

Covéa Finance's Internal Audit Policy

1. Background

Under Article 62 of Delegated Regulation (EU) no. 231/2013 and Articles 321-83 of the French Financial Markets Authority (AMF) General Regulations, Covéa Finance, as an asset management company approved by the AMF, is required to establish a periodic internal audit function that is separate and independent from its other functions.

Covéa Finance is a simplified joint stock company with a collaborative management team and a Supervisory Committee. It is a wholly-owned subsidiary of the Covéa Insurance Group, subject to the regulatory requirements of the insurance sector and regulated by the French Prudential Supervisory Authority (ACPR).

In 2016, Covéa Finance decided to create a team dedicated to periodic audits in order to secure the entire system and maintain a certain autonomy in the missions and work entrusted to this division. Such work had previously been carried out by external service providers or with the help of members of the team responsible for internal audit.

This policy sets out the framework for the internal audit function and how it operates, covering all aspects of its work, from the preparation of its assignments to the follow-up of its recommendations.

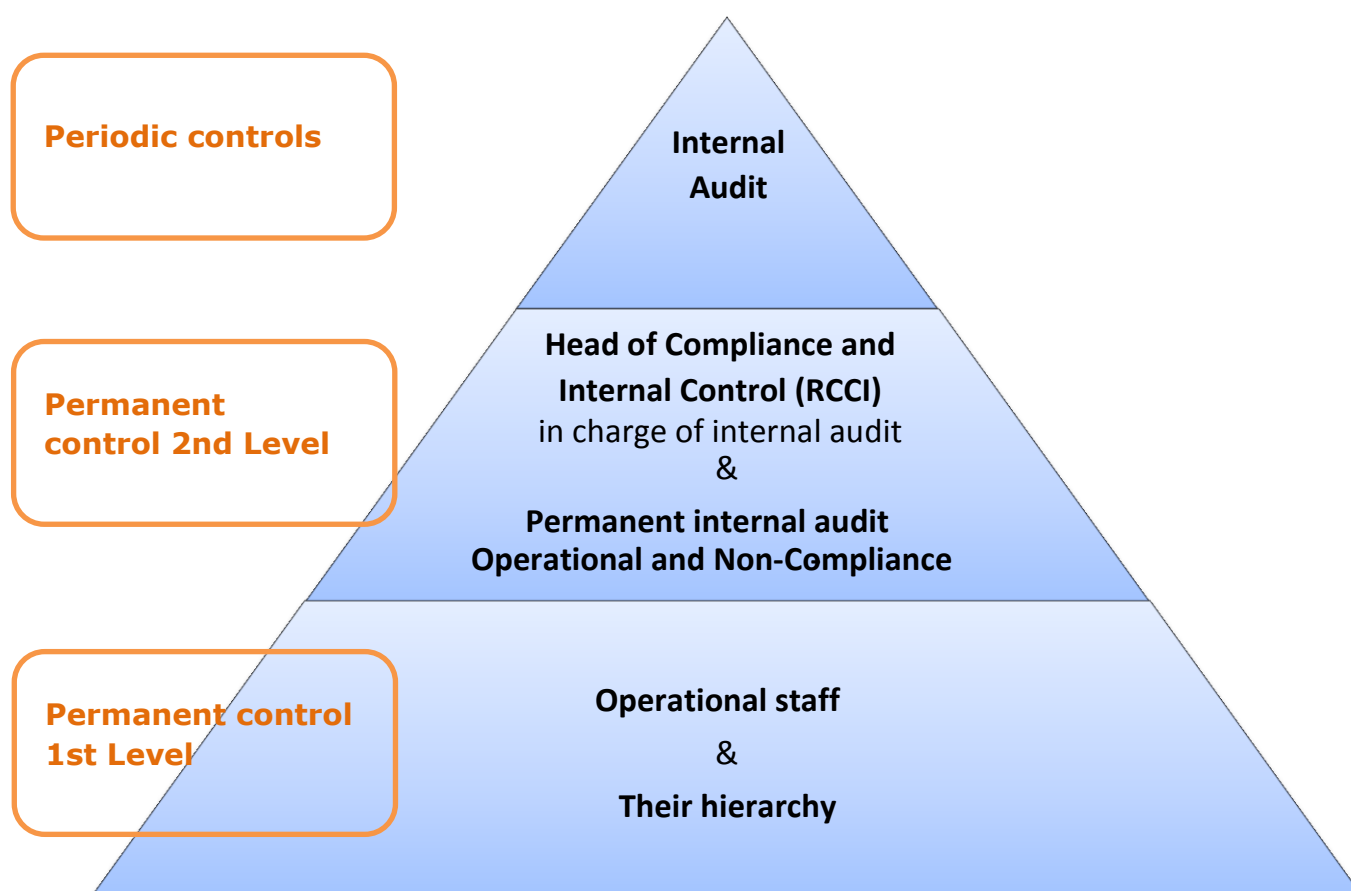
2. General principles

In accordance with the Decree of 9 March 2006, the company's internal audit system includes an internal audit function.

