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2020
REPORT ON THE ALLOCATION AND PERFORMANCE OF SOCIAL BOND ISSUANCES

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EDITO

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Chairman of the Board of Directors of CADES

At the end of 2019, thanks to the effectiveness of the repayment mechanisms put in place by CADES, a total of €171.4 bn in social debt had been repaid, representing two-thirds of the social debt taken over by the caisse (fund) since its creation.

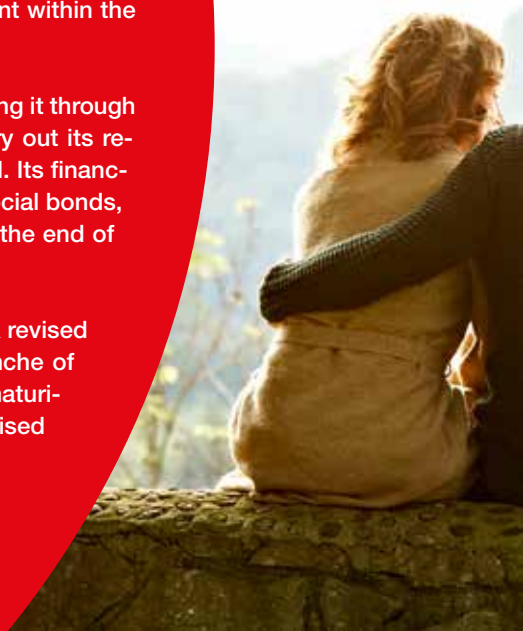
2020 was marked by a double crisis: firstly a health crisis arising from the covid-19 pandemic and then an economic crisis with the very sharp recession that resulted. This dual crisis has profoundly and durably impacted the financial balance of our social security system.

In order to secure the financial situation of the latter and thus guarantee its operational continuity, Parliament had to vote during the summer on an additional takeover by CADES of €136 bn in social debt, and to extend its lifespan to 2033 (laws of 7 August 2020 on social debt and autonomy).

This key role entrusted to the fund, which will contribute to reducing the consequences of the double health and economic crisis, is again based on the effectiveness of its financing mechanisms. These mechanisms enable it to comply, as it always has, with the objectives of amortisation of the social debt transferred to it, as set annually by Parliament within the framework of social security financing laws.

From the 2nd half of 2020, CADES assumed €20 bn of additional debt by financing it through new borrowing transactions on the financial markets, while continuing to carry out its responsibility for amortising past borrowings reaching maturity during this period. Its financing programme was then implemented for the first time mainly in the form of social bonds, the framework of which had been decided by the fund's board of directors at the end of August.

In 2021, the fund actively continued its work in accordance with the framework revised by the two laws of August 7, 2020. It thus financed and took over a new tranche of €40 bn in social debt, while fulfilling its task of amortising loans reaching maturity during the same year. As at 31 December 2021, the fund had thus amortised €205 bn out of the €320 bn in debt transferred to it at that date.



CADES SOCIAL BONDS COMMITTEE

This first annual allocation and impact report for investors was prepared in consultation with the Social Bonds Committee of CADES (Social Debt Repayment Fund).

As the governing body for the social bond issuance programme, this committee is responsible for:

- reviewing and approving the scope of eligible social security liabilities with regard to the eligibility criteria presented in the social bond framework;
- managing the annual mission of the external auditor;
- reviewing and approving the annual impact report for investors;
- monitoring the evolution of the social bonds market in terms of transparency and the publication of impact reports in order to align with market best practices.

The committee meets at least twice a year and when necessary.

Julika Courtade-Gross
Deputy Director General of Agence France Trésor (AFT), representing CADES

Justine Hochemain
Head of the Financial Synthesis Office in the Social Security Department

Adrien Perret
Deputy Director of Social Policy and Employment at the General Directorate of the Treasury (DGT)

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SUMMARY OF THE REPORT

CADES IN THE FRENCH SOCIAL PROTECTION SYSTEM

CADES is responsible for the amortisation of the social debt transferred to it, resulting from the deficits of the basic compulsory social security schemes, which manage social risks (illness, occupational accidents and diseases, family, old age, dependence). By contributing to the rebalancing of the social accounts, CADES plays a key role in the sustainability of the French social protection system.

In 2020, the Covid-19 crisis led to a deterioration in the social security accounts, resulting in both an increase in expenditure and a contraction in resources. It was in this context that the social debt and autonomy related law of 7 August 2020 was passed, which decided to transfer €136 bn of additional debt to CADES. Of these €136 bn, €31 bn corresponds to past deficits, recorded up to 2019. For 2020, in relation to the transfer to CADES of FSV, CCMSA and general scheme deficits to be done in 2020, the decree of 19 August 2020 organises the transfer of an initial tranche of €20 bn.

THE ISSUANCE OF SOCIAL BONDS: A NEW DIRECTION FOR CADES

At the same time as this new transfer of social debt, since the summer of 2020, CADES has chosen to issue part of its securities in the form of social bonds, in line with the International Capital Market Association (ICMA) Principles. Social bonds meet investors' needs for transparency and impact and are a key lever for placing CADES's increasing issuance volumes in the best conditions.

This report is part of this approach: its purpose is to report on the issuance of social bonds in 2020, by specifying the allocation of funds raised to newly assumed debts, which corresponded to deficits observed between 2015 and 2019, and by presenting the results achieved over this period by the schemes concerned. A report will be published for each year.

ISSUANCES MADE IN 2020 AND THEIR ALLOCATION

In 2020, CADES issued five new social bonds: three in euros, on 9 and 30 September, then on 25 November, for €5 bn, €5 bn and €3 bn respectively, and two in US dollars, on 15 September and 14 October, for $4 bn and $3 bn respectively. These issuances represent a total of €18.9 bn. Of this amount, €17.1 bn was allocated to newly assumed debts, without however including losses prior to 2015 (€10.2 bn was allocated to CNAM, €6.2 bn to FSV and €0.7 bn to MSA for the old-age risk of self-employed agricultural workers). The health risk therefore represents 60% of the allocation and old-age risk 40% (36% for FSV and 4% for MSA).

A remaining €1.8 bn of social issuances carried out in 2020 will be allocated to debts assumed in respect of

transfers made from 2021. It can also be seen that the debts financed by means of social bonds do not represent the entirety of the €20 bn of debt taken over in 2020: a portion of the MSA's debts (up to €2.9 bn), prior to 2015, is in fact not eligible according to CADES framework document on social bonds, which limits the possibility of retroactive financing over time.

ASSESSING THE IMPACT OF SOCIAL BOND ISSUANCES: REPSS AND SDG

Given the support provided by CADES to the French social protection system, it represents a key element for the continuation of the missions of the various schemes that it refinances. As such, although its role is strictly financial, it has an impact that can be characterised as systemic in reaction to crises. It is therefore legitimate to assess the services provided by CADES social bond issuances in light of the results obtained by the schemes whose activity is maintained thanks to the debt assumption carried out by CADES. The performance of the French social protection system is assessed and monitored each year by MPs in connection with draft social security financing laws. Some of the indicators produced in this exercise, collected in the Social Security Policy Evaluation Reports (REPSS, formerly Quality and Efficiency Programs or PQE) are mobilised here. Furthermore, the social protection system aims to improve the living conditions of the population, which can be understood in light of some of the Sustainable Development Goals (SDGs) defined in the 2030 Agenda of the United Nations. This approach also gives rise to the development of indicators, several of which are directly useful for documenting the state of social protection in France and are also included in this report.

CADES IN THE SOCIAL SECURITY SYSTEM IN FRANCE

CADES AMONG SOCIAL SECURITY INSTITUTIONS

CADES is a division of the State classified as a social security administration (ASSO), with the aim of contributing to the rebalancing of social accounts. In practice, it is responsible for the amortisation of the social debt transferred to it, resulting from the deficits of the basic compulsory social security schemes.

These schemes cover the five risks around which the branches of the general scheme are organised: I) illness, invalidity, maternity and death; II) occupational accidents and diseases; III) old age and widowhood; IV) family and v) autonomy (the establishment of this fifth branch is under way). They are managed, within the framework of the broad guidelines defined by the State which ensures the financial equilibrium of the system, on a parity basis, by the various funds.

Social benefits are provided in the form of transfers in cash (replacement income) or in kind (reimbursement of expenses incurred or direct financing of services). To carry out all its missions, social security is mainly financed by social contributions. This financing logic may lead to the emergence of deficits for certain sectors. By contributing to the rebalancing of the social accounts, CADES therefore plays a key role in the French social protection system.

In addition, the amounts of deductions paid and benefits received may vary, particularly depending on household income. Thus, the social protection system is not limited to an insurance mechanism against certain life hazards. It allows income to be redistributed: from the most affluent to the most modest, between generations, between the different family configurations and between households according to whether employed, unemployed, retired, etc. The French social security system therefore reflects a logic that is both insurance based and solidarity based.

The purpose of social security is to cover the French population and those legally resident in the country. The various categories of insured persons are covered by various schemes:

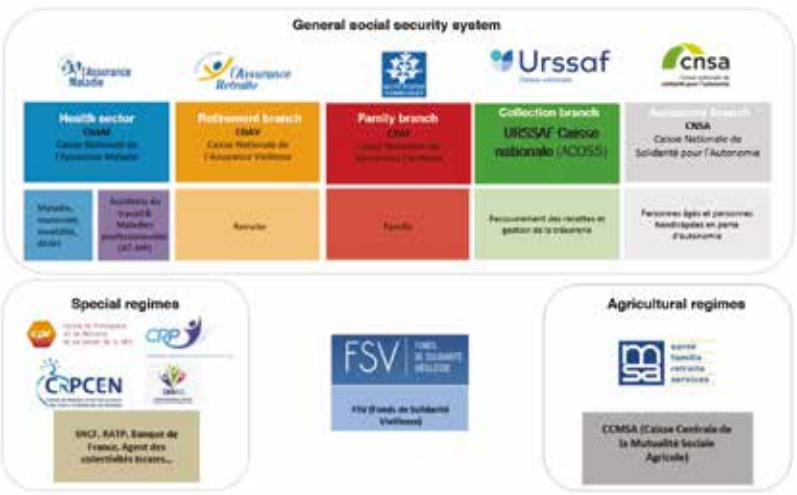
- The general scheme, which accounts for 90% of social security expenditure and is aimed at employed, non-active and self-employed people (including self-employed professionals). The leading organisations of this scheme are the Caisse nationale de l'assurance maladie (CNAM)[1], the Caisse nationale d'allocations familiales (CNAF), the Caisse nationale d'assurance vieillesse (CNAV), the Caisse nationale de solidarité pour l'autonomie (CNSA) and URSSAF Caisse nationale (formerly ACOSS) for the collection of social security contributions.

- The agricultural scheme for employed agricultural workers and farm operators, managed by the Caisse centrale de la mutualité sociale agricole (CCMSA) the agricultural social mutual fund.

- Specific retirement (and sometimes sickness) schemes for certain professions, such as civil servants or agents from local authorities, the SNCF, RATP, the electricity and gas industries, etc.

- The local regime, for employees who work in the departments of Bas-Rhin, Haut-Rhin and Moselle, regardless of where their company headquarters are located.

In addition, the Fonds de solidarité vieillesse (old-age solidarity fund) manages non-contributory old-age benefits, which are based on the principle of national solidarity.



1 CNAM manages occupational illness and accident risks – occupational diseases

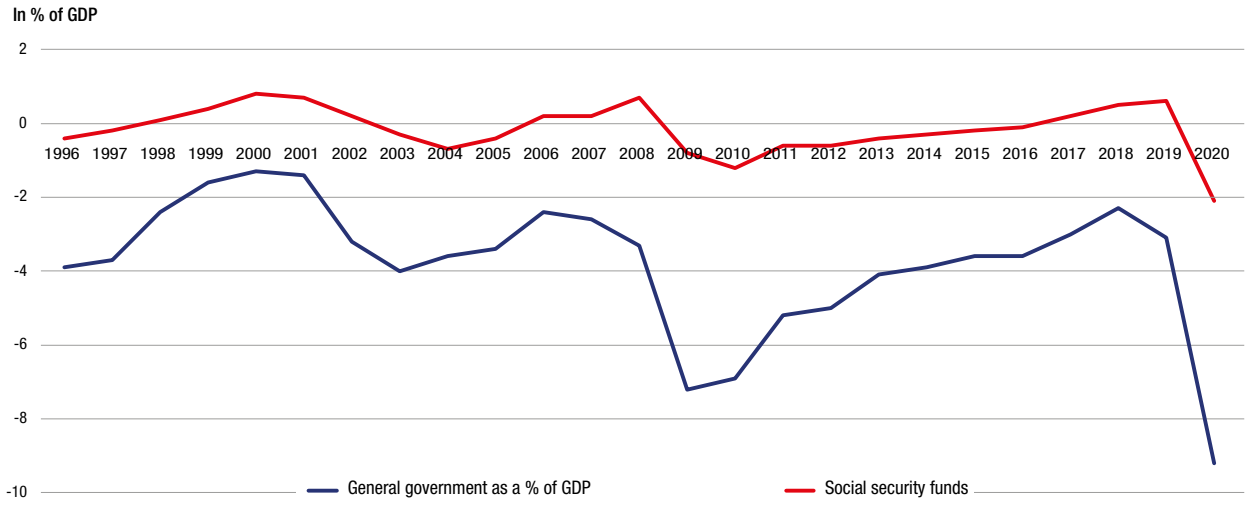
SOCIAL FINANCES IN THE GENERAL CONTEXT OF PUBLIC FINANCES

In 2020, the public deficit in France stood at €209.2 bn, i.e. 9.1% of gross domestic product (GDP), versus 3.1% in 2019. The historic increase in the need for government borrowing stems primarily from the State, whose tax revenues have fallen as business slows, while spending has increased due to emergency measures taken to protect households and businesses. But the cost of the health crisis is also borne by the ASSOs (social security administrations), which have seen a sharp increase in their expenditure while their income from contributions has fallen sharply. Thus, in 2020, starting from a situation close to equilibrium (-€1.7 bn in 2019), the general scheme and the FSV saw their deficits reach a historic level (-€39.7 bn) due to the health crisis and its economic and social impact.

This deficit is the result of a margin squeeze between net income on the one hand, which fell by 2.1%, with a fall in the payroll, the effect of measures to support activity (deferrals of expenses, exemptions) and lower revenues from the taxes and duties affected and, on the other hand, expenses up by 5.3%, mainly due to exceptional measures taken to deal with the health crisis and mainly concerning the health sector.

The deterioration in the net earnings of the general scheme and the FSV (old-age solidarity fund) has led not only to a review of the conditions for the assumption of new deficits by CADES but also of the conditions for the assumption of old deficits.

GENERAL GOVERNMENT AND SOCIAL SECURITY DEFICIT AGAINST GDP



Source: Insee. 2020. The general government account in 2020.

NET SOCIAL SECURITY INCOME AND EXPENSES IN €BN

	2015	2016	2017	2018	2019	2020
NET EXPENSES	475.1	477.5	488.6	500	509.7	537
NET INCOME	464.9	470.5	483.7	498.6	508	497.2
NET EARNINGS	-10.2	-7	-4.8	-1.4	-1.7	-39.7

Source: Social security. 2018, 2019 and 2021. Social security accounts.

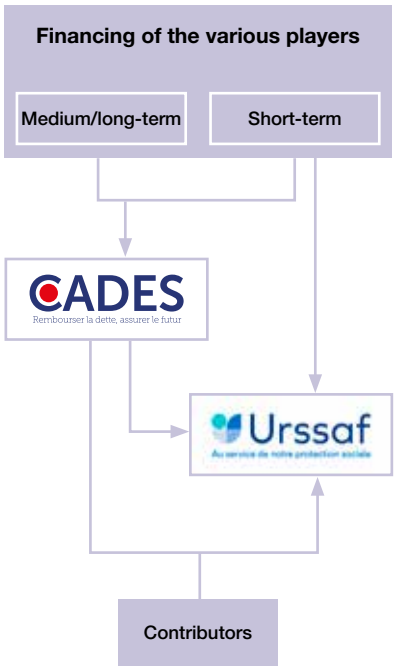
MISSION AND FUNCTIONING OF CADES

The mission of CADES, defined by law, is to finance and amortise the social security debt transferred to it. Since 2020, on an exceptional and ad hoc basis, it has also amortised part of the debt of healthcare institutions participating in the public hospital service. Through CADES, social debt is distinct from the negotiable debt of the State, in keeping with the autonomy of the social security sector in relation to the State budget.

Operational organisation

The operational organisation of CADES is in line with that of financial institutions. It complies with a strict separation of front-office and back-office activities. It includes an "Internal control and risk control" unit. Administrative management and the cross-functional functions of CADES are provided by a general secretariat.

A reform of the organisation of CADES led in 2017 to a pooling of the operational missions of CADES and Agence France Trésor (AFT), a service with national competence (SCN) placed under the authority of the Director General of the Treasury. CADES is maintained as an independent entity in order to guarantee the effectiveness of the principle of segregating social debt but the staff dedicated to the operational missions of CADES are made available to the AFT.



Technically, the debt assumed by CADES is initially borne by the URSSAF Caisse nationale (ACOSS), which manages social security cash and, in this context, uses loans with borrowings of less than one year. Appendix 1 of this report presents more precisely the resources and expenses of CADES as well as its financing strategy.

