



Covéa Finance

Internal Control Policy

1. Definition of AMF Internal Control

Internal control is a measure defined and implemented by the accountable managers and staff of companies, who aim to ensure:

- compliance with the laws and regulations to which the company is subject;
- the application of the instructions and strategies issued by the General Management and communicated to employees;
- the successful operation of the company's internal processes, especially those contributing to the safeguarding of its assets (tangible or intangible such as know-how or reputation);
- the reliability of the information issued, especially financial information, through, for example, the separation of tasks, the identification of the origin of information, the compliance with accounting principles and financial management, etc.;

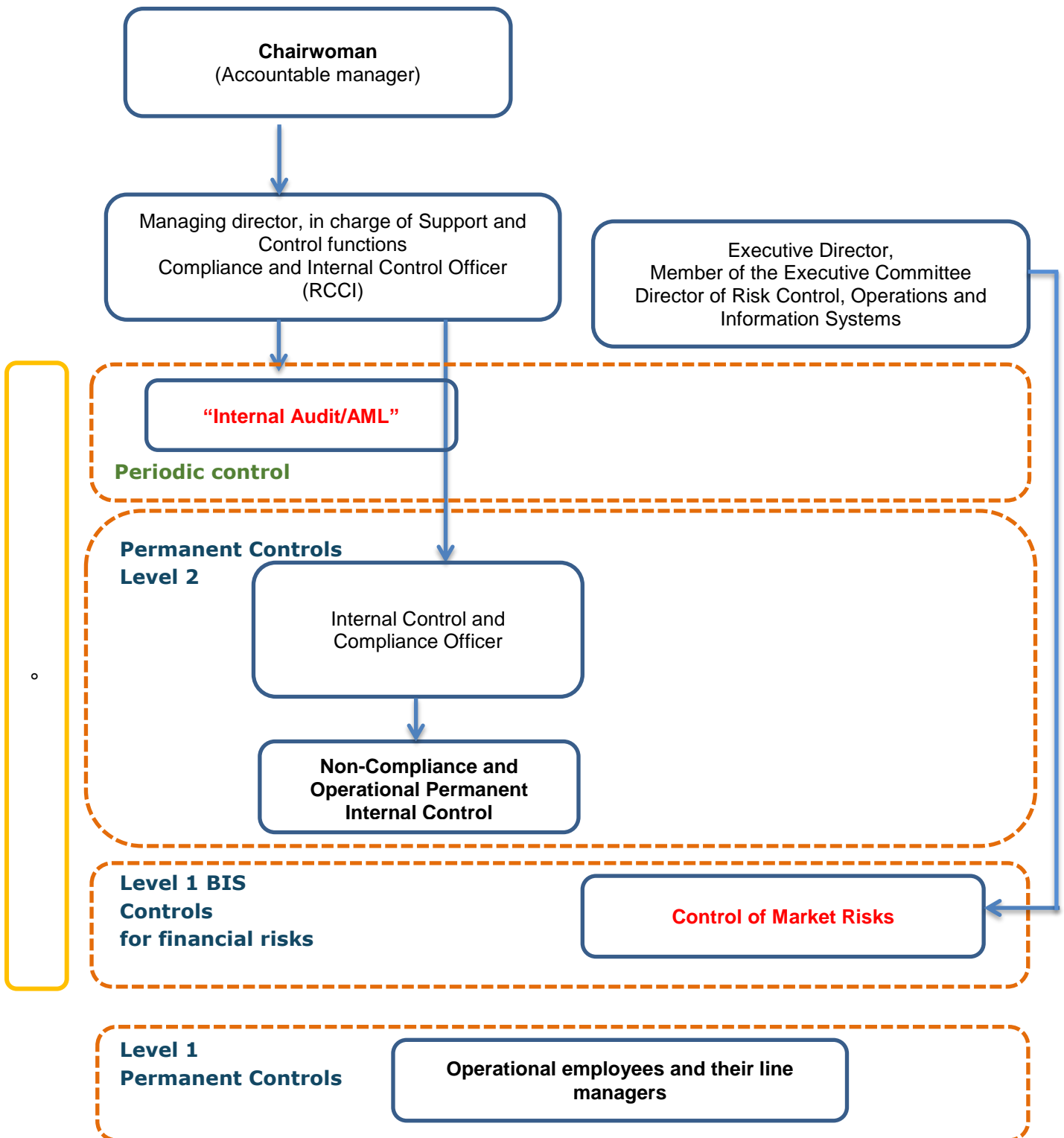
And generally, contributes to the control of its activities, the efficiency of its operations and the effective use of its resources.