The internal audit is a component of Covéa Finance's audit system. It intervenes on a third level of risk management, designed to assess the effectiveness of the compliance and internal audit system.

The first two control levels are permanent monitoring. The first level of control is implemented at the operational level by the employees and their hierarchy. The second level of control is exercised by internal audit.

The audit system is represented in the form of a pyramid. It emphasises that each control level covers a wider scope with a finer degree of detail than the one above it. The information reported from the different levels of the audit system provides a comprehensive and measured view of the risks inherent to the company.

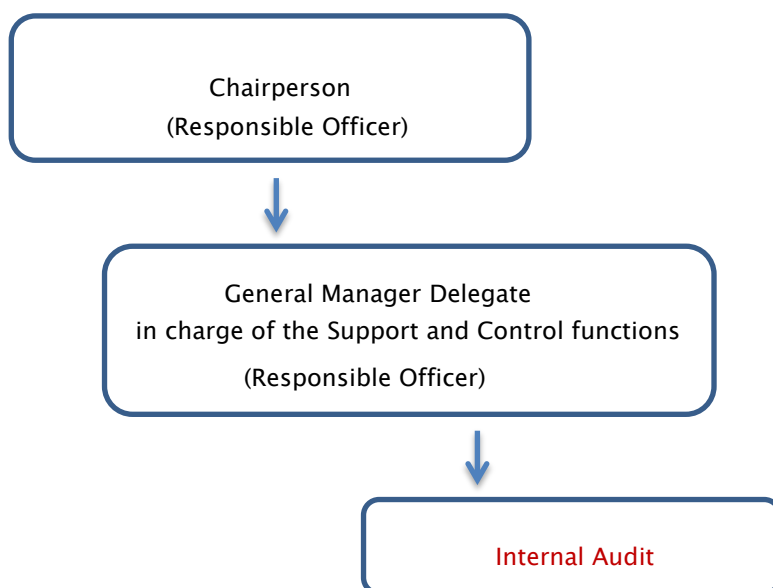


Covéa Finance's internal audit department prepares and conducts its audits based on three main areas of concern:

- Meeting the needs and concerns of the company's governance, notably those of the Chairperson;
- Ensuring the audited activities comply with the regulator's requirements;
- Assessing the entire L1 and L2 permanent control system.

3. Scope and organisation of the internal audit

The internal audit function falls under the authority of the Chairperson and operates under the responsibility of a senior manager. It has the duty of auditing all areas and sectors of the company's business.



Internal audit contributes to improving the organisation's risk management. Periodic audits provide assurance that the company's operations are compliant and carried out by employees, and the resulting recommendations remedy any inadequacies detected.

The function is carried out by the dedicated team; however, it may use external service providers under its responsibility and direction for technical assistance, additional resources, and to obtain a market view, etc.

A multi-year audit plan is drawn up by Internal Audit, shared by the Management Committee and validated by the Chairperson. It is prepared to cover Covéa Finance's main activities by including the orientations and priorities of Corporate Governance and in particular those of the Chairperson. The internal audit plan covers a five-year cycle. It is reviewed and adjusted each year according to the work to be carried out and/or the emergence of new risks.

4. Drafting the internal audit plan

The audit plan's construction is based on the following:

- Analysis of Covéa Finance's main risk levels. To this end, sensitive 'core business' activities shall be reviewed annually under one of their components i.e. Equity Management / Fixed-Income Management / Multi-management / Risk Control / Trading;
- Taking into account changes affecting the company's processes, activities, or legal scope, and examining the work of the UCITS' statutory auditors, the principals, or the management company;
- The orientations and possible requests of the members of the Covéa Finance Management Committee and the Supervisory Committee;
- Comments on the summaries of the work of the internal audit and of the Risk Committee coordinated by Risk Management;
- Examination of the conclusions of controls or investigations carried out by the supervisory authorities that regulate Covéa Finance;
- Examination of the work of Covéa Group's Audit and Internal Control Department;
- The expertise of the Internal Control and Internal Audit teams.

5. Conducting internal audit assignments

The assignments carried out are based on the audit plan presented to the Management Committee and approved by the Chairperson. However, the plan must be flexible enough to include during the year additional audits requested by Covéa Finance's General Management or the AMF.

An audit assignment is divided into three periods comprising the following five steps:

- Once the scope of the assignment has been specified by the Head of Internal Audit, the assignment letter is e-mailed to the manager of the area to be audited. The objective is to satisfy the requirements and concerns of the Chairperson by incorporating regulatory expectations. The letter specifies, in particular, the audit's scope and objectives, the main points to be audited, the initial phase, and resources (internal or external) used to conduct the audit.

