

Precision and innovation

*at our
clients' service*

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Profiles

Covéa

26,000+

EMPLOYEES IN FRANCE AND ABROAD*

11.5

MILLION POLICYHOLDERS IN FRANCE*

Covéa is a mutual insurance group and a major player in the insurance sector in France, with a presence on key markets, and a market leader in property and liability insurance.

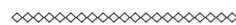
Covéa encompasses MAAF, MMA and GMF: three powerful brands, each with their own evolution and market positioning but with shared values. United within Covéa, MAAF, MMA and GMF maintain their own identities, individual features and policyholder clientele. Other Covéa Group companies include the pension fund APGIS and SMI, the inter-professional mutual insurance company specialising in health insurance. The Group also has several subsidiaries specialised in insurance, investment or services, including Covéa Finance.

Covéa's strength is founded on a global model that represents all components of insurance; a diverse client base, an extensive product

range, multiple distribution methods, a wide breadth of business lines and a significant international presence (in the United Kingdom, Italy, Spain, Luxembourg, Canada and the United States).

In an increasingly stringent economic and regulatory climate and a fast-changing society, its size, structural soundness and risk awareness allows Covéa to innovate and adapt, to ensure that it meets the needs of its policyholders and clients in the most effective way.

The Group encourages its talented employees and uses technological tools to work towards a shared goal: ensuring that every client and policyholder – whether an individual, a business customer or a large company – has the best insurance experience, with a supportive and understanding partner.



* As of 31/12/2018.

Covéa Finance

Covéa Finance is the portfolio management company of Covéa, a group that combines the MAAF, MMA and GMF brands. Independent in its decisions, Covéa Finance targets long-term performance.

Through the work of its research teams (focussing on macroeconomics, microeconomics and quantitative analysis), the company enjoys recognised and award-winning analytical abilities enabling it to anticipate changes in its environment. Its corporate philosophy puts risk control at the heart of its employees' activities, which each putting their expertise and know-how to work to provide quality insurance services. Covéa Finance offers a wide range of funds that give investors access to the world's largest financial markets through diversified asset classes.

10th
LARGEST FRENCH FUND
MANAGEMENT
COMPANY*

95.1
BILLION EUROS
IN ASSETS UNDER
MANAGEMENT**

168
EMPLOYEES**

48
UCIS**

* Source: AFG as of 31/12/2017.
** As of 31/12/2018.

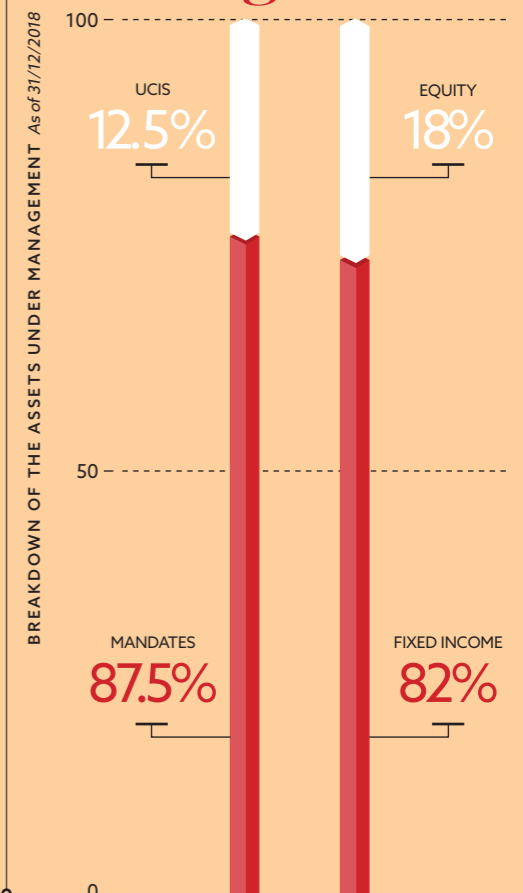
Awards

LE REVENU 2018 TROPHIES

Silver Trophy in the category Best International Equity Fund over 10 years for Covéa Actions Investissement



Breakdown of the assets under management



The world of asset management is changing: What are the challenges ahead?

BY GHISLAINE BAILLY
CHAIRWOMAN OF COVÉA FINANCE



INTERVIEW

ASSET MANAGEMENT IS A CHANGING SECTOR AND THE SAVINGS INDUSTRY IS UNDERGOING RADICAL CHANGES. IN THIS CONTEXT, WHAT MAJOR INFLECTION POINTS HAVE YOU IDENTIFIED OVER THE LAST TEN YEARS? WHAT ARE THE CHALLENGES FOR A COMPANY LIKE COVÉA FINANCE?

GHISLAINE BAILLY: There is no question that the asset management sector and the world of savings have been shaped by profound changes over the last ten years. These are the result of four factors. The first is the difficult, chaotic financial environment that has prevailed since the 2008 economic crisis, following the collapse of the world's fourth-largest investment bank, Lehman Brothers. The second, which stems from the first, covers the various strategies put in place to deal with such an environment and to avoid a new crisis, in particular the strengthening of the regulatory framework and the monetary policy of central banks, which have changed the way the financial markets operate. This is especially true for the European Central Bank (ECB) which, in making the decision to buy private debt, has caused the collapse of risk reward and the indirect flight of private investors, whose appetite for property funds has grown steadily. The third factor is the growing awareness of environmental issues. Lastly, the fourth factor is the explosion of technological shocks and their effects on consumption, distribution and production patterns, such as the growth of ETFs (Exchange Traded Funds)⁽¹⁾. As a fund management company, our main challenge is to continue to operate and remain competitive at a time where competitive pressure is at its highest level, with many new players and new products, but also costly regulations to implement. Another major challenge is to be innovative and creative to grow our assets under management despite this context and to benefit from the major challenges of the future, such as the energy transition law adopted following the Paris Agreement, and new practices, such as increased digitalisation (social networks, etc.).

