report is an export of only the climate-related indicators from the 2020 Reporting Framework response. The full Public Transparency Report is available here (https://reporting.unpri.org/surveys/PRI-reporting-framework-2020/-BD89AF32-1176-4E01-839D-D83BBABA198F/79894dbc337a40828d895f9402aa63de/html/2/?lang=en&a=1). It shows the responses to all the completed climate indicators, even those you chose to keep private. It is designed for your internal review or – if you wish - to share with your stakeholders.

The PRI will not publish this report on its website if you have designated your 2020 climate reporting as "private". Otherwise, you will be able to access the Climate Transparency Report of your organisation and that of other signatories on the PRI website and on the Data Portal.

To easily locate information, there is a **Recommendation index** which summarises the indicators that signatories complete and disclose. The report presents information exactly as it was reported as per signatory preference. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory are presented in this report.

TCFD Recommendations Index

Strategy and Governance - CC			TCFD Recommendation			
Indicator	Reported	Disclosure	Governance	Strategy	Risk Management	Metrics & Targets
SG 01.6 CC	✓	Public				
SG 01.7 CC	✓	Public				
SG 01.8 CC	✓	Public				
SG 01.9 CC	✓	Public				
SG 01.10 CC	✓	Public				
SG 07.5 CC	✓	Public				
SG 07.6 CC	✓	Public				
SG 07.7 CC	✓	Public				
SG 07.8 CC	✓	Public				
SG 13.1	✓	Public				
SG 13.2	✓	Public				
SG 13.4 CC	✓	Private				
SG 13.5 CC	✓	Private				
SG 13.6 CC	✓	Private				
SG 13.7 CC	✓	Private				
SG 13.8 CC	✓	Private				
SG 14.1	✓	Private				
SG 14.2	✓	Private				
SG 14.3	✓	Private				
SG 14.6 CC	✓	Private				
SG 14.7 CC	-	Private				
SG 14.8 CC	✓	Private				
SG 14.9 CC	✓	Private				
SG 15.1	✓	Public				
SG 15.2	✓	Public				
SG 15.3	✓	Public				

Symbol	Status
✓	The signatory has completed this sub-indicator
-	The signatory did not complete this sub-indicator.
	This indicator is relevant to the named TCFD recommendation

Within the first column "Indicator", indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.

PRI Principles for Responsible Investment

ORGANISATIONAL OVERVIEW

This section provides an overview of your organisation. These characteristics are used to define your peer groups.

MAIN CHARACTERISTICS	
Name	Ircantec
Signatory Category	Non-corporate pension or superannuation or retirement or provident fund or plan
Signatory Type	Asset Owner
Size	US$ 10 - 29.99 billion AUM
Main Asset Class	Multi-Asset
Signed PRI Initiative	2014
Region	Europe
Country	France
Disclosure of Voluntary Indicators	28% from 38 Voluntary indicators

Ircantec

Reported Information

Public version

Strategy and Governance

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Investment policy

SG 01	Mandatory	Public	Core Assessed	General

New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 01.1	Indicate if you have an investment policy that covers your responsible investment approach.

SG 01 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General

SG 01.6 CC	Indicate whether your organisation has identified transition and physical climate-related risks and opportunities and factored this into the investment strategies and products, within the organisation's investment time horizon.

◉ Yes

	Describe the identified transition and physical climate-related risks and opportunities and how they have been factored into the investment strategies/products.

Ircantec has identified transition and physical climated-related risks as an adverse threat to its assets. With its 2016-2020 strategic asset allocation, Ircantec aims to align its portfolio on a 2°C trajectory.

In terms of reducing the exposition to carbon risks, the board of trustees has decided to divest from coal investments under specific thresholds in September 2016 (€ 46 million and 18 companies divested). Two years later, the pension scheme has also decided to divest from traditional oil and gas sector bonds and to discontinue investing in specialized oil and gas companies, as well as in non-European equities and integrated companies whose investment expenditure is not compatible with a 2°C trajectory (€ 42 million bonds divested in 2018, which was reinvested over the same period in green bonds and around € 50 million have been reinvested in green funds in 2019). Asset managers are also asked to monitor their climate-related risks in their funds, and they provide insights on it in their quarterly ESG reports for Ircantec.

