

financial report

Experiences
2020

CO
vea Finance



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to the Supervisory Board and for
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Chairwoman's management report to the Supervisory Board and for the attention of the Sole Shareholder

French Commercial Code – L 232-1 *et seq.*

I hereby present to you the report on your company's activity for the financial year ended 31 December 2020 and submit for your approval the annual accounts for this financial year.

The Statutory Auditors will provide in their reports all necessary information on the lawfulness and accuracy of the annual accounts presented to you.

The financial statements and the notes thereto are enclosed with this report. Please refer to the notes for further information on the accounting principles used.

1. Economic environment of Covéa Finance

2020 was exceptional on many fronts. The Covid-19 pandemic and the ensuing worldwide lockdowns, some more strict than others, brought swaths of the economy to a virtual halt in what has been the worst global recession since the Great Depression. Faced with this unprecedented shock, the response of the public authorities was massive, both at the fiscal and monetary level.

And as public finances inevitably take a turn for the worse, it becomes evident that heavily indebted states that failed to reduce their current spending during a period of expansion will be further weakened. Moreover, the spread of ultra-expansionary monetary policies raises the question of their effects on financial stability and inequalities. While the deployment of vaccines, planned for the first half of 2021, should eventually contain the pandemic, the coming months remain marred by uncertainties as the end of the year saw new cases soar once again.

The year was also very eventful on the political front. In the United States, Democratic candidate Joe Biden won the election and replaced Donald Trump in the White House in January 2021. In Europe, Brexit talks finally resulted in an agreement. EU leaders also agreed on a €750 billion stimulus package, nearly half of which consists of subsidies. On the foreign exchange market, the euro rose 9.2% against the dollar, ending the year at \$1.227 to €1.00. The barrel of Brent oil fell 21.5% and ended the year at \$51.80.

In the United States, the monetary and fiscal response was unprecedented. The Federal Reserve very quickly deployed an arsenal of monetary support measures that went beyond those taken in 2008-2009. On top of a 150-basis point cumulative cut in the main policy rate and a series of financing arrangements to support the liquidity of the financial system and companies, the Federal Open Market Committee added an asset purchasing programme unlimited in amount and in duration. On the fiscal front, Congress approved stimulus packages for a record \$2.5 trillion. The plans provide in particular for direct aid to households, expanded unemployment benefits and loans, loan guarantees and other aid for businesses, states and communities. At the end of the year, and after difficult negotiations, a \$900 billion fiscal package extending these exceptional measures until the beginning of 2021 was approved. On the political front, Joe Biden ultimately won the presidential election. The Democratic majority in the House of Representatives shrank by five seats (219 to 203). The majority in the Senate remained undecided pending the second round of the senate election in Georgia in January 2021. If the Republicans win, the new President's ability to implement his agenda could be limited. On the economic front, in 2020 US economy took a historical hit, even if it was relatively smaller than that endured in the eurozone. The country's ability to rebound in 2021, however, remains conditional on the evolution of the pandemic and fiscal developments.

In the eurozone, the Covid-19 lockdown measures were particularly drastic and resulted in a brutal economic shock. In this context, the Member States flung the fiscal floodgates open and deployed substantial aid plans, characterised by partial activity and guaranteed loan schemes. The leaders of the EU Member States also agreed on a €750 billion stimulus package, of which €390 billion correspond to grants and €360 billion to loans. These funds will be borrowed from EU-wide financial markets and repaid through contributions from Member States and new taxes.

At the monetary level, the European Central Bank (ECB) announced a broad easing of its monetary policy with a €120 billion increase in its asset purchase program for 2020 and the creation of a new €1.85 trillion emergency purchase programme, open to a wider range of maturities and more flexible in the geographical distribution of purchases.

Lastly, at the political level, the European Union and the United Kingdom finally managed, a few days before the deadline, to reach an agreement on their future relations. This agreement contemplates the establishment of a free trade area between the European Union and the United Kingdom without customs duties or quotas on all goods. The "non-tariff" barriers will nevertheless be numerous compared to the existing situation. The scope of the agreement seems more limited when it comes to services. The matter of financial services remains open and will be decided on in March 2021. The two parties have also agreed on a non-regression clause in many areas, including those of labour law and state aid. The agreement will be ratified by the European Union in early 2021.

In China, the pandemic, which began in the heart of the country, was quickly contained. In this context, the country should, according to forecasts by international institutions, be the only major economy to post any growth in 2020. Budget and monetary support has also been much less than in the rest of the world. Contrary to the developed countries, China's recovery was initially based on its industrial sector and its exports, while consumption showed less dynamism.

In Japan, monetary policy, already extremely expansionary, has seen little change. In contrast, the fiscal response has been particularly substantial, among the largest in the world. In terms of activity, the recovery appears sluggish and remains, as elsewhere in the world, dependent on developments in the health situation.

Principal market indexes and indicators - values and changes

Market indicators (1/2)			31/12/2019	31/12/2020	Variation since 31/12/2019 (% or bps)*
Bond markets	Base rates (%)	Fed	1.75	0.25	-1.50
		ECB	0.00	0.00	0.00
		BoE	0.75	0.1	-0.65
		BOJ	0.1	0.1	0.00
		Bank of Korea	1.25	0.5	-0.75
		Brazil	4.5	2	-2.50
		Russia	6.25	4.25	-2.00
		India	5.15	4	-1.15
		China	4.35	4.35	0.00
	Sovereign yields 10-year (%)	United States	1.92	0.91	-1.00
		France OAT	0.12	-0.34	-0.46
		Germany	-0.19	-0.57	-0.38
		Italy	1.41	0.54	-0.87
		United Kingdom	0.82	0.2	-0.63
		Japan	-0.01	0.02	0.03
		South Korea	1.67	1.72	0.05
		Brazil	3.73	3.22	-0.51
		Russia	6.28	6.01	-0.27
	Loan index	IBOXX EUR Corporate Index	237.7	244.2	2.73
Foreign exchange markets	Against the euro (€1=...currencies)	Dollar	1.12	1.22	8.9
		Sterling	0.85	0.89	5.65
		Yen	121.8	126.2	3.6
	Against the dollar (\$1=...currencies)	Won	1,156	1,097	-5.2
		Brazilian real	4	5.2	29
		Rouble	62	74	19.4
		Indian rupee	71.4	73.1	2.4
		Yuan	7	6.5	-6.3

Market indicators (2/2)			31/12/2019	31/12/2020	Variation since 31/12/2019 (% or bps)*	
Equity markets	Local currencies	United States - S&P	3,231	3,756	16.3	
		Japan - Nikkei 300	350	379	8.4	
		France - CAC 40	5,978	5,551	-7.1	
		Germany - DAX	5,910	5,935	0.4	
		Eurozone - MSCI EMU	132	128	-2.7	
		United Kingdom - FTSE 100	7,542	6,461	-14.3	
		South Korea - KOSPI	2,198	2,873	30.8	
		Brazil - Bovespa	115,645	119,017	2.9	
		Russia - MICEX	3,046	3,289	8.0	
		India - SENSEX	41,254	47,751	15.8	
		China - Shanghai	3,050	3,473	13.9	
		Hong Kong - Hang Seng	28,190	27,231	-3.4	
	MSCI - BRIC	1,129	1,296	14.9		
	Euro	S&P (€)			6.7	
		Nikkei 300 (€)			4.6	
FTSE 100 (€)				-18.9		
Raw materials	Farming	Corn (dollar cents per bushel)	388	484	24.8	
		CRB index**	402	444	10.5	
	Energy	Oil (Brent, \$ per barrel)	66	51.8	-21.5	
		Metals	Price per ounce of gold	1,523	1,895	24.4
			Price per tonne of copper	6,174	7,766	25.8

* Change in basis points (bps) in sovereign yields and base rates.

** CRB: price index for 22 industrial raw materials (59.1%) and food commodities (40.9%). This index does not include energy prices.

Sources: Covéa Finance, Bloomberg.

2. Position and activity of the company

2.1. Development of the company's position

In 2020, the pandemic disrupted all the players in our overall economic and financial life. The new configuration of the world of tomorrow has therefore required us to review our strategic priorities in the light of the profound changes that can be anticipated and our Group's latest development plans.

Initially, all the teams were faced with the challenge of making sure we could continue to operate under unprecedented conditions while concentrating our efforts on successfully meeting our customers' expectations and smoothly carrying on with our businesses in a degraded and uncertain environment.

To do this, Covéa Finance continued to invest in its human resources by acquiring new skills.

As at 31 December 2020, Covéa Finance had 176 employees, which represents an increase of 3.5% over the previous financial year.

Covéa Finance also took advantage of this time to complete structuring projects for the company:

- first of all, we rewrote our investment and portfolio construction process, putting Research at the heart of how we organise our fund management and permanently incorporating the analysis of all extra-financial (environmental, social and governance) in our assessment of potential investments;
- we finalised a standard reporting framework, an exclusive medium for information sharing between fund management stakeholders and support and control functions;
- we added to the company's management tools through the creation of new accounting monitoring instruments, the modernisation of risk control and the use of data;
- we continued to work on projects to modernise human resource management tools (time management, payroll processing, digital training platform, etc.);
- we continued our project to digitise our company content;
- we further modernised and secured our IT resources.

