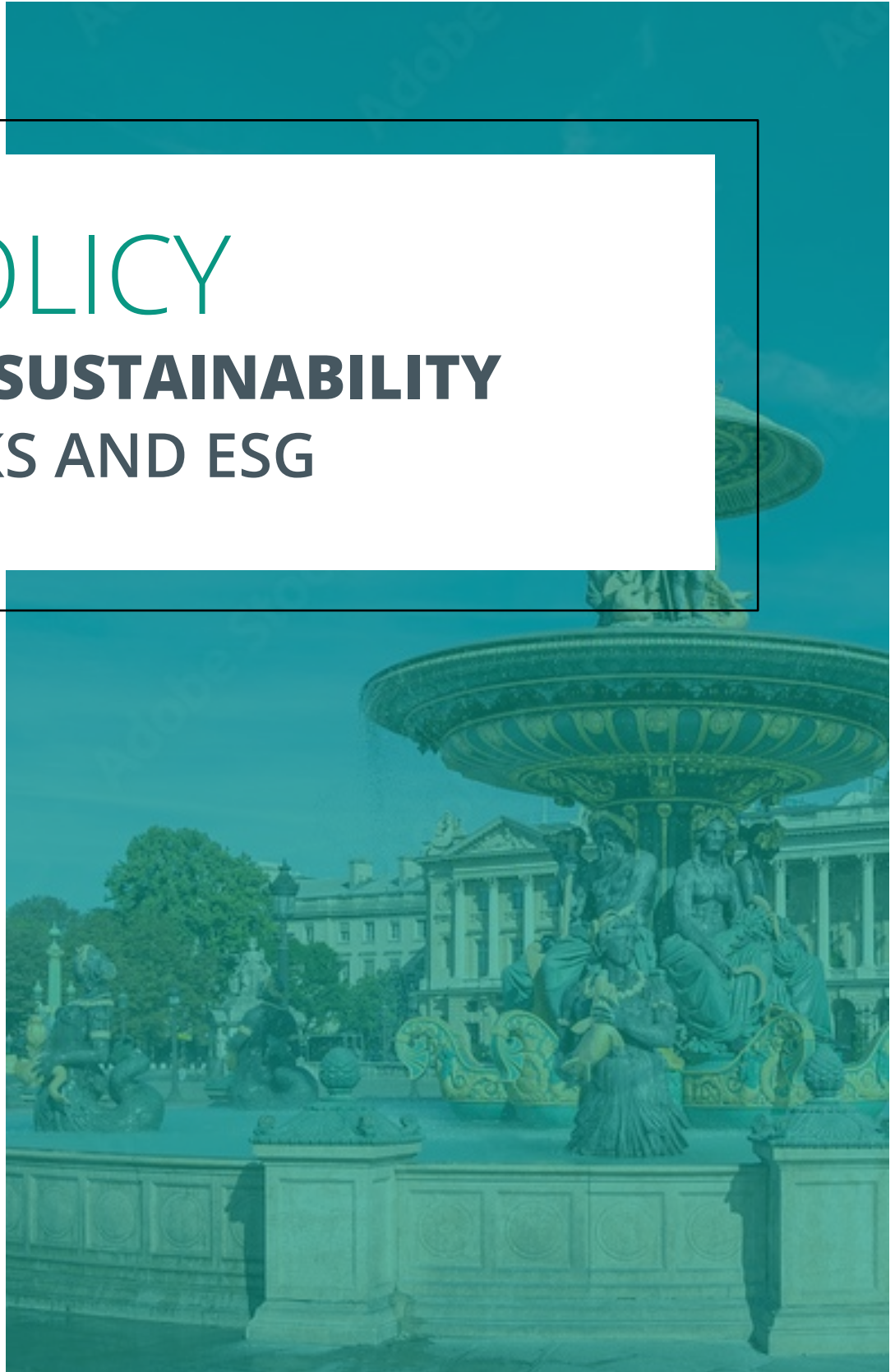


POLICY

ON SUSTAINABILITY RISKS AND ESG



JUNE 2024



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Covéa Finance: 22 years of socially responsible investment

Historically, socially responsible investment and the study of E, S and G criteria have formed part of Covéa Finance's long-term approach. Even as far back as 2001, Boissy Gestion, one of the Covéa Group's three asset management companies, along with MAAF Gestion and MMA Finance, that joined forces to form Covéa Finance, created the "Boissy Horizon Durable" fund, which later became "Covéa Flexible ISR". For 22 years, our ambition has been embodied by integration: integration of ESG research into management, integration of non-financial analysis into financial analysis and integration of Covéa Finance into numerous market groups (AFG, FFA, etc.).

