

The biggest challenges in asset management  
as seen by Covéa Finance

# FINANCIAL REPORT

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# 2023 Financial Report

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# Chairwoman's management report to the Supervisory Board and Sole Shareholder

(ARTICLE L.232-1 ET SEQ. OF THE COMMERCIAL CODE)

**I hereby present to you the report on your company's activities for the financial year ended 31 December 2023 and submit for your approval the corresponding annual financial statements.**

**The statutory auditors will provide in their reports all necessary information on the lawfulness and accuracy of the annual financial statements presented to you. The financial statements and associated notes are enclosed with this report. Please refer to the notes for further information on the accounting principles applied.**

## 1. ECONOMIC ENVIRONMENT OF COVÉA FINANCE

### 1.1 KEY MARKET ENVIRONMENT THEMES IN 2023

The first challenge identified last year was the ability of economic operators to adapt to the new interest rate environment. This challenge is all the greater given that the rise in the cost of money has been at historic levels in terms of its scale and speed. This represents a new dynamic despite an environment of a world where accumulated debt has never been greater.

A rapid and significant increase: it should be noted that the deposit rate of the European Central Bank was -0.50% in the summer of 2022, then raised 10 meetings later to 4% in September 2023. An indebted world: the latest IMF figures put global debt at nearly 240% of global GDP, a ratio that has doubled in 40 years. A global phenomenon affecting the private sector and - above all - the public sector. Public debt has been the focal point of our expert discussions and remains the guiding principle. Now more than ever, therefore, the debt burden and its sustainability in the face of poor growth remains a critical issue in times to come.

2023 also confirmed the harmful effects of the lack of homogeneity within the European Union, with the consequences that this may have in terms of distortions of competition between companies. This was reflected during the discussions on taxonomy, on the regulation of artificial intelligence and, more recently, on the reform of the Stability and Growth Pact. Such disparity can also be found in the United States, where the bipartisan system is combined with increasingly opposing positions between states.

Finally, last year saw politics return to centre stage around the world. An increasingly uncooperative world, where confrontational strategies are reflected in health rules, industrial standards, trade exclusions and strategic regional alliances. A world torn between the 2 poles, US and China, where geopolitical tensions exacerbate the difficulties of fragmented value chains and contribute to the development of the regionalisation of trade between friendly partners.

We had carefully analysed that exiting the exceptional monetary regime of the major central banks would not be without pain, as evidenced by the bank failures in California, which heralded other difficulties among operators having made the most use of credit leverage.

Large listed companies have deployed all their forces to try to adapt to these many disruptions, the theme of our PEF last November, while governments have increased their budgetary spending due to the numerous urgent demands.

### 1.2 OUTLOOK FOR THE COMING MONTHS

2023 confirmed two major fault lines. The first is the shift from a disinflationary world to a more inflationary environment, with the corollary of tighter financing conditions. The second is the end of the belief in a lasting peace after the fall of the Berlin Wall, which had allowed multilateralism and free trade to become widespread. These scenarios are expected to persist.

The developments observed last year are also expected to continue:

- Difficulty controlling and agreeing on budgets both in the United States and in Europe, against the backdrop of proactive industrial policies in strategic sectors;
- An increasing number of BRICS looking for alternatives to Western models and values;
- Tighter regulatory barriers around the most advanced technologies and Europe's desire to strengthen its position vis-à-vis China;
- Reduction in central bank balance sheets. Such non-reinvestment of maturing securities is likely to increase pressure on issuers at a time when the financing needs for energy and digital transition are immense;
- Interest expense set to increase to dangerous levels in numerous households, companies and governments;
- Reconfiguration of global supply chains given the geopolitical links between countries pushing for greater regionalisation of trade;
- A less cooperative world where the Indo-Pacific region could see armed tension and the mobilisation of alliances.

In the portfolios, our strategy incorporates our economic and financial outlook established collectively for the long term, based on our perception of global developments. With failing multilateralism, liberalism has been severely shaken. Trade barriers and constraints on the location of investments are disrupting the way companies operate. We are therefore committed to supporting companies, whether as shareholder or creditor, which have the means to review their business model in a less open world, with lower access to raw materials and less favourable financing conditions.

On interest rate markets, the response to inflation was the implementation of a cycle of increases in the key rates of the main central banks. Although the bond markets reacted swiftly from the first fall in inflation figures in the 4<sup>th</sup> quarter, we remain vigilant about the emergence of a more inflationary structural equilibrium. This will be sustained both by the persistent tensions in labour markets, by ecological transition, which involves significant financing needs and rising costs, but also by the increase in geopolitical tensions and armed conflict in areas key to accessing essential resources, and finally a trend towards the relocation of strategic production against the backdrop of the desire to reaffirm national industrial sovereignty. Governments are competing to attract technology and jobs through subsidies, which become an integral part of companies' strategies, model choices and investment decisions, but which increase the risk of deteriorating public finances.

Disruption, transition, switching and reconfiguration are the words that typify the geo-economic environment of markets and market operators. In this context, however, not all investors will have the capacity or financial means to adapt their organisations and strategies and maintain their position in a world where competition for the capture of savings is fierce. These are the challenges our teams face in the new year. These are also the opportunities we will strive to seize.

After having been at historical levels in 2022, inflation declined in 2023 in the major developed economies, mainly as a result of lower energy prices. It also benefited from the normalisation of global supply chains, which had suffered from the Covid pandemic and the war in Ukraine. Faced with the risk of inflation remaining too high, central banks continued to tighten monetary policy for a number of months, before easing off. However, they remain vigilant in the face of persistent tensions in labour markets and with regard to companies' margin behaviour, in addition to the costs of implementing energy transition. In addition to the ongoing war in Ukraine, international tensions worsened at the end of the year with the war between Israel and Hamas. This exacerbates global polarisation. At the same time, the announced expansion of the BRICS group illustrates the desire to build a “global south” in the face of the economic dominance of the West. On the foreign exchange market, the euro rose

3.6% against the dollar, ending at 1.1050 dollars. The price of a barrel of Brent oil rose by 10.3%, ending the year at 77.04 dollars.

The risk of inflation becoming entrenched on both sides of the Atlantic in a political and geopolitical context favourable to the installation of structural inflation, prompted the Fed and the ECB to act by sharply and rapidly raising key rates. This rise in short-term rates led to a rise in long-term rates.

The first effect on the asset management industry was to mechanically reduce the market value of bond holdings, with the direct consequences on the revenue of many asset management companies, particularly in France (note: while the 10-year OAT yield was 2.56% at the end of 2023 versus 3.11% at the end of 2022, its average rate over the calendar year was 3.00% in 2023 versus 1.70% in 2022).

According to the French Asset Management Association (AFG), assets under management fell by 12.5% at insurance group subsidiaries in 2022 and are not expected to rise again in 2023, undermined by the devaluation of real estate revenue.

The second effect of the rise in short-term interest rates is the return of the attractiveness of investments in money market mutual funds, term accounts and passbook accounts. In 2023, while net inflows from life assurance totalled €2.4 billion, they stood at €42.3 billion for regulated passbook savings accounts (LDDS +€11.23 billion and Livret A +€28.68 billion).

These two factors put pressure on the profitability of Management Companies as costs resulting from new regulatory requirements (SFDR, CSDR, IFAD, DORA) continue to increase. This is combined with the weight of spending on information systems to meet contemporary challenges and considerable investments to acquire mandatory, yet unreliable, non-financial data. This strengthening of the regulatory framework at the French level also contributes to the increase in the number of working hours assigned to control functions. According to the AMF, this figure has increased by 28% over the last 6 years.

Like large listed companies facing competition for access to resources in commodities, people and savings, the asset management industry is seeing operating margins decline. According to the AFG, nearly a quarter of AMCs have negative operating revenue (23% in 2022).

The difficulties encountered by asset management in France can also be seen by examining the capital of asset management companies, showing 31 companies (nearly 5%) to have inadequate holdings according to an AMF report. Although these asset management companies with inadequate capital are mainly entrepreneurial structures, they nevertheless include 4 subsidiaries of credit institutions and 2 subsidiaries of insurance and mutual companies.

Our Economic and Financial Outlook (PEF) highlighted the current transformations profoundly affecting the corporate framework: of the 31 AMCs with inadequate capital, 10 date back more than 10 years. Our PEF shows that household consumption in the West is based on wage income and the depletion of savings accumulated during the Covid pandemic.

In France, this resulted in mutual fund outflows in 2023: French funds recorded redemptions of around €51bn (excluding money market funds). Redemptions particularly affect asset management companies, as they mainly concern equity and diversified products (–€159bn), while less profitable bond products recorded inflows of €108bn. A decline in income for the asset management sector, aggravated by the continued movement towards index management, encouraged by policy which sees it as a means of increasing household purchasing power. Accordingly, the €159 billion in withdrawals from equity and diversified mutual funds is the balance of subscriptions totalling €84 billion in passive ETFs and redemptions totalling €243 billion in active funds.

This movement has consequences for the financing of Europe's industrial fabric and the survival of the continent's asset managers. The return of policy impact is also reflected in a re-routing of savings through the promotion of labels and the obligation of certain life assurance offers, akin to that of unlisted products. While the reduction in fees combined with the application of EIOPA's “value-for-money” rules led AMCs to adapt their product range (50% reduction), these incentives forced AMCs to develop their private equity resources by offering new investment solutions. Of the 31 new approvals granted by the AMF, 61% were in this segment.

Our perception of the global environment is one of a less cooperative and more confrontational world. Against the backdrop of the search for sovereignty, a certain regionalisation is taking place with the emergence of new organisations (BRICS+, OPEC+) and new standards, and we have concluded that structural inflationary forces remain in place. At the same time, on both sides of the Atlantic, expansionary fiscal policies and restrictive monetary policies must be observed. This represents a dilemma for central banks, between fighting inflation and managing financial and banking risk.

This represents an uncertain environment causing disruption in the asset management industry. The AMF's latest report shows 37 withdrawals of authorisation, compared with 14 during the prior year. 57% of this development was due to economic reasons and 43% to “mergers and reorganisations”.