However, internal control cannot provide an absolute guarantee that the company's aims will be achieved.

Source: Reference framework on risk management and internal control systems July 2010

2. The organisation of the Permanent Internal Control system at Covéa Finance

The organisation of the control system within Covéa Finance, in accordance with the AMF recommendation, 2014-06



In this framework, the main objectives of the internal control system are to:

- a. control and manage the operational risks, detect any risk of non-compliance with the professional obligations applicable to investment service providers;
- b. set up all measures to minimise the consequences attached to the failure by the service provider to respect its professional obligations;
- c. monitor that the defined procedures and policies are respected;
- d. ensure the respect of management strategies and the consistency of investment and divestment decisions specified during executive committee meetings;
- e. develop the mapping of all risks (non-compliance and operational risks) of the asset management company shared with the business lines, qualifying the risks (Probability of occurrence, evaluation of impact);
- f. ensure the continuous improvement of procedures, recommendations, corrective actions, monitoring of the implementation;
- g. control the ethics of employees and conflict of interest situations

Le Règlement de Bonne Conduite [Good Conduct Regulation] of the Association Française de la Gestion (AFG) of December 2009, Le guide de Gouvernance des Sociétés de Gestion [Governance Guide for Asset Management Companies] (AFG) in January 2017 and Règlement Général de l'Autorité des Marchés Financiers [General Regulation of the Financial Markets Authority (AMF), Articles 318-49 to 318-57, 321-30, 321-31, 321-33, 321-35, 321-36 and articles 321-83 to 321-92, impose on Covéa Finance, as an asset management company approved by the AMF, a Compliance Function in charge of advice and assistance with the implementation of legal and regulatory obligations and an Internal Control Function in charge of the level two permanent control which covers all activities and employees of the asset management company, including duties of business watch, advice, training and control of the compliance of the transactions carried out (respect of regulatory constraints, procedures, ethical constraints).

This Internal Control system relies on control systems integrated with functional and operational processes.

3. Participants in Internal Control

Internal Control concerns everyone, including governance bodies and all company employees.

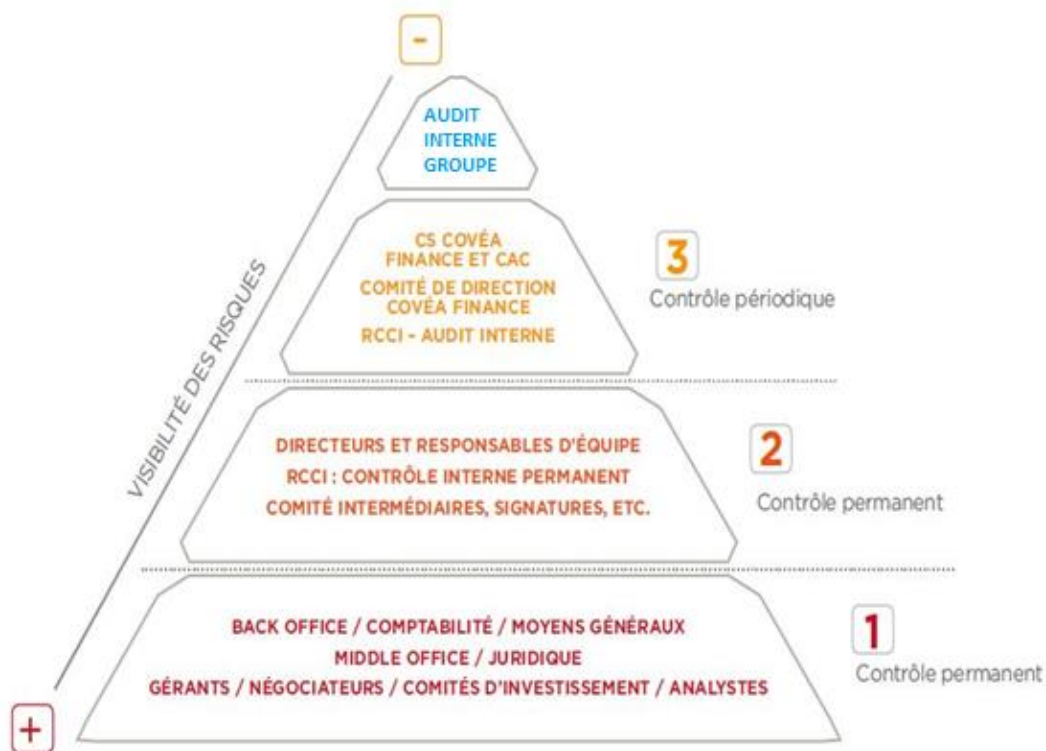
In order to achieve this, each employee concerned should have the knowledge and information required to establish, operate and monitor the internal control system, with regard to the objectives that have been assigned to them.