Social debt assumptions

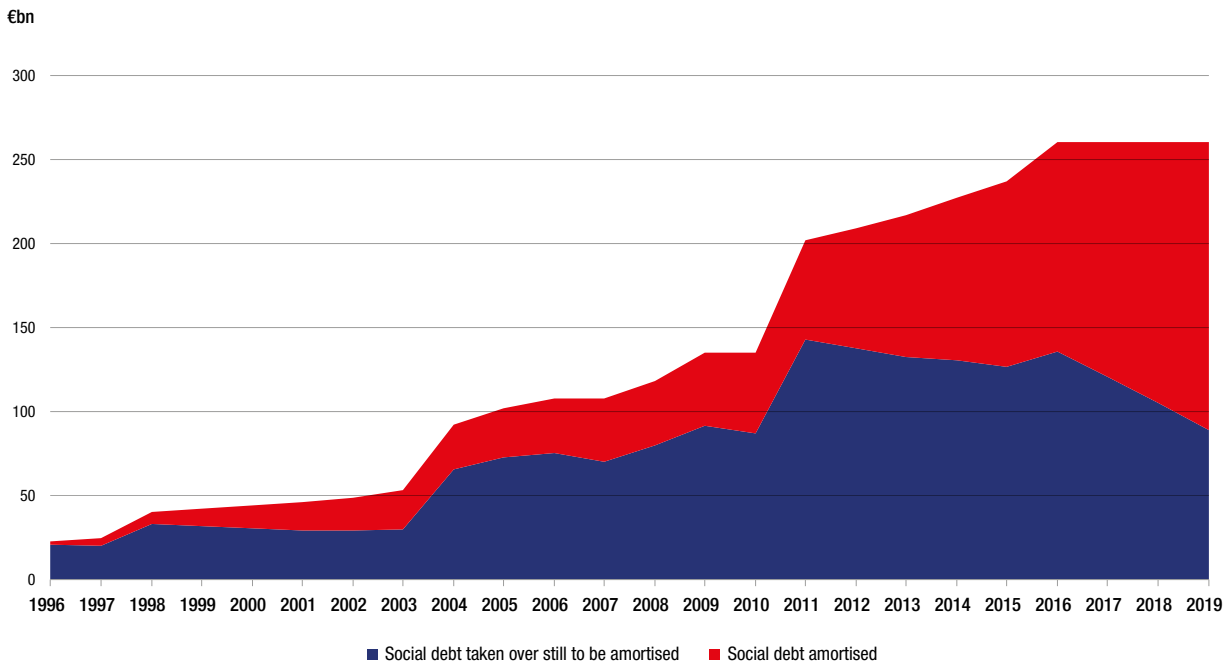
The conditions for debt assumption by CADES are determined by organic law:

- The organic law of 2 August 2005 on social security financing laws (LOLFSS) provides that "any new transfer of debt to CADES is accompanied by an increase in the fund's revenues so as not to increase the amortisation period of the social debt".
- The organic law of 13 November 2010 on the management of social debt allowed the estimated amortisation period to be extended.
- The organic law of 7 August 2020, relative to the social debt and autonomy, in the context of the health crisis, extended the social debt amortisation timeframe to 2033, maintaining CADES' mission until this date.

Since its creation and until the end of 2019, CADES has been transferred a social debt of €260.5 bn, of which €171.4 bn has been amortised and €89.1 bn remains to be amortised.

In the context of the global pandemic that began in 2019, and in order to ensure the sustainability of the social

HISTORY OF SOCIAL DEBT ASSUMPTIONS IN €BN



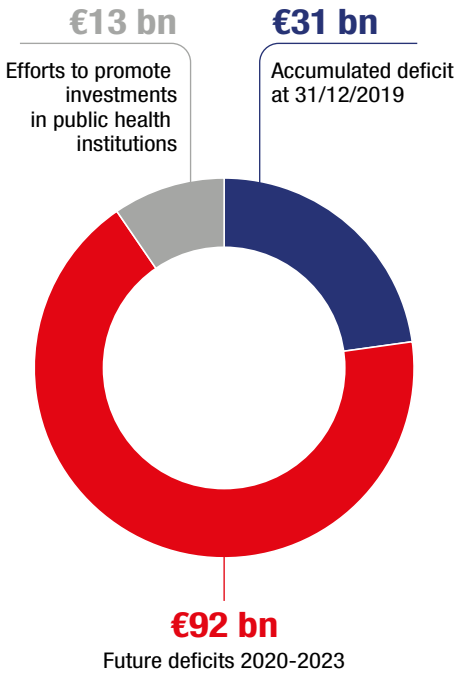
Source: Ministry of Solidarity and Health. 2020. social security Funding Bill 2020

protection system, the French legislature, via article 1 st of the organic law of 7 August 2020 relative to the social debt and autonomy, postpones to 31 December 2033 the end date for the repayment of the social debt, which CADES had estimated at the end of 2019 to be 2024.

The "new social debt" is defined and limited to debt arising solely from debt transfers voted and effective from 2020 and relating to deficits in social security schemes or branches. The future 2020-2023 deficits of the sickness, old-age and family branches of the general scheme, the FSV and the old-age branch of the self-employed agricultural scheme represent 68% of this new debt.

The amounts of future losses are forecast and are defined annually by new regulations. They are subject to adjustment after the final accounts have been drawn up.

BREAKDOWN OF DEBT ASSUMED BY CADES FROM 2020 BETWEEN ACCUMULATED DEFICIT AT 31/12/2019, FUTURE DEFICITS AND INVESTMENT EFFORT IN PUBLIC HEALTH INSTITUTIONS (IN €BN)



Why issue social bonds?

The transfer of new social debt decided upon in 2020 has reinforced CADES' issuance needs by a significant order of magnitude. However, the social bonds market makes it possible to finance expenditure that responds to global social challenges, with the proceeds from the programmes being dedicated to existing or new projects with positive social effects. Social bonds therefore meet the transparency and impact needs of investors and are a key lever for placing the increasing issuance volumes of CADES in the best conditions.

SOCIAL BONDS HAVE TWO ADVANTAGES:

- **RENEWED DIALOGUE** with investors by informing them about revenue dynamics, expenditure control, the determinants of deficits and the amortisation of social debt.

- **ILLUSTRATION OF THE "SERVICE PROVIDED",** in particular the power of the solidarity mechanism and the crisis damper constituting social security, and its redistributive effects (redistribution between households, between regions, between generations, between active and inactive people).

A social bond framework was drawn up in September 2020, in accordance with the *Principles applicable to social bonds* published by the International Capital Market Association (ICMA) (2020 edition)[2]. In this document, CADES is committed to following market best practices and adhering to the four key principles of the Principles:

- **USE OF FUNDS**

- **SELECTION AND EVALUATION OF PROJECTS**

- **FUND MANAGEMENT**

- **REPORTING**

This report is in line with these commitments and has been prepared in accordance with these principles.

2 See: Social Bond Principles, Voluntary Process Guidelines for Issuing Social Bonds, ICMA, June 2021, https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Social-Bond-Principles-June-2021-140621.pdf

ALLOCATION REPORT FOR SOCIAL BONDS ISSUED IN 2020

In keeping with the recommendations of the Principles applicable to social bonds, which contribute to the integrity of the social bonds market, the fund allocation report details the projects funded annually.

It shows how funds raised through social bonds are used for social projects.

OVERVIEW OF SOCIAL BOND ISSUANCES IN 2020

To finance the social debt transferred to CADES, five separate social bond issuances were carried out in 2020, each with its own characteristics. In total, €18.9 bn of social bonds were issued. None of these bonds have yet matured.

From the first transaction, this programme marked the return of CADES as a benchmark issuer on the long part of the curve, due to the volume and number of orders collected, but also the quality of the allocation. Thus, during the transaction of 9 September 2020, one quarter of the issuance was placed with institutional investors and one quarter with central banks. The quality of the order books was also reflected in the high proportion of socially responsible investors, in the final allocation for the three euro transactions, who included environmental, social and governance (ESG) aspects in their investment decisions.

Despite a large issuance programme, demand remained strong throughout the five operations. This success can be explained in part by an allocation policy aimed at limiting the size of borrowings to €5 bn despite order books that were sometimes three times larger, enabling investors to quickly position themselves on subsequent transactions. Similarly, switching between currencies and maturities has made it possible, in addition to the diversification needs of the investor base, to tap the markets at a high frequency.

In addition, issuances in dollars were carried out in such a way as to build up a benchmark curve, moving towards a gradual extension of the borrowing maturities. The objective was to avoid bond redemptions during the debt transfer phase to CADES (2020-2023) and, in doing so, to facilitate pricing and the completion of future 5- and 7-year transactions.

SUMMARY TABLE OF SOCIAL BOND ISSUANCES CARRIED OUT IN 2020

ISSUANCE DATE	DUE DATE	COUPON	TRANSACTION VOLUME	ORDER BOOK VOLUME	NUMBER OF ORDERS	SHARE ALLOCATED TO ESG[3] INVESTORS
09/09/2020	25/11/2030	0%	€5 bn	€16.2 bn	270	76%
15/09/2020	23/09/2025	0.375%	$4 bn	$6.4 bn	122	18%
30/09/2020	25/02/2028	0%	€5 bn	€13.7 bn	202	66%
14/10/2020	21/10/2030	1%	$3 bn	$4.7 bn	94	37%
25/11/2020	25/02/2026	0%	€3 bn	€4.6 bn	110	50%

3 Based on studies by bank union members who led each operation.

DEBTS FINANCED BY CADES SOCIAL BOND ISSUANCES

Debts transferred in 2020

The social bond issuance mechanism applies only to the financing and/or refinancing of the social security's "new social debt" transferred to CADES in 2020, i.e. the debt resulting solely from debt transfers voted and effective from 2020 and relating to the deficits of social security schemes or branches.

Of the €136 bn which, under the terms of the law of 7 August 2020 on social debt and autonomy, must be transferred to CADES by 2023, €31 bn corresponds to the amount of accumulated deficits not assumed between 2015 and 2019 for all eligible schemes, i.e. the health branch of the general scheme (€16.3 bn), the old-age solidarity fund (€9.9 bn), the old-age branch of the self-employed agricultural workers scheme (€3.6 bn) and the pension scheme for local authority workers (€1.2 bn).

The amounts of debt assumed by CADES change each year and mainly concern the general social security system and the FSV (Old Age Solidarity Fund). This report concerns the transfer of an initial tranche of €20 bn, the terms of which were specified by the decree of 19 August 2020 in relation to the transfer to CADES of FSV, CCMSA and general scheme deficits to be done in 2020. These €20 bn represent part of the €31 bn of deficits accumulated over past financial years, which we have just mentioned: €10.2 bn for CNAM, €6.2 bn for FSV and €3.6 bn for CCMSA.

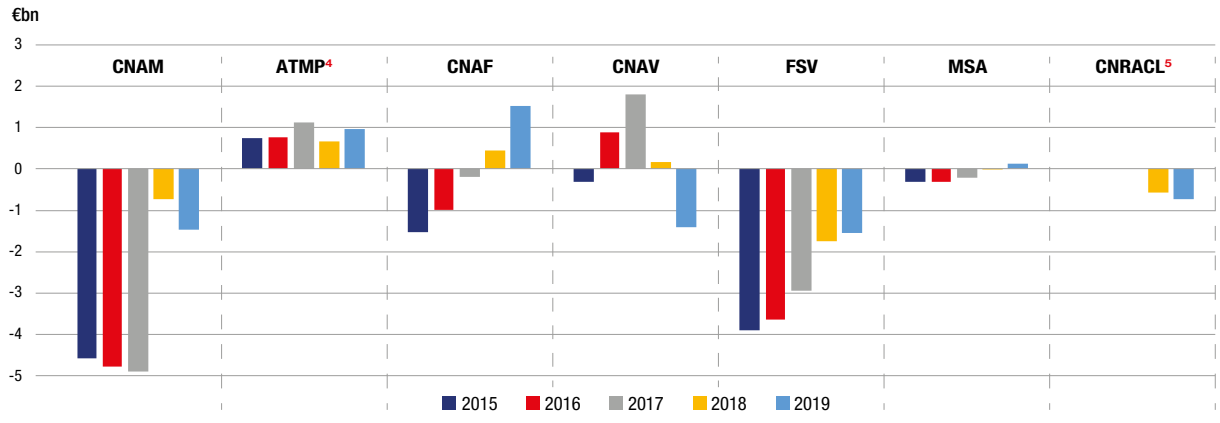
Who are the target populations?

According to the ICMA Principles for social bonds, projects that may be funded by social bonds must resolve or mitigate a specific problem, to achieve positive social outcomes for one or more target populations, which may be very broad.

CADES social bond issuances are designed to guarantee access to health and old age benefits. The population benefiting from these issues in 2020 includes:

- the population benefiting from health insurance (i.e. 68 million people),
- pensioners benefiting from the minimum old age allowance and other retirement benefits covered by national solidarity (0.8 million people),
- pensioners covered by the basic pension scheme for self-employed agricultural workers (1.3 million people).

ACCOUNTING SURPLUS OR DEFICIT BY BRANCH IN €BN



4 ATMP: Accidents du travail et maladies professionnelles/occupational accidents and diseases.

5 CNRACL: Caisse nationale de retraite des agents des collectivités locales/National fund for the retirement of local authority agents.

Breakdown by branches and risks covered of funds raised

According to CADES "eligible sub-categories", defined in the framework document of social bond issuances, the allocation of income from medium- and long-term social issuances of €18.9 bn in 2020 is broken down between the sectors in proportion to the deficits actually transferred. By convention and consistency with the accounting balance sheet, the allocation is based on the nominal amounts of borrowings (for foreign currency borrowings, these are the nominal amounts counter-valued at the issuance date).

Hospital debt and debts financing pre 2015 deficits are ineligible and therefore financed outside of this social bond issuance programme, due to the maximum limit of 5 years for past deficits. Thus, within the scope of past debts transferred in 2020, a portion of those from the MSA (amounting to €2.9 bn) is not eligible for the social bonds scheme because it pre dates 2015.

Of the €18.9 bn issued, €17.1 bn was allocated to newly assumed debts, without including those resulting from pre 2015 deficits: €10.2 bn was allocated to CNAM, €6.2 bn to FSV and €0.7 bn to MSA for the old-age risk of self-employed agricultural workers. Health risk therefore represents 60% of the allocation, old-age risk 40% (36% for FSV and 4% for MSA).

The remaining €1.8 bn in social bond issuances realised in 2020 (i.e., approximately 10%) will be allocated to debts assumed in respect of transfers made from 2021.

FUNDS ALLOCATED AND FUNDS PENDING ALLOCATION IN 2020

Branch	in €
CNAM	10,205,333,974
FSV	6,209,763,694
MSA	691,940,524
Total allocated 2020	17,107,038,192
Total pending allocation	1,819,577,615

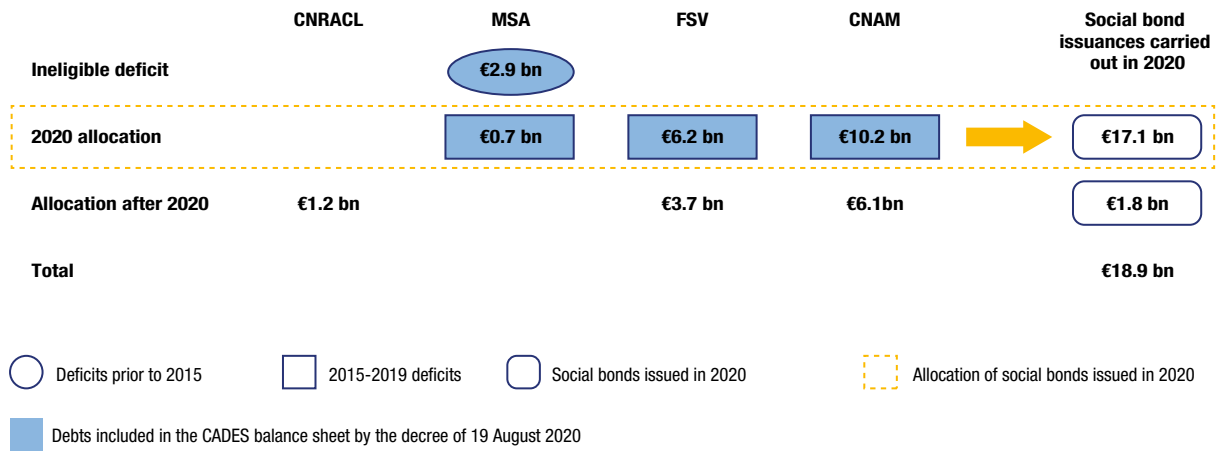
In total, the €31 bn in past debts transferred to CADES by the law of 7 August 2020 relative to the social debt and autonomy will be assumed in two phases, the first of which, represented in the diagram below, corresponds to the aforementioned decree of 19 August 2020.

FOCUS ON THE TOTAL AMOUNT ELIGIBLE FOR SOCIAL BOND ISSUANCES BY THE CAISSE CENTRALE DE LA MSA

Decree no. 2020-1074 of 19 August 2020	Corresponding branch	Amount in €
CNAM	Health	10,205,333,974
FSV	Old age	6,209,763,694
CCMSA	Old age	3,584,902,331
Total		20,000,000,000
Total eligible		17,107,038,192

Total	-3,584,902,331
2011	-1,047,608,912
2012	-965,106,113
2013	-651,060,990
2014	-229,185,793
2015	-303,483,151
2016	-300,825,010
2017	-212,552,771
2018	-8,479,486
2019	133,404,393
Qualifying CCMSA deficits	-691,940,524

TRANSFERRED DEBTS AND SOCIAL BONDS ISSUED IN 2020



SOCIAL BOND ISSUANCES PERFORMANCE REPORT

The performance report shows the social impact of issuances in order to inform the strategic choices of investors.

Insofar as the assumption of social debt plays a key role in the functioning of French social protection institutions, it attests to the systemic role of CADES. As a result, CADES contributes to the proper functioning of the schemes concerned. It enables them to continue to operate, in the service of their major missions which are embodied in significant actions. CADES thus contributes to the overall performance of the social security system and it is therefore on this scale that impact indicators can be examined.

THE MISSIONS AND ACTIONS OF THE VARIOUS SCHEMES CONCERNED

Key missions and actions of the CNAM (National Health Insurance Fund)

Health insurance provides long-term protection for everyone's health (in their personal or professional lives) by acting for the benefit of all. CNAM's motto is "the right care at the right cost for everyone". It supports 68 million insured persons throughout their lives, providing them with care regardless of their resources, situation or state of health. It thus guarantees universal eligibility and allows access to health-care services. CNAM also participates in the implementation of public policies on prevention and helps insured persons become stakeholders in their health.

It also acts upstream of sickness and its complications, with an ever-increasing range of preventive measures. It also plays a role in regulating the health system, constantly seeking to reconcile the best quality of care with the best cost.