At the end of the year, the governance of Covéa Finance evolved with the changes to the composition of the supervisory board and the appointment of a new Chair.

During the fourth quarter of 2020, we created Covéa Accompagnement II*, our second professional private equity fund.

Discussions continued on the positioning of the OPC range, in particular regarding extra-financial criteria, with a view to obtaining new labels.

2.2 Assets under management

As at 31 December 2020, the amount of assets under management came to €100.2 billion and breaks down as follows:

- 21 management mandates on behalf of the companies of the Covéa group, or partner mutual insurers, totalling €86.2bn;
- 49 mutual funds, including 2 professional private equity funds, totalling €14bn.

Variations in assets under management in relation to the previous financial year are presented below:

Assets under management (in billions of euros)	31/12/2019	31/12/2020	Variations
Mandates	86.9	86.2	-0.8%
Mutual funds	14.7	14.0	-4.8%
Total	101.6	100.2	-1.4%

2.3 Activity of the company

In 2020, Covéa Finance's operating income increased by 2.2% compared to the previous year.

Equity and similar assets under management, inclusive of mutual funds and mandates, amounted to €17.7bn at the end of 2020, representing an increase of 4.7% over the previous year.

Bond assets and other fixed income amounted to €82.5bn, a decrease of 2.6% over 2019.

Operating costs rose 4% during the financial year.

This increase is mainly due to:

- an increase in payroll costs following the growth of the workforce;
- an increase in operating costs, in particular retrocessions;
- a growth in IT expenses.

2020 operating income therefore fell 2.2% compared to the previous year. It fell from €32,950k in 2019 to €32,240k in 2020, but it still exceeded our initial budget targets.

Net accounting income, after taking financial and extraordinary income, taxes and profit-sharing into account, amounted to €21,936k, up by 8.1%.

3. Results of the activity

3.1 Operating income

2020 operating income amounted to €113,431k, up from €110,996k in 2019, representing an increase of 2.2%.

Operating income breaks down as follows:

(in €k)	2019	2020	Variation
Management fees (mandates)	10,276	9,919	-3.5%
Management fees (mutual funds)	97,278	99,349	+2.1%
Incidental income	3,443	4,163	+20.9%

This increase in income comes from management fees collected on equity mutual funds as a result of the growth of average outstanding amounts between the two billing periods.

The increase in incidental income is the result of a significant provision reversal recorded in 2019.

3.2 Personnel costs

Personnel costs stood at €21,694k – an increase of 10.1% over the previous period.

This increase is due, among other things, to the growth in the company's average workforce over the year, and to the increase in Group and company incentives for the 2020 financial year.

3.3 General operating costs

Business expenses and other operating costs, excluding taxes, depreciation and amortisation and compensation costs, amounted to €53,382k at the end of 2020, slightly up (+1.2%) from last year.

The most significant operating expense items are:

- retrocessions amounting to €22,964k, up 0.4%;
- IT operating costs of €15,153k, up 3.6%;
- research costs stood at €3,493k – an increase of 21.7% over 2019;
- rentals amounted to €3,990k, down by 2.3%;

- inherent costs applicable to mutual funds, valuers and custodians amounted to €2,678k, a fall of 13.4%. This change in expenses is due to the impact, over a full year, of contractual renegotiation following the request for proposals for custodians;
- fees (professional and statutory auditors, including mutual funds) amounted to €1,211k, on the whole stable compared to 2019.

3.4 Financial and extraordinary result

The financial result amounted to €509k. It consists mainly of gains on the portfolio resulting from investing the company's own funds. As a reminder, unrealised gains are not recognised.

It should be noted that the company has no long-term debt.

The extraordinary profit of €260k mainly results from reversals of provisions for risks.

3.5 Taxes and duties

Taxes and duties, excluding corporation tax, amounted to €4,392k.

Taxable income stands at €31,298k.

The amount of corporation tax is €9,026k.

3.6 Net Profits

The profit for 2020 amounted to €21,936k, up 8.1% compared to 2019.

3.7 Statutory employee profit-sharing

The legal reserve for distributable profit for the 2020 financial year amounted to €2,048k.

3.8 Employee incentive plan

In accordance with the Covéa Group profit-sharing agreement signed on 28 June 2019 entitling all employees to a share of Group income, an expense of €118k was recognised in the accounts.

The calculation criteria as defined in the Covéa Finance incentive scheme agreement of 14 June 2017 were met. An amount of €575k was recognised at year-end.

* Covéa Accompagnement II is a professional private equity fund. The fund is not subject to approval by the Autorité des marchés financiers (AMF) but has been subject to a declaration procedure in accordance with AMF Instruction 2012-06. It may therefore adopt derogating investment rules. This fund is subject to the risk of loss of principal and liquidity. Other risks to which the fund is exposed are described in the regulations. The fund is reserved for financially sophisticated investors (entities of the Covéa group) and may not be the subject of any promotional action.

3.9 Information on the payment terms of trade accounts payable and receivable

Pursuant to Articles L.441-6-1, D.441-4 and A.441-2 of the French Commercial Code, the amounts of invoices received and issued, overdue but not settled at year-end, are presented below by days overdue.

	Article D.441 I.-1: invoices received, overdue but not settled at year-end.					Article D.441 I.-2: invoices issued, overdue but not settled at year-end.						
	0 days (indicative)	1 - 30 days	31 - 60 days	61 - 90 days	91 days and over	Total (1 day and over)	0 days (indicative)	1 - 30 days	31 - 60 days	61 - 90 days	91 days and over	Total (1 day and over)
(A) Days overdue												
Number of invoices concerned	-					88	-					12
Total amount of invoices concerned (incl. VAT)	-			505,305	431,932	937,238	-	683,237				683,237
Percentage of total purchases for the year (incl. VAT)	-			0.89%	0.76%	1.64%						
Percentage of revenues for the year (incl. VAT)							-	0.60%				0.60%
(B) Invoices excluded from (A) relating to disputed or unrecognised payables and receivables												
Number of invoices excluded												
Total amount of invoices excluded (state: excl. or incl. VAT)												
(C) Reference payment terms used (contractual or statutory payment terms - Article L.441-6 or Article L.443-1 of the French Commercial Code)												
Payment terms used to determine late payments	<input checked="" type="checkbox"/> Contractual terms: upon receipt <input checked="" type="checkbox"/> Statutory terms: 60 days					<input checked="" type="checkbox"/> Contractual terms: upon receipt <input type="checkbox"/> Statutory terms: (specify)						

3.10 Research and development activities (Art. L.232-1 of the French Commercial Code)

The company performed no research and development activity during the period.

3.11 Notification of “excessive” costs and expenditures (Art. 223 quater and 39-4 of the French General Tax Code)

The company incurred no expenditures or costs that are non-tax deductible under Article 39-4 of the French General Tax Code.

3.12 Significant post-balance sheet events

No significant events occurred since the balance sheet date likely to materially affect the financial statements.

4. Allocation of earnings

I am submitting a proposed allocation of net earnings to the Sole Shareholder, as follows:

• Profit for the financial year	€21,935,952.70
• Retained earnings from previous financial year	€45,346,988.33
Total to be allocated	€67,282,941.03
• Allowance for the statutory reserve	€1,778,661.00
• Dividends	€17,548,762.20
• Retained earnings after allocation	€47,955,517.83
Total	€67,282,941.03

Equalling a dividend of €29.60 per share.

For the financial year 2019, Covéa Finance distributed a dividend of €16,230,224.

For the financial year 2018, Covéa Finance distributed a dividend of €14,537,589.

For the financial year 2017, Covéa Finance distributed a dividend of €11,146,275.

5. Breakdown of capital

At 31 December 2020, the company's capital was unchanged and amounted to €7,114,644.

I am submitting to the sole shareholder a proposed increase of the share capital by incorporating the Reserves and a portion of the retained earnings.

6. Statutory Auditor appointments

The appointment as joint statutory auditor of Deloitte et Associés and the appointment as substitute auditor of BEAS expire with the next decision of the sole shareholder.

I am submitting to the sole shareholder a proposal to:

- reappoint Deloitte et Associés as joint regular statutory auditor for a term of six financial years, i.e. until the general meeting called to approve the financial statements for the year ended 31 December 2026;
- no to reappoint BEAS as substitute auditor and to abolish this function, in accordance with the new legal provisions.

7. The internal control and risk management framework

(Reports Articles 312-7 and 312-45 of the AMF General Regulation)

Since 2019, Covéa Finance has set up a system of Compliance and Internal Control which is structured around four functions:

- the Compliance Function in charge of advising and assisting with the implementation of legal and regulatory obligations;
- the permanent control function in charge of level two internal control, which verifies the adequacy and efficiency of the systems to control operational risks and steers the mapping of non-compliance and operational risks;
- the internal audit function, which works as level three internal control in Covéa Finance;
- the Risk Control Function in charge of the ex post facto control of market risks, and participating in the level 1 (a) control.