HOW DO YOU THINK THESE ISSUES WILL EVOLVE OVER THE NEXT FEW YEARS?

G. B.: The challenges ahead will come from three fronts: financial, social and political. From a financial perspective, the decisions of central banks and the evolution of interest rates at which investment is possible will have to be closely monitored. From a social perspective, population growth, issues around

“Our current challenge is to be able to continue to do our job and remain competitive as competitive pressure is at an all-time high.”



“Now, more than ever, we need to be innovative and creative to make our assets under management grow despite this context and to leverage the major challenges of tomorrow.”

distribution, inequalities, and even diminishing incomes due to the nature of jobs destroyed and created, will be crucial points. Finally, on the political front, two key points need to be carefully monitored: on the one hand, the tax burden, which undermines people's ability to save; and on the other hand, the nature of political action for the financing of social welfare, especially retirements, but also for directing savings towards what the State deems 'major' financing needs, namely green growth, energy transition, the financing of SMEs and start-ups and lastly Private Equity. This trend of pointing investors in a specific direction is reflected in the PACTE Act (Action Plan for Business Growth and Transformation), which aims to promote the financing of the "productive economy". Long-term savings (in particular retirement and employee savings schemes) have been identified as the primary driver of this financing. Life insurance, which makes the largest deposit of savings in France, will be directly affected. In other words, our clients' clients: an important parameter, therefore, for the Covéa Group, but also naturally for Covéa Finance.

WHAT IS THE INFLUENCE OF THESE DEVELOPMENTS ON COVÉA FINANCE, ITS ORGANISATION AND ITS DIFFERENT BUSINESSES LINES?

G. B.: For more than ten years, Covéa Finance has dedicated resources to evolve in this shifting economic environment and in sometimes chaotic financial markets, in particular through three-year objectives that have, over the years, given the company the means for such evolution. The current cycle,



2017-2019, demonstrates Covéa Finance's ability to adapt in a persistently changing world with fragile contours. Our long-term, agile and efficient fund management as well as our rigorous investment process, based on the Economic and Financial Outlook, were our main assets during the economic crisis of 2008 and the years that followed, but now we need to couple them with the search for new sources of revenue. Covéa Finance, with the support of the Covéa group, is working on expanding its client base and ensuring that its range of funds remains tailored to their needs. With this in mind, no less than six new funds were created in 2018.

HOW HAVE YOU ADAPTED YOUR INFORMATION SYSTEM TO THESE NEW CHALLENGES?

G. B.: In order for our development to be based on ever-stronger foundations and consistent with current technological changes, we have redesigned our information system (IS) by adapting it and securing it. One of the objectives is to make it able to adapt to regulatory changes. Increasing regulatory demands in terms of reporting have made it necessary, on the one hand, to create a financial data engineer position to secure the use of data and, on the other hand, to set up a data warehouse that facilitates the cross-tabulation of information and, by extension, the consolidation and consistency of data. The second major area of progress: faced with ever more demanding markets and customers, we have been working on modernising and strengthening our IS in terms of agility and continuity, so that it is in line with

current developments in technology, but also resistant to emerging new risks such as cyberattacks.

HOW HAS REGULATORY PRESSURE HAD A DECISIVE INFLUENCE ON COVÉA FINANCE'S STRATEGIC GUIDELINES?

G. B.: We have undergone a deep regulatory adaptation process, which we have chosen to couple with work on our organisations and our businesses, on costs incurred and risk management, involving work to modernise and strengthen risk control as well as securing the securities chain, from the order placement to the accounting entry. In addition, concerning our core business, we have strengthened our fund management teams with the gradual integration of ESG (Environmental, Social, Governance) into the fund management process. Betting on the ESG aspect also allows us to take into account the new needs of institutional investors who, within the framework of the law on energy transition, are expecting alternative investment solutions. Finally, in order to respond to the competitive context, we are gradually expanding the asset classes that we manage, thus increasing the range of our expertise.

(1) ETF: Exchange Traded Funds (ETFs) are index-linked UCITS listed on regulated markets.

“We have redesigned our information system to make it secure and capable of responding to regulatory changes.”



Adaptation and innovation

2018 was rich in actions and thought for Covéa Finance.

The company, in line with its regulatory and technological environment, is adapting and transforming itself to meet new challenges.