Principal market indices and indicators at 31/12/2022

Market indicator (1/2)			31/12/2022	31/12/2023	Change since 31/12/2022 (% or bps)*
Bond markets	Key rates (%)	Fed	4.50	5.50	1.00
		ECB	2.50	4.50	2.00
		BoE	3.50	5.25	1.75
		BoJ	-0.10	-0.10	0.00
		Bank of Korea	3.25	3.50	0.25
		Brazil	13.75	11.75	-2.00
		Russia	7.50	16.00	8.50
		India	6.25	6.50	0.25
		China	4.35	4.35	0.00
	10-year sovereign yields (%)	United States	3.87	3.88	0.00
		France OAT	3.12	2.56	-0.56
		Germany	2.57	2.02	-0.55
		Italy	4.72	3.70	-1.02
		United Kingdom	3.67	3.54	-0.14
		Japan	0.42	0.61	0.19
		South Korea	3.74	3.18	-0.56
		Brazil	6.17	6.01	-0.16
		Russia	9.49	11.08	1.59
	Credit index	iBoxx EUR Corporate index	207.30	224.30	8.19
Foreign exchange markets	Against the euro (€1 = currency)	Dollar	1.07	1.10	3.10
		Pound sterling	0.89	0.87	-2.08
		Yen	140.40	155.70	10.90
	Against the dollar (€1 = currency)	Won	1,266.00	1,294.00	2.30
		Brazilian real	5.30	4.90	-8.00
		Rouble	74.30	89.40	20.40
		Indian rupee	82.70	83.20	0.60
		Yuan	6.90	7.10	2.90

Market indicators (2/2)			31/12/2022	31/12/2023	Change since 31/12/2022 (% or bps)*
Equity markets	Local currencies	United States – S&P	3,840	4,770	24.2
		Japan – Nikkei 300	398	500	25.7
		France – CAC 40	6,474	7,543	16.5
		Germany – DAX	5,753	6,629	15.2
		Eurozone – MSCI EMU	132	153	16.0
		United Kingdom – FTSE 100	7,452	7,733	3.8
		South Korea – KOSPI	2,236	2,655	18.7
		Brazil – Bovespa	109,735	134,185	22.3
		Russia – MICEX	2,147	3,099	44.3
		India – SENSEX	60,841	72,240	18.7
		China – Shanghai	3,089	2,975	-3.7
		Hong Kong – Hang Seng	19,781	17,047	-13.8
		MSCI – BRIC	889	904	1.7
	Euro	S&P (€)			20.5
		Nikkei 300 (€)			13.3
		FTSE 100 (€)			6.0
Commodities	Agricultural	Maize (dollar cents per bushel)	679	471	-30.5
		CRB index**	555	510	-8.0
	Energy	Oil (Brent, \$ per barrel)	86	77	-10.3
	Metals	Price per ounce of gold	1,826	2,072	13.4
		Price per tonne of copper	8,372	8,559	2.2

\* Variation in basis points (bps) in sovereign yields and base rates.  
\*\* CRB: price index of 22 industrial raw materials (59.1%) and food commodities (40.9%). This index does not include energy prices.  
Sources: Refinitiv, Covéa Finance, Bloomberg.

2. SITUATION AND ACTIVITIES OF THE COMPANY

2.1 DEVELOPMENTS AFFECTING THE COMPANY’S SITUATION

The events mentioned last year, combined with the crisis in the Middle East, the fall in assets under management and higher expenses, have maintained the pressure on Covéa Finance’s business model.

In this context, Covéa Finance stabilised its headcount at 185 while pursuing its “Ambition 2026” strategic plan, with the completion of multiple structural projects.

During the 2023 financial year, we developed our range of UCIs by creating 2 funds dedicated to our principals: a Professionnel de Capital Investissement (professional private equity) fund of funds, Covéa Accompagnement V and a FIVG (retail investment fund) unlisted index-tracking AIF – Covéa Euro Large Cap.

As part of the range adaptation effort, several merger and dissolution operations were carried out. The Covéa Renouveau sub-fund was absorbed by Covéa Action France, which uses the methodology of the former and retains its Relance label – a guarantee of our stock-picking criteria with regard to the employment and support of French small caps.

The Covéa Sélection UK fund was dissolved and the assets transferred to Covéa Actions hors Euro, which takes over the expertise in mid-cap UK companies within its non-euro European investment universe.

Lastly, Covéa Ultra Flexible was closed as part of the streamlining of the range and resulting from analysis of the non-financial risks specific to commodity and emerging markets.

At the end of 2023, we completed the change of our IT facilities manager.

2.2 ASSETS UNDER MANAGEMENT

As at 31 December 2023, the amount of assets under management stands at €83.8bn, breaking down as follows:

- 20 management mandates on behalf of Covéa group companies and partner mutual insurers, totalling €70.1bn;
- 53 mutual funds, including 5 professional private equity funds, totalling €13.7bn.

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

Assets under management (in €bn)	31/12/2022	31/12/2023	Change
Mandates	67.3	70.1	+4.1%
UCIs	13.6	13.7	+1.1%
<b>Total</b>	<b>80.9</b>	<b>83.8</b>	<b>+3.6%</b>

Readers will find in the notes a detailed statement on the mutual funds managed and their performance.

2.3 ACTIVITY OF THE COMPANY

In 2023, Covéa Finance’s operating revenue increased by 2% compared to the prior year.

Equity and similar assets under management at 31 December 2023, including mutual funds and mandates, were valued at €15.3bn, representing a decline of 3.8% compared with the prior year.

Bonds and other fixed income products amounted to €68.5bn at year end, a rise of 5.4% versus 2022.

Operating expenses rose by 4.8% during the financial year. This increase in expenses is notably due to:

- The increase in payroll costs over the period;
- The increase in taxes and duties;
- Changes in data costs under other IT operating expenses.

As a result, the operating revenue for 2023 therefore fell compared with the prior year. It reduced from €25,942k in 2022 to €19,010k in 2023, a fall of 26.7%.

Net accounting income, after taking financial and extraordinary income, taxes and profit-sharing into account, amounted to €14,907k, down by 8.5%.

3. BUSINESS RESULTS

3.1 OPERATING REVENUE

2023 operating revenue amounted to €117,260 versus €119,693k in 2022, a fall of 2%.

Operating revenue breaks down as follows:

(in €k)	2022	2023	Change
Management fees (mandates)	13,323	11,994	-10.0%
Management fees on mutual funds	102,767	101,059	-1.7%
Ancillary revenue	3,603	4,207	+16.8%

The change in operating revenue is mainly a function of cash withdrawals made by the main Group mandates during 2022 and the necessary readjustment of the portfolio risk profile. As a result, invoicing in 2023 was lower than in 2022.

3.2 PERSONNEL EXPENSES

Personnel expenses stand at €25,479k, an increase of 10.1% over the prior year

This change is mainly due to salary increases and profit-sharing in 2023.

3.3 GENERAL OPERATING EXPENSES

Business expenses and other operating expenses, excluding taxes, depreciation and compensation, amounted to €67,730k at year-end 2023, an increase of 1.7% year-on-year.

The most significant operating expense items are:

- Marketing retrocessions amounting to €29,726k. These increased by 3% compared to 2022 as a result of changes in the equity markets between the two years;
- IT operating expenses totalling €20,861k, an increase of 5.3%. This change is mainly due to the increase in the costs of market data flows;

- Rent and rental charges stand at €5,232k, up 22% following the increase in rented space in 2023;
- External research support costs paid by the company on behalf of UCIs and mandates totalled €3,086k, a fall of 11.1% versus 2022;
- Other fees paid by the company on behalf of mutual funds (administration and accounting, valuation agents, custodians, etc.) amounted to €2,589k, a decrease of 8.4%. This change in expenses stems from the decrease in average mutual fund assets under management between the two financial years;
- Fees for advisory and statutory auditors, including mutual fund audit fees, stand at €2,029k (+2%).

3.4 FINANCIAL AND EXTRAORDINARY RESULT

The financial result stands at €3,390k. It mainly consists of provision reversals for unrealised capital losses recognised in 2022 following interest rate rises. It should be noted that unrealised gains are not recognised. It should be further noted that the company has no debt maturing in more than one year.

Extraordinary revenue of €3k.

3.5 TAXES AND DUTIES

Taxes excluding corporate income tax stand at €4,340k.

Taxable income stands at €22,233k.

Corporation tax stands at €5,609k.

3.6 NET PROFIT

The net profit for 2023 amounts to €14,907k, a decrease of 8.5% compared with 2022.

3.7 EMPLOYEE PROFIT-SHARING

The legal profit-sharing reserve for the period stands at €1,885k.

3.8 EMPLOYEE INCENTIVE PLAN

The calculation and activation criteria as defined in the Covéa Finance incentive plan agreement of 17 May 2023 were not met. The amount of €1,099k was recognised at year-end.

3.9 INFORMATION ON THE PAYMENT TERMS OF ACCOUNTS PAYABLE AND RECEIVABLE

Pursuant to Articles L. 441-6-1, D. 441-4 and A. 441-2 of the Commercial Code, the amounts of invoices received and issued remaining overdue but not settled at year-end are presented below, by the number of 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	-						56	-						0
Total amount of invoices concerned (incl. VAT)	-	0	0	65,109	214,286	279,395	-							0
Percentage of total purchases for the year (incl. VAT)	-	0.00%	0.00%	0.10%	0.32%	0.42%								
Percentage of revenues for the year (incl. VAT)							-	-	-	-	-	-	-	-

(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 Commercial Code)

Payment terms used to determine late payments	<input checked="" type="checkbox"/> Contractual terms: On receipt <input checked="" type="checkbox"/> Statutory terms: 60 days	<input checked="" type="checkbox"/> Contractual terms: On receipt <input type="checkbox"/> Statutory terms: (specify)
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3.10 RESEARCH AND DEVELOPMENT ACTIVITIES (ART. L. 232-1 OF THE COMMERCIAL CODE)

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

3.11 NOTIFICATION OF COSTS AND EXPENDITURE (ART. 223 QUATER AND 39-4 OF THE GENERAL TAX CODE)

The company incurred no expenditure or costs that are non-tax deductible under Article 39-4 of the 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	€14,907,340.72
■ Retained earnings from previous financial year	€45,320,873.33
Total to be allocated	€60,228,214.05

■ Allocation to reserve	€0.00
■ Dividends	€10,434,811.20
■ Carried forward after allocation	€49,793,402.85
Total	€60,228,214.05

Corresponding to a dividend of €17.60 per share.  
For the financial year 2022, Covéa Finance distributed a dividend of €13,041,187.  
For the financial year 2021, Covéa Finance distributed a dividend of €24,664,140. For the financial year 2020, Covéa Finance distributed a dividend of €17,548,762.

5. BREAKDOWN OF CAPITAL

At 31 December 2023, the company's capital was unchanged at the amount of €24,901,254.  
The proposed distribution for the period does not compromise compliance with our regulatory capital requirements.

6. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM  
(Reports under Articles 312-45 and 312-36 of the General Regulations of the AMF)

Covéa Finance has set up a Compliance and Internal Control system structured around four key functions:

- Compliance, responsible for advising and assisting with the implementation of legal and regulatory obligations;
- Permanent Control, responsible for level two internal control, which verifies the adequacy and efficiency of the systems to control operational risks and coordinates the mapping of non-compliance and operational risks;
- Internal Audit, which works as level three internal control within Covéa Finance;
- Risk Control, responsible for the ex post control of market risks.

In 2021, Covéa Finance supplemented its system by setting up an Audit & Compliance Committee comprising all control functions, dirigeants responsables (accountable managers) and the main operational managers.  
In accordance with our business programme, all controls (permanent or periodic) are carried out based on control policies and plans, validated by the Audit & Compliance Committee before publication on the Covéa Finance website <https://www.covea-finance.fr/>:

- Compliance policy;
- Internal control policy;
- Audit policy;
- Risk Control policy;
- Prevention & Management of Conflicts of Interest policy;
- Anti-Corruption policy.

At the level of Covéa Finance, these policies supplement the audit policy of the Covéa group.

All of the company's procedures, including internal control, risk control and anti-money laundering procedures, are modelled in the MEGA internal procedures intranet, which identifies responsibilities for tasks and controls at levels 1 and 2.

Internal Control and Compliance, which are independent of operational functions, are managed by Mr Ludovic Jacquier, Deputy Managing Director in charge of all support and control functions, member of the Executive Committee and Compliance and Internal Control Officer responsible for internal audit.

Since 1 December 2022, he has been assisted by Ms Nadia Ben Salah, Compliance and Internal Control Officer, Head of Legal & Compliance, in charge of the Legal, Compliance and Permanent Control functions, including AML-CFT, FAC and GDPR.  
Resources were strengthened in September 2023 with the recruitment of an Internal Control Manager, reporting to Nadia Ben Salah.

The Compliance and Internal Control teams worked on the implementation of a control programme covering issues risking non-compliance by Covéa Finance, relating to order placement, ESG, the investment process, the disclosure of management fees, the private equity activity and compliance with best selection/execution.

