

Press release

Paris, February 10th 2025

Transparency and measuring the effectiveness of engagement : French investors take action

Responsible investors are developing initiatives aimed at taking a stand on environmental preservation, social equity and governance (ESG) issues, and influencing targeted companies to improve their practices and transform their business models: it is called “engagement”. Taking these extra-financial issues into account is an essential means of preserving the ability to create economic value (growth, jobs) over the long term.

The growth in these shareholder and bond engagement initiatives is accompanied by a growing need for transparency and assessment of their impact. This is why **a group of institutional investors, asset managers and academics, under the coordination of the French Sustainable Investment Forum (FIR), announces the launch of a task force dedicated to developing a method for measuring the effectiveness of engagement.** This ambitious project aims to identify and harmonize best practices in terms of transparency and measuring the effectiveness of shareholder and bond engagement, which could contribute to the development of market standards.

ERAFP and FRR, two French asset owners involved in pension financing and driving forces behind responsible investment approaches, have taken the initiative in this project by setting up a working group dedicated to qualifying engagement actions and measuring their results. Two other responsible asset owners, Malakoff Humanis and MAIF, support this project and will participate in the work of the task force. The group's aim is to create concrete, standardized tools that can be used both by asset owners, as part of their direct involvement with companies and when selecting and monitoring asset managers and funds, and by asset managers as part of calls for tender, due diligences and, more generally, in their engagement reports. These tools will thus enable asset managers to report on standardized definitions basis and asset owners to better assess the ability and results of their asset managers to deliver relevant and impactful engagements and better report on their own engagements.

Noting a proliferation of engagement activities without a clear evaluation framework, the task force aims to address growing concerns about the lack of standardization, disparate definitions and objectives, and the difficulty of demonstrating the real impact of these initiatives.

This project responds to a need on the part of asset owners, asset managers and companies. The aim is to create a common language and robust tools for assessing engagement performance, thereby contributing to:

- **strengthen the credibility of our engagement with companies and stakeholders;**
- **mitigate the risks of “engagement washing”;**

- **make it easier for institutional investors to select asset managers and ensure a better monitoring of their activities;**
- **improve resource allocation within asset managers.**

The task force, made up of **experts representing asset owners, asset managers and academics**, will focus on engagement in **listed markets** (equities and bonds) and on initiatives **aimed at influencing companies on ESG issues**. The method will define a clear terminology and propose a framework for assessing engagement performance, based on the analysis of concrete results achieved.

The project is divided into several key stages:

- **February 2025:** Launch of the task force;
- **Summer 2025:** First version of the deliverable submitted for consultation to FIR members and all relevant stakeholders;
- **Autumn 2025:** Integration of consultation feedback and finalization of the method.

According to Pierre Devichi, Head of SRI at ERAFP: *"Engagement is an essential lever enabling responsible investors to exert an influence on the real economy. In fact, it is one of the ERAFP's main SRI requirements of the asset managers that manage dedicated funds on its behalf. Unfortunately, it remains difficult to measure and assess, particularly in the absence of common terminology and practices. For ERAFP, the creation of this working group and its intended contribution represent a real response to these issues: they will help to overcome these difficulties, assess current practices and, ultimately, encourage better engagements"*.

For Mickaël Hellier, Head of SRI at the Fonds de Réserves pour les Retraites (FRR), *"Engagement is one of the major pillars of the FRR's Responsible Investment Strategy, so as to translate principles into concrete achievements in corporate practices in terms of environmental preservation, social justice and balanced governance. It is therefore necessary to evaluate the achievement of this strategic focus. Indeed, engagement is a powerful tool for the FRR to influence companies towards more sustainable and responsible practices. Our aim is to define criteria for evaluating engagement actions, in order to achieve a concrete result that can be used in our calls for tender and fund selections, as well as to monitor and deploy best practices in this area."*

The asset owners who are members of the task force will play a leading role in this project, guiding the group's work and proposing to use the results to evaluate their asset managers.

Members of the task force are : for asset owners and asset managers: AXA IM, Candriam, CDC Croissance, Edmond de Rothschild AM, ERAFP, Fonds de Réserve pour les Retraites (FRR), Generali AM, MAIF, Malakoff Humanis, Sycomore AM ; for academics: Stéphanie Giamporcaro, Kedge Business School, Jean-Pascal Gond, Bayes Business School and Sébastien Thévoux-Chabuel, Université Paris Dauphine.

About ERAFP: a sustainable, responsibly managed public pension fund

With close to 50 billion in financial assets fully invested according to a 100% socially responsible approach, ERAFP is one of the largest SRI institutional investors. Since the Plan's creation in 2005, the Board of Directors has chosen to optimize the performance of its portfolio of financial assets in accordance with SRI principles. A signatory to the UN Principles for Responsible Investment, ERAFP adopted an SRI Charter in March 2006, based on the following five values: Rule of law and human rights; Social progress; Social democracy; Environment; Good governance and transparency. ERAFP is also one of the world's largest public pension funds in terms of membership, with almost 4.5 million beneficiaries, 43,000 employers and nearly 2 billion euros in contributions collected in 2024. Since January 1, 2005, the pension fund has been managing entitlement to an additional pension for civil servants working for the French state, local authorities and the public hospital sector.

About FRR: Fonds de Réserve pour les Retraites (Pension Reserve Fund)

The FRR is a public institution whose mission is to invest the sums entrusted to it by the public authorities, currently managing just over €20 billion. Its investment policy aims to optimize returns under the most secure conditions, in order to help finance pensions.

From the outset, the FRR's founding documents have included a commitment to environmental, social and governance responsibility. Its responsible investment strategy is structured around three priority areas:

- Promoting the energy and ecological transition: CO2 emissions from the equity portfolio have fallen by 60% since 2013. The FRR is committed to continuing this reduction
- Promoting social equity: the FRR supports intermediate housing in particular.
- Preserving biodiversity: the FRR has signed up to the Nature Action 100 and SPRING initiatives.

From the outset, the FRR has been involved in a number of international and national initiatives. It was a founder of several of them, notably the Principles for Responsible Investment (PRI).

The FRR also has a significant portfolio of unlisted assets representing €3 billion, just over 80% of which is invested in France. These investments support domestic job creation and the emergence of national champions in the field of technology (biotechnology, industrial and digital sovereignty, green energies in particular).

About the FIR :

The French Sustainable Investment Forum (FIR) is a multi-stakeholder association founded in 2001 to promote and develop Socially Responsible Investment (SRI). FIR brings together all SRI players: investors, management companies, financial intermediaries, extra-financial rating agencies, investor advisors, market organizations, trade unions, NGOs and associations, as well as qualified personalities such as lawyers, journalists and academics. FIR is involved in dialogue and engagement with listed companies on sustainable development issues (investor briefs, thematic studies, written questions to CAC 40 shareholders' meetings, Small & Mid Cap Club, etc.). The Forum is also the promoter of Responsible Finance Week, held every autumn. The FIR awards prizes for European academic research in "finance and sustainable development" in association with the Principles for Responsible Investment (UNPRI). The Forum is a founding member of Eurosif. www.frenchsif.org

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