For this purpose, all management teams and the majority of other Covéa Finance employees hold AMF certification.

This is also the case of the operational managers and internal controllers who must play an important management, information and controlling role.

These participants operate on 3 different levels:

- 2 permanent internal control levels and
- a periodic internal control level (called "level 3", or Internal Audit).



4. Participants in Permanent Control

There are two permanent internal control levels:

On level 1, the controls consist of permanent and operational monitoring carried out as an integral part of transaction processing. They focus on the processing and management of transactions during the day, on their satisfactory completion, and their correct incorporation into the position-keeping, accounting and summary systems at the end of the day.

It is therefore essential to keep the policies and procedures related to each service up-to-date, bearing in mind that the internal control function does not draft any procedure or policy covering the operational activities.

These level 1 controls are performed by each employee in the normal course of their daily activities, both by Front Office, Middle Office, Back Office, other support functions or subcontractors of Covéa Finance. These controls must be formalised. Without formalisation of these controls, they cannot be considered as performed.

On level 2, the “permanent” controls are performed retrospectively, at a predefined or random frequency, by entities not operationally involved, namely by the various operational managers in the normal course of their functions and by Covéa Finance’s Internal Controller team, dedicated to these controls.

These level 2 controls are verifications of substance and form in order to validate the effectiveness of the level 1 controls, the compliance of the process and processing methods relating to a transaction or file and to specifically monitor the various related operational risks.

These level 2 permanent controls focus more specifically on:

- The compliance of the operations performed by the company, of its organisation and of its internal procedures with:
 - Professional regulations and obligations (AFG, AMF, French Monetary and Financial Code, etc.) integrating the opinions formulated by the Compliance Function;
 - Contractual commitments related to asset management activities for the account of Third parties and with the investment constraints defined by the UCI prospectuses
 - Decisions made by the Directors of the company.
- Control of operational risks and Fraud;
- Security and validation of the transactions carried out;
- Respect of other due diligence procedures related to the monitoring of risks associated with transactions;
- Ethics, including conflicts of interest and corruption risks, see Conflict of Interest Prevention and Management Policy.

The level 3 control duties (called “Periodic Controls”) are carried out by independent participants defined in the Internal Audit Policy.

5. Performance of duties and management of continuous improvement

Firstly, the Internal Control and Compliance Officer and the members of the Internal Control, have sufficient resources to perform their duties and have access to all necessary information such as the tools and applications used by the Company in the course of its activity, (see Principle no. 8 from the Governance Guide for Asset Management Companies published by the AFG in January 2017. The content of this Governance Guide for Asset Management Companies applies to all French asset management companies).

5.1 Performance of level 2 Internal Control duties

The Internal Control Function performs its control tasks in complete autonomy at the frequencies established in its annual action plan and its control schedule, presented in the Executive Committee meetings.

Each of its controls is formally documented in a detailed summary report. All such documents are made available to the AMF, the statutory auditors, the Internal Audit and the Covéa Group Audit.

The control plan and the mapping of global risks are modified according to the conclusions of the internal audit, the group audit, compliance and the control of market risks.