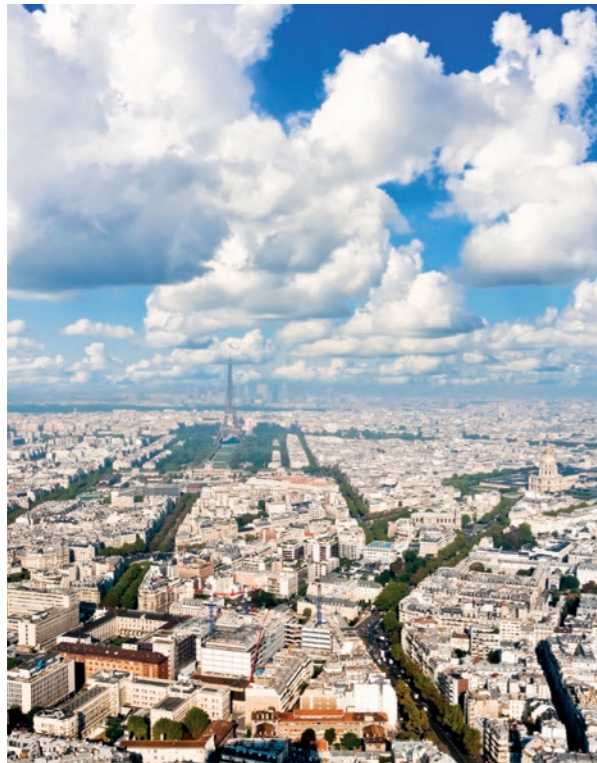
Challenge no. 1 Intensify our commercial growth

Challenge no. 2 Promote new uses and new practices

Challenge no. 3 Succeed in our regulatory adaptation and that of our business lines

Challenge no. 4 Make the fund management process more dynamic

Challenge no. 5 Make the governance evolve



CHALLENGE NO. 1

Intensify our commercial growth

The highly competitive world in which we operate and the uncertainties in the financial markets encourage Covéa Finance to seek new sources of growth in order to further consolidate its business. With this in mind, commercial growth and increased revenue are key matters that we have placed at the heart of our three-year objectives. In addition to our actions with the Covéa Group's life insurance networks, Covéa Finance has accelerated its presence with institutional investors and independent financial advisors, seeking alternative investment solutions and know-how in long-term fund management. We are preparing for the full scope of this diversification by cultivating our spirit of innovation and by developing original concepts in response to the big problems of our world today: ESG, breaks in the economic, geopolitical and technological model and inflation. As a result, six new funds were created this year, a product of the careful consideration and excellence of our fund management teams.

“The constant transformations of our lines of business require us to question our processes regularly and at all levels of the value chain.”

GHISLAINE BAILLY



CHALLENGE NO. 2

Promote new uses and new practices

Covéa Finance must pay attention to the changes in our world, especially the technological mutations: it is in this vein that a major content digitisation project was launched in 2017 and actively pursued in 2018. Goal: to incorporate these changes at the very heart of the company's processes. In addition to this overall adaptation, new practices and new methods of communication must continue to be integrated. This is what we have done and are doing through the progressive deployment of e-learning, but also through the overhaul of our digital tools. To this end, a new, more interactive intranet site was put online in 2018 and the website will also be updated in 2019.

CHALLENGE NO. 3

Succeed in our regulatory adaptation and that of our business lines

Regulatory adaptation is one of the major challenges of all asset management companies. Covéa Finance has naturally made it one of its key objectives. Much happened in 2018 relative to this matter: end of the works on MiFID II⁽¹⁾ and the Sapin 2 Act, launch of the GDPR⁽²⁾ approach and projects regarding the Money Market Fund Regulation, continuation of EMIR⁽³⁾, etc. The constant transformations of our business lines require effective risk control, which is why Covéa Finance is working to constantly optimise it. In addition, geopolitical or economic uncertainties make it necessary to have an optimal crisis management system, which is why this year we reinforced this aspect through an optimisation project (update and adaptation of our BCP/DRP⁽⁴⁾, establishment of a back-up user area). In the same vein, we intensified our work on cybersecurity, on our information systems security policy and on data governance.

“Bringing the fund Management and Research teams together in a seminar to make them think together about the modernisation of the fund management process: this event, the highlight of the year, has already yielded concrete tools.”



CHALLENGE NO. 4

Make the fund management process more dynamic

To meet this challenge, Covéa Finance's approach was built in 2018 around three main areas. First, around careful consideration of the consolidation and expansion of our investment universe through the Covéa Ultra Flexible fund and the completion of a major study on copper through our commodities committee. Then, the integration of ESG criteria in the analysis and selection process of investment securities. Lastly, further work on portfolio building and the optimisation of our committees (foreign exchange, banking, energy). Another highlight: Covéa Finance organised in 2018 a fund management seminar aimed at bringing together the Fund Management and Research teams to make them reflect together on the modernisation of the fund management process, in order to give this process the means to evolve positively over time.