All of these controls (permanent or periodic) are executed using control policies and plans validated by the executive committee before distribution:

- compliance policy;
- internal control policy;
- audit policy;
- risk control policy.

These policies complement the audit policy applied to Covéa Finance by the Covéa group.

The policies are published on the Covéa Finance website: www.covea-finance.fr.

All of the company's procedures, including internal control and risk management procedures, are modelled in the MEGA internal procedure intranet.

Internal control and compliance are managed by Mr Ludovic Jacquier, Managing Director in charge of the support and control functions, and RCCI in charge of internal audit. He is assisted by Mr Sébastien Desbois, RCCI in charge of permanent control and Ms Nadia Ben Salah, Head of the Legal department in charge of compliance.

Control of market risks is under the responsibility of Mr Franck Ibalot, Executive Director, member of the Executive Committee.

The first of the three control levels consists of permanent and operational controls carried out as part of transaction processing. It focuses on the processing and management of transactions during the day, on their satisfactory completion, and their correct incorporation into the accounting and summary systems at the end of the day. These first-level controls are performed by the operational personnel within the normal course of their duties, as well as by the Front Office, Middle Office, Back Office, other support offices, and processors.

At Level 2, Permanent Internal Control and Risk Management perform controls not integrated within the “production processes” and therefore carried out subsequently, on a periodic or random basis, by an entity not operationally involved.

Verification by Permanent Internal Control consists of controls on both substance and form in order to validate compliance of the process and the processing methods related to a transaction or application and to evaluate the operational risks. Each control produces a summary and the supporting documents are kept in a specific file. Internal control teams ensure, among other things, compliance with investment ratios and undertaking limits, traceability of operations, prevention of risks of market abuse, fraud and conflicts of interest, and regulatory compliance by organisations and operations. A quarterly summary of the permanent control activity, including the follow-up of any recommendations issued, is forwarded to the Executive Committee.

For its part, the risk control function, in charge the ex post fact control of market risks (including, among others equity, interest rate, currency, concentration, credit, commodity risk), liquidity and valuation risks, participates in level 1a control and is based on the risk management policy validated annually by the executive committee. Risk Control regularly leads a risk committee in which the members of the executive committee, heads of fund management and Internal Control participate. Risk Control regularly runs stress testing on portfolios and alert indicators for Executive Management. The process for identifying market risks is periodically reviewed in order to take into account changes in market conditions, the investment strategy of portfolios and investments in new asset classes.

Each team checks, within its area of responsibility, the compliance (regulatory and in terms of operational or financial risk) of the transactions carried out by the portfolio management company, of its organisation, and of its internal procedures with the professional obligations defined by the laws, regulations, and professional rules applicable to the performance of its activities in addition to all the decisions made by its senior managers and the contractual commitments related to management activities for third parties.

There are a number of participants at the third level:

- the internal audit office evaluates the effectiveness of the permanent control system, and carries out or delegates audits requested by the Executive Committee or risk surveys;

- the executive officers of the company, members of the Executive Committee and employees of the company, define the company’s management strategy. The Executive Committee validates the action plan of the Compliance Officer and of the Internal Control Officer and monitors its achievement. It receives reports on the permanent and periodic controls performed, of any alerts concerning shortcomings or malfunctions, and of the annual reports on the status of the control system and participates in the risk committee coordinated by Risk Management;
- the Covéa Finance Supervisory Board examines the company’s management strategy, investments, performance, regulatory changes submitted for approval, budgets and the internal control mechanism. To this end, it receives the report on the status of the internal control system produced annually by the Compliance Officer as well as any specific report requested by the Financial Markets Authority (Autorité des Marchés Financiers, AMF);
- Group Internal Audit carries out the Control of Controls duties at the Group level. Its mission is to ensure that the risks associated with the Group’s activities are controlled in compliance with the rules. It performs annual audits on all or part of the company’s activities, and therefore its risks.

In 2020, Risk Management continued to expand its human and technical resources, while remaining detached from the Reporting teams. As the pandemic exploded in the spring of 2020, it oversaw the production of new risk reports required by fund management teams. It ensured that the current risk levels taken on by each individual portfolio managed were consistent with the risk profile adopted for this portfolio. Risk Control has drawn up a structured overview by type of instrument that establishes linkages between the inherent risks of all instruments present in the portfolios. The risk map was then constructed by portfolio, ensuring that all the risks inherent to the instruments held as assets are monitored for each portfolio. This map is Risk Control’s main monitoring tool and provides an instant reading grid of exposure levels, which has enabled us to ensure the consistency of the risk profiles of the portfolios.

Risk Control also ensured that each individual managed portfolio complied with the relevant risk limitation systems. For each portfolio, and depending on its risk profile, a control system is set up based on risk indicators (quantitative and qualitative), as well as on alert thresholds defined internally. The alerts sent to the fund management teams then resulted either in justifications or in additional analyses.

Risk Control also ensured the adequacy and effectiveness of the risk management method, indicating whether appropriate corrective measures were taken in the event of default. No default was noted in the risk management process during this financial year. Responses to alerts sent to fund management teams have made it possible to refine certain alert thresholds and the relevance of certain indicators monitored. The annual review of indicators and alert thresholds also serves to improve the overall risk control process.

For their part, the compliance officers updated their respective action plans (internal audit and internal control). Internal Control has modernised and extended the scope of risk mapping and its Level 2 controls, while supporting the business lines in formalising and developing their Level 1 controls.

In addition to its work related to regulatory changes (EMIR, Brexit, SFDR, PRIIPs, etc.) and the creation of new products, Compliance has led the overhaul of our anti-corruption policy, which complements our historical conflict of interest prevention policy.

In addition to the permanent control plan, the team in charge of internal audit carried out or coordinated the following assignments: monitoring the implementation of improvement actions following previous audits, audit of Fixed Income, audit of one of our custodians and trade processors, audit of one of our subcontractors in charge of the accounting management of our UCIs, audit of our compliance with our obligations to our customers. The resulting audit opinions are generally satisfactory and an action plan in each of the areas has been initiated to improve risk management.

The Covéa Group audit department, for its part, conducted an audit of all of our “Front-Office” activities, from fund management decision-making to the placing of orders on the markets. This mission concluded with a general audit opinion leaving room for improvement, and an action plan was initiated to correct the identified risks.

Similarly, no problems were identified during the various supervisory or audit assignments conducted by the AMF in 2020.

8. Progress achieved and difficulties encountered

As we had announced, in 2020 Covéa Finance was to embark in an ambitious offensive strategy for the next six years.

As the pandemic and the ensuing financial crisis that occurred in the first quarter of 2020 disrupted all the players in our economic and financial context, the new configuration of the world of tomorrow has therefore forced us to review our strategic priorities in the light of the profound changes that we can anticipate, and the latest development plans of our Group, Covéa.

Indeed, all of Covéa Finance was faced with the challenge of ensuring we would continue to operate under unprecedented conditions, by implementing work from home on a massive scale while guaranteeing the safety and health of employees working on site.

Adapting to such changes has affected many aspects of our daily lives and required significant energy. The Executive Management

salutes our teams’ effort in this respect. It therefore seemed reasonable to us not to deploy our business plan this year and to concentrate our efforts on successfully meeting our customers’ expectations and smoothly carrying on with our businesses in a degraded environment.

For all that, Covéa Finance also took advantage of this time to complete structuring projects for the company this year.

First of all, we rewrote our investment and portfolio construction process, putting Research at the heart of how we organise our fund management and permanently incorporating the analysis of all extra-financial criteria (environmental, social and governance) in our assessment of potential investors.

We continued to invest in new asset classes and launched our second unlisted fund of funds (Covéa Accompagnement II*).

To go along with these projects, we finalised a standard reporting framework, an exclusive medium for information sharing between fund management stakeholders and support functions. We also made the best of this year of transition to add to the company’s management tools through the creation of new accounting monitoring instruments, the modernisation of risk control and the optimisation of data usage.

We continued and accelerated our investments in modernising and securing our technical architecture and tools (laptops, servers, management support tools, VPNs, cybersecurity tools, negotiation table tools, videoconferencing, going paperless with our documents and our archives, time and payroll management, digitalisation of training, etc.).

We also continued to train by digitizing training programmes and to recruit by seeking out with new skills for the company, all while maintaining the diversity of our employees’ courses and improving our workplace gender equality index to 86/100.

Of course, we also continued our work on adapting to regulatory changes impacting our industry (EMIR, PRIIPs, Solvency 2, MIF 2, SFDR, LEC, etc.).

In accordance with our founding principles (team spirit, transfer of know-how, respect for commitments), we were keen to continue our societal and environmental actions, by welcoming our interns on site to best fulfil our training commitments, by supporting the education system (donation of computers to the *École de la 2^e chance* [E2C]), by supporting the inclusion of people with disabilities (digital and computer equipment recycling missions) and by supporting the medical community (donation of masks to the ARS [Regional Health Agency] at the start of the pandemic).

* See note on p. 8.