Giving priority to best practices/solutions and excluding risky practices provide opportunities for developing strong collaborations with asset managers. In 2015 and 2017, two main initiatives have been headed : the first one with Allianz GI (2015) on a € 1 billion equity portfolio where we are looking to outperform a standard index when attempting to mitigate the carbon exposure by a system of targeted exclusion and investing on best-performer, best-effort and best-solution companies. A second one with CPR AM (2017), focused on enriching the ESG filter with weak ESG signals to better identify companies which have average ESG scores but lag behind on a crucial criteria.

Finally, Ircantec directly finances the transition by investing in green bonds (€ 576.9 million as of 2019 end), which are considered as a distinct asset class to improve their monitoring. The pension scheme also invests in energy infrastructures and energy efficiency funds (€ 193.7 million committed) as well as in real estate (€ 728.7 million) by taking into account environmental criteria.

○ No

SG 01.7 CC	Indicate whether the organisation has assessed the likelihood and impact of these climate risks?

◉ Yes

	Describe the associated timescales linked to these risks and opportunities.

The timescale follows the progressive 2° alignment of the Ircantec global portfolio. Some major risks are set aside (illustrated with the oil and gas divestment), some others are still in portfolio and controlled by Ircantec, through engagement with the companies bearing them.

○ No

SG 01.8 CC	Indicate whether the organisation publicly supports the TCFD?

◉ Yes

○ No

SG 01.9 CC	Indicate whether there is an organisation-wide strategy in place to identify and manage material climate-related risks and opportunities.

◉ Yes

	Describe

The purpose of Ircantec's policy is to protect the value of the portfolio's investments by reducing its exposure to carbon risk, in particular by controlling the carbon footprint and thanks to a system of targeted exclusions.

Thus, Ircantec identified the main carbon risks :
• Coal exposure;
• Oil and gas exposure;
• The physical & transition risks of climate change exposure.

Regarding fossil energies, the board of trustees has decided to divest from coal investment under specific thresholds and has unveiled an action plan concerning the oil and gas sector in order to:

- Divest from oil and gas sector bonds and reallocate the proceeds to green bonds;
- Divest equities from specialized oil and gas companies (exploration, drilling, refinery, etc.) due to their limited capacity to adapt their model to the environmental and energy transition.
- Divest equities from non-european integrated companies whose capital expenditure is not compatible with a 2°C trajectory. The proceeds have been reinvested in green funds;
- Recalculate its strategic asset allocation over the next year so as to be able by 2020 to review its exposure to the oil and gas sector based on its alignment with a 2°C trajectory.

Furthermore, an analysis of physical climatic risks was carried out on the equities and corporate bonds segment investment. The physical risk was estimated by multiplying a sectoral sensitivity (dependance on water, sensitivity to temperature, dependence on transport, etc.) by a geographical vulnerability. Moreover, the transition risk has been assessed for the first time in the shares and bonds of listed companies segment. Transition risks include political and legal risks, technological risks, market risks and reputational risks. The methodology developed by the service provider takes into account risks of changes in regulation, the cost of carbon and consumer choice in particular.

Additionally, an analysis on the sovereign bonds investment has been made. The methodology developed by our service provider (Beyond Ratings) is based on three dimensions:
• physical climate risks (scenarios of temperature evolution, water stress, etc.);
• economic climate risks (economic damage related to climate risk factors, etc.);
• climate risk mitigation factors (economic, social indicators, etc. to measure the resilience of countries to climate risks).

The aim of this approach is to support the transition to a low-carbon economy and seize opportunities.

○ No

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SG 1.10 CC	Indicate the documents and/or communications the organisation uses to publish TCFD disclosures.