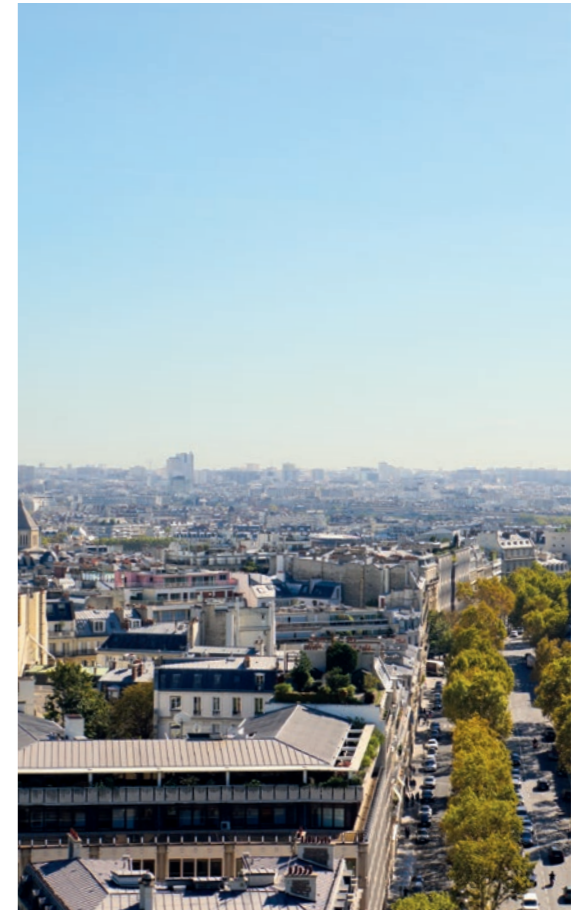
CHALLENGE NO. 5

Make the governance evolve

Staying in tune with a changing world is at the heart of Covéa Finance's day-to-day concerns. The growth of the company (both in the number of employees and assets under management) and regulatory constraints led our governance to evolve at the end of 2018, separating the Chairwoman's Office from the Fund Management, but also the Fund Management from Research. We also changed the legal form of Covéa Finance from an SAS (simplified joint-stock company) to SASU (simplified joint-stock company with a single member). You will find details of these developments in the governance section of the annual report.

(1) Markets in Financial Instruments Directive and Regulation.
 (2) General Data Protection Regulation.
 (3) European Market and Infrastructure Regulation.
 (4) Business Continuity Plan/Disaster Recovery Plan.

I thank all the Covéa Finance teams for their concerted efforts this year, once again, and for their investment in the framework of our 2017-2019 three-year objectives.



Anticipate the transformations of the world

In 2019, Covéa Finance will continue to deploy its business in France and abroad. The company will also continue to contribute to societal issues, in line with its founding principles and values, through its analyses and independent research. We must anticipate the future, visualise the society of the future and project ourselves further into profound transformations that advance or, conversely, affect our world.

What is the global economic situation?

While politics marked much of 2018, the year was characterised by a contrasting situation in the three main world economic areas: growth in the United States, relative stagnation in Europe and a slowdown in China.

After 2017 was marked by relatively robust growth rates, the economy seemed to cool down in 2018, against a backdrop of sharp trade tensions and political uncertainties. After an auspicious start to the year, the business climate deteriorated in the spring as doubts progressed. In the second half of the year, a succession of disruptive events such as the rise of trade tensions between the United States and China or the political situation in several European countries came to dominate the stage. *"We must add to the picture the fall in the price of commodities, especially oil, which has disrupted the chain of wealth transfer between*

"The conjunction of political and trade tensions that characterise 2018 is coupled with a challenge to a system that was thought to be established, that of multilateralism."

SYLVAINÉ RODRIGUES

producing and consuming countries," adds Sylvaine Rodrigues, Head of the Research department.

UNITED STATES: GROWTH UNDER WATCH

The US economy saw a year of growth, supported by the Trump administration's measures to reduce household and corporate taxes. Optimism in economic players (individuals and professionals) remained high, in a context where the unemployment rate continued its downward trend to fall below the 4% mark. *"One of the big topics of 2018 was the policy of the United States Federal Reserve. In view of the good macroeconomic indicators, it remained on course for its gradual monetary tightening, with four key rate hikes in 2018. This theme will remain very relevant in 2019,"* comments Frédéric Kleiss, Head of the Macroeconomic and Quantitative Research teams. On the political side, the mid-term elections resulted in a divided Congress and a change of majority in the House of Representatives, which led to a deadlock and government shutdown of unprecedented duration in December 2018 that extended to the beginning of 2019.

EUROPE: AN UNCERTAIN ENVIRONMENT

In Europe, the year was marked by political highlights: the loss of influence of Chancellor Angela Merkel's party in Germany, an unprecedented coalition in power in Italy, a social crisis in France with the 'yellow vests' movement and, without mentioning, throughout the year, the Brexit roller coaster. *"Covéa Finance is paying close attention to the European automotive sector, whose sharp slowdown in 2018 can have a significant impact on the German*



economy and its neighbouring countries, particularly in Eastern Europe," explains Frédéric Kleiss. In this somewhat sluggish environment, the attitude of the European Central Bank (ECB) is more than ever scrutinised. While it decided to end its asset purchase programme, it still intends to maintain an accommodative monetary policy by reinvesting maturing securities and continuing to favour low interest rates at least until the end of 2019.

ASIA: SLOWDOWN AND CONCERNS

The main news in 2018 in Asia was the sharp slowdown in Chinese growth, with the weakening of key indicators such as industrial production or investment, in the context of trade tensions with the United States. *"Covéa Finance has long identified these risks, and we have long pointed to the fragility of the Chinese economy, particularly because of issues related to shadow banking,"* reminds Sylvaine Rodrigues. The question now is how will the Chinese authorities react. For now, they have certainly activated monetary and fiscal levers to support the business activity, but to a lesser extent than in the past, as their leeway now seems more limited. *"This decision to keep a close watch on China does not prevent us from carrying differentiated analyses on the other Asian countries, according to their capacities to cope with the Chinese slowdown,"* adds Frédéric Kleiss.