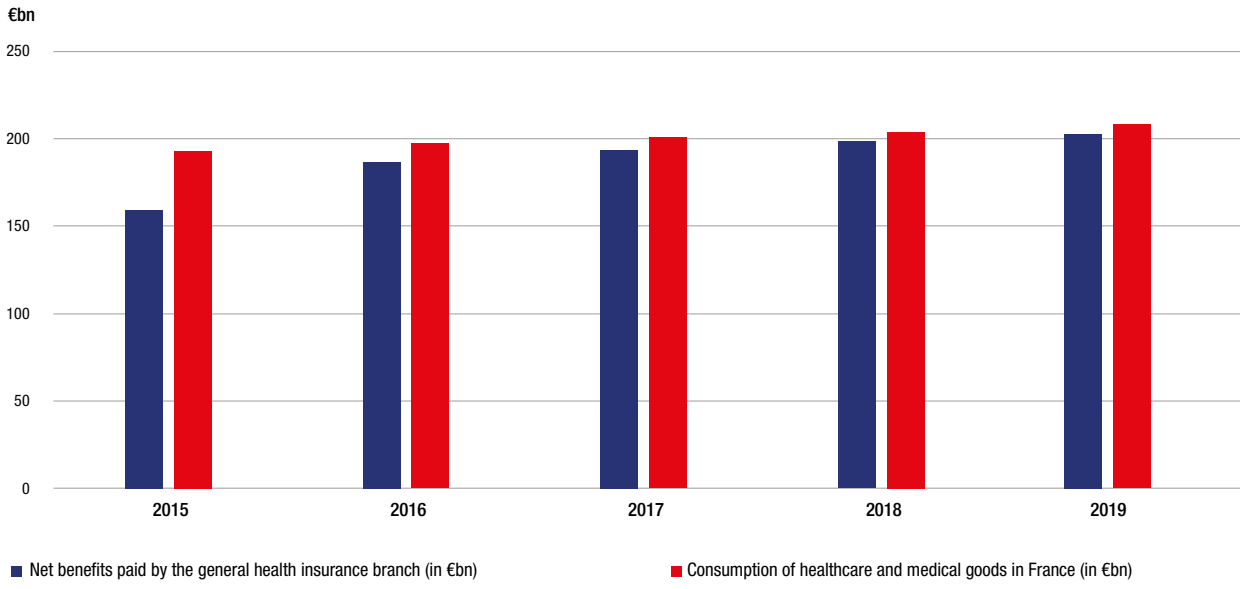
The main challenges of the French health system concern demographic aging, sedentary living, the development of chronic diseases and the financing of therapeutic innovations.

To continue to offer a high level of protection, the French model must anticipate and adapt to changes in French society. Over time, the cost of care and medical items increases.

FLAGSHIP ACTIONS FOR THE PERIOD AFFECTED BY CADES' SOCIAL BOND ISSUANCES IN 2020

2015	2016	2017	2018	2019	2019
Continuation of the support programme to support the return home after hospitalisation	**Generalisation of third-party payment in order to guarantee access to care for all. Entry into force of universal health protection on 1 January 2016**	**Third-party payment for pregnant women and patients treated for long-term illness (LTI)**	**Compulsory vaccination of children under 2 years of age**	**Launch of remote assessment support by the health insurance**	**Extension of complementary universal health coverage to 1.2 million additional beneficiaries at less than one euro per day**

NET BENEFITS PAID BY THE HEALTH BRANCH OF THE GENERAL SCHEME AND CONSUMPTION OF HEALTHCARE AND MEDICAL GOODS IN FRANCE BETWEEN 2015 AND 2019 (IN €BN)



Source: Health insurance. 2020. 2020 activity report

Key missions and actions of the FSV (Old Age Solidarity Fund)

The creation of the Old-Age Solidarity Fund (FSV) has introduced a major distinction between, on the one hand, expenditure that relates to an insurance-based logic, payable by old-age insurance and financed by social contributions, and, on the other hand, non-contributory pension expenditure, the financing of which relies on a levy with a much broader base, the general social contribution (CSG). The mission of the FSV was therefore to mainly finance two types of expenditure:

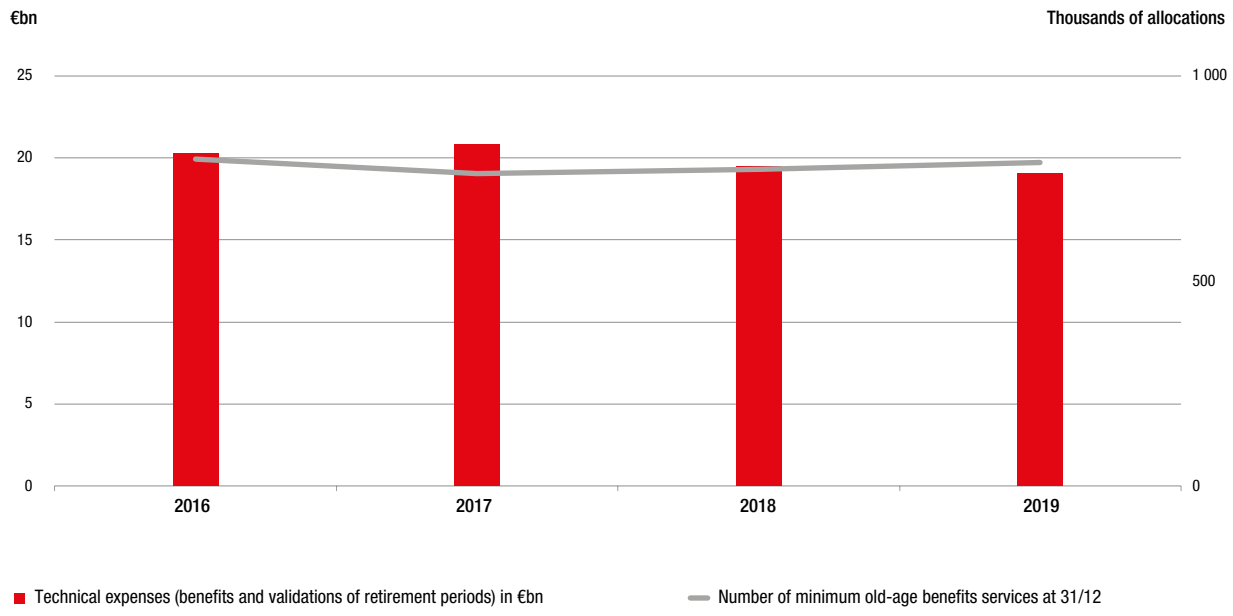
1 - PAYMENT OF BENEFITS:

- The minimum old-age allowance, now known as the solidarity allowance, for the elderly, for all pension schemes that provide it, according to a logic based on national solidarity;
- Part of the minimum contribution (MICO) for the general scheme (CNAV), the agricultural employees' scheme (MSA) and, until its incorporation in the general scheme, the self-employed workers' scheme (RSI scheme for artisans and merchants).

2 - PAYMENT ON A FLAT-RATE BASIS OF PENSION CONTRIBUTIONS, FOR THE FREE VALIDATION OF PERIODS NOT WORKED:

- In the event of unemployment, mainly for the general scheme and for agricultural employees; since 2001, this funding has been extended to mandatory supplementary pension schemes;
- For the duration of the voluntary civic service;
- As part of vocational training courses for the unemployed;
- For apprenticeship periods (for the benefit of general scheme insured persons and agricultural employees).

TECHNICAL COSTS OF THE FSV AND NUMBER OF MINIMUM OLD AGE ALLOWANCES



Source: FSV. 2019. 2019 activity reports

FLAGSHIP ACTIONS FOR THE PERIOD AFFECTED BY CADES' SOCIAL BOND ISSUANCES IN 2020

2015	2016	2018/2019
Authorisation to combine the solidarity allowance for the elderly (ASPA, formerly known as minimum old age allowance) with employment	**Entry into force of the social minima reform: a disabled adult with at least 80% disability rate benefits automatically from the ASPA while retaining the disabled adults' allowance**	**Successive increases of the monthly in ASPA: +€30 in 2018 and +€35 in 2019**

Key missions and actions of the MSA (Agricultural Social Mutual Fund)

The MSA (Agricultural Social Mutual Fund) provides social coverage for all agricultural workers and beneficiaries: farmers, employees of farms, companies, cooperatives and professional agricultural organisations, and labour employers. With €26.9 bn in benefits paid to 5.5 million beneficiaries (in 2019), it is the second largest social protection scheme in France.

The MSA supports the dynamics of prevention at all ages, the preservation of health capital and defends the quality of healthcare provision in the territories. The strategy of the MSA is broken down into 20 proposals that are divided into four areas, some of which are directly related to the scope of debt recovery of CADES:

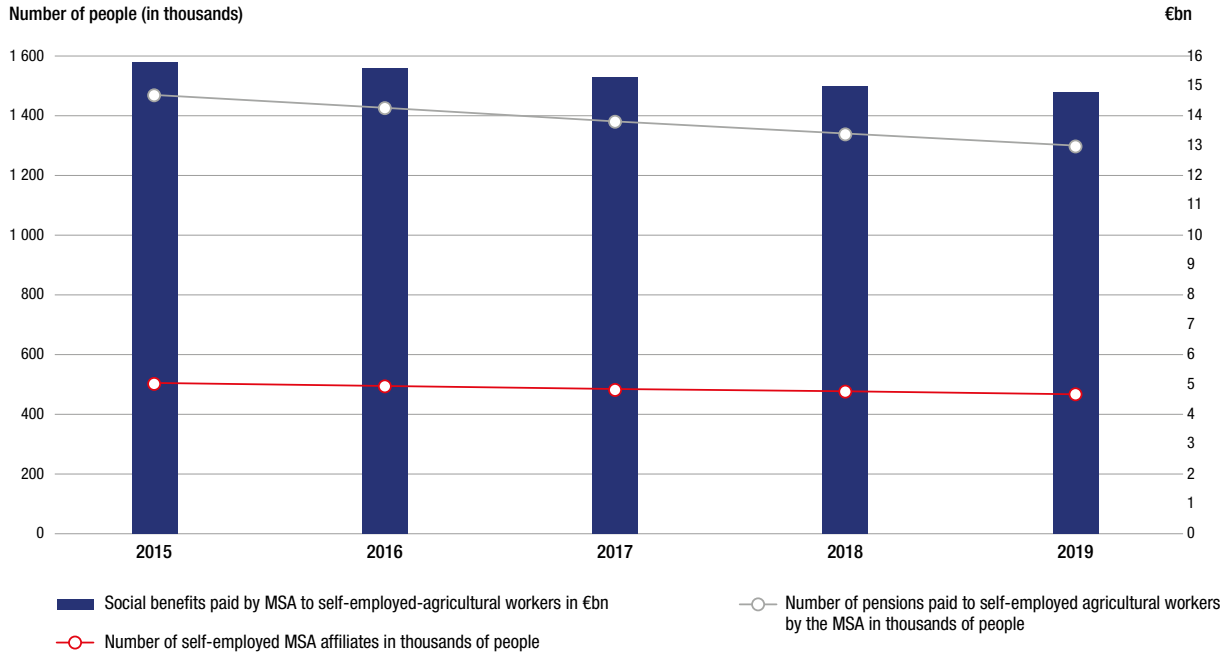
- Guarantee personalised and enhanced support for retired agricultural workers (and in particular for self-employed of the CCMSA (Central Agricultural Social Mutual Fund))
- Respond to the challenges of rurality
- Respond to the challenges of dependency
- Ensure better access to care (outside the scope of debt recovery)

To meet the new needs of members, public authorities and partners, the ambitions are multi-faceted: support for changes in social protection, dematerialisation, agricultural crises, development of services.

Committed to the quality of life at work of the agricultural population, the MSA also acts to prevent occupational risks in agriculture.

The number of pensions paid to self-employed workers by MSA between 2015 and 2019 generally follows the trend in social benefits paid by MSA to self-employed agricultural workers. The slight rejuvenation of the self-employed agricultural population affiliated with MSA results in a relative decrease in the number of pensions and social benefits paid. However, the number of affiliates remained stable over the period.

DEMOGRAPHICS OF THE PENSION SCHEME FOR SELF-EMPLOYED AGRICULTURAL WORKERS



Source: MSA. 2020. *Useful figures from the MSA.*

FLAGSHIP ACTIONS FOR THE PERIOD AFFECTED BY CADES' SOCIAL BOND ISSUANCES IN 2020

2015	2016	2018	2019
Exceptional payment for low-income pensioners of a one off bonus of €40 to compensate the pension freeze	**Next-generation remote assistance to combat the isolation of elderly people, including audio and visual support for relatives**	**Launch of regional solidarity charters with senior citizens to combat their isolation in rural areas.** **As at 31/12/2018, 87 charters were proposed by 31 "caisses" (funds) and more than 550 actions were proposed in response to the needs identified in each area**	**Home help for the elderly with many services offered other than personal assistance services.** **Nearly 89% of diagnoses result in a support plan**

APPROACH AND METHODOLOGY FOR MEASURING THE IMPACT OF CADES SOCIAL BOND ISSUANCES

The impact assessment of CADES social bonds is based on two main sources of information: the national framework for monitoring France's progress in achieving the 17 Sustainable Development Goals (SDGs) and the social security policy assessment reports (REPSS). The impact measurement period corresponds to the years in which losses were assumed by CADES in the context of the social bond issuances carried out in 2020. For this first issuance programme, this corresponds to the period 2015-2019.

France's contribution to the United Nations Sustainable Development Goals (SDGs) on the social aspect

Sustainable development now concerns all countries on the planet. As part of the 2030 Agenda for Sustainable Development, 17 Sustainable Development Goals and 169 targets were adopted in 2015 at the UN, following a participatory process involving all stakeholders or "major groups", including local and regional authorities, the private sector and civil society. These objectives cover virtually all issues relating to society and the future of humanity, including social issues.

The social security system in France and CADES social debt amortisation mechanisms are closely linked to several of the social protection related SDGs, in particular those relating to poverty, health, gender equality, reducing inequalities and sustainable cities and communities. This last subject, being primarily related to family benefits, is not covered in this report.

In order to achieve the SDGs while meeting its national challenges, France decided, in 2019, to adopt a roadmap aimed at defining the priority issues and the route taken by France to implement sustainable development. The aim of this roadmap is to mobilise concrete and binding action levers for all French stakeholders.

Through its social security refinancing activity, CADES is directly involved in two of the challenges of this roadmap and the related French priorities.

ISSUES	FRENCH PRIORITIES
Issue 1: act for a just society by eradicating poverty, combating all discrimination and inequality by guaranteeing the same rights, opportunities and freedoms to all.	• Combating inequalities in access to health services and against the non-use of rights through information • Taking into account the diversity of national and metropolitan regions • Zero "poverty in terms of living conditions"
Issue 4: act for the health and well-being of all, particularly through healthy and sustainable food and agriculture.	• Allow everyone access to healthcare […] • Reach 100% of beneficiaries of universal health coverage • Improvement of the French health system […]

Following a consultation conducted under the aegis of the National Statistical Information Council (CNIS), a dashboard was proposed in mid-2018, containing 98 indicators. It constitutes the national framework for monitoring France's progress in achieving the 17 SDGs.

The most relevant indicators to reflect France's progress on social protection themes relate to the following SDGs and targets:

SDG	TARGET
 **SDG 1 No Poverty:** Eliminating poverty in all its forms.	Target 1.3: Implement social protection systems and measures for all, adapted to the national context, including social protection floors, and ensure that, by 2030, a significant proportion of the poor and vulnerable benefit from them.
 **SDG 3 Good health and well-being:** Empowering people to live healthy lives and promoting well-being at all ages.	Target 3.8: Ensure universal health coverage, including financial risk protection and access to quality essential health services and safe, effective, quality and affordable essential medicines and vaccines.
 **SDG 5 Gender equality:** Achieve gender equality and empower all women and girls.	Target 5.4: Include and value unpaid care and domestic work by providing public services, infrastructures and social protection policies and promoting the sharing of responsibilities in the household and family, depending on the national context.
 **SDG 10 Reduced inequalities:** Reduce inequalities between and within countries.	Target 10.4: Adopt policies, particularly in budgetary, wage and social protection, and gradually achieve greater equality.

Among the indicators resulting from the work carried out under the aegis of the CNIS, those linked to the scope of the deficits eligible for the CADES 2020 social bond issuance programme were selected and published in this report. The following developments therefore focus on SDG 1 (Eliminating poverty in all its forms), SDG 3 (Empowering people to live healthy lives and promoting well-being at all ages) and SDG 10 (Reducing inequalities between and within countries).

Quality and efficiency programmes (PQE) and social security policy evaluation reports (REPSS)

The quality and efficiency programmes (PQE) present each year the major objectives pursued by social security as well as the progress made.

From 2015 to 2020, there were six PQEs on major social security policies, which had to be appended to the Social Security Financing Bill (PLFSS). Since 2021, they have been replaced by the social security policy assessment reports (REPSS), also annexed to the PLFSS. REPSS are structured by major social security policies (illness, workplace accidents and occupational diseases, retirement, family, autonomy, funding).

The indicators derived from the REPSS selected and published in this report are those that appear to be the most relevant with regard to the activity of organisations whose debt was assumed by social bond issuances in 2020. They therefore focus on the health branch, for the CNAM (National Health Insurance Fund), and on the FSV (retirement branch, for the Old Age Solidarity Fund) and the MSA (Agricultural Social Mutual Fund).

Populations concerned

The population concerned by the sustainable development goals corresponds to the entire French population for indicators related to life expectancy and the poverty rate in terms of living conditions by age.

With regard to social security policies, the target population is as follows:

- For illness: the 68 million beneficiaries residing in France or abroad of the CNAM (National Health Insurance Fund) at 31/12/2019.
- For old age: the 789,693 beneficiaries of the FSV (Old Age Solidarity Fund) and the 1,300,425 beneficiaries of the MSA self-employed agricultural pension branch at 31/12/2019.

IMPACT INDICATORS FOR THE PERIOD 2015-2019

Contribution to the SDGs

SDG1: ELIMINATING POVERTY IN ALL ITS FORMS

Reminder of target 1.3: Implement social protection systems and measures for all, adapted to the national context, including social protection floors, and ensure that, by 2030, a significant proportion of the poor and vulnerable benefit.

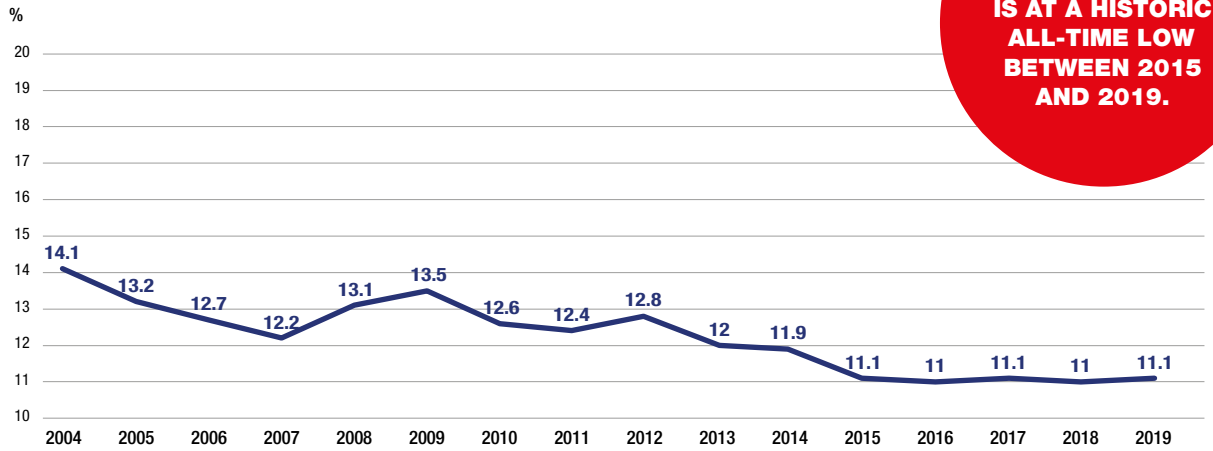
Background: The Government's poverty prevention and action strategy is part of its work to build a 21st century welfare state. It relates to the reforms of unemployment insurance or to the inclusion of the risk of dependency for example. Solidarity expenditure within the framework of the pension system, in particular that financed by the Old Age Solidarity Fund, also contributes to this. The aim of this target is to promote equal opportunities and combat the intergenerational transmission of poverty.