For the first time in 2020, Covéa Finance embarked on a cultural patronage policy which it honoured despite the particular context of the Covid-19 crisis and which has become even more meaningful given the current strains on the sector. Indeed, at the end of 2019, we made the choice to help expand the influence of French and European music with which we share common collective values, values essential to both the functioning of an Orchestra and Covéa Finance's collegial style of fund management: a commitment to excellence, individual expertise at the service of the collective, rigour and commitment, and the obligation of passing on know-how to younger generations.

At the end of the year, in line with the changes made within the Covéa group's executive committee, the composition of the Covéa Finance supervisory board was changed and its size reduced. The latter now has four members from the Group, who are representative of all of Covéa's businesses and brands, and a representative of the CSE. This new reduced composition will allow more flexibility and responsiveness, but also less reporting redundancy with the various bodies responsible for our financial management.

The Covéa Finance executive committee would like to thank all of its employees and partners for their efforts in the service of the company and our customers.

9. Foreseeable developments

2020 will have permanently called globalisation into question, and investors will be required to consider investment in equities no longer through the traditional prism of the geographical area but, on the contrary, from a global perspective free of territorial bias, or even a sectoral prism, a perspective that chooses only companies with the capacity to adapt their model and survive in this new environment.

The other adaptation was to systematically question the choice of the status we wanted to have: shareholder or creditor? We are particularly vigilant on indebtedness, the levels of which have become, in our opinion, very often unbearable for companies' balance sheets and even raise the question of whether they will remain solvent in the medium term.

In addition, it appears to us that the crisis has revived the notion of an administered sector for which the status of creditor is preferable to that of shareholder. Indeed, the risks of nationalisation, which are latent to an extent, cannot be ruled out in the light of the economic situation, especially at a time when the concepts of reindustrialisation, sovereignty and strategic independence have been pushed to the forefront.

The risks for 2021 are therefore numerous:

- will central banks succeed in reducing cash injections?
- will fiscal support for the economic fabric, which has been constant to prevent a wave of bankruptcies and a more pronounced deterioration, resist the temptation of a rapid return to a more "virtuous" approach which could emerge in Europe in the future, especially after the departure of Angela Merkel in September 2021?
- will Joe Biden's victory in the US presidential election be accompanied by a change in fiscal policy aimed at rebuilding the country's infrastructure and building a "greener" economy?
- what will the global landscape emerging around Chinese president Xi Jinping, the Middle East, Turkey, Taiwan and Crimea be like? What will Europe's place be in all of this?
- what alliances will emerge between China and the United States? Between China and Europe?
- will we avoid a debt cancellation process and the break-up of the eurozone in the wake of Brexit?
- how can a popular uprising and the fragmentation of society be avoided at a time where people no longer feel in charge of their own lives, and instead feel dispossessed, made unworthy by their lack of contribution to our common destiny?
- what place is there for industrialisation and the jobs it supports in the face of political choices in terms of climate and societal commitments?

The challenge for 2021 will be to adjust portfolios considering the depth of these changes at work.

These changes involve thinking about our investments by selecting companies that are survivors, capable of adapting to a world undergoing profound change, companies operating within promising themes or companies selected within strategic sectors. Strategic sectors are at the heart of the ability of governments to assume their responsibilities towards citizens, both in the short term and in the medium and long term: access to care and treatment, business continuity in an increasingly digital world, economic competitiveness, high added value jobs, data protection. The issues that revolve around these sectors are as numerous as they are existential for the sovereignty of a State.

The economic and social upheavals resulting from the pandemic will have a lasting influence on savings behaviour and financial management professions across Europe. We have thus rethought our operating guidelines with regard to the new "end state" that we have redefined. Our "Ambition 2025" project, which was presented to you last year, has therefore become "Ambition 2026".

At the dawn of this new year 2021 and even though uncertainties about the end of the pandemic, its good management and the resulting world remain, Covéa Finance is inaugurating a new cycle of objectives it has named "Ambition 2026", during which our company and its employees want to be promoters of innovative solutions

committed to their customers. A programme full of challenges which should not overshadow the previous cycle, the need to take stock of it, to follow up on the actions in progress, and to take stock of our own crisis management.

"Ambition 2026" is based on the achievement of four major effects. For each of these effects, our operating guidelines have been rethought in the light of our new environment. They include actions to be carried out in cross-functional projects, with the identification of the first deliverables from this year 2021.

These four major effects are:

- the battle for existing assets under management, as we must secure income even as we face ever growing challenges from our European competitors and cost management becomes critically important;
- the battle for external assets, to offer our expertise in active management to institutional investors and CGPIs in a market where our competitors are European;
- the battle to remain an innovative and attractive player, by developing a new culture of innovation, in all businesses, to anticipate the disruptions mentioned;
- the battle for the collective, because we are convinced that we can only win through teamwork: each one must remain committed to the cross-functional themes in which these battles take place, such

as the organization of our surveillance and our communication, the offering of high-performance products and services based on expertise and appropriate resources, and a culture of innovation.

This project will be successful if we can maintain control over the progression of our costs by anticipating the adaptation required for our environment, individually striving for innovation and collegial initiative and above all, remaining a centre of excellence and attractiveness for an ambitious shareholder and customer.

In this sense, the start of 2021 sees the continuation of our human and technological investments as well as the initiatives around the labelling of some of our funds to support these challenges (SRI Label) and support economic players ("Relance" Label). We are also continuing to invest in new asset classes for Covéa Finance (unlisted, private debt, SPV, etc.), an approach accompanied by the creation of funds.

10. Statutory Auditors' fees

In the 2020 financial year, the amount of the two Statutory Auditors' fees recorded for auditing the company accounts amounted to €85k.

2020 Report on the Covéa Finance remuneration policy

As a fund manager, Covéa Finance places particular importance on complying with all of the provisions covering remuneration as set out in Directive 2011/61/EU of the European Parliament and the Council of 8 June 2011, as applied to alternative investment fund managers, (hereinafter the “AIFM Directive”) and in the 2014/91/EU Directive of 23 July 2014 on mutual fund managers (hereinafter the “UCITS V Directive”). The objective of these rules, covering the fund manager’s structures, practices, and remuneration policy, is to solidify healthy and effective fund management against the risks faced by both the fund management company and the fund.

1. Remuneration paid by the fund management company to its personnel

During 2020, the total amount of remuneration paid by Covéa Finance to all its personnel, (176 employees at 31 December 2020), amounted to €13,011,826. This amount breaks down as follows:

- €10,684,251 or 82% of the total remuneration paid by the company to all its staff, was fixed compensation; and
- €2,327,575 or 18% of the total remuneration paid by the fund management company to all of its staff, was total variable compensation. 138 people were paid variable compensation in the 2020 financial year. Deferred variable compensation over three years applied to a single employee.

Of the total remuneration announced by the fund management company for the period, €6,324,337 concerned salaried senior management of Covéa Finance whose activities had a significant impact on the funds’ risk profile, as defined in our 2020 remuneration policy.

2. Amount of remuneration paid by the fund to the personnel of the fund management company

Covéa Finance does not operate any incentive scheme for carried interest, nor is any remuneration, fixed or variable, paid by the fund to the fund managers.

3. Impact of the remuneration policy and practices on the risk profile of the fund and on the management of conflicts of interest

In February 2017, Covéa Finance brought its existing remuneration policy into compliance with the 2014/91/EU Directive of 23 July 2014 (UCITS V Directive), reviewed the internal regulations of its Remuneration Committee and implemented practices that comply with the latest statutory, regulatory, and doctrinal developments issued by the regulatory authorities while conducting a project to identify which of its employees are affected by the new remuneration provisions as set out in the AIFM and UCITS V Directives and their implementing texts (the “Identified Population”).

This process covers employees who meet both of the following conditions:

- they belong to a category of personnel benefiting from variable remuneration and likely to have an impact on the risk profile of the fund management company or the managed fund; and
- they receive variable remuneration in excess of €200,000 as a result of their level of responsibility over the risk profile.

If the remuneration of the Identified Population varies in line with performance, the total amount, which is capped at a level below one’s fixed remuneration is determined by the fund management company by combining the assessment of the performance of the employee concerned, that of the operational unit to which he or she belongs, and/or that of the portfolio basket (mutual fund, AIF, and mandate) with the performance of the fund manager as a whole. This individual performance assessment also takes into account both financial and non-financial criteria.

The set of principles is described in the Covéa Finance remuneration policy available on its website.

4. Governance and control of the remuneration policy

The remuneration policy is reviewed annually by the Remuneration Committee as defined in the Articles of association of Covéa Finance, comprising:

- a representative of the Covéa Finance Supervisory Board;
- two representatives from the Covéa group, independent of Covéa Finance, at least one of whom attends Covéa group Remuneration Committee meetings; and
- the Chairwoman of Covéa Finance.

In accordance with regulations, most of the members of the Remuneration Committee do not hold executive positions nor are employed within Covéa Finance.

Report on intermediation fees

Financial year 2020

Under the General Regulations of the AMF, Covéa Finance is required to report on the intermediation fees paid during the financial year 2020 where the total exceeds €500,000.