THE END OF MULTILATERALISM

In the other geographical areas, the political dimension was decisive: the election of Jair Bolsonaro in Brazil, the positioning of Russia, the turmoil in Turkey and South Africa, etc. *"There is currently a conjunction of political and trade tensions that is combined with a challenge to a system that was thought to be*

established, that of multilateralism," indicates Sylvaine Rodrigues. *"Growing mistrust of historic political parties, the rise of so-called 'populist' parties and authoritarian regimes remain a sensitive subject to be monitored very closely. This trend could give rise to a less cooperative global economic environment, which poses a risk to growth,"* concludes Frédéric Kleiss.

"Our close watch on China does not prevent us from carrying differentiated analyses on other Asian countries."

FRÉDÉRIC KLEISS

A fragile global balance

2018 reshuffled the deck of multilateralism, and the year included a number of challenges that Covéa Finance was able to overcome.

— 2018 saw globalisation being called into question as we had anticipated since the election of Donald Trump, with the challenge of global governance that had regulated economic and financial multilateralism until now and the reconsideration of the multilateral trade principle in favour of bilateral agreements. Another major phenomenon is the continued inversion in the Fed's conduct of monetary policy with its restrictive effect on global liquidity in dollars. Not to mention the rise of political risks, especially in Europe. On the economic front, after a very even year in 2017, economic growth was continually revised downward, with two catalysts in particular: the sharp fall in the automotive market and fears related to the introduction of tariffs. These factors ultimately had a downward impact on rates, after the beginning of the year when the Fed's policy had pushed them up.

MAJOR RISKS

In light of this, Covéa Finance has identified a number of major risks, starting with the persistent weakness of European economic growth and its impact on financial markets. Another issue is the fears of a collapse of the Chinese banking system, which the teams have pointed to since 2015, combined with a severe slowdown of China's economy. The questioning of multilateralism has also led to some countries withdrawing into themselves, while the depletion of dollar liquidity has shaken emerging countries.

PERSISTENTLY LOW INTEREST RATES

As emphasised for years as part of its Economic and Financial Outlook, Covéa Finance considers that the current remuneration offered by interest rates is insufficient in light of the risks taken. In 2018, after a first wave of purchases in February (equivalent to 50% of prepayments for the full year), the company waited until the start of September to start

a second significant wave, thanks to a momentary increase in interest rates.

EQUITIES STRONG SELL-OFF IN THE AUTUMN

In this context of low interest rates, Covéa Finance's strategy is thus currently focused on equities, with two key words: agility and volatility management. In this context, 2018 was marked by strong sell-off in September in all geographical areas, in order to desensitise the portfolios and take profits given the risks mentioned above. In Europe and internationally, Covéa Finance was able to seize on opportunities with a massive market exit in early autumn, followed by tactical buybacks at the very end of the year.

CURRENCIES: A PREFERENCE FOR THE DOLLAR

As far as currencies are concerned, Covéa Finance's bias was to favour the dollar throughout 2018, a position that was not widely shared by the rest of the market, but was rather judicious as the US currency recorded gains throughout the year. Covéa Finance also chose to take an important position on the yen and to hold on to the pound sterling: a relevant decision since the latter, contrary to what was announced by some, has ultimately remained relatively stable despite the uncertainties around Brexit. Finally, concerning its UCI portfolios, the company made tactical transactions on the Canadian dollar and the Mexican peso.

MULTIPLE CHALLENGES FOR 2019

2019 begins under the sign of monetary policy normalisation, against the backdrop of international trade tensions.

This encourages Covéa Finance to be more vigilant about the accumulation of debt, encouraged by a decade of low interest rates. Should a rise in interest rates, even a moderate one, coincide with



the gradual disappearance of the first buyer (i.e., central banks), the equilibrium of the financial markets could be disrupted. In this scenario, countries, particularly emerging ones, and some companies could suffer from higher debt service costs. With economic growth remaining limited in Europe, one of the challenges of 2019 is that of the ECB: what is the capacity of the ECB to exit its unconventional monetary policy, as inflation remains low and growth stagnates? Moreover, given the size of its balance sheet and its holding of European corporate bonds, what is the risk that it will be constrained by the possible consequences of its withdrawal from the European credit market? In addition to this is the political risk, 2019 being an election year in Europe that comes in a tumultuous social context that reflected the greater disconnect between governments and a segment

of the population. Not to mention the uncertainties related to Brexit, but also those related to China, whose economic health could, in the event its economy slips, threaten the global financial equilibrium through the links it has forged with other nations.

Performance, agility and teamwork

In the midst of very volatile markets in 2018 and in a complex environment, Covéa Finance has once again demonstrated its agility and its relevance in terms of investment decisions, at the service of the Covéa Group.



LAURENT TOLLIÉ,
Managing director
of Investments for
the Covéa Group

WHAT WORDS, IN YOUR OPINION, COULD SUMMARISE 2018?

Laurent Tollié: I see three main ones: performance, agility and teamwork. Performance because we have been able to take advantage of market variations to make strong investment decisions. Agility, because we have reacted quickly, especially in the second half of the year by separating from a large part of our equity portfolio in order to crystallise capital gains. And lastly, team work because these exemplary choices are the result of the unique balance that characterises Covéa Finance, one between individual skills and mode of operation based on cooperation: a crucial alchemy in Covéa Finance's ability to analyse, raise red flags and act. It is this highly structured collective approach, that relies on strong expertise, which allows for both agility and performance.

FOR YOU, WHAT WERE THE KEY MOMENTS OF THE YEAR?