Poverty rate in terms of living conditions

Poverty rate in terms of living conditions, or material deprivation, within the meaning of Eurostat, means a situation of lasting economic hardship defined as the inability to cover (rather than the choice not to cover) expenditure deemed essential. Conventionally, a person is said to be poor in terms of living conditions when they cumulate at least three of the following nine material deprivations or difficulties:

- Having had arrears of payment of rent, mortgage or water/gas/electricity bills in the last twelve months;
- Being able to heat your home;
- Dealing with unforeseen expenses;
- Being able to eat meat or another source of protein at least every other day;
- Being able to afford a week's holiday away from home;
- Owning a colour TV;
- Owning a washing machine;
- Owning a personal car;
- Owning a telephone.

POVERTY RATE BASED ON LIVING CONDITIONS



IN FRANCE, THE POVERTY RATE IS AT A HISTORIC ALL-TIME LOW BETWEEN 2015 AND 2019.

SDG 3: EMPOWERING PEOPLE TO LIVE HEALTHY LIVES AND PROMOTING WELL-BEING AT ALL AGES

Reminder of target 3.8: Ensuring everyone has access to universal health coverage, including financial risk protection and access to quality essential health services and safe, effective, quality and affordable essential medicines and vaccines.

LIFE EXPECTANCY

Background: The predicted acceleration of population ageing is mainly due to the rise in age of the huge baby boom generation and their increase in life expectancy, most of them being in good health. Life expectancy is measured using two indicators: life expectancy at birth and healthy life expectancy or healthy life years (HSBV).

Life expectancy at birth

Description of the indicator: Life expectancy at birth represents the average lifespan - the average age at death - of a fictional generation that would experience throughout its lifespan the age-related mortality conditions observed in the year in which the indicator is calculated. It characterizes mortality regardless of age structure.

France results and performance: For both women and men, life expectancy has increased steadily since 2010, increasing, at birth, for women from 84.6 years in 2010 to 85.6 years in forecast in 2019 and for men from 78 years in 2010 to 79.7 years in forecast in 2019.

Life expectancy including number of healthy life years (AVBS)

Description of the indicator: Healthy life expectancy at birth, or healthy life years (HBV), measures how many healthy years a person can expect to live.

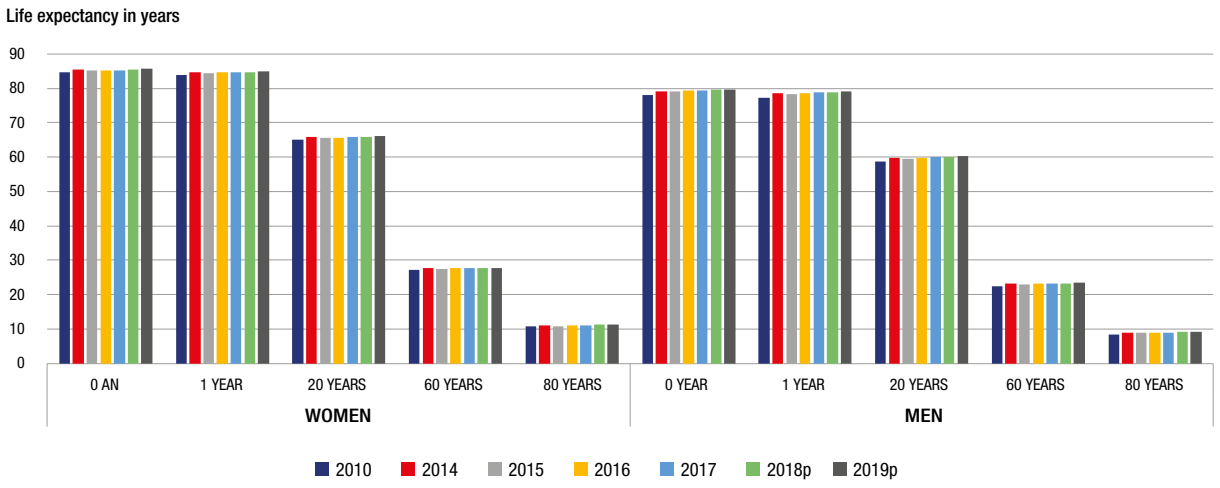
France results and performance: For women, the number of healthy years at 65 is 10.6 in France, slightly higher than the European average of 10.1. For men, it is 9.5, slightly lower than the European average of 9.8.

LIFE EXPECTANCY, INCLUDING NUMBER OF HEALTHY LIFE YEARS AT AGE 65, IN 2016

	WOMEN		MEN	
	Life expectancy at 65 years	Number of healthy life years at age 65*	Life expectancy at 65 years	Number of healthy life years at age 65*
UE28	21.6	10.1	18.2	9.8
Italy	22.9	10.1	19.4	10.4
Spain	23.6	10.4	19.4	10.4
France	23.7	10.6	19.6	9.5
UK	21.1	11.1	18.8	10.4
Germany	21.3	12.4	18.1	9.8

Source: Eurostat. 2019. SRCV-EU and demographics.

LIFE EXPECTANCY BY AGE GROUP IN FRANCE



Source: Eurostat. 2019. SRCV-EU and demographics

SDG 10: REDUCE INEQUALITIES BETWEEN AND WITHIN COUNTRIES

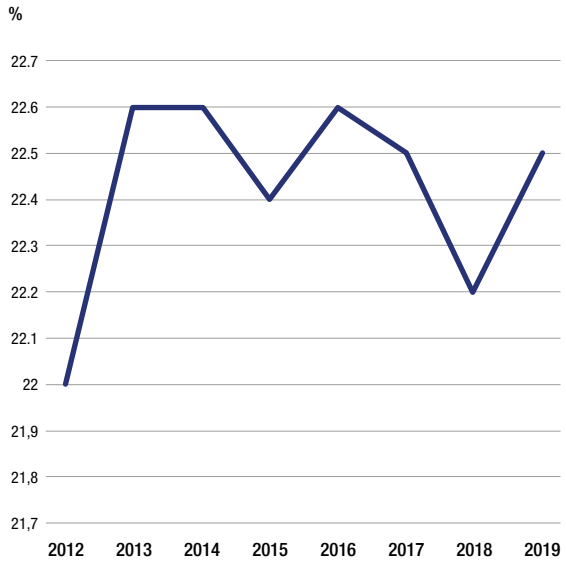
SHARE OF LIVING STANDARDS HELD BY THE POOREST 40%

Description of the indicator: it corresponds to the sum of the living standards held by the 40% poorest individuals compared to the sum of the living standards of the entire population. Standard of living is defined as the household disposable income divided by the number of consumption units.

France results and performance:

In France, the share of living standards held by the 40% poorest individuals was 22.5% in 2019. The evolution, year after year, of this indicator is dependent on macroeconomic variables such as the level of unemployment, which was up in 2019, and economic policy measures such as, again in 2019, the expansion and revaluation of the employment premium. However, the average level of this indicator through the cycle reflects structural factors, including the level of overall redistribution by the social protection system. By comparison, this indicator was 21.2% for the whole of the European Union in 2019 according to the SILC *(Statistics on Income and Living Conditions)* survey.

SHARE OF LIVING STANDARDS HELD BY THE POOREST 40% OF INDIVIDUALS



Source: Insee. 2021. Tax and social income surveys

Assessing social security policies on illness

The national health strategy is the framework for health policy in France. It is defined by the Government and is based on the analysis by the High Council for Public Health of the population's state of health as well as its main determinants and possible actions.

OBJECTIVE #1 OF SOCIAL SECURITY POLICIES ON ILLNESS: DEVELOP PREVENTION

This policy aims to limit high-risk behaviour, which results in excess mortality, particularly before age 65. It is deployed by providing insured persons with prevention, monitoring and screening goods and services. Its impact can be assessed using the preventable mortality indicator.

Scoping indicator: Premature mortality rate attributable to individual behaviour

Public Health France, a public institution in charge of monitoring diseases and epidemics, estimates that 30% of premature mortality is attributable to individual behaviour, primarily smoking, alcohol consumption, diet or lack of exercise. In particular, the prevalence of daily smoking remains high in 2020: it affects more than a quarter of the population over 18, even though it has fallen slightly in recent years (31% in 2005 versus 26% in 2020). Since the beginning of the decade of 2010, the prevalence of obesity and excess weight has been reduced in children in preschool and in primary school, for whom the prevalence of excess weight is the highest among the age groups studied (18% of primary school pupils in 2014-2015)[6].

Means indicator: Consumption of institutional prevention goods and services

The consumption of institutional prevention goods and services includes several types of prevention:

- **INDIVIDUAL PREVENTION** concerns actions that benefit individuals personally. Primary individual prevention aims to prevent the occurrence or extension of undesirable health conditions.

6 Source: REPSS Disease

MAIN OBJECTIVES AND INDICATORS FOR THE PERIOD 2015-2019[7]

MAIN OBJECTIVES PURSUED	SCOPING/CONTEXT INDICATORS	RESOURCE INDICATORS	RESULTS INDICATORS
Objective #1: Developing prevention	Premature mortality rate attributable to individual behaviour	Consumption of institutional prevention goods and services	Avoidable mortality by prevention
Objective #2: Ensure equal access to care	Access to primary healthcare professionals Density of general practitioners and specialists per 100,000 inhabitants	Management of consumption of medical care and goods (CSBM)	Out of pocket healthcare expenditure and affordability ratio Healthcare needs not met for financial reasons
Objective #3: Improve the quality of healthcare provided by the health care system	Health expenditure per capita Average refundable consumption per head of household care	"My health 2022" strategy	Estimated number of years of life lost
Objective#4: Resources, efficiency and financial situation of the health system, including the three objectives: • Guarantee the resources necessary for the health system • Strengthen the efficiency of the healthcare system and develop medical cost containment of health expenditure • Improve the financial situation of the health branch and healthcare institutions and promote investment	Change in expenditure and staffing levels by treatment	Social security coverage of CSBMs	Access time to emergency care

7 Source: Social Security management, Evaluation report on social security policies against disease, 2022

- **SECONDARY INDIVIDUAL PREVENTION** aims to identify diseases; screening is the typical example. Organised screening covers tumours, sexually transmitted infections (STIs) including HIV/AIDS and hepatitis, tuberculosis, or other conditions such as Alzheimer's disease or mental disorders. It also includes health assessments carried out in health centres financed by the National Fund for Prevention, Education and Health Information (FNPEIS) and by local authorities as well as oral health assessments.

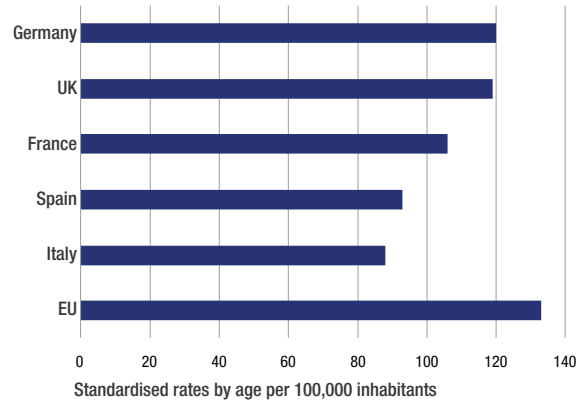
- **COLLECTIVE PREVENTION** corresponds to expenditure for environmental purposes, which includes environmental hygiene, the prevention of workplace accidents, surveillance, monitoring and alert systems and bodies or those mobilised in the event of an emergency or crisis, as well as food safety. It also includes a component of expenditure for behavioural purposes, with various programmes set up with the aim of participating in public health information and education on different themes.

According to the DREES (Research, study, evaluation and statistics department) 2019 report, consumption of institutional prevention goods and services, financed or organised by national or departmental prevention funds and programmes, amounted to €6.2 bn in 2018, versus €5.8 bn in 2015.

Result indicator: Avoidable mortality by prevention

Description of the indicator: Preventable mortality includes causes of death that could be essentially prevented by effective public health and primary prevention interventions (i.e., prior to the onset of disease or injury, to reduce its incidence).

PREVENTABLE CAUSE MORTALITY RATE, 2017



Source: OECD. 2019. Health Panorama 2019.

France results and performance: France ranks eleventh among OECD countries in terms of preventable mortality through prevention.

OBJECTIVE #2 OF SOCIAL SECURITY POLICIES ON DISEASE: ENSURE EQUAL ACCESS TO CARE

The supply of care, due in particular to practitioners' choice of location, is unevenly distributed across the country, which constitutes a constraint with regard to the objective of equal access to healthcare. The extension of the population covered, which translates into greater coverage of the consumption of medical care and goods, is one of the means implemented by the social security for this purpose. The results of this policy, in terms of the inclusion of the most deprived populations, can be analysed according to the affordability ratio requested from insured persons, or by assessing the need for care not provided for financial reasons.

Scoping indicator: Access to primary care professionals

The accessibility of primary care professionals working in cities (general practitioners, nurses, physiotherapists and midwives) varies depending on the region and sometimes within the same region, generating inequalities in access to care.

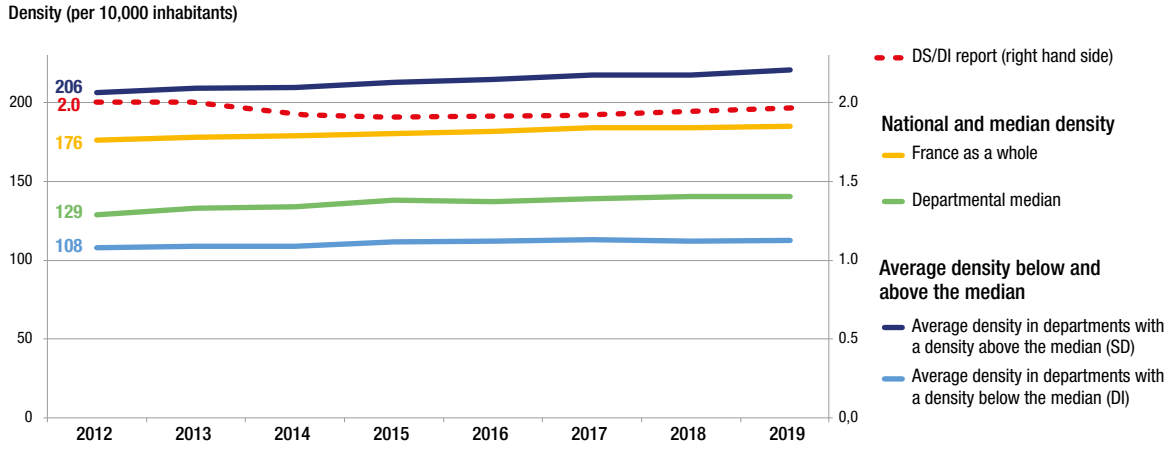
In 2019, 80% of the French population had no major difficulty accessing primary care professionals, with 70% of people living in large urban areas and 21% in rural territories.

Of the 20% of French people who find it difficult to access at least one primary healthcare professional, half find it difficult to access several of these professions. 1.7 million people, i.e. nearly 3% of the population, are very disadvantaged in terms of accessibility to both general practitioners, nurses and physiotherapists. Three-quarters of these people live in rural areas. As for the inhabitants of the overseas departments (excluding Mayotte), they are rather poorly positioned in terms of general practitioners but quite favoured for the other three professions.

Scoping indicator: Density of general practitioners and specialists per 100,000 inhabitants

The indicator of average densities of specialist doctors in departments with density lower and higher than the median departmental density respectively makes it possible to measure the inequalities in distribution of these doctors throughout the country and to monitor their evolution.

DENSITY OF SPECIALIST DOCTORS PER 100,000 INHABITANTS (INDICATOR FROM 2012 TO 2019)



Source: Eurostat. 2019. SRCV-EU and demographics

However, these changes are of limited scope, in such a way that the general characteristics of the distribution of the care offered by specialist doctors (private practitioners and salaried) in France are virtually stable. Overall, this supply remains twice as high in half of the best-equipped departments.

Means indicator: Social security coverage of healthcare and medical goods consumption

Social security (including the supplementary schemes of Camieg and Alsace Moselle) will finance €162.7 bn of the CSBM in 2019. From 2015 to 2019, total expenditure on reimbursed healthcare consumption by all schemes increased by €14.5 bn (i.e. +9.5% in four years, 2.3% per year on average). Part of this increase in expenditure is linked to the increase in the number of people who received at least one reimbursement of healthcare between

FUNDING OF CONSUMPTION OF HEALTHCARE AND MEDICAL GOODS BY THE SOCIAL SECURITY

In millions of euros

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Hospital care	**73,469**	**75,185**	**77,073**	**78,950**	**81,159**	**82,442**	**84,431**	**86,017**	**86,892**	**89,010**
Public sector hospitals	56,911	58,165	59,667	61,307	63,046	64,159	65,687	67,041	67,788	69,360
Private sector hospitals	16,558	17,019	17,406	17,644	18,113	18,283	18,744	18,976	19,104	19,650
Community care	**27,843**	**28,844**	**29,818**	**30,771**	**31,753**	**32,748**	**33,840**	**34,843**	**36,180**	**37,285**
Care by doctors and midwives	12,519	13,016	13,358	13,636	14,051	14,429	14,842	15,268	16,099	16,473
Auxiliary medical care	8,937	9,333	9,972	10,620	11,151	11,632	12,145	12,578	13,018	13,510
Dentist care	3,325	3,381	3,407	3,425	3,478	3,597	3,700	3,791	3,858	4,003
Analysis laboratories	3,003	3,075	3,034	3,036	3,017	3,024	3,096	3,142	3,129	3,222
Other care and contracts	59	39	47	54	56	66	57	64	77	77
Medical transport	**3,485**	**3,578**	**3,783**	**3,976**	**4,095**	**4,278**	**4,468**	**4,637**	**4,743**	**4,695**
Outpatient medication	**22,709**	**22,923**	**22,755**	**22,514**	**23,561**	**23,341**	**23,525**	**23,865**	**23,967**	**24,220**
Other medical goods	**4,878**	**5,079**	**5,317**	**5,652**	**5,995**	**6,295**	**6,655**	**6,907**	**7,199**	**7,498**
Optical	223	224	227	232	239	253	253	252	260	266
Other	4,655	4,855	5,090	5,420	5,756	6,042	6,402	6,655	6,939	7,232
Together	**132,384**	**135,609**	**138,746**	**141,863**	**146,564**	**149,105**	**152,919**	**156,269**	**158,981**	**162,708**
Change (%)	2.1	2.4	2.3	2.2	3.3	1.7	2.6	2.2	1.7	2.3
Total CSBM (consumption of medical care and goods) amount	**173,484**	**178,066**	**181,796**	**185,241**	**190,214**	**192,962**	**197,148**	**200,535**	**203,748**	**208,035**
Change (%)	2.1	2.6	2.1	1.9	2.7	1.4	2.2	1.7	1.6	2.1

Source: DREES. 2020. Healthcare spending in 2019.