The teams also provided advice and assistance in the areas of sustainable finance, the monitoring of financial and non-financial ratios, Sapin 2 and managing conflicts of interest.

In terms of training, the teams also overhauled the training system on market abuse, anti-corruption and AML-CFT.

In a context of ever-increasing regulatory demands, Covéa Finance actively contributed to the AMF's audits and data collection questionnaires. Covéa Finance was able to respond to all the points raised and received no further requests for information.

Covéa Finance received the follow-up letter closing the audit on the valuation of bonds, conducted by the AMF in 2022. All of the AMF's recommendations have been incorporated into the permanent and periodic control plans, which are monitored and issued to the management bodies.

Control of market risks is the responsibility of Mr Soufiane Jaouani, reporting to Mr Franck Ibalot, Executive Director, member of the Executive Committee.

The first of the three levels of control consists of permanent and operational supervision performed in the context of investment decisions being made in compliance with our commitments and policies (including ESG and transaction processing). It focuses on the traceability of management decisions, on compliance with financial and non-financial investment constraints, on the processing and management of transactions during the day and on the proper completion of transactions and their correct integration into the accounting and summary systems at the end of the day. These level 1 controls are performed and documented directly by operational personnel in the normal course of their day-to-day activities.

At level 2, Permanent Internal Control and Risk Control teams perform controls not integrated within the “production processes”, and are therefore performed ex post on a periodic or random basis.

For the Permanent Internal Control teams, these verifications consist of substantive and formal checks in order to validate the compliance of the process and processing methods relating to a transaction or file, and to assess the operational risks. Each control produces a

summary and the supporting documents are retained in a dedicated file. The responsibilities of Internal Control teams include compliance with investment ratios and commitment limits, compliance with ESG commitments, traceability of transactions, prevention of risks of market abuse, fraud and conflicts of interest, and regulatory compliance of organisations and transactions. A quarterly summary of Permanent Control activity, including the follow-up of issued recommendations, is forwarded to the Executive Committee and, since the end of 2021, to the new Audit & Compliance Committee.

For its part, the Risk Control function, responsible for ex post control of market risks (including equity, interest rate, foreign exchange, concentration and credit risks) and liquidity and valuation risks. Risk Control leads a bimonthly Risk Committee attended by members of the Management Committee, the Asset Managers and Internal Control. Risk Control regularly conducts stress testing on the portfolios and produces alert indicators for senior management. The process for identifying market risks is reviewed periodically to take into account changes in market conditions, portfolio investment strategy and investments in new asset classes.

Risk Control also ensures the adequacy and effectiveness of the risk management methodology, indicating whether appropriate corrective measures have been implemented in the event of any failing. No issue affecting the risk management process was observed during the period. Responses to alerts sent to fund management teams have made it possible to refine certain alert thresholds and the relevance of certain indicators monitored.

Work was also carried out on regulatory reporting (implementation of data quality controls (DQCs) on AIFM reports, updating of stress test parameters for MMFs, etc.). Lastly, work has also commenced on sustainability risks and continued throughout 2023, with the integration of indicators for monitoring portfolio sustainability risks within traditional risk management.

In addition to its work relating to regulatory developments (SFDR, CSDR, PRIIPs, DORA, etc.) and the creation of new products, Compliance managed the process of adapting the company's various policies.

Each of the three teams, within their respective areas of responsibility, verifies the compliance (regulatory and in terms of operational or financial risk control) of the transactions carried out by the portfolio management company, the compliance of its organisation and its internal procedures with the professional obligations defined in the laws, regulations and professional rules applicable to the performance of its activities, in addition to the compliance of decisions taken by its senior managers and the contractual commitments relating to management activities on behalf of third parties.

There are a number of participants at level 3.

Internal Audit assesses the effectiveness of the permanent control system and carries out or delegates audits or investigations requested by the Executive Committee. In 2023, in parallel with the permanent control plan, Internal Audit conducted or coordinated a number of audits: on one of our critical service providers, on analysis and research activities, on marketing and on the quality of regulatory reporting data. The resulting audit opinions vary between “Requiring improvement” and “Satisfactory”, with action plans having been implemented in each area to improve risk management, the progress of which is monitored by the Audit & Compliance Committee.

The Covéa Finance Supervisory Board examines the company's management strategy, investments, performance, regulatory changes submitted for approval, budgets and the internal control system. To this end, it receives the report on the status of the Internal Control system produced annually by the Compliance and Internal Control Officer, and any specific report requested by the AMF.

Group Internal Audit carries out the Control of Controls function at Covéa 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 2023, Group Audit conducted an audit on the management of regulatory constraints (AML-CFT, duty of vigilance and anti-corruption, market abuse and conflicts of interest).

This audit concluded with an overall assessment of room for improvement, incorporating an action plan to be carried out in 2023 and 2024.

Similarly, no major issues were identified during the various supervisory interventions or audits on market abuse conducted by the AMF in 2023. Covéa Finance is nevertheless continuing its work to modernise market abuse detection tools.

## 7. PROGRESS ACHIEVED AND DIFFICULTIES ENCOUNTERED

2023 was a year of introspection for a company such as Covéa Finance, whose activity is intrinsically linked to global developments characterised by the rise of new equilibriums. For us, 2023 was also a year of surprises with stock market indices posting good performance despite the sharp increases in long and short-term interest rates and the increased areas of conflict and economic turbulence. Beyond conflicts, climate events and social tensions persist in all countries.

The rise in long-term interest rates led to a fall in bond prices, with the initial consequence of reduced assets under management for companies such as Covéa Finance, which are significantly focused on bond investments, and the second effect the return of the attractiveness of money market investments, particularly through SICAVs. Two factors are putting pressure on the profitability of asset management companies such as Covéa Finance, while costs relating to new regulations (SFDR, CSDR, IFAD, DORA, etc.) are constantly increasing, as are IT system costs and the acquisition of mandatory, yet still unreliable, non-financial data.

Despite the expansion of our institutional and individual client base via the unit-linked products offered by insurers, our “Ambition 2026” strategic plan, based on four battlegrounds, suffered a number of blows. However, it made major progress with the completion of structural projects for Covéa Finance. Successful projects and teams mobilised, fully aware of the issues at stake as stakeholders in the company's strategy and of the solid reputation of our company: all decisive advantages for adapting and adjusting our strategic plan to the new realities and for drawing on the progress made thanks to the commitment of all our personnel.

The new reality we are facing has led us to adjust our activity in order to stabilise the accounts of our company, which is suffering a significant decrease in assets under management due to the fall in the value of our insurers' bond investments and to outflows. Knowing how to pull back before it is too late is the best way to be able to start again on a solid footing.

We have completed the process of anchoring our know-how and risk management and control philosophy in order to prepare for the retirements scheduled for 2024.

We also continued the extensive project commenced in 2021 to overhaul our strategy, analysis and management processes and information system, in order to enable us to be a responsible player in sustainable finance well beyond regulatory requirements.

And despite budgetary constraints, we maintained and extended our civic engagement, with our sponsorship activities and the implementation of our CSR charter involving all Covéa Finance employees.

We also maintained our investments in marketing strategy, both in supporting the Group's distribution networks for life assurance policies and in winning over and retaining institutional clients outside the Group, in order to continue attracting inflows to our mutual funds. During the 2023 financial year, we developed our range of UCIs by creating 2 funds dedicated to our principals: a Professionnel de Capital Investissement (professional private equity) fund of funds, Covéa Accompagnement V and an FIVG (retail investment fund) unlisted index-tracking AIF - Covéa Euro Large Cap. As part of the adaptation of our UCI range provided for in our "Ambition 2026" strategic plan, several merger and dissolution operations were carried out. The Covéa Renouveau sub-fund was absorbed by Covéa Action France, which uses the methodology of the former and retains its Relance label – a guarantee of our stock-picking criteria with regard to the employment and support of French small caps. The Covéa Sélection UK fund was dissolved and the assets transferred to Covéa Actions hors Euro, which takes over the expertise in mid-cap UK companies within its non-euro European

investment universe. Lastly, Covéa Ultra Flexible was closed as part of the streamlining of the range and resulting from analysis of the non-financial risks specific to commodity and emerging markets.

We evidently also continued to adapt to regulatory changes impacting our industry (PRIIPs, CSDR, SFDR, the French climate and energy law, DORA regulation, Cloud, FAC and Duty of Vigilance).

At the same time, we continued our investments in cybersecurity risk management initiated in 2021 and completed the transfer of our IT outsourcing manager following the tender launched in late 2022.

The Covéa Finance Executive Committee would like to thank all its employees and partners for their efforts in the service of the company and its clients.

8. FORESEEABLE DEVELOPMENTS

Two major fault lines are still highly prominent at the start of 2024. The first is the shift towards a world that is no longer disinflationary, with the corollary of tighter financing conditions. The second is the end of the belief in a lasting peace after the fall of the Berlin Wall, which had led to general multilateralism and free trade and fostered the development of a certain business model based on the international optimisation of production chains. There is an awareness of the perception of loss of sovereignty in all Western countries, first and foremost the United States vis-à-vis China, accelerated by the pandemic, and even more so after the invasion of Ukraine. All this is combined with governments demanding that companies change their energy model and production chains due to the multiplicity of costly non-financial regulations. Major distortions of competition are therefore likely to intensify. In this new context, companies are deciding to adapt in a variety of ways depending on their strengths, weaknesses and positioning in the value chain (integration, regionalisation, etc.). They are often impacted by public subsidies profoundly reshaping regional development. However, such aid carries future counterparty risks for the beneficiary companies. We have already raised the question of the end of multilateralism. Today, there is the matter of calling into question the freedom of enterprise.

All these factors undermine the asset management market. The return of inflation on both sides of the Atlantic, which our central banks still considered to be temporary in 2021, the risk of seeing it become anchored in a political and geopolitical context favourable to the establishment of structural inflation, has prompted the Fed and ECB to take radical action, essentially via the large-scale and extremely rapid rise in short-term rates. The rise in interest rates led to higher long-term rates, to a fall in bond prices, with the initial effect of reducing the assets of traditional asset management companies, particularly in France, which are highly geared towards investing in bonds, and a second effect of a return of the attractiveness of money market investments, particularly through money market SICAVs. Two factors are putting pressure on the profitability of management companies while the costs resulting from new regulatory data (SFDR, CSDR, IFAD, DORA, etc.) are constantly increasing, in addition to IT system expenditure in order to meet contemporary challenges and investments to acquire mandatory, yet unreliable, non-financial data.

It is in this context that our "Ambition 2026" strategic plan reached its mid-point. Despite expanding our institutional and individual client base via unit-linked products offered by insurers, our "Ambition 2026" plan has suffered a number of blows. However, the plan has been structured around 3 major effects broken down into numerous projects and operational objectives. The progress made by our teams in these areas is now clearly an asset where our company has been called on to adapt to a situation that is very different from the one prevailing on conception of our "Ambition 2026" plan.

Successful projects and teams mobilised, fully aware of the issues at stake as stakeholders in the company's strategy and of the solid reputation of our company. This has also been highlighted by the 2024 ranking of decision-makers in the Leaders League, in which Covéa Finance features in the "Reputable practice" category of Group management companies in banking and insurance.

At a time when Covéa Finance is therefore facing increased competition and must meet the high expectations of its clients, the battleground of assets under management and all related issues will be our absolute priority and will be reflected in our "Ambition 2026" action plan. This priority will therefore be focused on our clients and mainly on the Covéa Group – our largest client and shareholder. This battleground of the Group's assets under management remains the primary "major effect" of our business plan. Proximity to our shareholder client is all the more important given that we are experiencing significant outflows against a backdrop of competition from regulated passbook accounts. It is therefore our expertise that will enable us to provide answers. There is also the matter of the Group's expectations in terms of sustainable finance. This is one of the new challenges that have emerged over the last three years and has led us to make it a priority operational issue.