L. T.: The year saw the economy and financial markets go from green to orange. Until the spring, things were looking good, but by the end of the first half, signs of gloom had entered the picture. The second half was marked by the proliferation of red flags raised on international trade, the European economy, the Chinese economy, emerging countries, not to mention Brexit, the political situation in Germany, in Italy and social movements in France since last November. The global context deteriorated over the months, and the sharp decline in equity markets in the fourth quarter was a symptom.

HOW DID COVÉA AND COVÉA FINANCE REACT?

L. T.: Once again, the relevance of Covéa Finance's analysis enabled the Group to make exemplary investment choices, as illustrated by our move in September, when we initiated a massive sell-off of our equity portfolio as we anticipated a significant fall in the markets. Such a move is very telling of our ability to act in a relevant, fast and efficient way. Regarding the bond market, 2018 was unfortunately not the year of recovery: rates remain low, and maintaining a level and performance in the fixed income market is more than ever a challenge. It is indeed necessary to be very agile to seize one-off yield increases, without taking inconsiderate risks. It is a relentless process, in which Covéa Finance has also proved its effectiveness by continuing, despite an unfavourable context, to play the game well.

HOW DOES THE COVÉA FINANCE "MODEL" MAKE THE DIFFERENCE?

L. T.: Covéa Finance puts finance at the service of insurance. The company is respectful of time, always having medium- and long-term vision, by always anticipating according to the red flags that it perceives, and by adapting its trading strategy in the best interest and to the portfolios of each of the companies. The Economic and Financial Outlook and its variations provide the framework for the implementation of investments which is updated continuously. This unique collective approach and the principles that govern it have been built over years, under the leadership of Sophie Beuvaden and Ghislaine Bailly, and constitute a real strength that is important to cultivate.

“The uniqueness of the Covéa Finance model, which is capable of developing investment strategies that meet the specific needs of the insurance sector, is a major asset for the Covéa Group.”

WHAT IS YOUR STATE OF MIND AS YOU ENTER 2019?

L. T.: With plenty of drive and serenity. If I'm calm, it's because I know we have the means to face 2019 which may prove very complicated. In this context, there is no doubt that our fund management company will be able to demonstrate, once again, its excellence. It is also to ensure the sustainability of the Covéa Finance model, while taking into account its change in size*, that we changed the organisation in late 2018. This approach that will continue in 2019, with a project to change the company's Articles of Association which should allow Covéa Finance to remain the agile and efficient player it has become over the years.

* Covéa Finance currently employs around 170 individuals and manages over €95 billion in assets.

Evolving governing bodies

As a company permanently adapting to its environment, Covéa Finance saw significant changes in its governing bodies in 2018.
The company has also updated its programme of activities internally, with the purpose of streamlining its organisation and securing its activities.

GHISLAINE BAILLY
Chairwoman



FRANCIS JAISON
Director of Fund Management and Sales



FRANCK IBALOT
Director of Risk Control, Operations and Information Systems



LUDOVIC JACQUIER
Director of Cross-Functional Cooperation, of the General Secretary and of Audit, Internal Control and Compliance



YANNICK TATIBOUËT
Director of Strategic Intelligence, External Relations, ESG and Research

SUPERVISORY BOARD
As of 31/12/2018

Chairman |
Laurent TOLLIÉ
Vice Chairs |
MMA Vie AM
GMF Assurances

Board members
Assistance Protection Juridique |
Olivier LE BORGNE
GMF Assurances |
Édouard VIELLEFOND
GMF Vie | Anne KACHELHOFFER
MAAF Assurances |
Anthony FOUCHER
MAAF Assurances SA |
Stéphane DUROULE
MAAF Vie | Paul ESMEIN
MMA IARD | Didier BAZZOCCHI
MMA Vie | Geoffroy BROSSIER
MMA Vie AM | Éric LECUYER

Two staff representatives |

REMUNERATION COMMITTEE
As of 31/12/2018

Amaury DE HAUTECLOCQUE
(Chairman)
Laurent TOLLIÉ
Joaquim PINHEIRO
Ghislaine BAILLY

As it aimed to adapt its governance to changes in its environment and to its change in size, in 2018 Covéa Finance made significant changes in its governing bodies over several significant phases.

“The battle for customer experience, which is at the forefront of Covéa Group’s ambitions, is also at the heart of Covéa Finance’s concerns and objectives, particularly in the area of sales.”

LUDOVIC JACQUIER

Director of Cross-Functional Cooperation, of General Secretary and of Audit, Internal Control and Compliance Officer

COVÉA REORGANISES ITS EXECUTIVE BOARD AND COVÉA FINANCE ITS SUPERVISORY BOARD

First milestone, early 2018: the new organisation of Covéa Group’s Executive Board is implemented. The new structure is based on the Group’s history, which began with an institutional pillar (SGAM Covéa), then a financial pillar (Covéa Coopérations) and finally a social pillar with a common status for the majority of employees. From there, Covéa intends to continue to pursue its profitable development and accelerate its operational transformation around a primary goal: winning the customer experience battle. This is a topic that is now at the heart of the concerns and objectives of Covéa Finance, especially regarding sales. The new Covéa Group Executive Board, chaired by Thierry Derez, includes twelve members. In this new organisation, Covéa Finance’s

→ Supervisory Board is now chaired by Laurent Tollié, who has become Managing director of Investments for the Covéa Group. The members that make up the Supervisory Board have changed accordingly (see page 19).