2015 (64.7 million) and 2019 (66.3 million), i.e. an increase of 1.6 million people in four years (+0.6% per year on average over the period), while the French population increased from 66.6 million people to 67.3 million at the same time (i.e. an annual increase of less than +0.4%).

Result indicator: Out-of-pocket healthcare costs per household and corresponding affordability ratio (per living standard decile)

Background: Equal access to care can be assessed by the weight of healthcare expenditure on household budgets, once reimbursements have been received. A reform of universal supplementary health coverage (CMU-C) and of assistance for the payment of supplementary health insurance (ACS), replaced by complementary health insurance (CSS), aimed at increasing the take up rate and improving the level of coverage for former ACS beneficiaries, was carried out in 2019 and should have a positive impact on these indicators.

Description of the indicator: The household affordability ratio measures the share of average disposable income used by households for their health expenditure remaining at their own expense after reimbursements from compulsory health insurance (AMO) and complementary organisations (AMC), after deduction of premiums paid for complementary health insurance. It is assessed at the household level, which makes it possible to take into account the pooling of risk, resources and expenses.

France results and performance: The direct financial burden on households in terms of reimbursable care remains low in France, although the rate of people not covered by complementary health insurance amounts to 11%. In 2019, the PPP household remaining costs per inhabitant in France was €203, against 428€ for the rest of the Eurozone. However, this financial burden varies, from €240 for households in the first decile to €413 for those in the last, which corresponds respectively to 2.0% and only 0.5% of their disposable income. The high out of pocket healthcare expenditure and the higher affordability ratio faced by the population in the first decile can be explained in part by the fact that they are less covered by complementary health insurance.

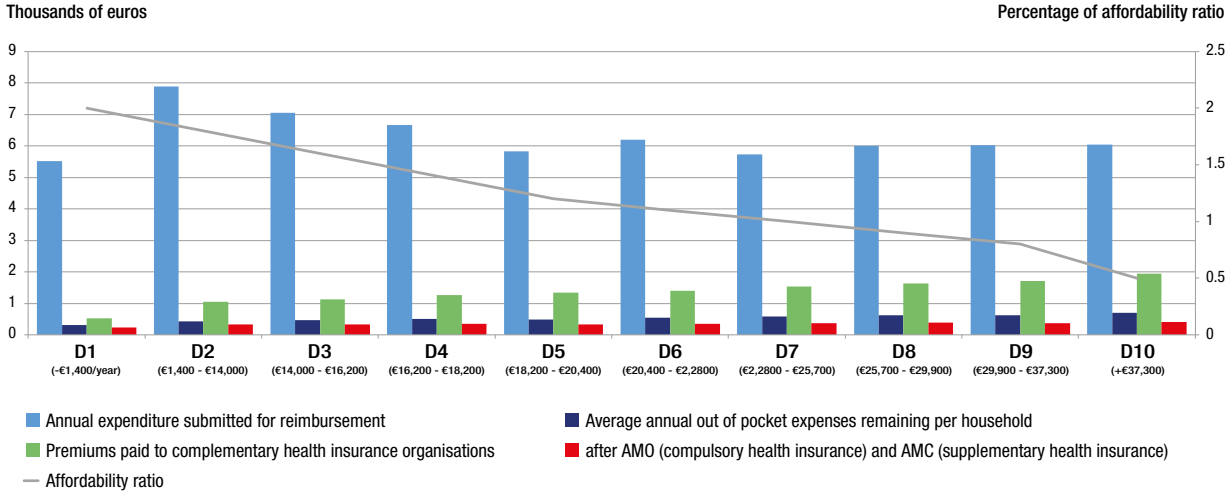
Result indicator: Healthcare needs not met for financial reasons (overall population and lowest 20%)

To guarantee equal access to healthcare, Assurance Maladie, the French health insurance system, seeks to further limit the proportion of healthcare costs borne by the insured. It combats the renunciation of care, regardless of its forms and reasons.

The affordability of health care is assessed in part by the consumption of health care. However, this indicator, by its very nature, only provides information on the propensity of insured persons to use financially accessible care. It must therefore be supplemented by measuring the number of people who renounce health care due to a financial obstacle.

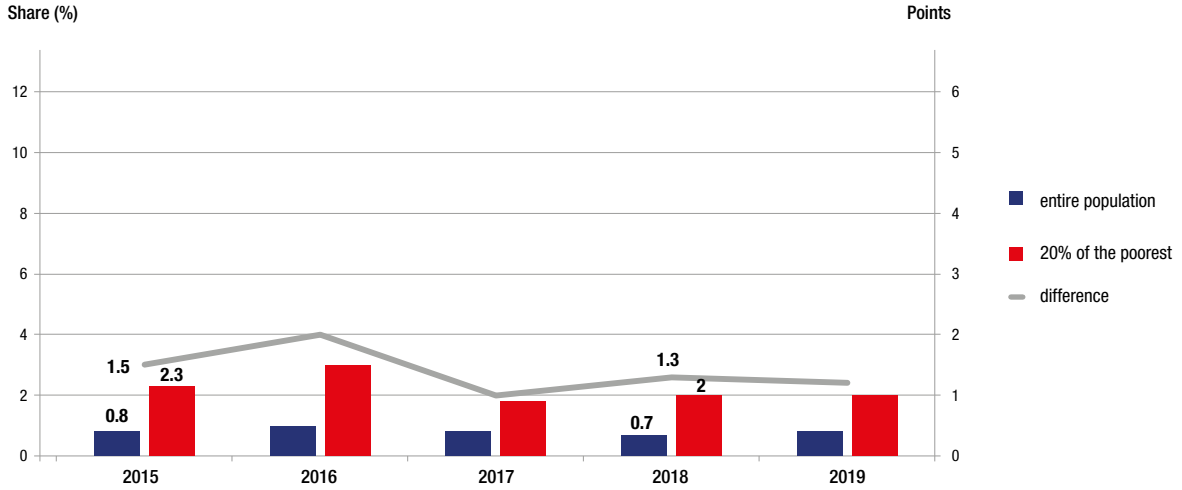
Since 2015, the proportion of the population who declare that they have not been able to satisfy, for financial reasons, a need for examination or medical care has been almost stable, at around 1%. This proportion is higher among the poorest households than in the general population. The difference is relatively stable, at around 1.4 point.

AVERAGE ANNUAL OUT OF POCKET HEALTHCARE EXPENDITURE AND AFFORDABILITY RATIO, PER LIVING STANDARD DECILE, IN 2017



Source: Social Security Department. 2022. REPSS Illness.

DIFFERENCE BETWEEN THE LOWEST 20% AND THE ENTIRE POPULATION OF NEEDS NOT MET FOR FINANCIAL REASONS: EXAMINATION OR MEDICAL TREATMENT



Source: INSEE. 2019. SILC- SRCV 2015 – 2019.

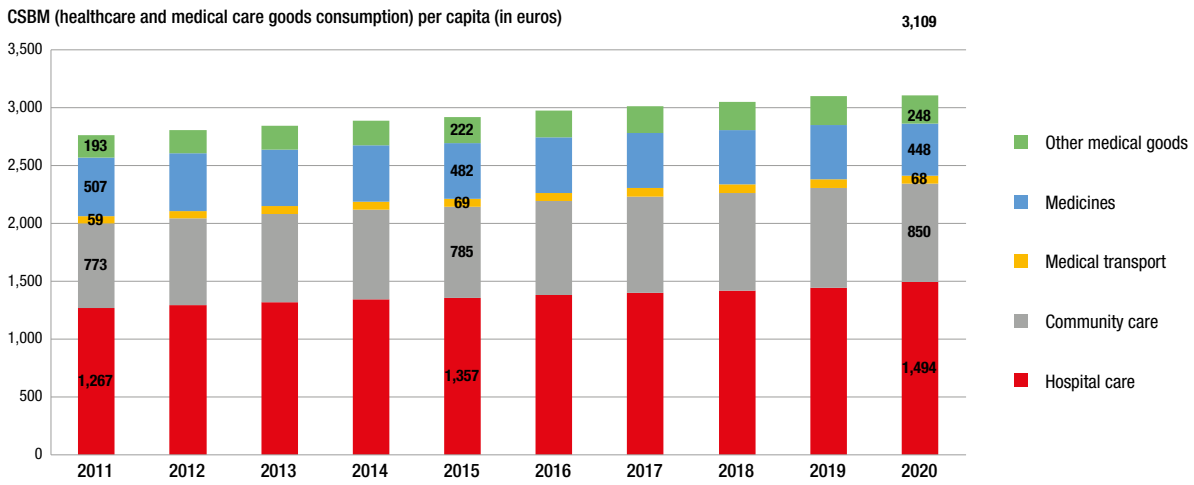
OBJECTIVE # 3 OF SOCIAL SECURITY POLICIES ON ILLNESS: IMPROVE THE QUALITY OF CARE PROVIDED BY THE HEALTH CARE SYSTEM

The vigilance of the public authorities in terms of the quality of the care offered focuses in particular on good coordination between community care and health establishments. In this context, a national strategy dedicated to the quality of care has been established, in order to promote better coordination of health care pathways and to place the patient more at the heart of the system. In terms of results, the overall quality of the healthcare system can be assessed using an indicator estimating the number of years of lives lost due to different diseases. In fact, the ability of the health system to prolong the lives of patients is a fundamental challenge.

Scoping indicator: Healthcare expenditure per inhabitant (breakdown between consumption of healthcare and medical goods, hospital care, community care, health transport, medicines)

In 2020, consumption of healthcare and medical goods (CSBM) was estimated at €209.2 bn, or €3,109 per capita. Hospital care accounts for half of healthcare expenditure. While medicines expenditure is falling, hospital and outpatient care expenditure is rising.

HEALTH EXPENDITURE PER CAPITA



Source: Social Security Department. 2022. REPSS Illness.

Means indicator: "My health 2022" strategy

The stated objective of the "My health 2022" strategy or STSS (Health System Transformation Strategy) is to de-compartmentalise the French health system with more relevant funding, a more cooperative organisation of local care as well as more tailored and diversified training and professional practice. The law on the organisation and transformation of the health system focuses on three priority commitments to successfully complete the transformation of the system:

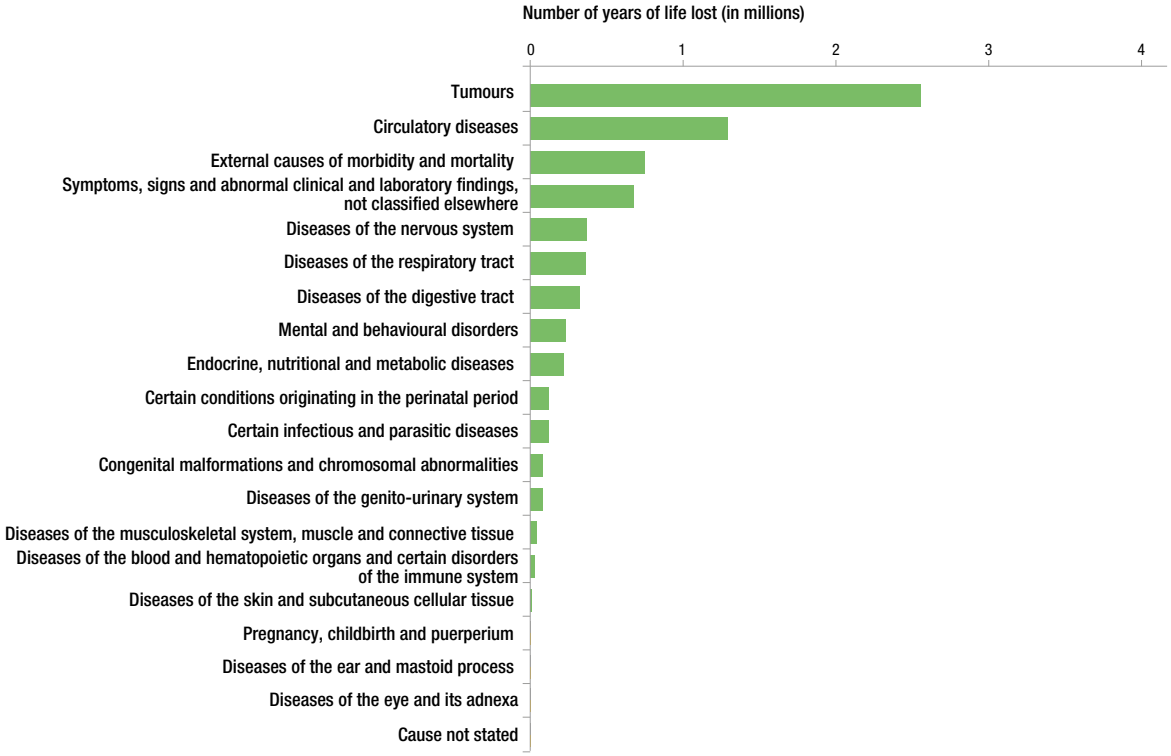
- Place the patient at the heart of the system and make the quality of his/her care the compass of the reform;
- Organise links between community medicine, medical-social care and hospitals to better meet local care needs;
- Rethinking the professions and training of health professionals.

Result indicator: Estimated number of years of life lost

Background: The "Burden of disease" reflects the extent of health degradation linked to diseases, injuries and their risk factors, both in terms of morbidity and mortality. By extension, it is also a scientific method aimed at quantifying the burden of disease in a systematic and comparative manner, by pathology, age, sex and geographical area at a given time, based in particular on indicators combining measures of morbidity and mortality. These indicators are the number of years of life lost (PVA), the number of years lived with disability and the number of life years adjusted for disability.

Description of the indicator: For each deceased person, the number of years of life lost (PVA) corresponds to the difference between the age at death and the life expectancy at that age. The number of PVA in the population corresponds to the sum of the PVA of each individual in the population.

NUMBER OF YEARS OF LIFE LOST BY INITIAL CAUSE OF DEATH IN FRANCE IN 2016



Source: Health insurance. 2021. Improving the quality of the health system and controlling expenditure: Health Insurance proposals for 2022.

Reading note: In France, in 2016, 2.5 million years of life were lost due to tumours, if we compare the age of people who died with their life expectancy calculated according to the mortality tables established for the French population.

France results and performance: The 586,519 deaths recorded in France in 2016 represented a total of 7.291 million years of life lost compared to the estimated life expectancy of the French population in the same year.

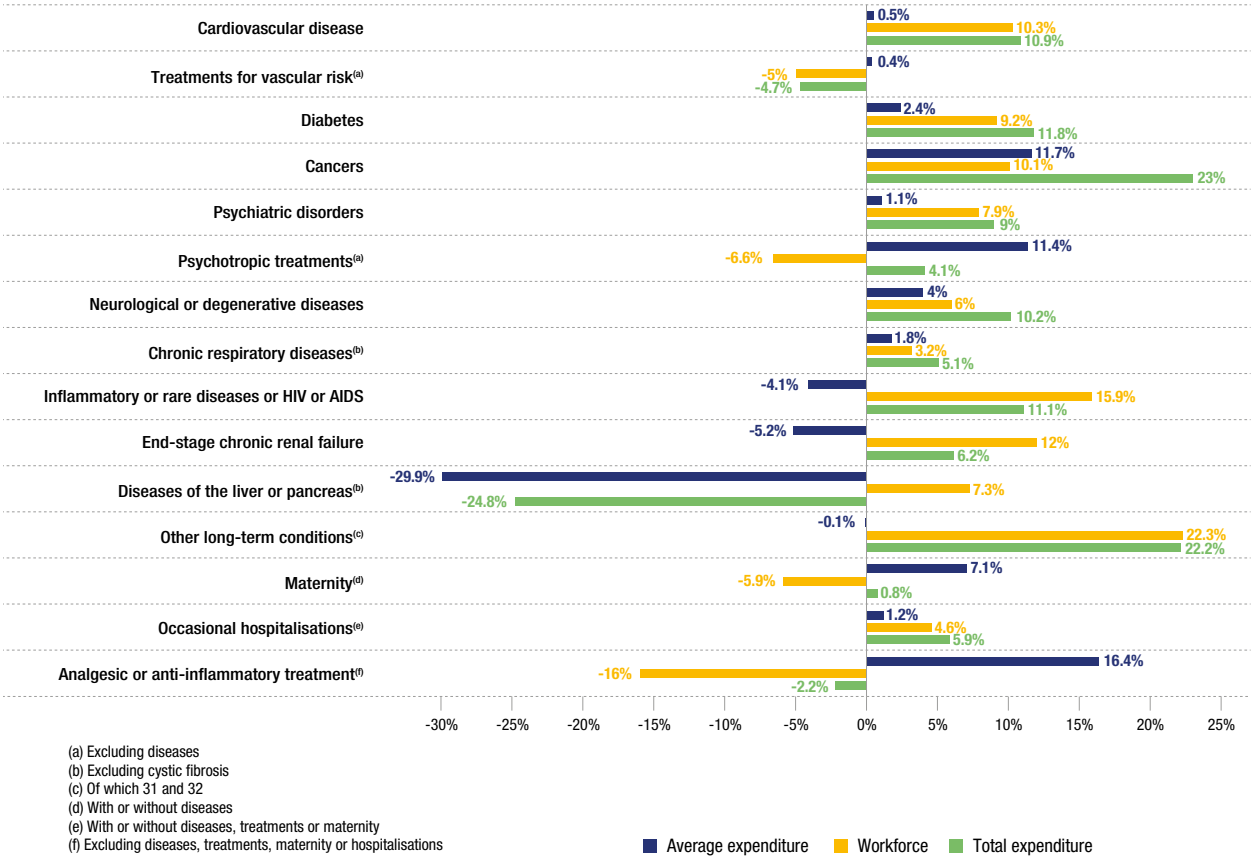
OBJECTIVE #4 OF SOCIAL SECURITY POLICIES ON THE DISEASE: HEALTH SYSTEM RESOURCES, EFFICIENCY AND FINANCIAL SITUATION

Management of the health branch of the social security system is to guarantee it the means to carry out its missions while ensuring it remains efficient, by medical cost containment of health expenditure, in order to avoid a drift in its financial situation. Healthcare expenditure is essentially determined by two factors: the average cost of the various care and treatments on the one hand and the number of patients implicated on the other. In this perspective, the reimbursement rate of the various medical goods and services directly impacts the financial situation of health insurance. The management of the health branch in reference to a national expenditure objective is directly reflected in the evolution of the branch's accounts, mentioned in the first part of the report. But beyond financial reading alone, the proper match between the means of health insurance and its objectives is also assessed by certain operating indicators. Among these, access time to emergency healthcare, despite regional inequalities in the distribution of care, has been a priority for public authorities in recent years.