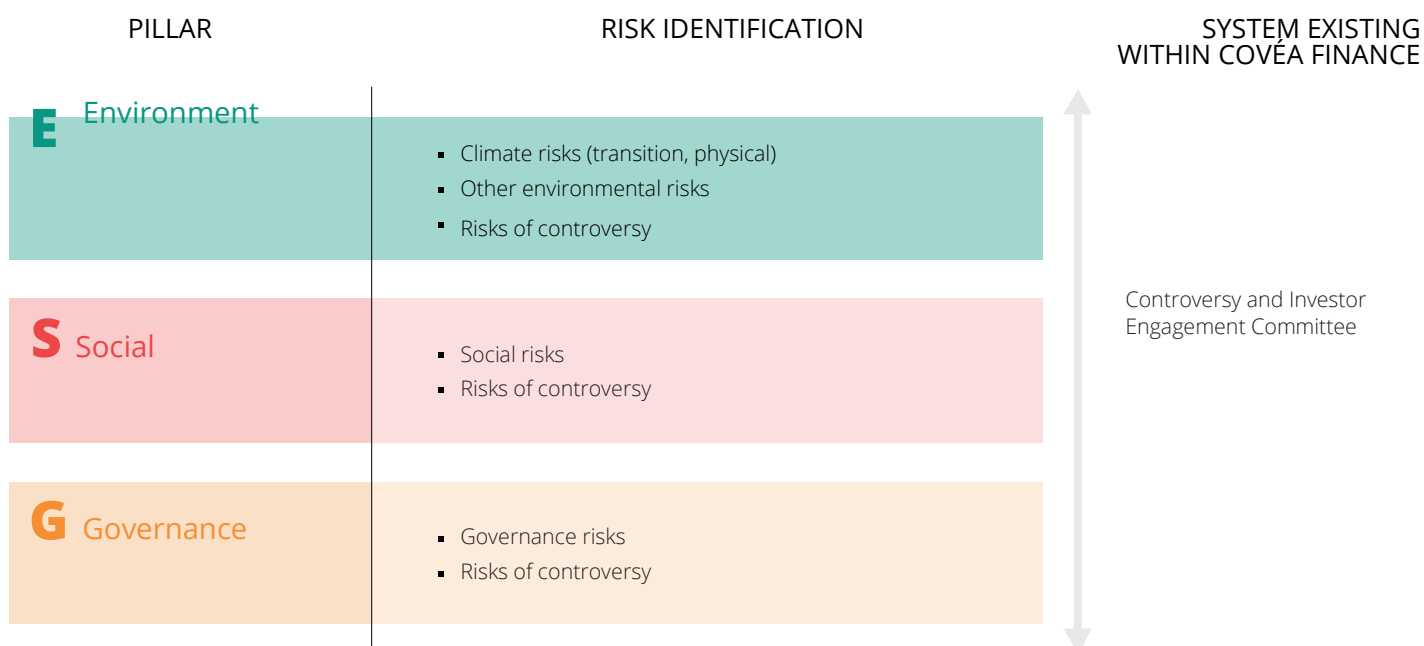
In line with our commitment to transparency (since 2016 we have voluntarily published an ESG report in accordance with the French Energy Transition Act), we are now taking a step further by sharing how we meet the requirements of Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector ("SFDR"), which came into force on 10 March 2021.

01 Our consideration of sustainability risks

For Covéa Finance, a sustainability risk means an environmental, social or governance event or situation which, if it occurs, could have a significant negative impact on the value of the investment.

Covéa Finance takes sustainability risks into account through:

- The exclusion policy, which excludes ex-ante investment in certain stocks for reasons relating to the social or environmental pillar (for more details please refer to the exclusion policy).
- Controversy monitoring, which aims to identify controversies in the ESG pillars that could have an impact on the value of the investment. The identification of a controversy may lead to the blocking for purchase or even the sale of a security if its critical character and materiality are proven by our analysis.



02 Our ESG analysis principles

Within the framework of our ESG approach, two internal assessment methodologies have been developed, relating to sovereign issuers, on the one hand, and private issuers on the other. Covéa Finance's ESG Policy is based, first and foremost, on the **balance of the three** Environment, Social and Governance **pillars**.