Intermediation fees are the fees including tax received directly or indirectly by the investment service providers.

Fees associated with assistance services for decision-making in investment are covered by Covéa Finance with its own resources. This decision applies to individual management under mandate as well as collective management.

Intermediaries are selected for the order execution service on organised or OTC markets from among those previously referenced by an indexing committee. Once referenced, these intermediaries are reviewed by an *ad hoc* committee composed of Fund Management Directors, Fund Management team managers, the Legal Department, Middle Office unit and the internal control unit. Once a year, this committee examines the ratings established in an objective manner of the investment service providers regarding the quality of execution, and validates the quality of settlement-delivery. Meetings are arranged in accordance with the provisions set out in the intermediary selection procedure.

For the equity markets including ETFs and programme trading, the intermediation fees related to order execution services are mainly included in the brokerage allocated to each intermediary on the list. Intermediation costs relating to the order execution service amounted to €6,081,470 for the 2020 financial year.

The objective of the intermediary selection procedure is also to prevent and manage any potential conflicts of interest. To this end, Covéa Finance applies a single intermediation fee schedule structured by asset class and geographical region, regardless of the volumes handled.

Our policy for selection and execution of investment service providers is available on our website under the “Our Reports and Policies” section, or upon request.

As part of our activity, our intermediary selection policy will be modified.

Annual report on the implementation of the shareholder engagement policy

Financial year 2020

Pursuant to the provisions of Article L. 533-22 of the French Monetary and Financial Code and Articles 314-100 to 314-102 and 319-21 to 319-23 of the General Regulations of the Autorité des Marchés Financiers, we hereby present our report for the financial year 2020 on the conditions under which Covéa Finance decided to exercise the voting rights attached to the securities held in the UCITS and AIF portfolios and mandates managed by it.

Within the framework of its “Shareholder engagement policy” document, Covéa Finance committed for the fifteenth year to mandatory voting for portfolio management companies in accordance with the following criteria:

- To vote in the meetings of its thirty largest positions accumulated in companies of the European Union in UCITS, AIF and mandate portfolios as at **31 December 2020** (unless these securities were sold as of the date of the General Meeting);
- To only take into account registered securities;
- To make every effort to exercise voting rights in listed European companies supported by Covéa Finance on a long-term basis and notably mid-cap companies in which Covéa Finance has a significant holding (over 1.5% of the capital and voting rights). Covéa Finance also undertook to vote in the General Meetings of companies which it assists in a long-term approach in the United States. However, this voting was suspended in 2018 due to legal and administrative complications. Lastly, Covéa Finance exercises its voting rights in listed companies only.

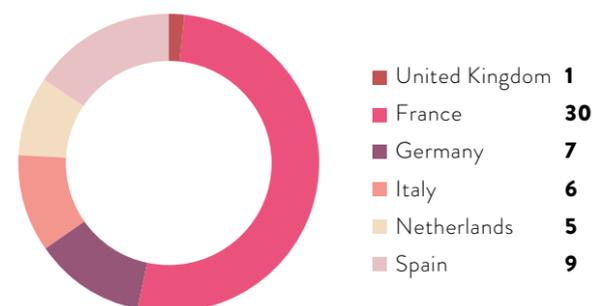
In fact, in the 2020 financial year, the majority of investment in unlisted companies is made through funds of funds (not affected by the exercise of voting rights). Regarding the unlisted solidarity securities in which Covéa Finance has invested, they are not taken into account when defining the annual voting scope of Covéa Finance. This scope is based on Covéa Finance’s direct listed investments, excluding the Group’s strategic holdings. In addition, our external service provider, which allows Covéa Finance to vote at general meetings and is the intermediary with custodians, does not include this category of assets. Consequently, Covéa Finance does not exercise its voting rights on the securities of unlisted socially responsible enterprises in which it is invested.

Covéa Finance uses services provided by proxy advisers. It is based on the analysis of the resolutions presented to the general meeting by ISS, with regard to the requirements formulated by Covéa Finance in its shareholder engagement policy.

General Meetings voted

As of 31 December 2020, Covéa Finance exercised its voting right in 58 European General Meetings, of which 30 were in France and 28 outside France.

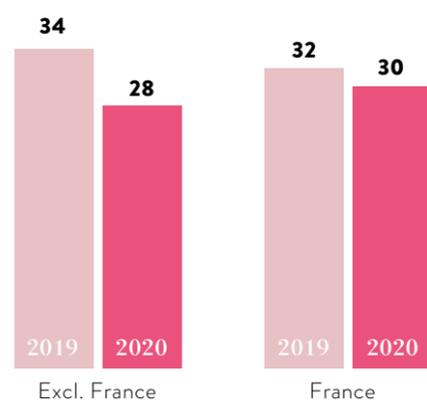
General Meetings voted in 2020, by country



As part of the redesign of Covéa Finance's shareholder engagement policy initiated in 2016 and pursued in 2017, 2018, 2019 and 2020, the company decided to enable an in-depth and personalised shareholder dialogue with the various companies it votes on.

Moreover, as part of the standardisation of procedures, Covéa Finance decided not to vote at General Meetings concerning lock-up periods on the securities.

Changes in the exercise of voting rights - 2019/2020



At 31 December 2020, the total number of companies in which Covéa Finance could have a voting right stood at 465 representing a volume of listed shares of €9,297,246,520 (provided that the shares on the date of the meeting scheduled in 2020 were included in a mandate, AIF or UCITS portfolio). The number of companies making up to total votes chosen by the company as at 31 December 2020 was 54. During the 2020 voting year, Covéa Finance recorded three entries to (company bids) and two exits (closed holdings) from the voting scope chosen by the company as at 31 December 2019.

Participation rate (at the end of the year)	55/465
Rate restricted to the scope defined by the fund management company (at the beginning of the year)	52/54

Breakdown of votes

Resolutions for	917
Resolutions against	193
Abstentions	0
Total number of resolutions voted	1,110
Out of a total number of approved resolutions of	1,078
Resolutions not approved by the Board - vote for	15
Resolutions not approved by the Board - vote against	17

N.B. Resolutions approved = resolutions previously validated by the Board of Directors.
Resolutions not approved = resolutions for which the Board of Directors issued a negative recommendation or did not issue a prior opinion.

Reasons for negative votes

(including the votes "against" the approved resolutions and the votes "for" resolutions not approved)

Subject of resolution	France	European Union	Europe outside European Union	Outside Europe
Appointment of the members of the Board of Directors or Supervisory Board	27	17	-	-
Appointment and remuneration of statutory auditors	-	-	-	-
Amendments to the Articles of Association having a negative impact on the rights of shareholders	-	-	-	-
Approval of statutory agreements	-	-	-	-
Capital transactions considered an anti-takeover* mechanism	49	11	-	-
Financial transactions/mergers	-	-	-	-
Remuneration of directors and employee share ownership	33	12	-	-
Employee shareholding	-	-	-	-
Approval of financial statements and allocation of earnings	-	-	-	-
External resolutions (not approved by the Board)	20	6	-	-

* The transactions taken into account are the following: delegations to the Board to issue warrant subscriptions; authorisations concerning the share redemptions up to 10%; amendment to the Articles of Association concerning the double voting right, etc.

Cases where Covéa Finance was unable to comply with the principles set out in its Shareholder Engagement Policy:

In 2020, Covéa Finance did not vote in a manner contradicting its shareholder engagement policy.

Covéa Finance will provide shareholders with details of the votes on request.

Cases where Covéa Finance found itself in a conflict of interest:

None.

N.B. This report does not cover strategic Covéa Group holdings.

Internal control report on anti-money laundering and combating the financing of terrorism

Financial year 2020

This report covers the measures taken by Covéa Finance in terms of prevention of money laundering and the financing of terrorism in accordance with Article 320-20-8 of the AMF General Regulation, amended on 11 September 2019.

This report is intended to be presented to Covéa Finance's governing bodies and to be forwarded on to the AMF.

Foreword: typology of business relations

Third-party relations

Covéa Finance is a portfolio management company that neither keeps accounts nor centralises nor receives or sends orders on behalf of third parties.

Covéa Finance's third parties are mainly institutions with the classification of professional clients, domiciled in OECD countries:

- The companies of SGAM Covéa for which Covéa Finance manages an asset portfolio under formal mandate;
- Companies external to SGAM but which have preferred relationships with one of the mutual insurers of the Group for which Covéa Finance also manages a portfolio of assets under mandate;
- Mutual funds that have delegated financial management to Covéa Finance, promoted by SGAM Covéa companies;
- Companies and institutions investing their own equity into mutual funds;
- Service providers, approved or authorised by the AMF.

Investor relations

Covéa Finance does not have direct contact with the unit holders of the mutual funds and does not directly market or sell these mutual funds to private individuals.

Investors are marketed to through various distribution channels (distributors, platforms, business contributors, life insurance companies, etc.).

Agreements are enshrined in a contract between the two parties that defines each party's commitments and responsibilities, particularly in terms of Know-Your-Customer requirements. Nevertheless, Covéa Finance has no relationship with the end holder.