The battle for external assets is also an area of development that will be pursued. Our initial work has focussed on building the foundations for orderly external marketing; the implementation of order marking and flow monitoring enhances the client identification process and the reorganisation of the Marketing team meets the need to be more agile and to provide clients with more effective investment solution support. Above all, while our environment and our business lines are undergoing profound change, an analysis of the investment and asset management market sheds light on both the strategic orientations of our future sales and marketing plans and on adapting our range of open-ended mutual funds.

This growth in assets under management and inflows cannot be achieved effectively without the battle for innovation and attractiveness. The aim of this major effect is to foster the development of a new culture of expertise in all business lines, in order to respond to current and future changes. A significant amount of work has been carried out to promote our expertise, in particular through initiatives led by the Communications and Marketing teams (a network of ambassadors helps to promote our expertise on social networks). This highlights the attractiveness of Covéa Finance and is supplemented by major efforts to identify the associated measurement tools.

Our experience in crisis management has enabled us to consolidate our organisation, to be ever more responsive to the many market crises that have arisen in recent years (war in Ukraine, collapse of cryptocurrencies, crisis among US regional banks). The Market Crisis Unit brings together all the managers of Covéa Finance's value chain in order to identify areas of tension and share the potential risks of deterioration of our operational environment. This streamlining of information-sharing has become an automatic process for the teams. It ensures greater responsiveness in decision-making.

These achievements, together with employee commitment and the recognised solidity of Covéa Finance's foundations, are all assets for adapting and adjusting our "Ambition 2026" plan to the new realities, drawing on the progress made by the mobilisation of all our teams. The new reality we are facing has led us to adjust our activity in order to stabilise the accounts of our company which is suffering a significant decrease in assets under management due to the fall in the value of our insurers' bond investments. Knowing how to pull back before it is too late is the best way to be able to start again on a solid footing.

Lastly, inflation and its impact on purchasing power, on the cost of claims, and the rise in interest rates are all events that strongly affect life assurance and non-life assurance firms alike. The latter are once again facing major losses due to extreme weather events. Furthermore, supporting our mutual insurers in their desire to revitalise life assurance inflows, by making the euro fund the focal point for inflows on unit-linked policies, and supporting our non-life assurance clients to cover their commitments, remains a major focus and includes priority actions of our "Ambition 2026" business plan.

We will also be able to serve our clients beyond Covéa's mutual insurance companies. Despite the turbulence arising from the sharp rise in interest rates, we will continue to respond to emerging challenges. Cybersecurity, improving our ESG approach, reinforcement of dedicated resources and responding to new regulatory constraints have continued to mobilise our teams. However, only productivity gains will enable us to absorb the increase in associated costs.

There is no doubt that our reflections in this area will incorporate the contribution of innovations such as artificial intelligence, which has been covered by a dedicated working group within our company for several months now.

Adapting, adjusting and providing support will still be the watchwords that will guide Covéa Finance in 2024 and 2025.

9. STATUTORY AUDITORS' FEES

For the 2023 financial year, the amount of the two statutory auditors' fees recorded for auditing the company accounts amounted to €122k.

# Other regulatory reports

20	<b>2023 report on Corporate Social Responsibility (CSR)</b>
23	<b>2023 Report on Covéa Finance's compensation policy</b>
25	<b>Report on intermediation fees</b>
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32	<b>Balance sheet as at 31 December 2023</b>
34	<b>Income statement in list form as at 31 December 2023</b>
36	<b>Statutory auditors' report</b>
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# 2023 report on Corporate Social Responsibility (CSR)

Independently of the ESG commitments made in our investment policies, it is important to communicate to our employees, future employees, service providers and all our partners about Covéa Finance's achievements and objectives in the field of Corporate Social Responsibility (CSR), by bringing them together in a charter.

Through this CSR charter, Covéa Finance strives to give ever greater meaning to its activities while responding to a major expectation of our various stakeholders with regard to the role embodied by the company. By creating a strong, inclusive and concrete societal impact.

The charter notably sets out our achievements and ambitions in terms of societal impact to ensure the company's long-term operational and financial performance. Our goal is to have a positive impact on our society in the broad sense through positive and sustainable changes involving us all (employees and managers) as well as our partners.

In order to support everyone to achieve a world of sustainable growth, we have selected a series of tangible initiatives broken down into six categories:

1. Equal opportunities and preservation of employment, for a world where everyone can find or regain their place.
2. Knowledge, education and culture, to give access and transmit knowledge to as many people as possible.
3. Prevention of risks, for a world that guards against life's risks.
4. Regions and proximity, for a world that seeks regional cohesion.
5. Environment and energy transition, for a world that controls its environmental impact.
6. Corporate responsibility, for a socially responsible and ethical company.

The objectives of the commitments set out in these various fields are to:

- Consolidate our reputation vis-à-vis stakeholders and our clients;
- Reinforce the pride of belonging to the company, including pride in investing in our products;
- Participate in the attractiveness of our organisation with regard to recruitment;
- Contribute to the anticipation and prevention of social, ecological and legal risks;
- Ensure the ongoing transmission of knowledge;
- Reduce the costs relating to resource consumption and waste generation.

We have assigned CSR activities to Human Resources in order to coordinate initiatives and projects, both internally and with the Group.

Among the main initiatives and indicators of our achievements in 2023 we are able to cite:

**1. Equal opportunities and preservation of employment:** in this area, Covéa Finance strives to enable everyone to find or rediscover their place within the company. In this respect:

- The company's gender equality index, measured at 94/100, has seen significant improvement over the past 4 years;
- The female population, representing 44.9% of our total workforce, is present in all business lines and at all levels of responsibility, with a working environment adapted to family constraints and including a range of remote working solutions;
- At the level of our governance bodies and the teams involved in our investment decisions, the objective is to continue to strengthen the position of women. At 31 December 2023, women represented 33.3% of the workforce in the teams involved in our investment decisions, 30% on our operational Management Committee and 50% on our Supervisory Board.

- A new agreement on gender and salary equality in force since 1 October 2023 commits Covéa Finance at 3 levels: compensation, occupational health and promotion/career progression;
- 18 new employees (9 of whom are women) were taken on with the focus on diversity of educational backgrounds and previous careers.
- We continued to welcome trainees (4.3% of the total workforce), taking care to integrate them in a journey of discovery of our professions and entrusting them with projects directly related to their educational curricula, while paying them above the legal minimum thresholds.
- Support for people with disabilities (2.2% of our workforce as at 31 December 2023) has been strengthened by making adjustments to their working conditions and initiating various direct and indirect support projects for 2024.

**2. Knowledge, education and culture:** in this area, Covéa Finance is committed to providing access for and transmitting knowledge to as many people as possible, by devoting:

- Financial support provided directly to 28 national educational institutions totalling €13,535, including schools and universities offering diploma courses specialising in CSR and ESG, as well as the école de la seconde chance (second chance school) which allows young people aged 16 to 25 without a degree or qualification to follow a training course;
- Access for all employees, whatever their age, to our individual or group training programmes leading to a diploma or certificate (98.8% of employees received training in 2023 with an average of 13.2 hours of training per employee), in the total amount of €164,360;
- The overhaul of an internal "CofiCampus" university and a new integration programme aimed at enabling new employees to integrate culturally and operationally into our teams while understanding the meaning of their responsibilities;
- The implementation of certification on sustainable finance, followed in 2023 by 46 employees from the teams involved in our investment decisions;
- Financial support representing 0.138% of our revenue under our Cultural Patronage initiative with Radio France, Cercle de l'Harmonie and the IMAGO Festival.

**3. Risk prevention:** Covéa Finance is committed to preventing risks and protecting its employees in their extended work environment at home:

- An assessment of quality of life and occupational health by updating the Prevention of Occupational Risks document;
- By providing protective mutual and provident insurance policies for all our employees and their families, mainly at the expense of the employer;
- By deploying and adapting tools and systems conducive to preserving employees' health and respecting their rights, in particular the right to disconnect during remote working;
- By establishing a Cybersecurity questionnaire for counterparties in order to assess the resources they commit, the structure of their organisation, the training of their employees, their access security and protection systems and encryption and digital aspects;
- By implementing fire safety and first aid training, both in the workplace and at home.

**4. Regional and local initiatives:** Covéa Finance strives to contribute to the emergence of a world promoting regional cohesion:

- By developing a policy for selecting our service providers and suppliers that favours proximity at the national and European level: all our main service providers have their teams and data in France or within the EU and 100% of our business lines and teams are located in France;
- By strengthening our policy of cultural patronage in our regions;
- By carrying out a selection process for our outsourcer that takes into account the proximity of its teams and has environmentally friendly commitments within its CSR policy;
- By adopting the CESU declaration system to simplify the day-to-day lives of our employees regardless of their location, at a total employer cost of €20,021 in 2023.

5. **Environment and energy transition:** Covéa Finance invests all its efforts in an approach aimed at controlling the environmental impact of its activities, with the objective of:

- Reducing our energy footprint, for example through the widespread use of low-energy lighting (in 2023, 52% of our lights were equipped with LEDs and the rest with low-energy bulbs) and by systematically switching off lighting and heating in the evening and at weekends; these measures have enabled us to stabilise our electricity consumption (293 MWh in 2023);
- Reducing our energy consumption linked to the use of the CPCU urban heating network by adjusting its operation in line with the energy efficiency plan presented by the government. We have stabilised our consumption, increasing only slightly from 380 MWh in 2022 to 390 MWh in 2023, despite the extension of our premises. We have also seen a reduction in our air conditioning consumption (206 MWh in 2023 compared to 264 MWh in 2022);
- Reducing our environmental footprint through the widespread installation of automatic shut-off water taps (65% of equipment in 2023), in order to further reduce water consumption in 2024 from the 1,193 m3 consumed in 2023;
- Reducing our digital environmental footprint;
- Monitoring the collection of our waste by implementing a monitoring tool for the collection of non-hazardous industrial waste (NHIW), paper, cardboard, cans and plastic and making progress in the systematic recycling of our waste, including electronic waste, to achieve 100% recycling of paper, cardboard and electronic and IT equipment. In 2023, the recycling rate was 57% compared to 33% in 2022, with 23.9 tonnes of paper recycled;

- Eliminating single-use disposable plastics (cups, bottles) since October 2023;
- Recycling cigarette ends with the implementation of a local and short-circuit waste collection and recovery system through a partnership with “Cy-Clope”, a service provider from the social and solidarity economy, which made it possible to collect 13.25 kg of cigarette ends in 2023;
- Dematerialising our procedures, internal documents and archives;
- Actively contributing to reducing the carbon footprint of our employees while commuting, by introducing a soft mobility package and 60% reimbursement of tickets costs in the Île-de-France region.

6. **Corporate responsibility:** Covéa Finance affirms its status as a socially responsible and ethical company through the establishment of:

- Employer financing for all employees to prepare for retirement with the relevant pension fund and the funded pension scheme, totalling €392,586 in 2023;
- Qualitative and non-financial criteria in the compensation policy of the company’s senior managers and risk-takers;
- A new profit-sharing agreement signed this year including CSR criteria, such as the rate of waste recycled by the company;
- Roll-out in 2023 of the whistleblowing system to combat corruption and promote the company’s commitments in terms of corporate social responsibility;
- Full and easily accessible disclosure of our accounts and our commitments (policies) in terms of business ethics, supplemented by reports on our commitments, available on our website.