The ESG evaluations of sovereign issuers are mainly based on public databases (data from the World Bank, United Nations, OECD, etc.). Each pillar, E, S and G, is assessed based on the analysis of indicators. The overall ESG assessment of the country is obtained by an equally-weighted average of the assessment of the 3 pillars.



Examples of indicators

- Carbon intensity per capita
- Risk of flooding
- Water stress risk
- Waste recovery rate
- Etc.



Examples of indicators

- Healthcare expenditure per capita,
- Quality of education,
- Wealth inequality,
- Precarious employment,
- Etc.



Examples of indicators

- International sanctions
- Control of corruption,
- Democracy index,
- Tax practices,
- Etc.

Our in-house ESG rating system for private issuers consists of both quantitative and qualitative analysis covering private issuers in all sectors. For each of these pillars, Covéa Finance has established indicators that it considers common to all private issuers, and also relies on certain assessments by its external data provider, S&P Trucost.

The consolidation of these indicators enables it to obtain an assessment for each of the three E, S and G pillars. An overall ESG assessment of the issuer is obtained by an equally-weighted average of the assessment of the three pillars.

The qualitative analysis is added to the quantitative criteria for additional clarification and to address material themes for the sector.



Examples of criteria

- Greenhouse gas emissions
- Volume of waste generated
- Management of water stress risk
- Biodiversity, etc.



Examples of criteria

- Staff turnover rate
- Proportion of female managers
- Employee retention
- Binding ESG clauses in the supply chain, etc.



Examples of criteria

- Transparency of remuneration policies and reporting,
- Separation of powers
- Independence of the Board
- Respect for the rights of minority shareholders,

In addition, when investing in sustainable sovereign or private bonds, the Financial and Non-Financial Analysis team establishes ratings to verify the “sustainable” nature of the bonds identified as such. An annual review of the quality of reporting and the allocation of financing is then carried out by analysts until the securities mature.

These analysis factors are decisive:

- In the application of the exclusion policy;
- In the application of certain regulatory requirements¹;
- In accordance with requirements relating to our labels (SRI, Finansol, Relance, Greenfin);
- In the management of thematic funds.

¹AMF Position-Recommendation-2020-03 on the information to be provided by collective investment schemes incorporating non-financial approaches

03 **Transparency on adverse impacts**

Under Article 4 of the SFDR, financial players must specify whether they take into account the main negative impacts of their investment decisions.

Covéa Finance has chosen to take into account the main negative impacts at entity level from 31 December 2030.

Consideration of the main adverse product impacts will be considered on a case-by-case basis.

04 **Covéa Finance's financial and non-financial analysis team**

The assessment of the investment universe is global. The issuers present in the portfolios are studied in all their facets: the financial and non-financial elements combine to arrive at an investment decision. ESG is fully integrated into the value chain at Covéa Finance.

The Analysis team comprises 13 financial and non-financial analysts supervised by a manager. At the end of December 2023, 78% of the team members had obtained the AMF ESG certification and nearly 50% had the ESG CFA or CESGA. The knowledge development plan is set to continue in 2024.

The Analysis team aims to share its work with the asset managers (studies, monitoring of controversies, shareholder dialogues, monitoring of the exclusion list, etc.) and also to provide support for certain ranges of funds (thematic analyses in relation to environmental funds, monitoring of the various non-financial labels, etc.). Analysts and managers work closely together and meet several times a month at meetings of various Committees that address all non-financial and financial components.

05 Adherence to charters & codes

As the Covéa Group became a signatory of the PRI (Principles for Responsible Investment) in 2020, Covéa Finance participates in the drafting of a transparency report on the application of the six principles for responsible investment.

Covéa Finance joined the Investors for a Just Transition coalition in mid-2021. The Investors for a Just Transition coalition is a collaborative platform led by the Institut de la Finance Durable that brings together the managers and asset owners of the French financial ecosystem. Its mission is to promote a socially acceptable transition to low-carbon economies among businesses.

Through its membership of the CDP (Carbon Disclosure Project), Covéa Finance engages each year in shareholder dialogues that may address not only Climate issues, but also Water and Deforestation. These dialogues with companies also enable us to further our knowledge and our monitoring of risks related to climate change and biodiversity.

06 Communication

For the annual summary of how sustainability is taken into account at Covéa Finance, please refer to the annual ESG report available on the website.



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