EVOLUTION OF THE REMUNERATION COMMITTEE

At the same time, the composition of the Remuneration Committee has changed. It is now chaired by Amaury de Hauteclouque, Managing Director of Human Cooperation at Covéa Group, with Laurent Tollié, Joaquim Pinheiro, Managing Director of Customer Relations, and Ghislaine Bailly, Chairwoman of Covéa Finance. Among other things, this committee has been tasked with implementing the Remuneration policy in compliance with the UCITS 5 directive, which came into effect in 2018.

COVÉA FINANCE SHAREHOLDING STRUCTURE SIMPLIFIED

Striving for simplification, Covéa Finance shares, previously held by GMF Assurances, GMF Vie, MMA Iard, MMA Vie and MAAF Vie, underwent an intra-group reclassification. This was to enable Covéa Coopérations to become the sole shareholder of Covéa Finance. This major change will streamline legal processes for future decision-making, making Covéa Finance, thus transformed into a *SAS unipersonnelle* (simplified joint-stock company with a single member), more reactive for any adaptation or future evolution. The composition of the company's Supervisory Board remains unchanged.

REVIEWING THE WAY IN WHICH THE GOVERNING BODIES OPERATE

The day-to-day management of the company was also reviewed in 2018, and the way in which the governing bodies operate has been revised: cross-functional delegations of authority have been set up to better coordinate the various inter-division projects and actions (European and International Equity Fund Management, repositioning of risk control, cross-functional cooperation, etc.)

but also to improve the sharing of responsibility in decision-making. The change has made it possible to launch and manage a whole range of cross-functional projects essential to the achievement of Covéa Finance's goals: redesigning portfolio construction methods, organising control systems, digitising and digitalising internal processes and activities, standardising internal reporting, funds launches and commercial growth and, more generally, adapting the company to different regulatory requirements.

SCOPES OF RESPONSIBILITY REDEFINED WITHIN THE EXECUTIVE COMMITTEE

At the end of the year, Covéa Finance also reorganised its Executive Committee by refocusing it around the Chairwoman and four directors. This operation concentrates the three fund management divisions on one person and makes clear the separation between the Research teams and the Fund Management, and also that between the Chairwoman's Office and a single Fund Management Division, for greater responsiveness and better sharing of responsibility in the day-to-day management of the company. Lastly, there is the 2018 update of the Executive Committee rules,

“The intra-group reclassification of Covéa Finance shares, previously held by GMF Assurances, GMF Vie, MMA Iard, MMA Vie and MAAF Vie, enabled Covéa Coopérations to become the sole shareholder of Covéa Finance.”

“With the reorganisation of Covéa Finance's Executive Committee, the separation between the Research and Fund Management teams, but also the separation between the Chairwoman's Office and a single Asset Management Division, is now more clear, allowing for greater responsiveness and better sharing of responsibility in the day-to-day management of the company.”

which will be updated again in 2019 following the changes made in December 2018. These changes in governance initiated in 2018 will continue in 2019 with an update to Covéa Finance's Articles of Association.

COVÉA FINANCE'S PROGRAMME OF ACTIVITIES UPDATED

All of these evolutions in governance were coupled with a number of internal adaptations. In turn, such adaptations made it necessary to update the programme of activities in the first quarter of 2018: direct management of employee savings was ended, the IT site management and production monitoring were effectively outsourced, the IT continuity plans and business continuity plan were enhanced, the asset classes and geographical areas authorised

for the different types of asset management were harmonised and, lastly, the missions of the internal control and risk control functions were clarified, as was the framework for managing conflict of interest and preventing corruption. The way fund management committees operate has also been completely rewritten. This file was approved by the AMF in March 2018. At the same time, the various policies concerned by these changes have been updated or formalised before being posted on the company's website.

SECURING THE SALES APPROACH

In this context, Covéa Finance has finally focused on securing its sales approach, to serve its development objective and allow the Sales teams to continue performing their tasks in France and abroad with an easy mind. To this end, the company entrusted a specialised firm to audit its Fraud and Anti-Money Laundering/Combating the Financing of Terrorism (Fraud & AML/CFT) framework and updated its procedures, training and control tools in this area.

•• Contribute to market considerations ••

Throughout the year, Covéa Finance contributes to the evolution of market considerations and the transposition of different levels of European and national regulations.

The company thus sits on the Board of Directors of the AFG (French Asset Management Association) and takes part in several working groups and committees (relating to Remuneration, ethics, data, legal, etc.) in this context.

Covéa Finance is also represented on the committees of the FFA (French Federation of Insurance).

The company is a member of Paris Europlace, a member of the CPF (Centre for Financial Professions), a member of the Club Ampère bureau, a member of the Périclès Middle Office Club, of the RCCIs' (Compliance and Internal Control Officers) club, and finally a member of IFACI (French Institute of Audit and Internal Control).

Cultivating employability

New collective bargaining agreement, dynamic recruitment, significant training effort: Covéa Finance is attentive to the aspirations expressed by its employees.

