

ESG (Environment, Social and Governance) Policy

Covéa Finance has decided, together with its shareholder Covéa, to comply with Article 173-6 of the Energy and Ecological Transition Act and its implementing executive order. The text requires eligible entities to take into account the consideration of environmental, social and governance (ESG) criteria in their investment decisions.

This law is an extension of the so-called "Grenelle II" law, which requires portfolio management companies to publish ESG information through the exercise of their voting rights.

Covéa Finance relies primarily on the development of existing elements of governance, including the voting policy. Governance is the main channel of influence vis-à-vis companies held in the portfolio.

As an investor, the Covéa Group requires, under its investment policy, that its asset management firm Covéa Finance take into account ESG criteria in managing its assets.

Covéa Finance has included the redesign of its ESG policy in its management among its major corporate projects.

Description of the ESG policy

It is based on:

- analysing and taking into account non-financial criteria (companies as a first step) in the portfolios, according to a deployment plan within a multi-year framework;
- an engagement policy;
- a voting policy at general meetings;
- a regulatory exclusion policy;
- shareholder dialogue as a tool and method of organising policies and influencing companies;

It aims to:

- gain a better understanding of the risks involved in portfolios through a non-financial approach in addition to financial and stock market approaches;

- serve to control and prevent non-financial risks with the implementation of potentially restrictive criteria or thresholds;
- classify and prioritise companies based on ESG criteria and key criteria and firstly assess governance through resolutions presented at meetings (voting policy) and the quality of shareholder dialogue.

It is subject to an annual review.

The key principles of ESG at Covéa Finance:

The concept of **progressiveness in the integration of ESG:**

- project spread over time and included in multi-annual corporate objectives for the consideration of ESG criteria;
- progressive deployment within the scope considered for each component (E, S and G), since the progress, availability, quality and reliability of data vary from country to country as well as governance practices and codes;
- progressive ESG analysis with:
 - a number of initially limited criteria (except those related to governance, due to the existence of the voting policy), which will expand as the policy is implemented, the matter is taken up internally and the subject matures within the companies;
 - the identification of non-financial risks in portfolios in the first instance, and the assessment, measurement and prioritisation of risks and criteria in the second instance.
- progressive shareholder dialogue:
 - according to the internal categorisation of securities held in the portfolio, as involvement in the life of the company varies depending on the shareholding perspective (medium/long term or tactical);
 - depending on the knowledge of the company and its issues, notably through shareholder dialogue tools (questionnaires, meetings, conference calls, etc.).

Striving to **achieve the alignment of stakeholder interests.**

The ESG vision of a company (on risk, the economic model) complements the fundamental financial and stock-market vision.

In case of conflicting visions, and provided that the ESG filter is not restrictive (especially in the context of the exclusion policy), the fundamental vision prevails in management decision-making. The ESG team can nevertheless engage in a dialogue with the company, in cooperation with management, on ESG issues.

Communication on the ESG:

Covéa Finance plans to publish an annual report on the consideration of ESG criteria for its investments.

The ESG report and related policies will be available on the website www.covea-finance.fr

The principles governing the relations between Covéa and Covéa Finance:

Consideration of the **main characteristic of Covéa Finance as a subsidiary of the Covéa insurance group**, namely the integration of basic insurance principles within its financial management:

- the need for recurring revenues;
- the need to diversify investments;
- the requirement of absolute performance, within the context of controlled financial management, to honour at all times the future commitments made by the insurer;
- optimisation of the risk/return ratio;

Consideration of **Covéa's financial strategy** based on:

- a long-term investment vision;
- high capacity to adapt its asset allocation according to market circumstances, in order to protect the interests of its members and clients;
- a desire to focus on two main aspects in investments: liquidity and transparency (simple and readily understood products).

The **Covéa Finance management model** is based on:

- collaborative management decisions;
- maximising added value internally through:
 - the pooling of resources, particularly research, to assist the entire management;
 - independence of thought vis-à-vis trends and market fluctuations;
 - controlling the risks involved in the portfolios.
- the use of internal tools and methods that have proved their worth in the long term, based on the concept of intervention points with the creation of buffers through the categorisation of portfolio securities according to their long-term or tactical aspects;
- Responsiveness and agility in management.