☑ Public PRI Climate Transparency Report

☑ Annual financial filings

☐ Regular client reporting

☐ Member communications

☑ Other

	specify

ESG and Climate report

☐ We currently do not publish TCFD disclosures

Governance and human resources

SG 07 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General

SG 07.5 CC	Indicate the roles in the organisation that have oversight, accountability and/or management responsibilities for climate-related issues.

	Board members or trustees

☑ Oversight/accountability for climate-related issues

☐ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

	Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Risk Officer (CRO), Investment Committee

☐ Oversight/accountability for climate-related issues

☑ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

	Other Chief-level staff or heads of departments

☐ Oversight/accountability for climate-related issues

☑ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

	Dedicated responsible investment staff

☐ Oversight/accountability for climate-related issues

☑ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

	External managers or service providers

☐ Oversight/accountability for climate-related issues

☑ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

SG 07.6 CC	For board-level roles that have climate-related issue oversight/accountability or implementation responsibilities, indicate how these responsibilities are executed.

The Board of Trustees, based on its roadmap 2016-2020 and CDC proposals, is responsible for oversight of climate-related activities.

During the technical and financial steering committee, our services providers present their outcomes to the board of trustees. That concerns the analysis of extra-financial risks (Vigeo-Eiris) and the carbon footprint and energy transition contribution of the portfolio (I Care, Beyond Ratings).

As fiduciary manager of our scheme, the CDC provides feedback on a regular basis on the development of the climate strategy, organized around 4 axis : invest and measure; be involved; finance; and communicate.

The annual ESG & Climate report displays our dedicated indicators (on carbon footprint compared to benchmarks, stranded assets, alignment with 2° C scenario, etc.).

Ircantec is also conducting initiatives with asset managers and peers in order to improve the inclusion of climate-related issues in investment processes and decisions.

The accountability of the Ircantec board is enforced through communications on website, newsletters for beneficiaries, and annual reporting.

SG 07.7 CC	For management-level roles that assess and manage climate-related issues, provide further information on the structure and processes involved.

Several services providers (I Care, Beyond Ratings) are under contract to analyse the climate and environmental compatibility of investments and advise Ircantec on their strategy. They produce a range of measures used by Ircantec and CDC staff to develop its annual Climate and ESG report and put the scheme in the right tracks of the energy and environmental transition.

CDC staff (management-level) is in charge of the implementation of the climate-related strategy under the oversight of the Board of Trustees. The pension scheme follows a philosophy of "decarbonizing the economy" rather than "decarbonizing the investments" by investing in best-solution and best-in class companies to tackle climate change, and divesting from highly-carbon assets (exit of coal industry under specific thresholds in 2016 for instance). Infrastructure and private equities investments have also been fuelled towards energy transition and green business, and a green bonds segregated fund has been recently set up to adjust the monitoring of such assets.

SG 07.8 CC	Indicate how your organisation engages external investment managers and/or service providers on the TCFD recommendations and their implementation.

☑ Request that external managers and/or service providers incorporate TCFD into mainstream financial filings (annual financial reports, other regulatory reporting or similar)

☐ Request incorporation of TCFD into regular client reporting

☐ Request that external managers complete PRI climate indicator reporting

☐ Request responses to TCFD Fund Manager questions in the PRI Asset Owner Guide

☐ Other

☐ We do not engage with external managers and/or service providers on the TCFD recommendations and their implementation

ESG issues in asset allocation

SG 13	Mandatory	Public	Descriptive	PRI 1

SG 13.1	Indicate whether the organisation carries out scenario analysis and/or modelling, and if it does, provide a description of the scenario analysis (by asset class, sector, strategic asset allocation, etc.).

☐ Yes, in order to assess future ESG factors

☑ Yes, in order to assess future climate-related risks and opportunities

	Describe

The investment strategy includes taking into account climate-related dimensions and the decarbonizing of the economy.
Description of scenario : comparison between Ircantec fund and its aggregated benchmark over a 2°C trajectory in 2018, in terms of : portfolio carbon intensity target; over and under exposure of key economic sectors; etc.