Preparation

- A preparatory phase enables collecting information about the audited area, understanding the scope of the audit, and planning its various stages;

- The analysis phase involves conducting interviews and examining the information gathered. The auditors produce their diagnosis based on the strengths and weaknesses of the audited area.

Realisation

- Partly conducted using computer data, a test phase is then carried out to substantiate the findings.
During the assignment, as and when required, the auditors notify the auditees of their findings in order to provide explanations for any anomalies found, and seek their acceptance of the diagnosis and recommendations.

- The Internal Audit produces a provisional audit report presenting the work carried out. The findings are accompanied by recommendations for the audited area. This report is presented to the relevant managers enabling them to formulate their observations or to confirm their agreement with the audit recommendations. In the event of any disagreement, they must explain their position.

Communication

The final audit report is then sent to the members of Covéa Finance's Management Committee. It will then be supplemented by any corrective actions decided upon and the time frame for their implementation.

Within the predefined missions, the internal auditor shall have free and unrestricted access to documents, files, tools, as well as to Covéa Finance employees and managers.

Once validated, the report is then sent to the relevant managers and to the permanent internal audit teams. It is made available to members of the Supervisory Committee and to Group Internal Audit.

6. Follow-up of Internal Audit's recommendations and activities

Once the report has been circulated, Internal Audit monitors the implementation of its recommendations made to the Management Committee at the quarterly implementation deadlines set out in the contract.

Internal Audit ensures the effective implementation of the recommendations through interviews, document collection, and tests. Recommendations remain open until Internal Audit deems that there is reasonable assurance of their having been implemented.

Conclusions regarding progress implementing the recommendations are recorded in a quarterly summary sent to the managers of the audited area and to the members of Covéa Finance's Management Committee.

Internal Audit issues a quarterly activity report informing the Management Committee of the progress of the audit plan and the status of the audit recommendations' follow-up. It also monitors the implementation of recommendations issued following audits carried out by external entities such as the AMF, and Group Internal Audit, etc., during which the internal auditor plays a coordinating and supervisory role.

7. Appendices – regulatory context

Delegated Regulation (EU) no. 231/2013

Article 62

Permanent internal audit function

1. Where appropriate and proportionate to the nature, scale, and complexity of its business and the nature and range of its collective portfolio management activities undertaken in the course of that business, the management company shall establish and maintain an internal audit function that is separate and independent from its other functions and operations.

2. The internal audit function referred to in paragraph 1 shall:
 - a) Establish, implement, and maintain operational an audit program to review and assess the adequacy and effectiveness of the systems, internal audit mechanisms, and other arrangements put in place by the management company.

 - b) The 83/40 Official Journal of the European Union 22.3.2013 EN shall make recommendations based on the results of the work carried out in accordance with point (a);

 - c) Verify compliance with the recommendations referred to in point b);

 - d) Report on internal audit matters.

AMF General Regulations in force on 01/01/2020

Title 1b - UCITS management company

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Section 13 - Periodic audit

Article 321-83

Where appropriate and proportionate in light of the nature, size, complexity, and diversity of the activities carried out by the management company, it shall establish and maintain operational a periodic monitoring function that is separate and independent from its other functions and activities. The responsibilities are as follows:

1. Establish and maintain in operation an effective audit plan to examine and evaluate the adequacy and effectiveness of the management company's systems, internal audit mechanisms, and arrangements;
2. Issue recommendations based on the results of work carried out in accordance with no. 1;
3. Verify compliance with these recommendations;
4. Provide reports on internal audit issues in accordance with Article 321-36.

Section 14 - Organisation of compliance and internal audit functions

Sub-section 1 - Elements of the compliance and internal audit system

Article 321-84

The compliance and internal audit system includes a permanent control described in Article 321-85 and a periodic audit described in Article 321-83.

Article 321-86

First-level controls are carried out by those performing operational functions.

In the form of second-level controls, the permanent control ensures that the first-level controls are properly carried out.

Subject to the provisions of Article 321-90, permanent control shall be carried out exclusively by persons assigned to it.

Subsection 2 - Those responsible for compliance and internal audit

Article 321-88

If the portfolio management company establishes a separate and independent periodic control function pursuant to Article 321-83, this function shall be assigned to a different periodic control officer to the officer responsible for the compliance and internal audit function.

Title 1b - UCITS management company

Chapter III - Organisational rules

Section 3 - Responsibilities of the management and supervisory bodies

Article 321-36

The management company shall ensure that its managers frequently receive, at least once a year, reports on compliance, risk management, and periodic control that shall notably specify whether appropriate measures have been taken in the event of any deficiencies.

The management company shall also ensure that its supervisory body, if it exists, regularly receives written reports covering the same matters.

These reports shall include the implementation of the investment strategies and the internal procedures for the adoption of investment decisions specified in b) to e) of Article 321-35.

Title 1a - FIA Portfolio Management Company

Chap III Organisational rules

Section 14 - Periodic control

Article 318- 4 8

[Disregarding all provisions]