Scoping indicator: Change in expenditure and staffing levels between 2015 and 2019 for each category of disease, chronic treatment or episode of care

The French population is increasing every year. It is therefore normal to see an increase in staffing levels for people affected by certain diseases. This increase is also accentuated by demographic ageing, due to the occurrence of multiple diseases in the elderly.

GROWTH RATE OF TOTAL EXPENDITURE, NUMBER OF PATIENTS AND AVERAGE EXPENDITURE PER PATIENT BETWEEN 2015 AND 2019, FOR EACH CATEGORY OF DISEASE, CHRONIC TREATMENT OR EPISODE OF CARE



(a) Excluding diseases
(b) Excluding cystic fibrosis
(c) Of which 31 and 32
(d) With or without diseases
(e) With or without diseases, treatments or maternity
(f) Excluding diseases, treatments, maternity or hospitalisations

Source: Health insurance. 2021. Improving the quality of the health system and controlling expenditure: Health Insurance proposals for 2022.

Between 2015 and 2019, health insurance expenditure for all schemes increased by an average of +1.7% per year, but the trends are very different depending on chronic diseases and treatments and years. Two factors can influence the evolution of expenditure allocated to a disease: the variation in the number of people taken care of and the variation in average annual expenditure.

Cancer care expenditure saw the greatest increase between 2015 and 2019, due to both an increase in prevalence and in higher average treatment costs. For certain diseases, the increase in total expenditure is mainly explained by the increase in staffing levels, with the cost of treatments remaining relatively stable. This is particularly the case for the "other long-term conditions" category, which is particularly sensitive to demographic ageing, and for inflammatory or rare diseases, which include HIV and AIDS. In the case of analgesic or anti-inflammatory treatments, as well as in the case of psychotropic treatments, the average costs have increased considerably, due to the development of new molecules, but the reduction in the number of patients has resulted in a moderation of the total expenditure. Conversely, the sharp decrease in the average cost of treating liver or pancreatic diseases has reduced the total expenditure associated with these diseases.

Means indicator: CSBM social security coverage rate

The overall rate of care for the consumption of medical care and goods has steadily increased in recent years, from 77.1% in 2014 to 78.2% in 2019. This increase is mainly due to a growing share of social security in the financing of community care, as well as medicines, the consumption of which has been streamlined over the period by the dissemination of good practices. Hospital care, which was already above 90% at the beginning of the period, remained broadly stable.

Result indicator: Access time to emergency care

Background: In the autumn of 2013, the regional health agencies (ARS) identified, for each region considered to be located more than thirty minutes from emergency medical care, the actions or measures implemented or planned to improve the population's access to this care.

Description of the indicator: This indicator aims to measure whether the response to the population's need for emergency medical care is met throughout the region within a reasonable period of time. Access to emergency medical care in less than thirty minutes is an objective that relies on all the entities involved in this field: emergency structure, SMUR (mobile emergency and resuscitation services) and their units, organisation in certain regions of a network of corresponding SAMU doctors, air ambulances (HéliSMUR or civil security helicopters). All solutions that can be deployed locally, in compliance with quality requirements and best practices, are thus taken into account to meet the emergency medical care needs of the population in less than thirty minutes.

France results and performance: By the end of 2019, 99% of the population had access to emergency medical care in less than 30 minutes, taking into account all possibilities for access to emergency facilities.

SOCIAL SECURITY COVERAGE RATE OF THE MAIN CSBM POSITIONS (IN%)

	2014	2015	2016	2017	2018	2019
Together	**77.1**	**77.3**	**77.6**	**77.9**	**78**	**78.2**
Hospital care	**91.1**	**91.2**	**91.5**	**91.7**	**91.6**	**91.6**
Public sector	91.9	91.9	92.3	92.5	92.4	92.6
Private sector	88.5	88.5	88.7	88.7	88.7	88.4
Community care	**64.3**	**64.8**	**64.9**	**65.2**	**65.8**	**66**
Medical transport	**92.8**	**92.9**	**93**	**93**	**93**	**93**
Medicines	**71**	**71.3**	**71.9**	**72.8**	**73.4**	**74.3**
Other medical goods	**42.5**	**43**	**43.9**	**44.6**	**44.7**	**44.6**
Optical	3.9	4.1	4.1	4.1	4.1	3.9
Non-optical medical goods	71.5	71.2	71.1	71.1	71.3	72

Source: DREES. 2020. Healthcare spending in 2019.

Assessing social security policies on old age

OBJECTIVES

The French population is ageing rapidly. This predictable acceleration in ageing is mainly due to the ageing of the huge baby boom generation and the increase in their life expectancy, most of them being in good health. This ageing population makes retirement the largest item of social spending: old-age-retirement pensions amounted to €327.9 bn in 2019, i.e. 13.5% of gross domestic product (GDP) and nearly a quarter of public expenditure in France.

Main objectives and indicators for the period 2015-2019

The pension funds have developed a social action policy which, in addition to the objective of gradually improving the financial situation of the branch, has three major objectives.

OBJECTIVE #1 OF SOCIAL SECURITY POLICIES ON OLD AGE: ENSURE A STANDARD OF LIVING ADAPTED TO PENSIONERS AND GUARANTEE SOLIDARITY BETWEEN THEM

The primary objective of the retirement branch is to enable pensioners to provide for their needs. The ageing of the population is leading to an increase in the number of pensioners which, in this respect, represents a challenge

MAIN OBJECTIVES PURSUED	SCOPING INDICATORS	RESOURCE INDICATORS	RESULTS INDICATORS
Objective #1: Ensuring a standard of living adapted to pensioners and guaranteeing solidarity between them	Number of retirees in all schemes	Revaluation of the ASPA (solidarity allowance for the elderly) Effect of redistribution on the poverty rate of retired persons	Pensioners' standard of living Proportion of retired persons living below the poverty line
Objective #2: Improve insured persons' knowledge of their pension rights	Knowledge by insured persons of their pension rights	Right to pension information and information provided by the funds (including the MSA)	
Objective #3: Gradually increase the duration of activity and increase the employment of older workers	Employment rate for 55–69-year-olds	Reforms modifying the average retirement age	Impact of reforms on the activity rate of senior citizens

for pension funding. The redistribution carried out by the FSV (Old Age Solidarity Fund) plays a special role with regard to this objective, by redistributing funds to the most disadvantaged pensioners. Its action is part of a broader set of social transfers that help to limit the poverty rate of pensioners. The results of this policy can be assessed by evaluating the standard of living of pensioners and by measuring the incidence of poverty among their population.

Scoping indicator: Number of pensioners in all schemes

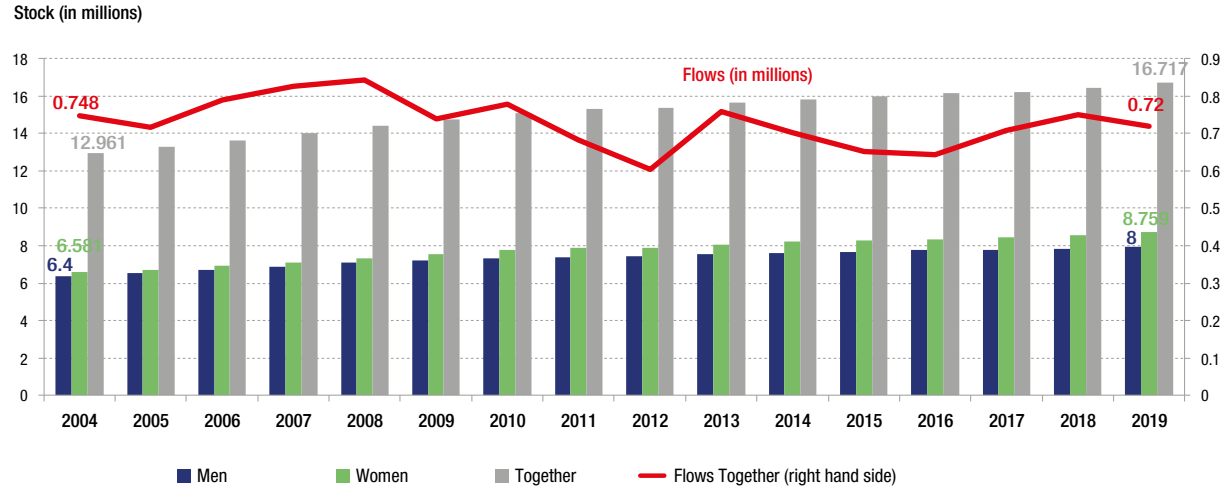
In 2019, the total number of retirees increased more moderately than over the period 2006-2010 but continues to rise. The gradual increase in the legal retirement age from 2011 explains this slowdown. With the arrival of the baby boom generations at the age of 60, the flow of new pensioners increased from 2006, but several reforms affected it in various ways from 2009. The fall in retirement rates between the ages of 62 and 65 is linked to career changes, the regular increase in the duration of insurance contributions required for the full rate, as well as the change in the rules of combining employment and retirement following the 2014 pension reform.

Means indicator: Revaluation of the ASPA (solidarity allowance for the elderly)

As at 1 st January 2019, the amount of the ASPA was increased to €868 monthly for single persons, as opposed to €833 in 2018. For couples, it amounts to €1,348 per month as opposed to €1,294 in 2018, i.e. around 84% of the poverty line. The third exceptional revaluation planned took place in January 2020: the ASPA was increased to €903 for a single person (i.e. €100 more than April 2017), and to €1,402 for a couple. As a result of these revaluations, the number of eligible persons has increased. Thus, at the end of 2019, 601,600 people received the ASV (additional minimum old age allowance) or the ASPA (solidarity allowance for the elderly) i.e. 5.9% more than in 2018.

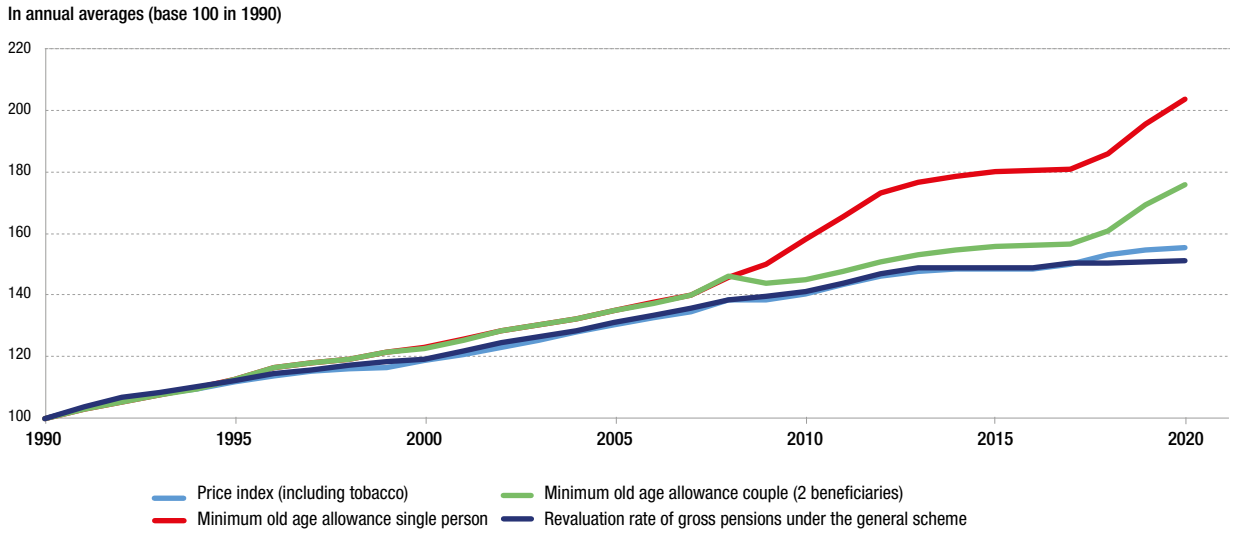
In 2019, the purchasing power of the minimum old age allowance increased by 4.0%: the benefit increased by 5.1% on an annual average, while inflation stood at 1.1%. This is a sharp increase from the average of the last 30 years. Since 1990, the purchasing power of the minimum old age allowance has increased little for couples (0.3% on an annual average). This was also the case for single people until 2007, before the exceptional revaluations from 2008 to 2012. Between 2008 and 2019, it grew annually by an average of 1.7% for single people, compared to 0.3% for couples.

NUMBER OF DIRECT PENSIONERS IN ALL SCHEMES (BASIC AND SUPPLEMENTARY)



Source: Social Security Department. 2022. REPSS Old Age.

CHANGE IN MINIMUM OLD AGE ALLOWANCE (SINGLE PERSON AND COUPLE), RETIREMENT PENSIONS UNDER THE GENERAL SCHEME AND THE PRICE INDEX, SINCE 1990



Source: Social Security Department. 2022. REPSS Old Age.

Reading note: The peak observed in 2008 (which precedes a slight fall) in the level of the minimum old age allowance for a couple is explained by the payment of an exceptional bonus, that year, of €200 for a single person and €400 for a couple of beneficiaries. In 2017, the minimum age allowance level for a couple was 1.5 times higher than it was in 1990, while the level for a single person was 1.8 times higher (index 180) than in 1990.

Means indicator: Effect of redistribution on the poverty rate of retired persons

In addition to the existence of a pay-as-you-go pension system and the way pensions are calculated, the French tax and social security system includes redistribution mechanisms, in the form of non-contributory social benefits (housing benefits, basic welfare benefits in particular) and proportional benefits (social contributions, CSG and CRDS). Initial income corresponds to income before redistribution. It includes pensions. From this income alone, the poverty rate for the entire population stands at 22.4%, and the intensity of poverty at 39.8%. For pensioners, the poverty rate before redistribution is 12.0%. The redistribution made by the tax-benefit system reduces the poverty rate. For retirees, it is down 4.0 points to 8.0 percent, a relative decline of 33.1 percent from its initial level.

Result indicator: Pensioners' standard of living

The median standard of living for pensioners is slightly higher than that of the general population: their lower average income is offset by the fact that they rarely have dependent children. Retirement pensions account for the bulk of disposable income in households where at least one member is retired. Retired persons are under-represented among the first two deciles of standard of living. Also, pensioners are about half as likely to be poor as the general population.

	POVERTY RATE				INTENSITY OF POVERTY			
	BEFORE REDISTRIBUTION (IN%)	AFTER REDISTRIBUTION (IN%)	EFFECT OF REDISTRIBUTION (IN POINTS)	BEFORE REDISTRIBUTION (IN%)	BEFORE REDISTRIBUTION (IN%)	AFTER REDISTRIBUTION (IN%)	EFFECT OF REDISTRIBUTION (IN POINTS)	EFFECT OF REDISTRIBUTION IN RELATIVE TERMS (IN%)
Depending on the type of household of retired persons								
Single people with or without children	20.7	**13.7**	-7	-33.9	25.2	**12.8**	-12.4	-49.2
Couple with or without children	6.1	**4.3**	-1.8	-29.1	18.3	**11.4**	-6.9	-37.6
By age group of retired persons								
Under 65	12.3	**7.6**	-4.7	-38.2	27.4	**18.2**	-9.3	-33.8
65-69 years old	12	**8.6**	-3.4	-28.4	25.4	**11.3**	-14.1	-55.5
70-79 years	10.4	**6.8**	-3.6	-34.4	22.9	**12.3**	-10.6	-46.3
80 years or older	14	**9.5**	-4.5	-32.1	18.5	**11.4**	-7.1	-38.5
Depending on disability and loss situation								
People without disabilities or loss of autonomy	9.7	**6.3**	-3.3	-34.3	21.5	**12.4**	-9.1	-42.3
People with disabilities or loss of autonomy	19.8	**12.6**	-7.3	-36.6	26.8	**10.5**	-16.3	-60.7
All pensioners	**12**	**8**	**-4**	**-33.1**	**22.6**	**12.3**	**-10.3**	**-45.4**
All people	**22.4**	**14.8**	**-7.6**	**-33.9**	**39.8**	**19.6**	**-20.2**	**-50.8**

Source: DREES. 2021. Pensioners and pensions

Reading note: The poverty rate refers to the proportion of people whose living standard is below the poverty line, set by convention at 60% of the median standard of living. Poverty intensity makes it possible to appreciate how far the standard of living of the poor population is from the poverty line. This indicator is calculated as the relative gap between the median standard of living of the poor population and the poverty line.

DISTRIBUTION AND AVERAGE AND MEDIAN MONTHLY STANDARD OF LIVING OF PENSIONERS IN 2018, ACCORDING TO THEIR POSITION IN THE DISTRIBUTION OF STANDARD OF LIVING

	All people	Pensioners	Pensioners whose standard of living is…				
			< D2	[D2; D4[	[D4; D6[	[D6; D8[	> D8
Number of pensioners (in thousands)	**63,140**	**14,930**	**1,909**	**3,272**	**3,281**	**3,277**	**3,192**
Breakdown of pensioners according to standard of living decile (in%)	**-**	**-**	**13**	**22**	**22**	**22**	**21**
Average monthly standard of living (in euros)	**2,050**	**2,130**	**970**	**1,390**	**1,780**	**2,240**	**3,860**
Median monthly standard of living (in euros)	**1,770**	**1,850**	**1,020**	**1,390**	**1,770**	**2,220**	**3,190**
Maximum monthly standard of living (in euros)	**-**	**-**	**1,180**	**1,580**	**1,980**	**2,570**	**-**

"Dx" is the x-th decile of the standard of living distribution of the entire population.