Investments

Covéa Finance mainly invests in products of listed companies having their headquarters in countries of the OECD, mainly in Europe, North America and Asia as well as in sovereign debt.

Nevertheless, Covéa Finance has broadened its scope of investment in asset classes that are more risky in terms of money laundering. Our fund management company can have recourse to private equity via funds but also to loans to landlords in the social housing sector via a dedicated fund. For such investments, the KYC questionnaire and extensive documentation are collected before the first subscription.

Internal control procedures put in place based on the assessment of risk of money laundering and terrorism financing

A. Risk mapping

Covéa Finance relies on public information and official lists (FATF, European and French lists) identifying a significant country risk in order to integrate this element into its process for assessing anti-money laundering and countering the financing of terrorism (AML/CFT) risks.

In this respect, Covéa Finance has two risk maps included in its AML/CFT procedure.

The first map is an internal classification of AML/CFT risks to be applied to the various business relationships (customers, third parties and partners) and the second map concerns the risks associated with investments made by the Front Office of Covéa Finance.

B. Procedures

The methodology for assessing the risk of money laundering and terrorism financing is described in Covéa Finance's AML/CFT procedure. This is periodically updated, with the latest version dated from 6 February 2021.

In particular, the procedure recalls KYC and KYI requirements as well as the supporting documents to be collected as part of the due diligence conducted according to the level of vigilance applied to the business relation.

There is also a description of the diligences to be carried out on the investments made directly or through Multimanagement (private equity included).

The procedure describes the system for operations monitoring as well as the procedure to be followed in the event of a declaration of suspicion.

The key concepts of "Country Lists", "Reporting Entities", "Beneficial Owners" and "Politically Exposed Persons" are also covered in the procedure.

The procedure also specifies the measures taken for recruitment of staff and training given to all employees.

Resources implemented for the financial year and control of activity

Human resources

Covéa Finance has entrusted the task of ensuring compliance with the provisions relative to financial organisations' participation in anti-money laundering and countering the financing of terrorism to M. Ludovic Jacquier, Managing director, in charge of the support and control functions.

In the exercise of this task, he relies on Maxime Perron, AML Compliance Officer, who is the appointed Tracfin informant.

He is in charge of the entire anti-money laundering mechanism, including legal watch and the training of personnel, and also for the analysis of any suspicious transaction reports made by employees before forwarding them to Tracfin.

Training

Any new employee follows an onboarding programme which includes training in our anti-money laundering framework. The detailed procedures are given to them. At the same time, an e-learning module was designed and deployed for all staff. In addition, specific presentations with a small panel of employees (depending on the subjects and the AML/CFT risk linked to the business activity such as for example on unlisted investments) are also organised throughout the year.

Control system

The control system is implemented in first level by operational staff working in Marketing, Fund Management, Research and Human Resources. Second-level controls are only done by the operational manager over AML/CFT or the RCCL, depending on the case.

The control plan followed each year is available in Covéa Finance's AML/CFT procedure, covering due diligence on costumers, investments and flows as well as revision of the procedural framework and periodic training for employees.

Tools and technical resources

Covéa Finance has internal tools and uses external tools as well.

Internal tools:

- an order marking tool is used to monitor inflows and outflows;
- a report on the investment scope makes it possible to identify the riskiest investments (criteria used include listing market, instrument type, location);
- client data and documentation are centrally processed in a database (CRM Salesforce).

External tools:

- a screening tool allows us to identify the entities and search for the identity of executives and Beneficial Owners (ORBYS solution);
- a tool to identify Politically Exposed Persons (PEPs) and screen for negative information (Module World Compliance connected with the ORBYS solution);
- access to official lists of asset freeze targets and high-risk countries (FATF, EU, France).

Identified incidents and inadequacies and corrective actions

The entire AML/CFT control plan was executed. There were no significant incidents in the 2020 financial year.

Checks performed in 2020 by the AML compliance officer did not reveal any notable anomalies and did not therefore lead to any suspicious activity reports to Tracfin.

Nevertheless, some improvements could be requested without requiring an additional alert to Management.

Adjustments and requests for additional information on issues raised by the controls were able to be implemented within the allotted time.

Balance Sheet at 31 December 2020

Assets	31/12/2020			31/12/2019
	Gross Amount	Depreciation & Amortisation/ Provision	Net amount	
Intangible fixed assets	2,139,015	1,450,430	688,585	433,403
Tangible fixed assets	8,341,884	6,965,866	1,376,018	2,319,598
Financial fixed assets	7,557,534	114,813	7,442,721	7,524,827
Total 1	18,038,433	8,531,109	9,507,324	10,277,828
Trade accounts receivable	11,712,116		11,712,116	11,406,576
Other receivables	54,477		54,477	80,832
Marketable securities	82,542,165	894,209	81,647,956	77,902,425
Liquid assets	2,147,573		2,147,573	1,357,674
Prepaid expenses	3,553,993		3,553,993	3,416,798
Accrued interest	172,261		172,261	238,831
Total 2	100,182,585	894,209	99,288,376	94,403,136
Grand total	118,221,018	9,425,318	108,795,700	104,680,964

Liabilities	31/12/2020	31/12/2019
Capital	7,114,644	7,114,644
Statutory reserve	711,464	711,464
Unavailable reserve	28,164	28,164
Carry forward	45,346,988	41,289,432
Other reserves	946,485	946,485
Merger premium	4,296,782	4,296,782
Contribution premium	454,203	454,203
Earnings for the period	21,935,953	20,287,780
Investment provisions		
Total 1	80,834,683	75,128,954
Provisions for risks	525,000	525,000
Provisions for charges		112,123
Total 2	525,000	637,123
Loans and debts with credit institutions		
Equities, dividends to be distributed		
Debts	27,436,018	28,914,887
Exchange differences Liabilities		
Total 3	27,436,018	28,914,887
Grand total	108,795,700	104,680,964

2020 Income Statement in list form

	Financial year 2020	Financial year 2019
Operating income		
Management fees on mandates	9,918,544	10,275,878
Management fees on mutual funds	99,349,256	97,277,692
ESU/FCPE invoicing	0	0
Administrative and accounting fees	4,062,779	3,424,315
Ancillary income	0	-148
Total ST	113,330,579	110,977,737
Other incidental income	38,727	10,516
Reversal of operating provisions	61,279	8,082
Total I	113,430,585	110,996,335
Operating costs		
Other external costs	53,382,141	52,750,666
Taxes, duties and related payments	4,392,434	4,069,964
Personnel costs	21,693,519	19,710,556
Other costs	13,897	19,666
Allocations to depreciation	1,480,616	1,487,213
Allowance to operating provisions	220,000	0
Directors' fees	8,000	8,000
Total II	81,190,607	78,046,065
Operating result (I - II)	32,239,978	32,950,270
Financial income		
Other income and interest	316,606	382,958
Capital gains from sales of marketable securities	923,649	1,676,373
Foreign exchange gains	62,221	24,391
Reversals of provisions for fixed financial asset imp.	52,969	221,982
Reversal of provision for depreciation on marketable securities	799,912	620,664
Reversals of provisions financial charges and liabilities	112,123	146,286
Total III	2,267,480	3,072,654

	Financial year 2020	Financial year 2019
Financial expenses		
Other interest	615	207
Charges on transfers of investment securities	390,067	89,363
Provisions for financial fixed asset impairment	114,813	52,969
Provisions for impairment of marketable securities	894,209	799,912
Provisions for currency risk	0	112,123
Foreign exchange losses	358,584	322
Total IV	1,758,287	1,054,898
Net financial result (III - IV)	509,193	2,017,756
Extraordinary income		
Reversals of provisions for risks	220,000	0
Other extraordinary income	0	491
Earnings from previous years	48,722	1,354
Earnings from assets sold – financial fixed assets	388	0
Total V	269,110	1,845
Extraordinary expenses		
Allowances for regulated provisions		
Extraordinary costs on management transactions	9,169	155,805
Fines & tax penalties	-48	46,920
Book value of financial fixed assets sold	0	388
Provisions for extraordinary risks and charges	0	525,000
Total VI	9,121	728,113
Extraordinary result (V - VI)	259,989	-726,268
Earnings before tax (I - II + III - IV + V - VI)	33,009,160	34,241,758
Tax on profits (VII)	9,025,523	11,788,024
Employee profit-sharing (VIII)	2,047,684	2,165,954
Total income (I + III + V)	115,967,175	114,070,833
Total expenses (II + IV + VI + VII + VIII - IX)	94,031,222	93,783,053
Profit	21,935,953	20,287,780

Statutory auditors' report on the financial statements

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users. This statutory auditors' report includes information required by French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

FOR THE YEAR ENDED 31ST DECEMBER 2020

To the sole partner of
Covéa Finance
8-12, rue Boissy d'Anglas
75008 Paris

Opinion

In compliance with the engagement entrusted to us by your general meeting, we have audited the accompanying financial statements of Covéa Finance for the year ended 31st December 2020.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31st December 2020 and of the results of its operations for the year then ended in accordance with French accounting principles.