# 2023 Report on Covéa Finance’s compensation policy

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

## 1. AMOUNT OF COMPENSATION PAID BY THE FUND MANAGEMENT COMPANY TO ITS PERSONNEL

During 2023, the total amount of compensation paid by Covéa Finance to all its personnel stands at €15,055,562. This amount breaks down as follows:

- €12,800,833 (85% of total compensation paid by the company to all its staff) in the form of fixed compensation; and
- €2,254,729 (15% of total compensation paid by the management company to all its staff) in the form of total variable compensation. The payment of variable compensation for the 2023 financial year concerned 135 people. Deferred variable compensation over three years applied to a single employee.

Of the total compensation announced by the fund management company for the period, €8,035,058 concerned salaried executives of Covéa Finance whose activities had a significant impact on the funds’ risk profile, as defined in our 2023 compensation policy.

## 2. AMOUNT OF COMPENSATION PAID BY THE FUND TO THE PERSONNEL OF THE FUND MANAGEMENT COMPANY.

Covéa Finance does not operate any incentive scheme for realised capital gains (carried interest) nor is any compensation, whether fixed or variable, paid by the funds to the fund managers.

3. IMPACT OF THE COMPENSATION 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 compensation policy into compliance with Directive 2014/91/EU of 23 July 2014 (“UCITS V”), reviewed the rules of procedure of its Compensation Committee and implemented compensation practices in line with the latest statutory, regulatory and doctrinal developments issued by the regulatory authorities, while at the same time identifying its staff members impacted by the new compensation provisions arising from the AIFM and UCITS V directives and their implementing texts (the “Identified Population”). This process covers employees who meet both of the following conditions:

- (i) They belong to a category of personnel benefiting from variable compensation and likely to have an impact on the risk profile of the fund management company or the fund under management; and
- (ii) They receive variable compensation in excess of €200,000, reflecting their level of responsibility on the risk profile.

Where the compensation of the Identified Population varies according to performance, the total amount, which is capped at a level lower than their fixed compensation, 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 they belong, and/or the performance of the basket of portfolios (mutual funds, AIFs and Mandates) with that of the fund management company 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 compensation policy available on its website.

4. GOVERNANCE AND CONTROL OF THE COMPENSATION POLICY

The compensation policy is reviewed annually by the Compensation Committee, as defined in the Articles of Association of Covéa Finance, comprising:

- A representative of the Covéa Finance Supervisory Board;
- Two representatives of the Covéa group, independent of Covéa Finance, at least one of whom attends the meetings of Covéa Group’s Compensation Committee; and
- The Chairwoman of Covéa Finance.

In accordance with regulations, the majority of the members of the Compensation Committee do not hold executive positions nor are they employed by Covéa Finance.

Report on intermediation fees

FINANCIAL YEAR 2023

Under the General Regulations of the AMF, Covéa Finance is required to report on the intermediation fees paid during financial year 2023 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 both individual management under mandate and collective management.

Intermediaries for the execution of orders on organised or OTC markets are selected from among those previously referenced by a referencing committee. Once on the approved list, the intermediaries are reviewed by an ad hoc committee composed of fund managers, management team leaders, the Legal Department, Middle Office and the Internal Control Department. Once a year, this committee examines the objectively established ratings of the execution service providers on the quality of execution, and validates the quality of settlement-delivery. Committee meetings are held in accordance with the provisions set out in the intermediary selection procedure.

For equity markets, including ETFs and programme trading, the intermediation fees for order execution services are included in the brokerage allocated to each intermediary on the list. Intermediation costs relating to the order execution service amounted to €2,716,904 in 2023.

The intermediary selection procedure is also designed to prevent and manage potential conflicts of interest. To this end, Covéa Finance applies a single scale of intermediation fees per asset class and geographical region, irrespective of the volumes processed.

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

Our intermediary selection policy is liable to change from time to time.

# Annual report on implementation of the shareholder engagement policy

Pursuant to the provisions of Article L. 533-22 of the 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 2023 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 the company.

Under its Shareholder Engagement Policy, in 2022 Covéa Finance undertook to vote within a defined scope (excluding Switzerland and the United Kingdom\*) as follows:

- 90% of the scope of funds with an environmental theme and SRI-labelled funds;
- 95% of companies in which Covéa Finance holds at least 0.5% of the capital.

Covéa Finance endeavours to vote for 90% of equity holdings as at 29 December 2023 in the portfolios of our collective investment undertakings and mandates combined, unless the securities have been sold by the date of the General Meeting.

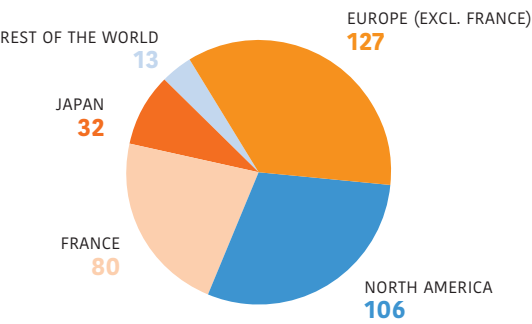
Covéa Finance uses services provided by proxy advisers. Covéa Finance bases its action on the analysis conducted by the company ISS of the resolutions presented at general meeting, in light of the requirements formulated by Covéa Finance in its Shareholder Engagement Policy.

\* In these countries, lock-up periods apply when voting rights are exercised. Consequently, fund managers decide whether the voting right can be exercised in the interest of the unitholder.

## 1. VOTES CAST AT GENERAL MEETINGS

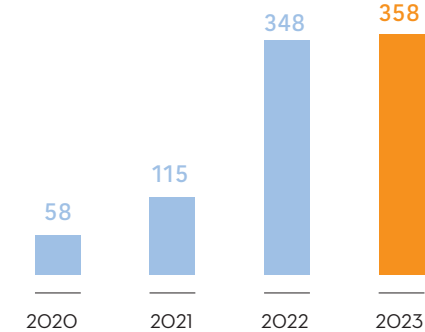
As at 29 December 2023, Covéa Finance exercised its voting rights at 358 general meetings, compared with 348 general meetings as at 31 December 2022.

Votes cast at general meetings in 2023 – Breakdown by region



Sources: ISS, Covéa Finance.

## Changes in the exercise of voting rights



Sources: ISS, Covéa Finance.

At 29 December 2023, the total number of companies in which Covéa Finance could have a voting right stood at 395, representing a volume of listed shares totalling 8,613,850,618 euros (provided that the shares on the date of the meeting scheduled in 2023 were included in a mandate or UCITS portfolio, unless sold by the date of the general meeting).

## 2. BREAKDOWN OF VOTES

Number of resolutions voted “For”	4,446
Number of resolutions voted “Against”	898
Number of resolutions voted “Abstention”	54
Total number of resolutions voted	5,398
Of which resolutions voted in the same direction as the recommendation of the board of directors	4,422
Of which opposition votes*	923

## 3. REASONS FOR OPPOSITION AGAINST

	France	Europe (excluding France)*	Rest of the World	Total
Composition, appointment, size/attendance fees or other form of compensation of members of the board of directors, 107 supervisory board or equivalent		73	65	245
Financial transactions/mergers and anti-takeover measures	182	17	0	199
Executive and employee compensation (excluding employee shareholding)	159	92	63	314
Employee shareholding	1	0	0	1
Formalities and other reasons	42	32	2	76
External resolutions (proposed by shareholders)	2	2	84	88
Total	493	216	214	923

\* Europe = countries of the European Union (excluding France) and the United Kingdom, Norway, Switzerland and Jersey.

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

In 2023, Covéa Finance did not vote in a manner contradicting its Shareholder Engagement Policy.

### Cases in which Covéa Finance found itself confronted by a conflict of interest: None.

NB: The scope of the voting indicators provided is limited:

- To the scope of Covéa Finance's Shareholder Engagement Policy;
- To companies falling within Covéa Finance's financial management scope;
- To votes received through the electronic voting platform of ISS.

Opposition – vote “For”	57
Opposition – vote “Against”	814
Opposition – vote “Abstention”	52
Including resolutions where the board of directors abstained	53

\* An opposition vote is a vote AGAINST or an ABSTENTION with regard to a resolution supported by the board of directors, but may also be a vote FOR or an ABSTENTION with regard to a resolution not approved by the board. Resolutions on which the board of directors has abstained from voting are outside the scope of opposition votes.

Approved resolutions: resolutions previously validated by the board of directors. Resolutions not approved: resolutions for which the board of directors has issued a negative recommendation.

# Internal Control report on the anti-money laundering and counter-financing of terrorism system

## FINANCIAL YEAR 2023

**This report covers the measures taken by Covéa Finance to combat money laundering and the financing of terrorism (AML-CFT), in accordance with Article 320-20-8° of the General Regulations of the AMF, as amended on 11 September 2019. This report was presented to Covéa Finance’s management bodies (Management Committee and Supervisory Committee in March 2023), is appended to the Company’s annual report and was sent to the AMF in April 2023.**

### FOREWORD

Covéa Finance is the portfolio management company of Covéa, the umbrella group of the MAAF, MMA and GMF brands. Its fund management policy is characterised by a reasoned approach to the risk/return ratio in an investment process that establishes collegiality as a principle at all levels of decision-making.

As the Portfolio Management Company of the Covéa mutual insurance group (MMA, MAAF and GMF), Covéa Finance has logically turned to the marketing of its offering for the benefit of the companies in its Group, whether discretionary management, or the promotion of mutual funds created in a “dedicated” form, or in an “offered to the public” form.

Covéa Finance provides an individual discretionary management service to Covéa group entities (members of the Group or partners) domiciled in France or Europe. To date, Covéa Finance has not carried out any commercial development in this area.

In terms of marketing mutual funds, Covéa Finance is continuing to develop its direct investment offering to professional investors (management companies, private banks, insurers, mutual insurance companies, company pension schemes) and also uses intermediated marketing through mutual fund referencing/ investment platforms for distribution purposes.

Key developments affecting the AML-CFT system include:

- specific due diligence following the Russian-Ukrainian conflict;
- increased investment in private equity fund management;
- verification of due diligence in the context of patronage initiatives;
- changes to the CRM tool centralising collected documentation;
- organisational changes with the integration of the AML-CFT function within Compliance.

## 1. DESCRIPTION OF THE INTERNAL CONTROL ORGANISATION FOR THE AML-CFT AND ASSET FREEZING SYSTEMS

### 1.1 HUMAN RESOURCES EMPLOYED

Covéa Finance has entrusted the task of ensuring compliance with the provisions relating to the participation of financial organisations in the fight against money laundering and financing of terrorism to Mr Ludovic Jacquier, Deputy Managing Director in charge of all support and control functions.

The AML-CFT function is now carried out by the Compliance team, which includes two employees reporting to Ms Nadia Ben Salah, Compliance & Internal Control Officer. To ensure the continuity of exchanges with TRACFIN, the two employees of the Compliance team are designated as TRACFIN correspondents and declarants.

Compliance is responsible for the entire anti-money laundering system (including legal monitoring and staff training) and for analysing all suspicious transaction reports issued by employees before transmission to TRACFIN.

### 1.2 TRAINING

All new employees follow an onboarding programme incorporating training in our anti-money laundering system, held remotely. In addition, specific presentations with a restricted panel of employees (depending on the subjects and the AML-CFT risk associated with the business activity, such as unlisted investments) were also held throughout the year (e.g. specific training for the management of the Luxembourg SICAV).