Source: DREES. 2021. Pensioners and pensions

Reading note: In 2018, 13% of pensioners had a standard of living below €1,180 per month. Their median monthly standard of living is €1,020.

Result indicator: Proportion of retired persons living below the poverty line

The pension system provides for several schemes that aim to guarantee a minimum income for the elderly. These measures either reduce the poverty rate when they raise people's income above the threshold or reduce its intensity. To measure the effectiveness of these solidarity mechanisms, one indicator is the proportion of retired people whose standard of living is below the poverty line, compared to the poverty rate of the entire population. A person whose standard of living is below a poverty threshold, conventionally set at 60% of the median of individual standards of living, is considered poor.

In 2019, the proportion of pensioners with incomes below the poverty line was 9.5%, lower than the overall population (14.6%). The proportion of retired women with incomes below the poverty line is higher than that of men (10.4% compared with 8.5% in 2019). This difference is partly explained by the career differences between men and women: they generally have shorter careers. Moreover, they live longer and are therefore more often confronted with the death of their spouse, which automatically leads to a reduction in their disposable income. Older retirees, including women who are overrepresented, are also poorer. In 2019, the poverty rate increased in similar proportions for women (+0.9 points) and for men (+0.8 points).

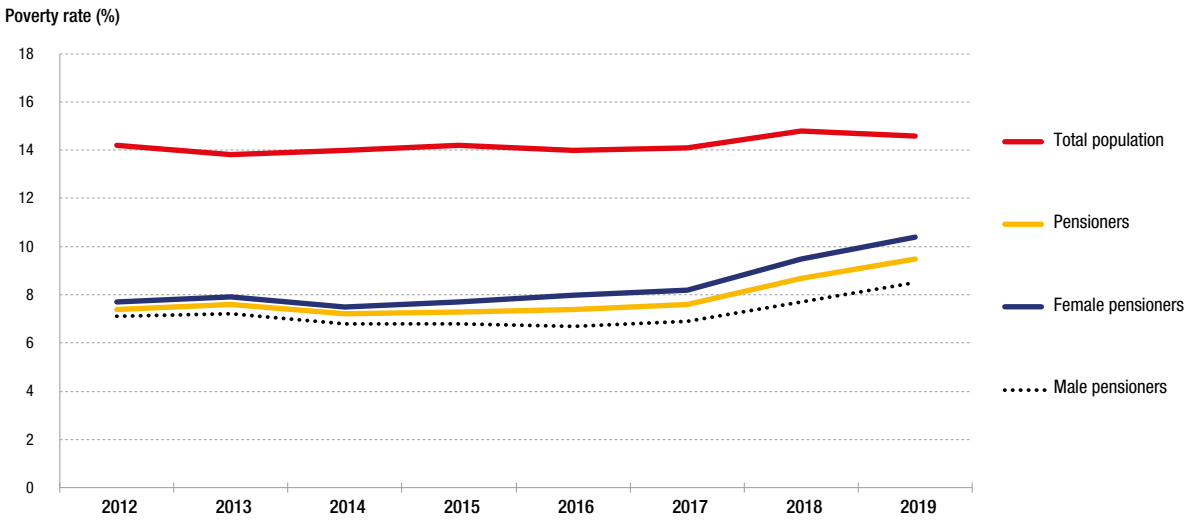
OBJECTIVE #2
OF SOCIAL SECURITY POLICIES ON OLD AGE: IMPROVE POLICYHOLDERS' KNOWLEDGE OF THEIR PENSION RIGHTS

The transparency of the pension system, and in particular the policyholders' good knowledge of their pension rights, has been an objective of the system's management since the 2003 reform. The technical difficulties associated with the fragmentation of the pension system into many schemes have been overcome for the most part, so that information is now accessible thanks to modern means of communication.

Scoping indicators: Insured persons' knowledge of pension entitlements

According to the survey "Reasons for retirement in 2021"[8], which surveyed 5,500 people, living in France, living at the time of collection and retiring between 1 July 2019 and 30 June 2020, knowledge of the pension system varies greatly depending on the arrangements. 74% of new retirees say they are familiar with the concept of full benefits; on the other hand, the discount and premium, or the progressive pension, remain relatively unknown: respectively 33%, 42% and 40% of respondents say they have never heard of it.

GENDER POVERTY RATE FOR PENSIONERS AND THE GENERAL POPULATION



Source: Insee-DGFiP-Cnaf-Cnav-CCMSA. 2020. Tax and social income surveys 2012 to 2019.

8 Source: DREES. 2021. Pensioners and pensions

Resource indicators: Right to pension information and information provided by the MSA

The right to pension information is implemented by the GIP (public interest grouping) info-retraite which brings together the 35 mandatory, basic and complementary pension organisations. The MSA, a stakeholder in this system, guarantees individualised information on all pension rights throughout their career.

This right to information makes it possible to:

- Retrace the entire career, in a document common to all pension organisations;
- Verify information about beneficiaries;
- Know the approximate amount of future pensions according to retirement age.

The "Pension Information" service on the MSA website provides access to all useful information:

- Individual retirement statement;
- Results of simulations carried out during the retirement information interview;
- Overall indicative estimate (SAE).

The RIS is also sent individually by post from the age of 35, every 5 years. From the age of 45, a retirement information interview allows you to review your future retirement with an expert. At 55, then every five years, the SAE is also sent out.

OBJECTIVE #3
OF SOCIAL SECURITY POLICIES ON OLD AGE: GRADUALLY INCREASE THE DURATION OF ACTIVITY AND INCREASE THE EMPLOYMENT OF OLDER WORKERS

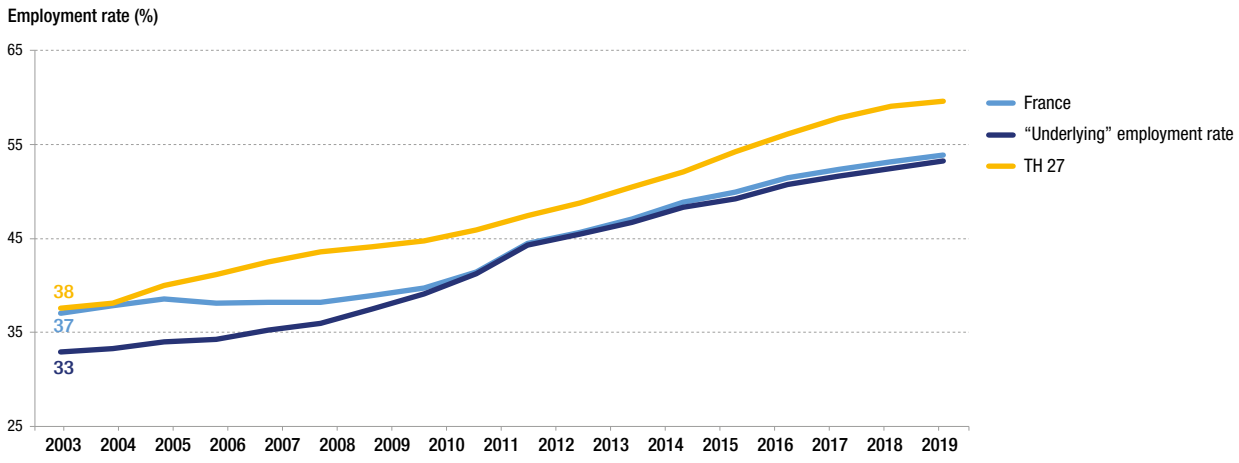
The aim of maintaining the financial balance of pay-as-you-go pension schemes has resulted, as the reforms have progressed, in a gradual lengthening of the contribution periods needed to benefit from a full pension. However, this change only makes sense if it is accompanied by an increase in the employment of older workers, otherwise it leads to a deterioration in the situation of older workers. The observation shows that activity and employment are adjusting well, which highlights the existence of a "horizon effect" by which the evolution of the pensionable age influences the behaviour of employees and employers on the labour market.

Scoping indicators: Employment rate for 55-69 year olds

Background: The "Europe 2020" strategy for employment and growth, succeeding the Lisbon Strategy (2000-2010), sets out, among the main objectives, the ambition to increase the employment rate of women and men aged 20 to 64 to 75%, in particular through greater participation by older workers.

Description of the indicator: The underlying employment rate is an employment rate adjusted for demographic composition effects. The data disseminated by Eurostat do not make it possible to calculate the underlying employment rates for the various European countries.

EMPLOYMENT RATE OF 55–69-YEAR-OLDS (INDICATOR FROM 2003 TO 2019) (EMPLOYMENT RATE OF SENIOR CITIZENS AND ADJUSTED FOR DEMOGRAPHIC CHANGES COMPARED WITH THE EU 27)



Source: INSEE. 2020. Employment surveys, DARES calculations for France; Eurostat. 2020. Labour force surveys for the EU27.

INSURANCE PERIOD REQUIRED FOR A FULL-RATE PENSION PER GENERATION

Generations	1926-1948	1949	1950	1951	1952	1953-1954	1955-1957	1958-1960	1961-1963	1964-1966	1967-1969	1970-1972	1973
Number of quarters required	160	161	162	163	164	165	166	167	168	169	170	171	172

France results and performance: The employment rate of senior citizens, i.e. the proportion of people in employment between the ages of 55 and 69, is lower for the household population in mainland France than the European average: 53.9% on average in 2020 compared with 59.6% in the EU 27. That number is constantly rising, though.

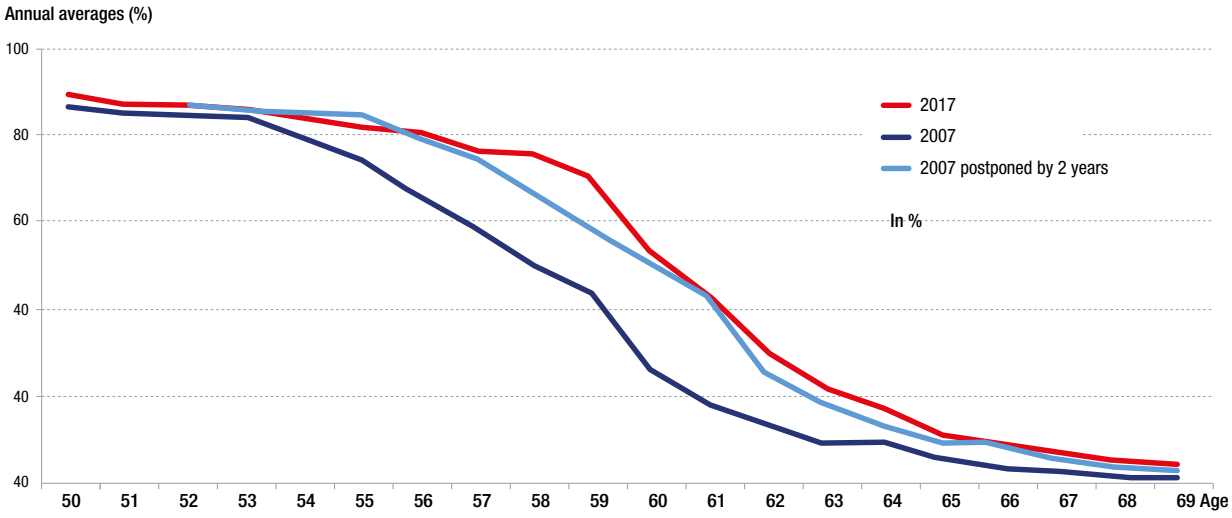
Indicators of means: Reforms modifying the average retirement age

The average retirement age under the general scheme was 63.1 years in 2019 (62.2 years across all schemes). Following the various reforms, in particular those of 1993 and 2003, the period of insurance required for a full pension has increased since the 1949 generation. From the 1958 generation onwards, the required insurance period increases by one quarter every three generations. Since the 2014 reform, the law plans to continue this increase until 172 quarters from the 1973 generation.

Result indicators: Impact of reforms on the activity rate of seniors

The 2010 reform made it possible to postpone by 2 years not only the activity rate of senior citizens, but also the peak in the number of permanent contract terminations in the run-up to the age of entitlement to pension benefits[9]. Activity and employment react positively and adjust to the new retirement age.

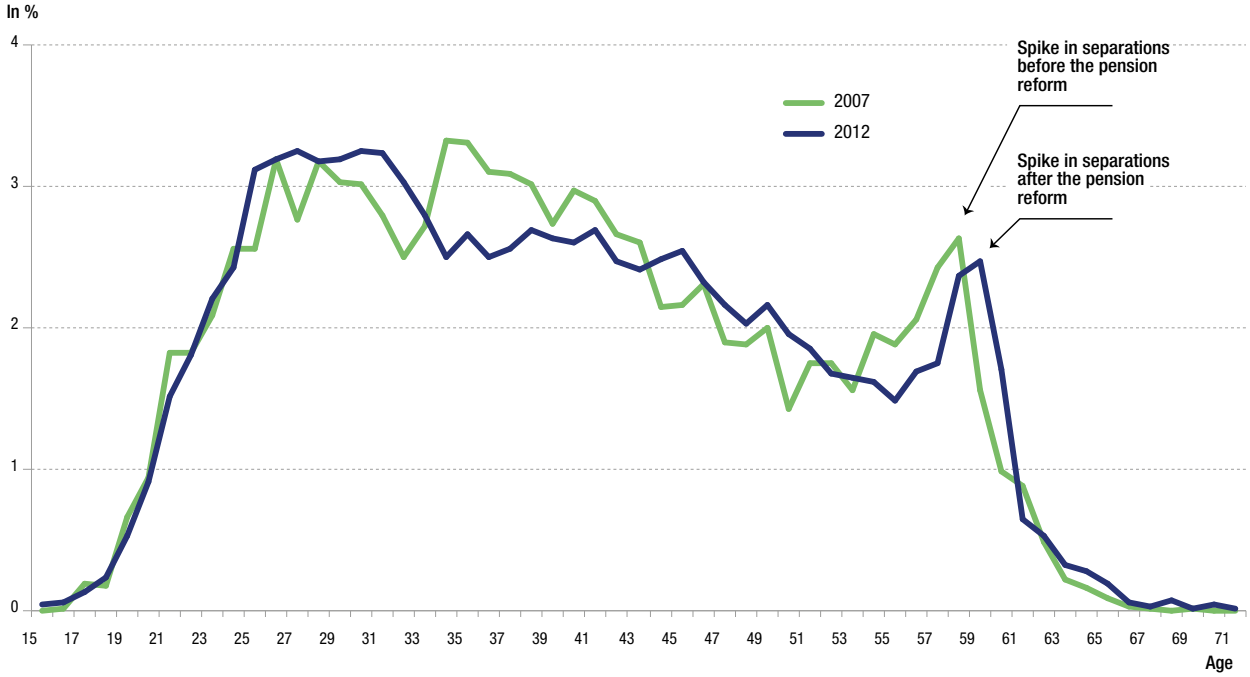
ACTIVITY RATE BY AGE IN 2017 AND 2019



Source: DG Treasury. 2022. *Effects of an age measure on the accounts balance of public administrations.*

9 Source: DG Treasury. 2022. *Effects of an age measure on the accounts balance of public administrations*

BREAKDOWN OF TERMINATION OF PERMANENT CONTRACTS DUE TO DISMISSAL OR CONTRACTUAL TERMINATION BY AGE



Source: DG Treasury. 2022. *Effects of an age measure on the accounts balance of public administrations.*

APPENDIX 1: CADES: RESOURCES, EXPENSES AND FINANCING STRATEGY

CADES, RESOURCES AND EXPENSES

To carry out its mission, CADES has earmarked resources that are protected and secured by decisions of the Conseil Constitutionnel. Its resources are:

- The CRDS: "contribution for the redemption of social debt", an exclusive resource at CADES specially created for this purpose from the outset;
- A share of the CSG (general social contribution);
- An annual payment from the Pension Reserve Fund (FRR).

The revenues allocated to CADES for the settlement of the social debt, which concern all household income, must be foreseeable. Furthermore, these earmarked revenues must not result in the creation or increase of a deficit in the basic compulsory social security schemes and the FSV (Old Age Solidarity Fund).[10]

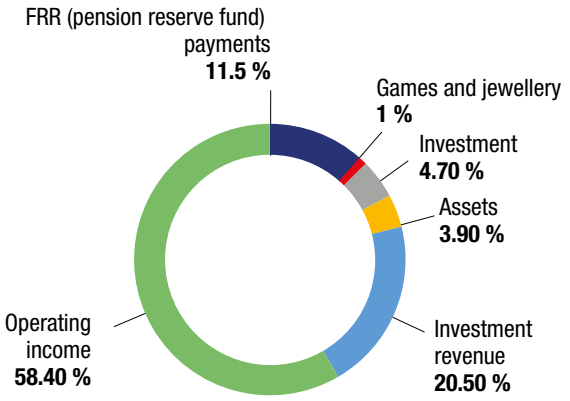
CADES takes out loans on the financial markets, using a wide variety of instruments, which it progressively repays using its own resources.

In 2019, CADES used revenues from the CRDS (Contribution for the redemption of social debt) and the CSG (General Social Contribution) (€208 bn) supplemented by payments from the FRR (Pension Reserve Fund) (€18.9 bn) and proceeds from the sale of real estate (for €467 million) for a total of €227.4 bn.

The remainder of the resources come from borrowings issued by CADES on international financial markets. The net amount of borrowings issued is represented for accounting purposes by the net position of CADES, which at the end of 2019 was negative at €89.1 bn. This net position is modified each year by the allocation of income for the financial year. For 2019, income was positive at €16.3 million.

Contributions based on earned income represent nearly 60% of the total and the more stable contributions based on replacement income, 20%. The more fluctuating share of income from capital and gaming represents less than 10% of the total resource.

BREAKDOWN OF CADES' RESOURCES IN 2019



Source: CADES. 2019. 2019 annual financial report.

CADES, as an issuer of financial products, must pay interest annually to its investors. Thus, in 2019, the net amount of interest paid to investors was €2 bn.

CADES' INCOME, EXPENSES AND RESULT

In €bn	2019	2020
Net income from the resource	**18.3**	**17.6**
Expenses	**2**	**1.5**
Result	**16.3**	**16.1**

Source: CADES. 2020. 2020 annual financial report.

Overall, the positive performance of €16.1 bn at the end of 2020, the allocation of which is mechanically allocated to the redemption of the social debt, allows CADES to continue the mission entrusted to it by Parliament.