Basis for Opinion

AUDIT FRAMEWORK

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Statutory Auditors' Responsibilities for the Audit of the Financial Statements" section of our report.

INDEPENDENCE

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from 1st January 2020 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in the French Code of ethics (*Code de déontologie*) for statutory auditors.

Justification of assessments

Due to the global crisis related to the Covid-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of the audits.

It is in this complex and evolving context that, in accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you that the most important assessments we have made, in our professional judgment, have focused on the adequacy of the accounting principles applied, the reasonableness of the significant estimates and on the overall presentation of the accounts.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Verification of the other documents addressed to the sole partner

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law and regulations.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information with respect to the financial position and the financial statements given in the documents provided to the sole partner. With regard to the events which occurred and the facts known after the date the financial statements were approved by the Chairwoman relating to the impact of the Covid-19 crisis, the management indicated to us that they will be communicated to the sole partner called to approve the financial statements.

We attest the fair presentation and the consistency with the financial statements of the information relating to payment deadlines mentioned in Article D.441-6 of the French Commercial Code (*Code de commerce*).

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The financial statements were approved by the Chairwoman.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit 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 internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements;
- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Neuilly-sur-Seine and Paris-La Défense, 6th April 2021

The Statutory Auditors
French original signed by

PricewaterhouseCoopers Audit
Philippe Chevalier

Deloitte & Associés
Olivier Galienne

Decision by the Sole Shareholder

Text of the resolutions

First resolution

The sole shareholder, after being read the Chairwoman's management report given to the Supervisory Board giving its opinion on the annual accounts for the year ended 31 December 2020, and on the business of the company during this period, and after being read the Statutory Auditors' report on the performance of their audit during this financial year, approves the annual accounts as they are presented, in addition to the transactions recognised in these accounts and summarised in these reports.

Accordingly, it grants discharge to the Chairwoman and to the members of the Supervisory Board for the performance of their duties for this financial year.

Second resolution

On the proposal of the Chairwoman, the sole shareholder decides to allocate the profits of the financial year as follows:

• Profit for the financial year	€21,935,952.70
• Retained earnings from previous financial year	€45,346,988.33
Total to be allocated	€67,282,941.03
• Allowance for the statutory reserve	€1,778,661.00
• Dividends (€29.60 per share)	€17,548,762.20
• Retained earnings after allocation	€47,955,517.83
Total	€67,282,941.03

For information, the dividends paid in respect of the last three financial years were as follows:

2019	€16,230,224
2018	€14,537,589
2017	€11,146,275

Third resolution

The sole shareholder, having read the management report, and noting that the share capital of the company is fully paid-up, decides in accordance with Article 19 of the Articles of Association that in the event of a distribution of interim dividends during

the current financial year to offer the option of payment in cash or in company shares. The issue price of newly created shares, as payment of interim dividends, equals the amount of equity divided by the number of shares.

Fourth resolution

The sole shareholder, on a proposal from the Chairwoman, decide to increase the company's share capital by €17,786,610 by incorporation of reserves, to bring it from €7,114,644 to €24,901,254, deducting this amount completely from the retained earnings account. The nominal value of the 592,887 shares making up the share capital was thus raised from €12 to €42.

Consequently, the sole shareholder proceeded to amend Articles 7 and 8 of the company's Articles of association on the list of contributions and amount of the share capital.

Fifth resolution

The General Meeting, noting that the term of office of Deloitte et Associés, joint regular Statutory Auditor, is scheduled to expire, decides to reappoint it in this capacity for a term of six financial years, i.e. until the General Meeting called to approve the financial statements for the year ended 31 December 2026.

Sixth resolution

The general meeting, noting that the appointment of BEAS as substitute auditor expired, decided not to renew it and to abolish this function, in accordance with the new legal provisions.

Seventh resolution

The sole shareholder confers all powers on the bearer of a copy or extract of the minutes of this decision to conduct all filings and formalities of legal publications in response to the decisions made above and execution thereof.

Notes to the annual accounts

The balance sheet before distribution of the financial year ended 31 December 2020 totalling €108,795,700 and the income statement totalling earnings of €115,967,175 recognise a profit of €21,935,953.

The notes and the tables hereinafter constitute the NOTES. They are an integral part of the financial statements. Only significant information is produced.

1. Highlights of the financial year

A tax audit for the years 2016 to 2018 was initiated in May 2019 by the authorities.

The final notification from the government concerning the corrections relating to the 2017 and 2018 financial years was received at the start of the financial year. These amounts, which had been provisioned in 2019, were settled in 2020.

2. Post-balance sheet events

No specific elements that could affect the financial statements for 2020 or call into question the company's ability to continue as a going concern were identified.

3. Accounting principles and methods used

3.1 General principles

This balance sheet and the income statement were prepared in accordance with the provisions of Articles L.123-12 and L.123-13 of the French Commercial Code and pursuant to the general rules of preparation and presentation of annual accounts.

The general rules for preparing and presenting the annual accounts were established in accordance with the new chart of accounts as per ANC Regulation no. 2016-07 of 4 November 2016.

The general principles of prudence, regularity, sincerity, and true representation have been complied with based on the following assumptions:

- going concern;
- consistency of accounting methods from one year to another;
- independence of financial years.

3.2 Accounting methods used

The base method retained to evaluate items written in the accounts is the historic costs method.

For marketable securities, the gross value is made up of the purchase cost excluding additional expenses.

4. Additional information concerning the balance sheet

4.1. Statement of fixed assets

A - Intangible and tangible fixed assets

Item (in euros)	Start of financial year		Movements for the financial year			End of financial year		Net accounting value
	Gross value of assets	Gross value of amortisation	Acquisitions	Disposals	Provisions and reversals	Gross value of assets	Gross value of amortisation	
Intangible fixed assets	1,682,659	1,249,256	456,356	0	201,174	2,139,015	1,450,430	688,585
Software	1,682,659	1,249,256	456,356		201,174	2,139,015	1,450,430	688,585
Tangible fixed assets	8,006,023	5,686,423	335,861	0	1,279,442	8,341,883	6,965,865	1,376,018
Installations	3,605,362	2,818,006	0		639,829	3,605,361	3,457,835	147,526
Fixtures and fittings	477,418	432,341	4,938		24,625	482,356	456,966	25,390
Equipment	3,097,938	1,867,379	330,923		481,026	3,428,861	2,348,405	1,080,456
Telephones	37,623	11,778	0	0	18,775	37,623	30,553	7,070
Furniture	773,179	556,919	0		115,187	773,179	672,106	101,073
Prints	14,503					14,503		14,503
Total	9,688,682	6,935,679	792,217	0	1,480,616	10,480,898	8,416,295	2,064,603

Fixed asset entry values are recognised at historic cost.

Acquisitions at Covéa Finance:

- software is amortised over 3 years using the linear method;
- installations, furniture, and fixtures are depreciated over 5 years on a straight-line basis;
- equipment is depreciated over 5 years using the linear method.

Depreciation and amortisation is recorded in the income statement under “Depreciation and amortisation”.

B - Financial and other fixed assets

Description of securities (in euros)	Cost price 31/12/2019	Investment 2020	Amortisation and Depreciation 2020	Transfer price 2020	Realised gains/ losses	Cost Price 31/12/2020	unrealised gains	unrealised losses
							31/12/2020	31/12/2020
Total financial fixed assets	7,453,028	566,106	0	-715,698	149,592	7,453,028	1,656,673	-114,813
Total other fixed assets	124,768	17	-20,280	0	0	104,506	0	0
Total	7,577,796	566,123	-20,280	-715,698	149,592	7,557,534	1,656,673	-114,813

At the end of the financial year, the subscription value is compared to the liquidation value. In the case of unrealised losses, a provision for depreciation is posted under “Allocations to provisions”.

Unrealised gains are not recognised.

4.2 Receivables by due date

(in euros)	Gross Amount	1 year and less	1 to 5 years	Over 5 years
Trade accounts receivable	11,712,116	11,712,116		
Personnel salaries	871	871		
Social welfare agencies	2,735	2,735		
VAT to be paid	2,329	2,329		
State accrued income	48,542	48,542		
Total receivables	11,766,593	11,766,593		

Receivables mainly consist of trade accounts receivable corresponding to billing for December 2020. There are no receivables greater than one year.

4.3 Marketable securities

Description of securities (in euros)	Cost Price 31/12/2019	Investment 2020	Transfer price 2020	Capital gains/losses recorded in 2020		Foreign exchange result		Cost Price 31/12/2020	unrealised gains 31/12/2020	unrealised losses 31/12/2020
				gains	losses	Realised	Unrealised			
Bonds	19,063,572	1,783,971	-8,510,129	7,167	-226,731	-40,870	-	12,076,980	-	-817,458
Equities	-	463,474	-574,674	111,199	-	-	-	-	-	-
UCI Covéa Finance	59,638,766	122,254,864	-111,920,800	655,691	-163,335	-	-	70,465,185	1,166,007	-76,752
Total marketable securities	78,702,338	124,502,309	-121,005,603	774,057	-390,066	-40,870	0	82,542,165	1,166,007	-894,210

At the end of the financial year, the subscription value is compared to the liquidation value. In the case of unrealised losses, a provision for depreciation is posted under “Allocations to provisions”.