## 2. INTERNAL CONTROL PROCEDURES IMPLEMENTED IN RESPONSE TO THE ASSESSMENT OF THE MONEY LAUNDERING AND FINANCING OF TERRORISM RISK

### 2.1 RISK MAPPING

Covéa Finance relies on public information and official lists (FATF, European and French lists) identifying significant country risk in order to integrate this element into its AML-CFT risk assessment process.

In this respect, Covéa Finance has a process-based risk map and two more specific risk maps included in the internal AML-CFT procedure:

- a “liabilities” map used as a benchmark when applying the internal AML-CFT risk assessment and classification process. This assessment is performed for each business relationship (clients, third parties and partners);
- an “assets” map to determine the AML-CFT risks associated with investments made by Covéa Finance Front Office.

### 2.2 PROCEDURES

The methodology for assessing the risk of money laundering and financing of terrorism is described in Covéa Finance’s AML-CFT procedure. This is periodically updated, with the latest version dated December 2023.

The procedure notably sets out the 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 determined for the business relationship. It also describes the due diligence to be carried out on investments made directly or as part of the multi-management activity (including private equity).

The procedure describes the system for monitoring transactions and the procedure to be followed in the event of a suspicious transaction report.

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

The procedure also specifies the measures taken for staff recruitment and the training provided to all the company’s employees.

2.3 CONTROL SYSTEM

Covéa Finance has defined an annual action plan based on the risks inherent to its activities. All of the topics covered address the risks and obligations relating to the organisational structure, the business activity and the investments made by Front Office.

There is also an overall risk map, managed by the Internal Control team, which lists the various risks associated with the tasks and responsibilities of the AML-CFT Officer.

The Marketing team in charge of the business activity exercises constant vigilance when identifying clients and prospects and ensures the integrity of their transactions. The Marketing team and the TRACFIN correspondent collaborate in performing client due diligence.

PERMANENT CONTROL

The control system is carried out at the first level by the operational staff working in the Marketing, Fund Management, Research and Human Resources departments. Second level controls are carried out solely by the AML-CFT Officer or the Compliance and Internal Control Officer, as applicable.

PERIODIC CONTROL

The control plan implemented each year is available in Covéa Finance's AML-CFT procedure. It covers due diligence on clients, investments and flows, as well as the review of the procedural framework and periodic training delivered to employees.

TOOLS AND TECHNICAL RESOURCES

Covéa Finance exploits both internal and external tools.

Internal tools

- an order marking tool is used to monitor inflows and outflows;
- a report on the investment scope identifies the riskiest investments (examples of criteria used include listing market, instrument type and location);
- centralisation of client data and documentation in a database (CRM Salesforce).

External tools

- a screening tool identifies the entities and conducts searches on the identity of natural person directors and Beneficial Owners (ORBYS solution);
- a PEP identification and Negative News search tool (World Compliance Module associated with the ORBYS solution);

- access to official asset freeze lists, high-risk countries list (FATF, EU, France);
- access to INPE data used to identify the beneficial owners of French entities.

2.4 VIGILANCE SYSTEM

The implementation of the vigilance system is based on documented processes notably covering risks relating to clients, transaction flows and geographical factors.

RISKS RELATING TO CLIENTS

**Asset freeze implementation:** a client search is carried out via reconciliation and identification against the list issued by the French Treasury.

**PEP detection:** a client search is carried out via reconciliation and identification against the ORBYS lists. The system includes the validation of the start or maintenance of the business relationship by the representatives of the marketing committee.

RISKS RELATED TO TRANSACTION FLOWS

**New client relationships:** when entering into a relationship with a new legal entity, after identification Covéa Finance determines the entity's risk level via its AML-CFT risk classification.

**Suspicious transactions:** Covéa Finance exercises constant vigilance and ensures that all executed transactions are consistent with the client profile. Searches are performed to detect any atypical movements and to verify compliance with procedures.

RISKS RELATING TO GEOGRAPHICAL FACTORS

**High-risk third countries:** when verifying the identity of the client, the FATF lists and the European and French lists of tax havens are reconciled with the data on the client's domicile.

3. IDENTIFIED INCIDENTS AND NON-CONFORMITIES AND IMPLEMENTED CORRECTIVE ACTION

The AML-CFT control plan has been fully implemented. There were no significant incidents during this financial year.

The controls performed in 2023 by the AML-CFT Officer did not reveal any particular non-conformities. Nevertheless, following a foiled fraud attempt, one suspicious transaction report was submitted to TRACFIN.

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Corrective action or requests for additional information relating to issues raised by the controls were implemented within deadline.

4. AML-CFT INTERNAL CONTROL FOR SPECIFIC SYSTEMS OR ACTIVITIES

4.1 OUTSOURCING

In France, the custodian activity is outsourced to two service providers, CACEIS Bank and SGSS. In Luxembourg, SGSS Luxembourg acts as custodian. These entities are subject to AML-CFT regulations. Both service providers provide us with their reports on the Internal Control system produced by an independent auditor, describing the anti-money laundering system and control environment and the associated key controls.

THIRD-PARTY INTRODUCTION

Covéa Finance does not use third-party introducers. UCIs are distributed through distributors. Distribution contracts have been put in place with:

- |                               |                            |
|-------------------------------|----------------------------|
| ■ ALL FUNDS                   | ■ GMF Vie                  |
| ■ ALPHEYS INVEST (ex-FINAVEO) | ■ ACOSS                    |
| ■ CARDIF (AEP)                | ■ MAAF Vie                 |
| ■ CHOLET DUPONT GESTION       | ■ MFEX                     |
| ■ EPSOR                       | ■ MMA Vie                  |
| ■ FEDERAL FINANCE BANQUE      | ■ NORTIA                   |
| ■ FUND CHANNEL                | ■ ODDO ASSET MANAGEMENT    |
| ■ GARANCE                     | ■ Quatrem                  |
|                               | ■ SWISS LIFE BANQUE PRIVEE |

Description of the procedures for monitoring the performance of the agreement entered into with a third-party introduction.

For each distribution contract, an agreement is put in place incorporating an AML-CFT clause and the associated obligations:

- obligation to respect and comply with French and European laws, regulations and provisions relating to AML-CFT;
- commitment to verify the identity of its clients and beneficial owners, as applicable;
- the distributor declares that it has put in place an AML-CFT prevention system adapted to the applicable regulations;
- the distributor undertakes to respond to any request for information from Covéa Finance and to provide it with any document confirming compliance with its obligations in this area.

FUND TRANSFERS

Not applicable to Covéa Finance.

CORRESPONDENT BANKING

Not applicable to Covéa Finance.

5. ADDITIONAL INFORMATION ON BRANCHES HAVING THEIR REGISTERED OFFICE IN ANOTHER MEMBER STATE OF THE EUROPEAN UNION OR PARTY TO THE AGREEMENT ON THE EUROPEAN ECONOMIC AREA

Covéa Finance manages a SICAV based in Luxembourg that complies with Luxembourg AML-CFT regulations. To this end:

1. **a manager responsible for compliance with professional anti-money laundering and financing of terrorism obligations (Compliance Officer) is identified at senior management level, overseeing the implementation of AML-CFT obligations and has approval authority;**
2. **an AML-CFT Officer with appropriate hierarchical authority level is responsible for AML-CFT controls. The AML-CFT Officer is responsible for day-to-day implementation of AML-CFT obligations.**

In accordance with Luxembourg regulations, the Compliance Officer function is performed by a firm approved by the Luxembourg authorities. These organisational responsibilities are documented by contract, after appointment by the SICAV's board of directors. The AML-CFT Officer sits on the SICAV's board of directors.

Covéa Finance verifies the effective implementation of AML-CFT policies and procedures within the SICAV's custodian (Société Générale Luxembourg for maintaining the register of the fund Covéa Sélection Lux S.A. SICAV-RAIF via controls and due diligence carried out by the fund's AML-CFT Compliance Officer). In accordance with the AML-CFT Law of 2004 and CSSF Regulation no. 12-02, and as set out in the fund's AML-CFT policy, at least once a year the Compliance Officer visits the registrar or holds a videoconference in order to consult the transfer agent's AML-CFT policies and procedures and to ensure its compliance with the latest AML-CFT regulatory requirements.

In addition, in order to ensure that these policies and procedures are correctly applied, at least once a year the Compliance Officer analyses the fund register and verifies a sample of investor files to ensure that the documentation is complete and that the files are kept up to date.

The results of these controls/diligences are presented in the fund's annual AML-CFT report.

# Balance sheet as at 31 December 2023

ASSETS (in euros)	31/12/2023			31/12/2022
	Gross	Depreciations/ Provisions	Net	
Intangible assets	1,288,888	1,056,544	232,344	352,275
Tangible assets	9,450,813	8,300,840	1,149,972	1,298,319
Financial assets	7,536,561		7,563,561	8,501,911
Assets under construction				45,998
Total 1	18,276,262	9,357,384	8,918,877	10,202,502
Trade receivables	11,282,830		11,282,830	9,750,180
Other receivables	152,393		152,393	7,607,603
Marketable securities	84,297,846	1,946,801	82,351,046	83,856,078
Liquid assets	1,792,168		1,792,168	824,383
Term deposits	14,000,000		14,000,000	
Prepaid expenses	3,306,532		3,306,532	4,828,056
Accrued interest	75,049		75,049	89,371
Interest due/term deposits	173,344		173,344	
Total 2	115,080,162	1,946,801	113,133,362	106,955,671
Grand total	133,356,424	11,304,185	122,052,239	117,158,174

LIABILITIES (in euros)	31/12/2023	31/12/2022
Capital	24,901,254	24,901,254
Legal reserve	2,490,125	2,490,125
Retained earnings	45,320,873	42,060,576
Profit or loss for the financial year	14,907,341	16,301,484
Total 1	87,619,593	85,753,440
Provision for risks	530,000	550,000
Provision for charges	340,000	340,000
Total 2	870,000	890,000
Accounts payable	12,840,773	15,666,455
Tax and social security liabilities	20,691,704	14,642,293
Other accounts payable	30,169	205,986
Total 3	33,562,645	30,514,733
Grand total	122,052,239	117,158,174

In the interests of comparability, the presentation of 2022 Liabilities has been restated such that it is in the same format as 2023 Liabilities.