☐ No, our organisation does not currently carry out scenario analysis and/or modelling

SG 13.2	Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between sectors or geographic markets.

	We do the following

☐ Allocation between asset classes

☐ Determining fixed income duration

☐ Allocation of assets between geographic markets

☐ Sector weightings

☐ Other, specify

☑ We do not consider ESG issues in strategic asset allocation

SG 13.3	Additional information. [OPTIONAL]

We have tested the Mercer approach on climate risk evaluation as well as a 2°C scenario investments model in our ALM (Asset & Liability Management).

Scenario analysis that includes factors representing the investment impacts of future climate-related risks and opportunities is issued in our 2018 ESG & Climate report.

Media : https://www.ircantec.retraites.fr/sites/default/files/public/actionsclimat19_en2_0.pdf

However, starting 2020, Ircantec will take into account ESG issues in its new strategic asset allocation.

SG 15	Mandatory to Report Voluntary to Disclose	Public	Descriptive	PRI 1

SG 15.1	Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.

◉ Yes

SG 15.2	Indicate the percentage of your total AUM invested in environmental and social themed areas.

	%

12.48

SG 15.3	Specify which thematic area(s) you invest in, indicate the percentage of your AUM in the particular asset class and provide a brief description.

	Area

☑ Energy efficiency / Clean technology

	Asset class invested

☑ Listed equity

	Percentage of AUM (+/-5%) per asset class invested in the area

0.16

☐ Fixed income - SSA

☐ Fixed income - Corporate (financial)

☑ Fixed income - Corporate (non-financial)

	Percentage of AUM (+/-5%) per asset class invested in the area

0.88

☐ Fixed income - Securitised

☐ Private equity

☐ Property

☑ Infrastructure

	Percentage of AUM (+/-5%) per asset class invested in the area

0.08

☐ Forestry

☐ Inclusive finance

	Brief description and measures of investment

Ircantec is currently invested in 2 infrastructure funds dedicated to energy efficiency for a total commitment of € 27.8 million. The current level of investment represents about € 10.3 million (0.08% of AUM). These investments are made as part of Ircantec's involvement to finance the energy transition.

€ 576.9 million (4.58% AUM) are invested in green bonds. A large part of it is issued by utilities trying to switch their energy mix and their activities towards renewables. Approximately 0.88 % of its AUM correspond to energy efficiency.

The pension scheme has also invested in open funds dedicated to energy & ecological transition following the divestment from Oil & Gas sub-sectors. It represents 0.16 % of its AUM.

☑ Renewable energy

Asset class invested

☑ Listed equity

Percentage of AUM (+/-5%) per asset class invested in the area

0.04

☐ Fixed income - SSA

☐ Fixed income - Corporate (financial)

☑ Fixed income - Corporate (non-financial)

Percentage of AUM (+/-5%) per asset class invested in the area

0.94

☐ Fixed income - Securitised

☐ Private equity

☐ Property

☑ Infrastructure

Percentage of AUM (+/-5%) per asset class invested in the area

0.81

☐ Forestry

☐ Inclusive finance

Brief description and measures of investment

Ircantec is currently invested in 6 infrastructure funds dedicated to renewable energy production (wind farms, solar power plants, etc.) for a total commitment of € 165.9 million. The current level of investment represents about € 101.9 millon (0.81% of AUM). These investments are made as part of Ircantec's involvement to finance the energy transition.

€ 576.9 million (4.58% AUM) are invested in green bonds. A large part of it is issued by utilities trying to switch their energy mix and their activities towards renewables. Approximately 0.94% of its AUM correspond to renewable energy.

The pension scheme has also invested in open funds dedicated to energy & ecological transition following the divestment from Oil & Gas sub-sectors. It represents 0.04 % of its AUM.