10 Decision DC 2010-616 of the Conseil Constitutionnel

FINANCING STRATEGY AND DIVERSIFICATION OF CADES' INSTRUMENTS

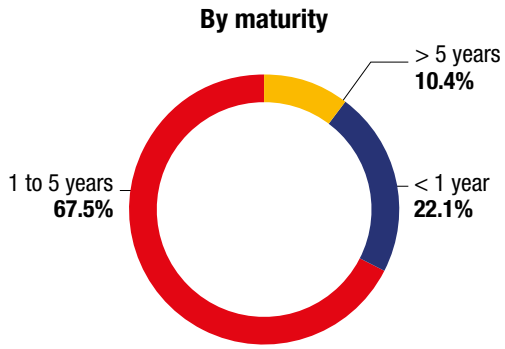
CADES' financing strategy, which involves issuing securities on the capital markets, is based on CADES' creditworthiness and the optimal diversification of its financing sources.

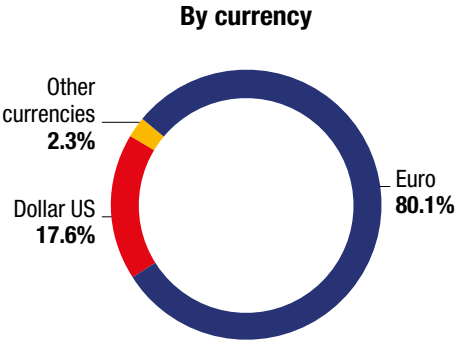
At the same time, numerous direct contacts have been established with the main investors, to encourage the managers to invest as widely as possible and at the best price in the securities issued by CADES.

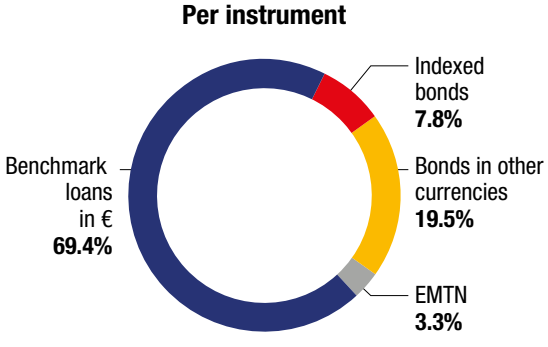
CADES uses a very diversified range of instruments (index linked bonds, euro benchmark bonds, etc.) and issues securities with different maturities and in different currencies to offer a variety of financial products that can be matched to the different investment strategies of investors.

Long-term bond financing is characterised by great flexibility in the use of a wide variety of products, maturities and currencies.

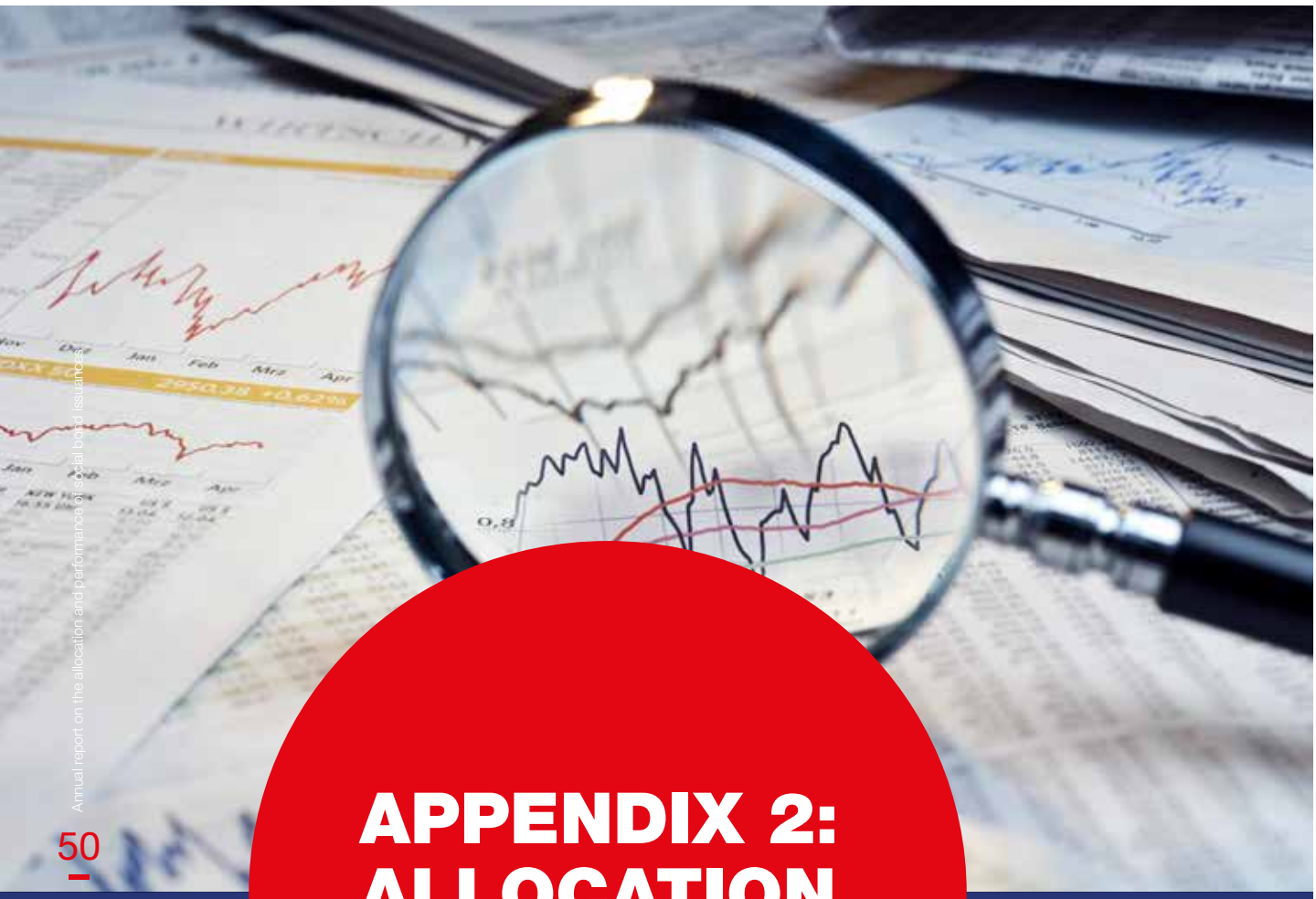
BREAKDOWN OF MEDIUM- AND LONG-TERM OUTSTANDING DEBT AT 31 DECEMBER 2019







Source: CADES. 2019. 2019 annual financial report.



APPENDIX 2: ALLOCATION AUDIT REPORT

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Caisse d'Amortissement de la Dette Sociale

Limited Assurance Report on the allocation at 31st December 2020 of proceeds from the Social Bonds issued by CADES

Caisse d'Amortissement de la Dette Sociale
139, rue de Bercy
75572 Paris Cedex 12
This report contains 6 pages

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Limited Assurance Report on the allocation at 31 December 2020 of proceeds from the Social Bonds issued by CADES

This is a free English translation of the Assurance report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with professional standards applicable in France.

To the Management,

In response to your request, we hereby present our moderate assurance report on the allocation, as at 31st December 2020, of the funds raised within the framework of the Social Bonds, including all the bond issues carried out by la Caisse d'Amortissement de la Dette Sociale (**CADES**) within this framework (the **Verified Information**), appearing as total amounts allocated in the allocation and performance table on page 18 of the "2020 Allocation and Impact Report" (the **Document**), in accordance with the **Standards** referred to below.

The **Standards** is composed of the following documents:

— the "Social Bond Framework" developed by CADES for social bond issues carried out within this framework and included in the Second Party Opinion issued by Vigeo Eiris prior to the Social Bonds emissions, which is available on CADES website[1].

— the reporting procedures developed by CADES for the preparation of the Document.

Management's Responsibility for Verified Information

CADES' management is responsible for preparing the Document including the Verified Information, in accordance with the methods and processes described in the Standards, based on:

— the sources of information used by CADES to establish the amounts allocated to the eligible debts;

[1] https://www.cades.fr/pdf/investisseurs/

— the internal control procedures it considers necessary to ensure that the information is free from material misstatement, whether due to fraud or error.

The Management is also responsible for:

— the prevention and detection of fraud and the identification of and compliance with laws and regulations applicable to its activities;

— ensure that the personnel involved in the preparation and presentation of the Document are properly trained and that the information systems are properly updated for all entities and activities involved in the preparation of the Document.

Independence and quality control

We apply the International Standard on Quality Control (ISQC)1[2] and as such have implemented a quality control system including documented policies and procedures to ensure compliance with ethical rules, professional standards and applicable laws and regulations.

We have complied with the ethical and independence requirements of the *Code of Ethics for Professional Accountants* issued by *the International Ethics Standards Board for Accountants*.

Our responsibility

Our responsibility is to express a conclusion on the audited information based on our work. We conducted our work in accordance with the International Standard on Auditing (ISAE) 3000[3]. This standard requires us to plan and perform our work so as to obtain moderate assurance that the information has been prepared, in all material respects, in accordance with the Standards, based on the accounting records used to prepare the CADES Financial statements.

However, it is not for us to comment on:

— the eligibility criteria defined in the Social Bond Framework which gave rise to an opinion by Vigeo Eiris prior to the social bond issues, and, in particular, to provide an interpretation of the terms of the Social Bond Framework;

— the management of the net proceeds of the amount of bonds issued within the framework of the Social Bonds before the funds are allocated;

[2] ISQC1 - Quality control for firms performing audit, review and other assurance and related services engagements

[3] ISAE 3000 - *International Standard on Assurance Engagements other than audits or reviews of historical financial information.*

— the actual use of the funds allocated to the selected eligible debts after their allocation;

— the performance indicators reported in the Document.

Our work relates only to the allocation of funds and not to the overall information contained in the Document.

Nature and scope of the work

The procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the audited information, whether due to fraud or error.

In making this risk assessment, we considered CADES' internal control over financial reporting in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

We conducted interviews with the persons responsible for the preparation of the audited information, with the management and various departments in charge of the information gathering processes and, where appropriate, with the persons responsible for the internal control and risk management procedures.

Our work consisted of:

— identifying the people responsible for the data collection of the Verified Information disclosed in the Document within CADES and, where appropriate, for the internal control and risk management procedures implemented;

— assessing the appropriateness of the reporting procedures in terms of their relevance, completeness, reliability, neutrality and understandability;

— verifying the existence of internal control and risk management procedures implemented by the entity;

— verifying the compliance of the eligible debts with the eligibility criteria as specified in the Standards;

— verifying the concordance of the allocation of the net proceeds to the eligible debts with the accounting and the underlying accounting data, as at for the year ended December 31st, 2020 and with the decree no 2020-1074 of 19th August 2020;

— verifying the consistency and concordance of the Verified Information with the information in the Document.

We believe that the sampling methods and sample sizes we have selected in the exercise of our professional judgment allow us to provide a moderate level of assurance; a higher level of assurance would have required more extensive audit work. Because of the use of sampling techniques and other limitations inherent in the operation of any information and internal control system, the risk of not detecting a material misstatement in the audited information cannot be completely eliminated.

Conclusion

We believe that the evidence gathered is sufficient and appropriate to provide a basis for our conclusion.

Based on our review, nothing has come to our attention that causes us to believe that the proceeds from the Social Bonds is not presented in the allocation and performance table on page 18 of the Document, in all material respects, in accordance with the Standards.

Paris La Défense, April 26th 2022

KPMG S.A.

Anne Garans
Partner
Sustainability Services

Hubert Préveraud De Vaumas
Partner

GLOSSARY

ACOSS: Central agency of social security organisations. Public administrative institution. Its main mission is to coordinate all French organisations involved in collecting social security resources.

ACS: Assistance with the payment of supplementary health insurance. Gives entitlement for one year to financial assistance, in the form of a cheque certificate, which makes it possible to pay in part or in full the annual amount of the supplementary health insurance.

ADELI: Automation of Lists. National directory listing regulated health professionals by mentioning their locations of practice and their diplomas, whether they are self-employed or salaried.

AFT: Agence France Trésor (AFT). An agency responsible for meeting the treasury needs of the State so that it is able to meet all its financial commitments at all times and under all circumstances. AFT manages government debt.

ALD: Long-Term Illness. A disease whose severity and/or chronic nature requires prolonged and particularly costly treatment.

AMC: Complementary health insurance. Health insurance system which supplements the general health insurance scheme by providing additional reimbursement of healthcare. It represents a group of companies: mutual insurance companies, provident institutions and insurance companies to which each individual can apply for mutual membership in addition to the compulsory scheme.

AMO: Compulsory health insurance. Means the three social protection schemes covering all or part of the expenses related to illness, maternity and private or occupational accidents, occupational diseases and disability cover. These three regimes are: the general regime, the agricultural regime, the special regimes.

ASPA: Solidarity allowance for elderly people. Monthly benefit granted to pensioners with low resources living in France. It is paid by the pension fund. Its amount depends in particular on the family situation (whether living with a partner or single).

ASSO: Social security administration, made up partly of national insurance schemes (mandatory schemes, additional insurance, state unemployment insurance) and of "national insurance-dependant bodies" (ODASS) (hospitals and social entities with separate accounting services).

AVBS: Healthy life years. The number of years a person of a given age can expect to live in good health. This statistical indicator is based, for each age, on the prevalence of healthy and unhealthy individuals and on known information on mortality at that age. An individual is said to be "in good health" when he or she is not suffering from functional limitations or disability.

Branches of the general social security system: Responsible for managing specific risks within the general social security scheme. There are 6 of them: the family branch managed by family allowances, the health branch managed by health insurance, the workplace accidents - occupational diseases branch also managed by health insurance, the pension branch managed by old-age insurance, the autonomy branch managed by the National Solidarity Fund for Autonomy and the collection branch managed by URSSAF National Fund.

CADES: Social debt repayment fund. Dismemberment of the State classified as a "social security agency" whose mission is to finance and extinguish the accumulated social security debt.

CCMSA: Caisse centrale de la MSA (Agricultural Social Mutual Fund). Head of the network of regional funds, the CCMSA contributes with these funds to the implementation of the agricultural social policy and represents the MSA at national level.

CNAF: National family allowance fund. A public institution that finances all family benefit schemes. It defines the strategy of the family branch of social security and the axes of the social action policy, which it manages through the network formed by the CAF (family allowance funds) distributed throughout the country.

CNAM: National health insurance fund. Manages the sickness (sickness, maternity, invalidity and death risks) and workplace accidents/occupational illnesses (AT-MP) branches of the general social security scheme.

CNIS: National Council for Statistical Information. Ensures consultation between producers and users of public statistics. It highlights new needs, in a forward-looking approach. It thus contributes to the establishment each year of a programme of statistical work and surveys in line with the needs of stakeholders to understand society in the social and economic field.

CNSA: National solidarity fund for autonomy. Contributes to the financing of assistance for the autonomy of the elderly and the disabled by paying the departmental councils a contribution to the financing of the personal autonomy allowance and the disability compensation benefit.

CRDS: Contribution for the redemption of social debt. Tax created in 1996 to reduce Social Security debt. Natural persons domiciled in France subject to income tax are liable to the CRDS.

CSBM: Consumption of medical goods and services. Represents the total value of goods and services consumed to meet individual health needs in order to treat a temporary health disturbance. It covers the scope of consumption made in France by French social security contributors and persons covered by state medical aid, or emergency care.

CSG: General social contribution. Partly proportional tax created on 18 December 1990, which contributes to the financing of social security and, since 2018, unemployment insurance, in place of contributions deducted from salaries.

CSS: Complementary health insurance. Supplementary health insurance for people with modest resources. Since 1st November 2019, it has replaced complementary universal health coverage and assistance with the payment of supplementary health insurance.

DREES: Directorate for Research, Studies, Evaluation and Statistics. Directorate of the French central public administration producing statistics and socio-economic studies. It is subordinate to the so-called "health and social" ministries and the Ministry of Economy and Finance.

ESG: Environmental, social and governance criteria. These criteria constitute the three pillars of extra-financial analysis. They are taken into account in socially responsible management.

EU-SILC: European Union Statistics on Income and Living Conditions. They are an instrument for collecting current and comparable multidimensional, cross-sectional and longitudinal microdata on income, poverty, social exclusion and living conditions.

FNPEIS: National fund for prevention, education and health information. Allows health insurance to cover expenditure on prevention, education and health information and public health. For example: screening programmes for major diseases such as cancer, vaccination programmes, health promotion and education programmes (nutrition, alcohol abuse, AIDS, etc.).

FSV: Old Age Solidarity Fund. Public institution placed under the supervision of the ministers responsible for social security and the budget. It finances certain old-age benefits covered by national solidarity and provided by the social security old-age schemes. These include in particular minimum old-age allowances for the elderly for all pension schemes and for certain schemes, namely increases in pensions for children and dependent spouses, flat-rate coverage of periods of unemployment and free validations of quarters for periods of absence from work.

ICMA: International Capital Market Association. Is the global professional organization, with de facto regulatory competence, of investment banks and securities firms participating in the international bond market.

INSEE: National Institute of Statistics and Economic Studies. Responsible for the production, analysis and publication of official statistics in France since 1946.

Negotiable debt of the State. Debt contracted in the form of financial instruments that can be traded on the financial markets (bonds and treasury bills).

PLFSS: Social security funding bill. Project presented by the government every year in the autumn with the aim of containing social and health spending.

REPSS: Social Security Policy Assessment Report. Instituted by the Social Security Financing Act for 2021 to replace the quality and efficiency programmes (PQE), they present, each year, the main objectives pursued by social security as well as the progress made.

RSI: Social scheme for the self-employed. Compulsory old-age insurance scheme for the self-employed. It guarantees the right to retirement benefits, disability insurance and death insurance.

SCN: services with national competence. Services of a national nature, the performance of which cannot be delegated at regional level and whose missions are "operational".

Social bonds. Bonds whose issuance proceeds are used exclusively to finance or refinance, in part or in full, new and/or ongoing social projects.

STSS: Health system transformation strategy. Health law adopted by Parliament on 16 July 2019. It aims to establish a better organised health system in each region with, in particular, the establishment of new local health structures.

Transferred debts or transfer of debts. Transmission of the legal link between a creditor and a debtor by a change of debtor.

URSSAF: Union for the collection of social security contributions and family allowances. Created to collect social security financing contributions. It collects unemployment and wage guarantee insurance contributions. It collects social security contributions on behalf of the State and uses forced collection in the event of formal notice.

CADES

Rembourser la dette, assurer le futur

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