# Income statement in list form as at 31 December 2023

(in euros)	Financial year 2023	Financial year 2022
OPERATING REVENUE		
Management fees on mandates	11,994,103	13,323,239
Management fees on mutual funds	101,058,874	102,767,143
Administrative and accounting fees	3,284,371	3,199,500
Ancillary income	821,890	309,291
<b>Total revenues</b>	<b>117,159,239</b>	<b>119,599,173</b>
Other incidental income	33,348	32,070
Reversal of operating provisions	67,652	61,992
<b>Total I</b>	<b>117,260,238</b>	<b>119,693,235</b>
OPERATING EXPENSES		
Other external costs	67,730,738	66,584,301
Taxes, duties and related payments	4,340,446	3,310,075
Personnel costs	25,478,577	23,133,820
Other expenses	12,591	51,635
Allocation to depreciation	688,278	627,100
Allocation to operating provisions	0	40,000
Directors' fees	0	4,000
<b>Total II</b>	<b>98,250,630</b>	<b>93,750,930</b>
<b>Operating result (I - II)</b>	<b>19,009,608</b>	<b>25,942,305</b>
FINANCIAL INCOME		
Other income and interest	594,365	333,466
Capital gains from sales of marketable securities	1,025,204	388,744
Foreign exchange gains	80,573	242,223
Reversals of provisions for financial asset impairment	30,606	12,023
Reversals of provisions for marketable securities impairment	3,805,689	625,310
<b>Total III</b>	<b>5,536,438</b>	<b>1,601,767</b>

(in euros)	Financial year 2023	Financial year 2022
FINANCIAL EXPENSES		
Other interest	271	539
Charges on sales of marketable securities	98,103	714,885
Provisions for financial asset impairment	0	30,606
Impairment of marketable securities	1,946,801	3,805,689
Foreign exchange losses	101,191	125,593
<b>Total IV</b>	<b>2,146,366</b>	<b>4,677,311</b>
<b>Financial result (III - IV)</b>	<b>3,390,071</b>	<b>-3,075,545</b>
<b>Current result before tax</b>	<b>22,399,679</b>	<b>22,866,761</b>
EXTRAORDINARY REVENUE		
Reversals of provisions for risks	50,000	0
Other extraordinary revenue	78	0
Revenue from prior years	-931	38,897
Proceeds from asset disposals – financial assets	350	0
<b>Total V</b>	<b>49,497</b>	<b>38,897</b>
EXTRAORDINARY EXPENSES		
Extraordinary expenses on management transactions	7,914	6,075
Extraordinary expenses relating to prior years	5,717	48,542
Fines & tax penalties	2,754	0
Provision for extraordinary risks and charges	30,000	550,000
<b>Total VI</b>	<b>46,385</b>	<b>604,617</b>
<b>Extraordinary income (V - VI)</b>	<b>3,112</b>	<b>-565,720</b>
<b>Accounting result (before tax and profit-share) (I - II + III - IV + V - VI)</b>	<b>22,402,791</b>	<b>22,301,041</b>
Income tax (VII)	5,609,868	4,598,719
Employee profit-sharing (VIII)	1,885,583	1,400,838
<b>Total income (I + III + V)</b>	<b>122,846,173</b>	<b>121,333,899</b>
<b>Total expenses (II + IV + VI + VII + VIII - IX)</b>	<b>107,938,832</b>	<b>105,032,415</b>
<b>Profit</b>	<b>14,907,341</b>	<b>16,301,484</b>

# Statutory auditors’ report

To the sole shareholder of Covéa Finance

Covéa Finance  
8-12, rue Boissy d'Anglas  
75008 Paris

OPINION

In compliance with the assignment entrusted to us by your General Meeting, we have audited the accompanying annual financial statements of Covéa Finance for the year ended 31 December 2023.

In our opinion, the annual financial statements give a true and fair view of the results of the operations and of the financial position and assets of the company during the prior year, in accordance with the accounting rules and principles applicable in France.

BASIS OF OPINION

Terms of reference

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

Our responsibilities under these standards are set out in the section of this report entitled “Responsibilities of the statutory auditor regarding audit of the annual financial statements”.

Independence

We conducted our audit in accordance with the rules of independence set out in the Commercial Code and in the code of ethics applicable to the profession of statutory auditor, for the period from 1 January 2023 to the issue date of our report.

JUSTIFICATION OF OUR ASSESSMENTS

In accordance with Articles L.821-53 and R.821-180 of the Commercial Code relating to justification of our assessments, we hereby inform you that the most significant assessments we have made, in our professional opinion, are those concerning the appropriateness of the accounting policies used, the reasonableness of the significant estimates made and presentation of the financial statements.

These assessments were made in the context of our audit of the annual financial statements taken as a whole and contributed to the formulation of our opinion as expressed above. We do not express an opinion on any aspect of the annual financial statements taken in isolation.

SPECIFIC VERIFICATIONS

In accordance with professional standards applicable in France, we have also performed the specific verifications required in law and under regulations.

INFORMATION PROVIDED IN THE MANAGEMENT REPORT AND IN THE OTHER DOCUMENTS ON THE FINANCIAL POSITION AND THE ANNUAL FINANCIAL STATEMENTS SENT TO THE SOLE SHAREHOLDER

We have no comment to make as to the fair presentation and the conformity with the annual financial statements of the information provided in the management report of the Chairwoman and in other documents on the financial situation and the annual financial statements forwarded to the sole shareholder.

We certify that the information relating to payment terms as specified in Article D.441-6 of the Commercial Code is true and consistent with the annual financial statements.

RESPONSIBILITIES OF MANAGEMENT AND OF PERSONS PERFORMING CORPORATE GOVERNANCE ROLES IN RELATION TO THE ANNUAL FINANCIAL STATEMENTS

It is the responsibility of the management to prepare annual financial statements that give a true and fair view in accordance with French accounting rules and principles and to implement such internal control as it deems necessary to ensure that the annual financial statements are free from material misstatement, whether due to fraud or error.

During preparation of the annual financial statements, it is the responsibility of the management to assess the company's ability to continue as a going concern and to disclose in the accounts, as applicable, all information supporting its status as a going concern and to apply the associated accounting policy, unless the company is to be wound up or cease trading.

The annual financial statements have been signed off by the Chairwoman.

RESPONSIBILITIES OF THE STATUTORY AUDITORS REGARDING AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

It is our responsibility to prepare a report on the annual financial statements. Our objective is to obtain reasonable assurance that the annual financial statements taken as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but does not guarantee that an audit performed in accordance with professional standards will systematically detect all material misstatements. Misstatements may arise from fraud or error and are considered material where they could, either individually or collectively, be reasonably expected to influence the economic decisions of users based on the financials statements.

As specified in Article L.821-55 of the Commercial Code, our mission of certifying the financial statements does not consist of guaranteeing the sustainability or quality of the management of your company.

- In the context of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgement throughout the audit. In addition:
- the auditor identifies and assesses the risks of material misstatements in the annual financial statements, whether due to fraud or error, defines and performs audit procedures to address such risks, and obtains audit evidence that it considers to be sufficient and appropriate to form an opinion. The risk of not detecting material misstatement due to fraud is higher than the risk of not detecting material misstatement due to error, as fraud may involve collusion, forgery, deliberate omission, misrepresentation or circumvention of internal control;
  - the auditor obtains an understanding of the internal control relevant to the audit in order to define audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control;
  - the auditor assesses the appropriateness of the accounting methods used and the reasonableness of the accounting estimates made by the management, including all related information provided in the annual financial statements;
  - the auditor assesses the appropriateness of management's application of the accounting convention of going concern and, based on the information obtained, whether there is any material uncertainty relating to events or circumstances that may affect the company's ability to maintain its status as a going concern. This assessment is based on information obtained up to the date of the auditor's report, bearing in mind that subsequent events or circumstances could undermine the company's status as a going concern. Should the auditor conclude that there is a material uncertainty, it draws the attention of the readers of its report to the information provided in the annual financial statements regarding such uncertainty or, if said information is not provided or is not relevant, issues a qualified audit opinion or a refusal to certify;
  - the auditor assesses the presentation of the annual financial statements as a whole and whether they provide a true and fair view of the underlying transactions and events.

Neuilly-sur-Seine and Paris-La Défense, 12 April 2024

The statutory auditors

PricewaterhouseCoopers Audit

Deloitte & Associés

Sarah Kressmann-Floquet

Olivier GALIENNE

Sarah KRESSMANN-FLOQUET

Olivier GALIENNE

# Decision by the Sole Shareholder

## DRAFT RESOLUTIONS

### FIRST RESOLUTION

The sole shareholder, after having read:

- The Chairwoman's management report, duly forwarded to the Supervisory Board, convened to consider the financial statements for the financial year ended 31 December 2023 and the company's activities during said financial year;
- The statutory auditors' report on the performance of their duties during said financial year; approves said financial statements as presented to it, including the transactions recorded in said financial statements and summarised in said reports.

Accordingly, the sole shareholder grants discharge to the Chairwoman and to the members of the Supervisory Board for the performance of their duties during said financial year.

### SECOND RESOLUTION

On the proposal of the Chairwoman, the sole shareholder decides to allocate the profits for the financial year ended 31 December 2023 as follows:

- Profit for the financial year €14,907,340.72
- Retained earnings from the prior year €45,320,873.33

**Total to be allocated €60,228,214.05**

- Allocation to the legal reserve €0.00
- Dividends (€17.60 per share) €10,434,811.20
- Carried forward after allocation €49,793,402.85

**Total €60,228,214.05**

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

2022	€13,041,187
2021	€24,664,140
2020	€17,548,762

### THIRD RESOLUTION

The sole shareholder, having read the management report, and noting that the company's share capital is fully paid up, decides, in accordance with Article 19 of the Articles of Association, in the event of the distribution of interim dividends for the current financial year, to offer an option between payment in cash or in company shares. The issue price of the shares created in payment of interim dividends corresponds to the equity divided by the number of shares.

### FOURTH RESOLUTION

In accordance with the provisions of Article 14, and on the proposal of Ms Ghislaine Bailly, Chairwoman, the sole shareholder appoints Mr Franck Ibalot, Deputy Chief Executive Officer, responsible for all support and control functions and dirigeants responsables (accountable managers) within the meaning of Article L 532-9 of the Monetary Code, to replace Mr Ludovic Jacquier, with effect from 1 June 2024. Mr Ludovic Jacquier remains a member of the Management Committee, as Director and advisor to the Deputy Chief Executive Officer, Mr Franck Ibalot, and retains his duties as Compliance & Internal Control Officer until the date of his retirement.

### FIFTH RESOLUTION

After noting that the mandate of one statutory auditor, Pricewaterhousecoopers Audit, is expiring, the sole shareholder decides not to renew said mandate.

The sole shareholder duly notes that Deloitte et Associés is becoming the sole statutory auditor and that its mandate expires on conclusion of the general meeting convened to consider approval of the financial statements for the period ending 31 December 2026.

# Notes to the annual financial statements

The balance sheet before distribution of the financial year ended 31 December 2023 totalling €122,052,239 and the income statement totalling earnings of €122,846,173, generate a profit of €14,907,341.

The following notes and tables supplement the financial statements. They form an integral part of the annual financial statements. Only information of a significant nature is produced.

## 1. KEY EVENTS DURING THE PERIOD

On 1 January 2023, Covéa Finance joined the Covéa Group's VAT group.

## 2. POST-BALANCE SHEET EVENTS

No specific elements have been identified that could affect the financial statements for the 2023 financial year or that could jeopardise the company's ability to continue as a going concern.

## 3. ACCOUNTING POLICIES APPLIED

### 3.1 GENERAL PRINCIPLES

This balance sheet and income statement have been prepared in accordance with the provisions of Articles L.123-12 and L.123-13 of the Commercial Code and in accordance with the general rules for the preparation and presentation of annual financial statements.

The general rules for the preparation and presentation of annual financial statements are established in accordance with the rules of the new Chart of Accounts adopted in accordance with ANC Regulation no. 2014-03 et seq.

The general principles of prudence, consistency, reliability and true and fair view have been respected based on the following assumptions:

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

### 3.2 ACCOUNTING METHODS

The basic method used for the valuation of the items recorded in the accounts is the historical cost method.

For marketable securities, the gross value is the purchase cost excluding incidental expenses.