☑ Green buildings

Asset class invested

☐ Listed equity

☐ Fixed income - SSA

☐ Fixed income - Corporate (financial)

☐ Fixed income - Corporate (non-financial)

☐ Fixed income - Securitised

☐ Private equity

☑ Property

Percentage of AUM (+/-5%) per asset class invested in the area

5.79

☐ Infrastructure

☐ Forestry

☐ Inclusive finance

Brief description and measures of investment

Property investments are carried out by taking into account social criteria (health facilities, student residences, affordable housing, social tourism,etc.) as well as environmental ones. The current level of investment represents about € 728.7 million (5.79% of AUM).

☑ Sustainable forestry

Asset class invested

☐ Listed equity

☐ Fixed income - SSA

☐ Fixed income - Corporate (financial)

☐ Fixed income - Corporate (non-financial)

☐ Fixed income - Securitised

☐ Private equity

☐ Property

☐ Infrastructure

☑ Forestry

Percentage of AUM (+/-5%) per asset class invested in the area

0.24

☐ Inclusive finance

Brief description and measures of investment

Sustainable management of our forestry assets is ensured through various undertakings taken by our asset managers. Through our charter of sustainable forestry management, we namely state the guiding principles which must guide forestry management with a focus on ecological factors e.g. maintaining forests' good health, fostering biodiversity (notably through its "Natura 2000" membership), protection protected areas, preservation of high cultural-value sites and landscapes as well as ecological quality of maintenance.

Our "green work" charter also includes guiding principles of sustainable management, such as the limitation of construction work's direct and indirect impact on its environment. It also has a social component, e.g. preserving a wholesome environment for inhabitants. Limitation of the use of natural resources is also a primary concern.

☐ Sustainable agriculture

☐ Microfinance

☑ SME financing

Asset class invested

☐ Listed equity

☐ Fixed income - SSA

☐ Fixed income - Corporate (financial)

☐ Fixed income - Corporate (non-financial)

☐ Fixed income - Securitised

☑ Private equity

Percentage of AUM (+/-5%) per asset class invested in the area

0.47

☐ Property

☐ Infrastructure

☐ Forestry

☐ Inclusive finance

Brief description and measures of investment

Ircantec is currently invested in 6 PE funds dedicated to SME's for a total commitment of € 70 million. The current level of investment represents about € 41.7 million (0.33% of AUM). The pension scheme is also financing SMEs through Capital Investment (total commitment of € 48 million with a current level of investment of 0.14% of AUM).

☑ Social enterprise / community investing

Asset class invested

☐ Listed equity

☐ Fixed income - SSA

☐ Fixed income - Corporate (financial)

☐ Fixed income - Corporate (non-financial)

☐ Fixed income - Securitised

☑ Private equity

Percentage of AUM (+/-5%) per asset class invested in the area

0.04

☐ Property

☐ Infrastructure

☐ Forestry

☐ Inclusive finance

Brief description and measures of investment

Ircantec have committed 10 million to the social economy (in French ESS). The current level of investment represents about € 7.2 million (0.04% of AUM).

☑ Affordable housing

Asset class invested

☐ Listed equity

☐ Fixed income - SSA

☐ Fixed income - Corporate (financial)

☐ Fixed income - Corporate (non-financial)

☐ Fixed income - Securitised

☐ Private equity

☑ Property

Percentage of AUM (+/-5%) per asset class invested in the area

5.79

☐ Infrastructure

☐ Forestry

☐ Inclusive finance

Brief description and measures of investment

Property investments are carried out by taking into account social criteria (health facilities, student residences, affordable housing, social tourism, etc.) as well as environmental ones.

☐ Education

☐ Global health

☐ Water

☑ Other area, specify

Water & waste management & other minor environmental items

Asset class invested

☐ Listed equity

☐ Fixed income - SSA

☐ Fixed income - Corporate (financial)

☑ Fixed income - Corporate (non-financial)

Percentage of AUM (+/-5%) per asset class invested in the area

2.72

☐ Fixed income - Securitised

☐ Private equity

☐ Property

☐ Infrastructure

☐ Forestry

☐ Inclusive finance

	Brief description and measures of investment

€ 576.9 million (4.58% AUM) are invested in green bonds. A large part of it is issued by utilities trying to switch their resource management (water, waste, etc.).

○ No