Unrealised gains are not recognised.

Liquid assets

Any liquid assets in foreign currencies at the end of the financial year are converted into national currency at the spot rate. Any currency exchange differences are recognised in the income statement.

4.4 Information on equity

(in euros)	31/12/2019	Increases	Decreases	31/12/2020
Share capital	7,114,644			7,114,644
Merger premium	4,296,782			4,296,782
Contribution premium	454,203			454,203
Statutory reserve	711,464			711,464
Unavailable reserve	28,164			28,164
Other reserves	305,267			305,267
Contingency reserve	641,218			641,218
Retained earnings	41,289,432	4,057,556		45,346,988
Earnings for the period	20,287,780	21,935,953	20,287,780	21,935,953
Total	75,128,954	25,993,509	20,287,780	80,834,683

4.5 Statement of provisions

Description (in euros)	31/12/2019	Allowances	Reversals	31/12/2020
Provisions for risks	525,000	0	220,000	305,000
Provisions for pension obligations	0	220,000	0	220,000
Provision for USD exchange losses	112,123	0	112,123	0
Total	637,123	220,000	332,123	525,000

4.6 Payables by age

(in euros)	Gross Amount	1 year and less	1 to 5 years	Over 5 years
Suppliers	10,625,143	10,625,143		
Current accounts	908,161	908,161		
Accrued expenses	285,864	285,864		
Personnel – Travel expenses	175	175		
Personnel – Profit-sharing	2,047,684	2,047,684		
Personnel – Incentive scheme bonus	692,547	692,547		
Works Council	18,467	18,467		
Other payables	36,741	36,741		
Provisions on salaries	11,208,275	11,208,275		
Social welfare agencies	894,127	894,127		
VAT on unissued invoices	25,736	25,736		
VAT to be paid	207,489	207,489		
Payroll tax	485,609	485,609		
Total payables	27,436,018	27,436,018		

Payables mainly comprise:

- trade accounts payable for invoices received at the end of the year;
- social and tax liabilities.

There are no debts greater than one year.

4.7 Accruals and prepayments

The balance of prepayments and accruals breaks down as follows:

- Prepaid expenses: €3,553,993

4.8 Accrued income and expenses

The balance of accounts receivable is €2,028,410. It corresponds to the billing during the second half of the year of administrative and accounting fees, and proceeds from related activities.

The balance of trade accounts payable is €8,885,594. It concerns supplier invoices not received and provisioned at the end of the year.

5. Additional information on the income statement

5.1 Operating income

This item amounted to €113,430,585 and is broken down as follows:

- Management fees on mandates €9,918,544
- Management fees on mutual funds €99,349,256
- Administrative and accounting fees €4,062,779

5.2 Financial income

This item amounted to €2,267,480 and is broken down as follows:

- Income and interest €316,606
- Gain on assets sold €923,649
- Currency exchange gains €62,221
- Reversals of provisions on financial fixed. assets €52,969
- Reversals of provisions on marketable securities €799,912
- Reversals of provisions on financial expenses. €112,123

5.3 Extraordinary income

This item amounted to €269,110 and represents:

- Reversals of provisions for risks €220,000
- Earnings from previous years €48,722

5.4 Personnel costs

Salaries and social security contributions amounted to €21,693,519.

5.5 Financial expenses

This item amounted to €1,758,287 and is broken down as follows:

- Income and interest €615
- Charges on transfers of investment securities €390,067
- Allocations to impairment of financial fixed assets €114,813
- Allocations to impairment of marketable securities €894,209
- Currency exchange losses €358,584

5.6 Extraordinary expenses

This item amounted to €9,121 and is broken down as follows:

- Other extraordinary expenses €9,169

5.7 Tax and tax consolidation

The tax recognised in the income statement for the financial year corresponds to the tax payable for the period according to the tax regulations in force.

On 1 January 2008, Covéa Finance joined the tax consolidation group of which SGAM Covéa is the consolidating company.

The amount of corporation tax for 2020 is €9,025,524.

5.8 Employee profit-sharing

Profit sharing amounted to €2,047,683.

5.9 Incentive bonus

The Profit-sharing/Salary ratio was below 0.16, so there will be an incentive payment.

A Covéa group incentive will be paid to employees.

5.10 Allocation of earnings of the financial year

The Chairwoman proposed allocating net profits as follows:

- Profit for the financial year €21,935,952.70
- Retained earnings from previous financial year €45,346,988.33
- Total to be allocated €67,282,941.03**
- Allowance for the statutory reserve €1,778,661.00
- Dividends (€29.60 per share) €17,548,762.20
- Retained earnings after allocation €47,955,517.83
- Total €67,282,941.03**

5.11 Workforce

As at 31 December 2020, Covéa Finance had 176 employees:

- 15 non-executive grade;
- 161 executive grade.

5.12 Remuneration of senior management

The disclosure of senior management and risk taker remuneration is the subject of an *ad hoc* report, appended to the management report, in accordance with European AIFM and UCITS V directives to which Covéa Finance is subject as a fund management company.

6. Off-balance sheet commitments

• Pension commitments	€1,457,599
• Funds composed	€650,331
• Shortfall	€807,268

The company's commitments are valued using an actuarial method which takes particular account of the turnover and salary increase rate.

The discount rate applied is iBoxx Eurocorporate AA 10.

The preferential method recommended by the CNC recommendation of October 2018 is applied.

The company's commitments are partially covered by an insurance policy taken out with GMF Vie.

7. Other significant information

7.1 Breakdown of share capital

On 15 November 2018 the company became a one-person simplified joint-stock company (SASU), with Covéa Cooperations now the sole shareholder of Covéa Finance.

7.2 Consolidation

The accounts of Covéa Finance are included using the full consolidation method in the combined accounts of SGAM Covéa, SIRET no. 450527916 00016 (86-90, Rue Saint-Lazare, 75009 Paris, France).

7.3 Statutory Auditors' fees

The impact of the statutory auditors' fees on the income statement was €385,299 broken down as follows:

• audit of Covéa Finance's accounts	€84,536
• audit of mutual funds	€300,763

7.4 Impacts of the pandemic

The impact of the pandemic on the company's accounts for the 2020 financial year is estimated at €200k. It corresponds mainly costs incurred to ensure the health and safety of employees in the company in the face of Covid-19, in accordance with the recommendations of the health protocols published by the Ministry of Labour, Employment and Insertion.

The main expenses incurred in 2020 relate to the various equipment provided to employees (gel, masks, etc.) and ensuring the compliance of the premises (additional disinfection, etc.).

Company results for the last 5 financial years

Nature of information	2016	2017	2018	2019	2020
Capital at the end of the financial year					
Share capital	7,114,644	7,114,644	7,114,644	7,114,644	7,114,644
Number of existing ordinary shares	592,887	592,887	592,887	592,887	592,887
Number of existing priority dividend shares (without voting right)					
Maximum number of future shares to be created					
Transactions and results of the financial year					
Revenue before tax	91,794,558	98,239,743	105,316,503	110,977,737	113,330,578
Earnings before tax, employee profit-sharing, and allowances for amortisation/depreciation and provisions	31,674,207	31,623,836	30,891,391	36,230,044	34,533,792
Tax on profits	10,329,484	12,257,326	9,485,941	11,788,024	9,025,523
Employee profit-sharing due for the financial year	1,691,773	1,494,342	1,711,586	2,165,954	2,047,684
Earnings after tax, employee profit-sharing, and allowances for amortisation/depreciation and provisions	19,832,482	15,906,361	18,165,068	20,287,780	21,935,953
Earnings distributed in cash	15,859,727	11,146,276	14,537,589	16,230,224	17,548,762
Earnings distributed in shares					
Earnings per share					
Earnings before tax, employee profit-sharing, and allowances for amortisation/depreciation and provisions	53.42	53.34	52.10	61.11	58.25
Earnings after tax, employee profit-sharing, but before allowances for amortisation/depreciation and provisions	33.15	30.14	33.22	37.57	39.57
Earnings after tax, employee profit-sharing, and allowances for amortisation/depreciation and provisions	33.45	26.83	30.64	34.22	37.00
Dividend allocated to each share (in cash)	26.75	18.80	24.52	27.37	29.60
Dividend allocated to each share (in shares)					
Personnel					
Average workforce during the year	142	154	164	167	171
Payroll for the financial year	10,523,706	11,370,318	12,255,335	13,293,955	15,027,514
Amount of sums paid as social benefits during the financial year (social security, social works, etc.)	5,221,091	5,614,056	6,090,462	6,416,602	6,666,005



COVÉA GROUP'S
PORTFOLIO MANAGEMENT
COMPANY

8-12, rue Boissy d'Anglas
75008 PARIS
Tel. 01 40 06 51 50

Authorised by the AMF, the French Financial Markets Authority
GP 97-007 RCS PARIS 407 625 607

www.covea-finance.fr
www.covea-finance.com

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