All documents that have been used for the controls are archived in the permanent internal control system. Findings made are issued upon:

- Checking the compliance of the transactions performed with the company’s accreditation file,

- Checking that the existing procedures (modelled with the Méga software) are made available to staff, kept up-to-date and describe for each transaction executed:
 - the process for recording, processing and returning information,
 - the areas of responsibility of each participant,
 - the level 1 control procedures and tasks.
- Verification in their day-to-day activities that employees apply the procedures implemented by the Asset Management Company in order to comply with applicable financial market regulations,
- Verification that internal control systems have been implemented and are operational,
- Verification that the system for prior approval and assistance relating to the introduction of new products or services has been implemented.

If an anomaly is found during any audit, Internal Control shall notify the operational staff concerned as well as their line managers, recommending corrective actions so that the latter can be implemented immediately. Internal control shall not issue any further requests once the anomaly is resolved.

If the anomaly persists, Internal Control escalates its alerts directly to the Accountable Managers.

Each quarter, a summary of the anomalies detected and of the action taken is forwarded to the members of the Covéa Finance Executive Committee. This activity report shall contain information on the monitoring of the recommendations and quantitative and qualitative information on the observations made during the quarter. This summary is made available to the Covéa Group Audit, the AMF and the Statutory Auditors.

The internal control teams also ensure that the internal control system is kept up-to-date by carrying out field tests on operational staff covering processes and existing control points. Such activities do not give rise to an audit report but to recommendations for changes to be made to level 1 and/or level 2 controls, as discussed with the operational staff themselves and with their direct line managers. Having performed their responsibilities, the Internal Control and Compliance Officer will adapt their tools and level 2 internal control schedule and update the annual action plan.

5.2 Performance of duties by the Internal Control and Compliance Officer in charge of the Internal Control Function

In accordance with regulations, the Internal Control Function also has a duty of advice, training and regulatory watch for the benefit of the managers and employees regarding the respecting of the applicable regulations and internal procedures. This task completes the duties of the Compliance Function in this field.

In this framework any modification of existing procedures or request for exemption from a procedure must be covered by former prior approval (generally by email) from the internal control teams, under the responsibility of one of the Internal Control and Compliance Officers.

Similarly, when modifying existing products or services or introducing new products or services, the Internal Control and Compliance Officer is asked to issue a written opinion (generally by email).

6. The Internal Control plan

Details of the duties of the Internal Control Function are formalised in an Internal Control Annual Action Plan, validated by the Executive Committee.

The Internal Control and Compliance Officer defines an annual internal control plan respecting the directions given within Covéa Finance and within the Covéa group.

This plan also includes any specific requests issued by the AMF.

This plan is then discussed and validated by the Executive Committee. It may be supplemented during the year and is reviewed at least annually.

This plan is sent to each member of the Executive Committee of Covéa Finance, to the internal audit of Covéa Finance and to the Internal Audit Management of the Covéa Group. It is made available to members of the Covéa Finance Supervisory Board, the statutory auditors and the AMF.

The construction of the internal control plan is based on:

- Identification of all level 1 and 2 control points regarding both the asset management company, the UCITS and the mandates, establishing a control frequency in line with potential risks,
- Any changes affecting the company's processes, activities or legal scope which impact the level 1 or 2 control points,
- Analysis of any regulatory changes impacting the internal control system,
- Any observations issued by the Auditors of the UCITS, the customers or the asset management company,
- Requests by members of Covéa Finance's Accountable Managers,
- Comments on the summaries of activities performed by Covéa Finance Internal Audit and the Risk Committee (coordinated by Covéa Finance Risk Control),
- Examination of the conclusions of controls or investigations carried out by the supervisory authorities of Covéa Finance,
- Examination of the work performed by the Group Internal Audit or the Group Internal Control,
- The expertise of internal control or internal audit teams,
- Regulatory changes based on the work of the Compliance Function, as well as on the Internal Control watch,
- Organisational changes in the Company and in the IT system.

The internal control plan must ensure that each listed level 2 control is conducted at least once a year and that department operations and supervision of the main risks are correctly translated into relevant level 1 controls.

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