## 4. ADDITIONAL INFORMATION ON THE STATEMENT OF FINANCIAL POSITION

### 4.1. STATEMENT OF FIXED ASSETS

#### A – INTANGIBLE AND TANGIBLE FIXED ASSETS AND DEPRECIATION

Item (in euros)	Start of financial year		Movements during financial year			End of financial year		
	Gross value of fixed assets	Gross depreciation value	Acquisitions	Transfers	Provisions and reversals	Gross value of fixed assets	Gross depreciation value	Net accounting value
<b>Intangible assets</b>	<b>1,233,019</b>	<b>880,744</b>	<b>97,964</b>	<b>42,096</b>	<b>217,895</b>	<b>1,288,888</b>	<b>1,056,544</b>	<b>232,344</b>
Software	1,233,019	880,744	97,964	42,096	217,895	1,288,888	1,056,544	232,344
<b>Property, plant and equipment</b>	<b>9,309,774</b>	<b>8,011,455</b>	<b>322,036</b>	<b>180,997</b>	<b>470,383</b>	<b>9,450,813</b>	<b>8,300,840</b>	<b>1,149,973</b>
Installations	3,605,362	3,596,767			7,922	3,605,362	3,604,689	672
Fixtures and fittings	859,738	488,874	97,723	83,004	92,896	874,457	498,766	375,691
Equipment	3,990,249	3,133,943	171,332	37,549	339,255	4,124,031	3,435,649	688,382
Telephones	62,258	56,417	27,564	60,445	6,797	29,377	2,770	26,607
Furniture	777,666	735,454	25,417	0	23,512	803,083	758,966	44,117
Prints	14,503			0		14,503	0	14,503
<b>Assets under construction</b>	<b>46,998</b>	<b>0</b>	<b>0</b>	<b>46,998</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Intangible assets	23,380			23,380	0			
Intangible assets	23,618			23,618	0			
<b>Total</b>	<b>10,589,791</b>	<b>8,892,199</b>	<b>420,001</b>	<b>270,091</b>	<b>688,278</b>	<b>10,739,701</b>	<b>9,357,384</b>	<b>1,382,317</b>

Fixed asset entry values are recognised at historical cost.

Acquisitions at Covéa Finance:

- Software is amortised over 3 years on a straight-line basis.
- Installations, furniture, fixtures and fittings are depreciated over 5 years on a straight-line basis.
- Equipment is depreciated over 5 years on a straight-line basis.

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

#### B – FINANCIAL AND OTHER FIXED ASSETS

Description of securities (in euros)	Cost price	Investments	Transfer price	Realised gains/losses		Cost price	Unrealised gains	Unrealised losses
				2023				
	31/12/2022	2023	2023	gains	losses	31/12/2023	31/12/2023	31/12/2023
Total financial assets	8,535,987		-999,400		-600	7,535,987	2,504,647	
Total other fixed assets	530	44				573		
Total	8,536,517	44	-999,400		-600	7,536,561	2,504,647	

At the end of the financial year, the subscription value is compared with the liquidation value. In the event of unrealised losses, impairment is recognised in “Provisions”.

Unrealised gains are not recognised.

### 4.2 RECEIVABLES BY SENIORITY

(in euros)	Gross	1 year and less	1 to 5 years	Over 5 years
Trade receivables	11,282,830	11,282,830		
Personnel – Salaries	48	48		
Social welfare agencies	300	300		
VAT to be regularised	62	62		
Statement of accrued income	148,988	148,988		
Other receivables	2,995	2,995		
<b>Total receivables</b>	<b>11,435,223</b>	<b>11,435,223</b>		

Receivables consist mainly of trade receivables corresponding to the invoicing for the month of December 2023. There are no receivables greater than one year.

### 4.3 MARKETABLE SECURITIES

Description of securities (in euros)				Realised gains/losses		Foreign exchange				
	Cost price	Investments	Transfer price	2023		result		Cost price	Unrealised gains	Unrealised losses
	31/12/2022	2023	2023	Gains	Losses	Realised	Unrea- lised	31/12/2023	31/12/2023	31/12/2023
Bonds	26,448,678		-3,000,000		-97,500			23,351,178		-1,136,094
Treasury bills	18,978,292	7,293,469	360,182	12,332		-6,884		25,917,028	80,279	-810,706
Cová Finance mutual funds	42,234,797	125,345,546	-133,563,572	1,012,872	-3			35,029,641	705,870	
Total marketable securities	87,661,767	132,639,016	-136,203,390	1,025,204	-97,503	-6,884	0	84,297,846	786,149	-1,946,801

At the end of the financial year, the subscription value is compared with the liquidation value. In the event of unrealised losses, impairment is recognised in “Provisions”.

Unrealised gains are not recognised.

#### LIQUID ASSETS

Any cash in foreign currencies at the end of the financial year is converted into the national currency at the spot rate.

Translation differences are recognised in the income statement.

### 4.4 INFORMATION ON EQUITY

(in euros)	31/12/2022	Increases	Decreases	31/12/2023
Share capital	24,901,254			24,901,254
Legal reserve	2,490,125			2,490,125
Retained earnings	42,060,576	3,260,297		45,320,873
Profit or loss for the financial year	16,301,484	14,907,341	16,301,484	14,907,341
<b>Total</b>	<b>85,753,440</b>	<b>18,167,638</b>	<b>16,301,484</b>	<b>87,619,593</b>

4.5 STATEMENT OF PROVISIONS

(in euros)	31/12/2022	Allocations	Reversals	31/12/2023
Provisions for risks	550,000	30,000	50,000	530,000
Provisions for pension obligations	340,000			340,000
Total	890,000	30,000	50,000	870,000

4.6 PAYABLES BY SENIORITY

(in euros)	Gross	1 year and less	1 to 5 years	Over 5 years
Suppliers	12,840,773	12,840,773		
SGAM current accounts	3,038,500	3,038,500		
Accrued expenses	704,544	704,544		
Personnel – Salaries	15,240,323	15,240,323		
CSE	23,993	23,993		
Sundry creditors	30,169	30,169		
Social welfare agencies	1,461,802	1,461,802		
VAT on invoices to be issued	11,114	11,114		
VAT to be paid	211,428	211,428		
Total payables	33,562,645	33,562,645		

Debts mainly comprise:

- accounts payables relating to invoices received at year-end;
- social security and tax liabilities.

There is no debt older than one year.

4.7 PREPAYMENTS AND ACCRUED INCOME

The balance of prepayments and accrued income breaks down as follows: prepaid expenses: €3,306,532.

4.8 ACCRUED INCOME AND EXPENSES

The balance of accrued income is €3,039,347. It mainly corresponds to the invoicing of financial, administrative and accounting management fees for December 2023, and some income from ancillary activities.

The balance of trade accounts payable is €11,341,135. It concerns supplier invoices not received and provisioned at year-end.

5. ADDITIONAL INFORMATION ON THE INCOME STATEMENT

5.1 OPERATING REVENUE

This item amounted to €117,159,239 and is broken down as follows:

- Management fees on mandates: €11,994,103
- Management fees on mutual funds: €101,058,874
- Administrative and accounting fees: €3,284,371

5.2 FINANCIAL INCOME

This item amounted to €5,536,438 and represents:

- Income and interest: €594,365
- Capital gains on transfers: €1,025,204
- Foreign exchange gains €80,573
- Reversals of provisions/financial assets: €30,606
- Reversals of provisions/marketable securities: €3,805,689

5.3 EXTRAORDINARY REVENUE

This item amounts to €49,497, mainly resulting from reversals of provisions for liabilities.

5.4 PERSONNEL EXPENSES

Salaries and social security contributions amounted to €25,478,577.

5.5 FINANCIAL EXPENSES

This item amounted to €2,146,366 and is broken down as follows:

- Income and interest: €271
- Expenses on transfers of marketable securities: €98,103
- Allocations to depreciation/marketable securities: €1,946,801
- Foreign exchange losses: €101,191

5.6 EXTRAORDINARY EXPENSES

This item amounts to €46,385, mainly composed of provisions for liabilities and charges for prior years.

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 2023 is €5,609,868.

5.8 EMPLOYEE PROFIT-SHARING

Profit-sharing amounted to €1,885,583.

5.9 INCENTIVE BONUS

A Covéa Finance incentive bonus will be paid in respect of 2023, as the criteria defined in the agreement signed on 17 May 2023 have been met.

5.10 ALLOCATION OF THE ACCOUNTING RESULT OF THE PERIOD

The Chairwoman proposes to allocate the net profit as follows:

- Profit for the financial year €14,907,340.72
- Retained earnings from previous financial year €45,320,873.33
- Total to be allocated €60,228,214.05

- Allocation to the legal reserve €0.00
- Dividends €10,434,811.20
- Carry forward after allocation €49,793,402.85
- Total €60,228,214.05

5.11 HEADCOUNT

As at 31/12/2023, Covéa Finance had 185 employees:

- 172 executive staff.
- 13 non-executive staff.

5.12 SENIOR MANAGEMENT COMPENSATION

Disclosure of the compensation of senior management and risk-takers is covered by an ad hoc report appended to the management report, in accordance with the EU’s AIFM and UCITS V directives which apply to Covéa Finance as a management company.

6. OFF-BALANCE SHEET COMMITMENTS

- Pension commitments €1,802,336
- Funds constituted €1,075,052
- Shortfall €727,283

The company’s commitments are valued using an actuarial method that takes into account, among other things, turnover parameters and the rate of salary growth.

The discount rate used is the iBoxx eurocorporate AA 10.

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

7. OTHER SIGNIFICANT INFORMATION

7.1 DISTRIBUTION OF SHARE CAPITAL

The company is a French société par actions simplifiée (SAS) with a sole shareholder, Covéa Coopérations.

7.2 CONSOLIDATION

The accounts of Covéa Finance are incorporated under full consolidation into 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 is €458,419, breaking down as follows:

- Audit of the Covéa Finance accounts: €121,536
- Audit of the mutual funds: €336,883

7.4 COURT OF CASSATION RULING OF 13/09/2023 ON PAID LEAVE

Following the decisions of the Court of Cassation of 13/09/2023 concerning the entitlement to paid leave in the event of sick leave, Covéa Finance recognised a provision of €30k in order to comply with EU regulations.

Company’s results for the 5 preceding financial years

Nature of information (in euros)	2019	2020	2021	2022	2023
CAPITAL AT THE END OF THE FINANCIAL YEAR					
Share capital	7,114,644	7,114,644	24,901,254	24,901,254	24,901,254
Number of ordinary shares in circulation	592,887	592,887	592,887	592,887	592,887
TRANSACTIONS AND RESULTS OF THE FINANCIAL YEAR					
Revenue before tax	110,977,737	113,330,578	132,083,587	119,599,173	117,159,239
Income before tax, employee profit-sharing, depreciation and provisions	36,230,044	34,533,792	45,562,709	26,717,103	21,181,574
Income tax	11,788,024	9,025,523	11,658,140	4,598,719	5,609,868
Employee profit-sharing due for the financial year	2,165,954	2,047,684	2,648,929	1,400,838	1,885,583
Earnings after tax, employee profit-sharing, depreciation and provisions	20,287,780	21,935,953	30,830,175	16,301,484	14,907,341
Earnings distributed in cash	16,230,224	17,548,762	24,664,140	13,041,187	10,434,811
EARNINGS PER SHARE					
Earnings before tax, employee profit-sharing, depreciation and provisions	61.11	58.25	76.85	45.06	35.78
Earnings after tax, employee profit-sharing but before depreciation and provisions	37.57	39.57	52.72	34.94	23.08
Earnings after tax, employee profit-sharing, depreciation and provisions	34.22	37.00	52.00	27.50	25.14
Dividend allocated to each share (in cash)	27.37	29.60	41.60	22.00	17.60
PERSONNEL					
Average headcount during the year	167	171	179	185	186
Payroll for the financial year	13,293,955	15,027,514	14,500,785	15,181,333	17,095,606
Amount of sums paid in respect of employee benefits during the financial year (social security, social welfare, etc.)	6,416,602	6,666,005	7,883,003	7,952,487	8,382,971



COVEA GROUP'S  
PORTFOLIO MANAGEMENT COMPANY

8-12, rue Boissy d'Anglas  
75008 PARIS  
Tel.: +33 1 40 06 51 50

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[www.covea-finance.fr](http://www.covea-finance.fr)  
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