— Long-term investment and shared responsibility: Covéa Finance's human resources policy is inspired by these two core values of its philosophy. As proof of the quality of the communication within the company, the company recasted its collective bargaining agreement this year. "While the primary motivations of this initiative were to comply with the requirements of the new labour law and to anticipate the entry into force of the withholding tax, Covéa Finance saw a new opportunity to stimulate exchanges with staff representatives", states Ludovic Jacquier, Director of Cross-Functional Cooperation, of the General Secretary and of Audit, Internal Control and Compliance. The new social status is therefore based on a revised collective bargaining agreement and a series of agreements that meet employees' expectations on key points, such as the shift to a year with 12 installements rather than 13½ which allowed for a smoother transition to the withholding tax. Another topic of discussion was the working time: the new agreements govern the methods for soliciting employees on atypical schedules and aim at the preservation of the employees' personal life, through the establishment of certain types of specific leave, but also new solutions to reduce or increase the working time according to the needs expressed by each individual.

A RECRUITMENT PROCESS THAT DOES NOT FAIL

The long-term vision also guides the recruitment at Covéa Finance, with the aim of supporting the company in its ambitious growth objectives. Thus, 41 employees joined the workforce in 2018, and nearly 40 positions, including 21 are permanent positions, are already open or will be open to recruitment for 2019. Many teams have been

reinforced with new members, as was the case with ESG or sales. All the business lines are concerned, and a good part of the positions available are permanent ones. To support this approach and make itself known to candidates, Covéa Finance improved its employer brand in 2018 through an increased presence on social networks. The company has also stepped up its process to welcome interns. "At the same time, we have adapted our Remuneration policy to be more in tune with the job market and the expectations of our employees. Today, we are able to offer many of our employees solutions that allow them to work more if they want to earn more, or to reduce their working hours without being penalised, or to devote some work days to social work or community activities that make sense to them", outlines Ludovic Jacquier.

PROMOTING AND BACKING UP INTERNAL MOBILITY

Covéa Finance ascribes great importance to mobility, and 2018 was no exception, particularly within the new collective agreement that formalised the processes in this area. "There were thus several instances of internal mobility. Employees now speak easily to their manager or the HR teams, which is a very positive point from our perspective", says Ludovic Jacquier. To accompany the employees concerned, new agreements were signed to propose adapted plans, including a catalogue of diploma or certification courses for employees wishing to change their field of activity.

TRAINING GOES DIGITAL

The internal training offering was also expanded in 2018. "Beyond the support for internal mobility mentioned above, this improvement is above all,



an expression of Covéa Finance's desire to cultivate the employability of its personnel, through plans to improve the skills acquired. We are currently working on an overhaul of the training agreement, in connection with the new legislation, in order to integrate the decrees published in December 2018 and to apply them as soon as possible", states Ludovic Jacquier. Goal: to ensure that young employees who join the company can continue to develop their skills, with external certifications and diplomas, but also that existing employees can easily update their technical skills and business knowledge. This approach is supported by the digitisation project currently underway at Covéa Finance, which has notably made it possible to offer in 2018 e-learning sessions that have been highly acclaimed by employees. "These sessions allow easier access to training. This is because the obstacle is not economic, since Covéa Finance goes far beyond the legal minimum in terms of training budget: it has more to do with the availability of employees who appreciate the flexibility of digital solutions", explains Ludovic Jacquier.

A PIVOTAL YEAR FOR THE ADMINISTRATION OF STAFF

In the end, 2018 will have been a challenge for the Staff Administration team, which made sure that the January 2019 payroll incorporate a number of new provisions (resulting from the new collective bargaining agreement, the withholding tax, and new pension contribution grids, overtime taxation, changes in the economic and social database).

"The dialogue with employees, a key element of Covéa Finance's human resources policy, is at the heart of the 2018 developments, whether it involves the new collective bargaining agreement, recruitment or the training offering."

LUDOVIC JACQUIER

Director of Cross-Functional Cooperation, of the General Secretary and of Audit, Internal Control and Compliance

“A transparent recruitment process.”

MIKE COELHO, Sales Manager



At Covéa Finance, the recruitment process is very transparent, with clear steps and good support for candidates. For my part, I started with a six-month placement in the Sales team, at the end of which I was offered to join the team under a permanent contract. If I accepted, it is because sales is one of the central objectives of Covéa Finance and it represents a very interesting challenge. In fact, the company only opened up to an external clientele fairly recently, and this constitutes a major area for growth in addition to supporting Covéa Group's Life Networks, a mission that remains and will remain essential and central for us.

Why did Covéa Finance?

“Everyone occupies an important place in the value chain.”

JACQUES ANDRIANABIBY, Reference Framework Administrator



I joined Covéa Finance in 2015, as IT Integration Manager for Support and Maintenance, within the Information System department. After several years of actively contributing to this position, I had the opportunity to transfer into the Reference Framework team. This was made possible thanks to the support offered by our HR department, which is available and attentive to employees, their desire for evolution and mobility. Working at Covéa Finance means belonging to a human-sized, empowering and team-oriented structure, where everyone fills an important place in the value chain.

“At the heart of the works to overhaul the collective bargaining agreement.”

ANNIE DUTEMPLE, Back-Office Operator, elected to the unified DUP (sole personnel delegation)



In response to the desire expressed by the majority of Covéa Finance employees to move pay based on 12 instalments per year, I worked on redesigning the collective bargaining agreement, in collaboration with the social partners and in compliance with new regulatory changes, while ensuring that the benefits of the employees were not affected. I was the contact person and negotiator regarding the various feedback received from employees for management. The opportunities for change, training and internal mobility, as well as the benefits related to Remuneration, are all reasons that make me want to continue working at Covéa Finance.

they choose

“The trust that has been placed in me makes me want to stay.”

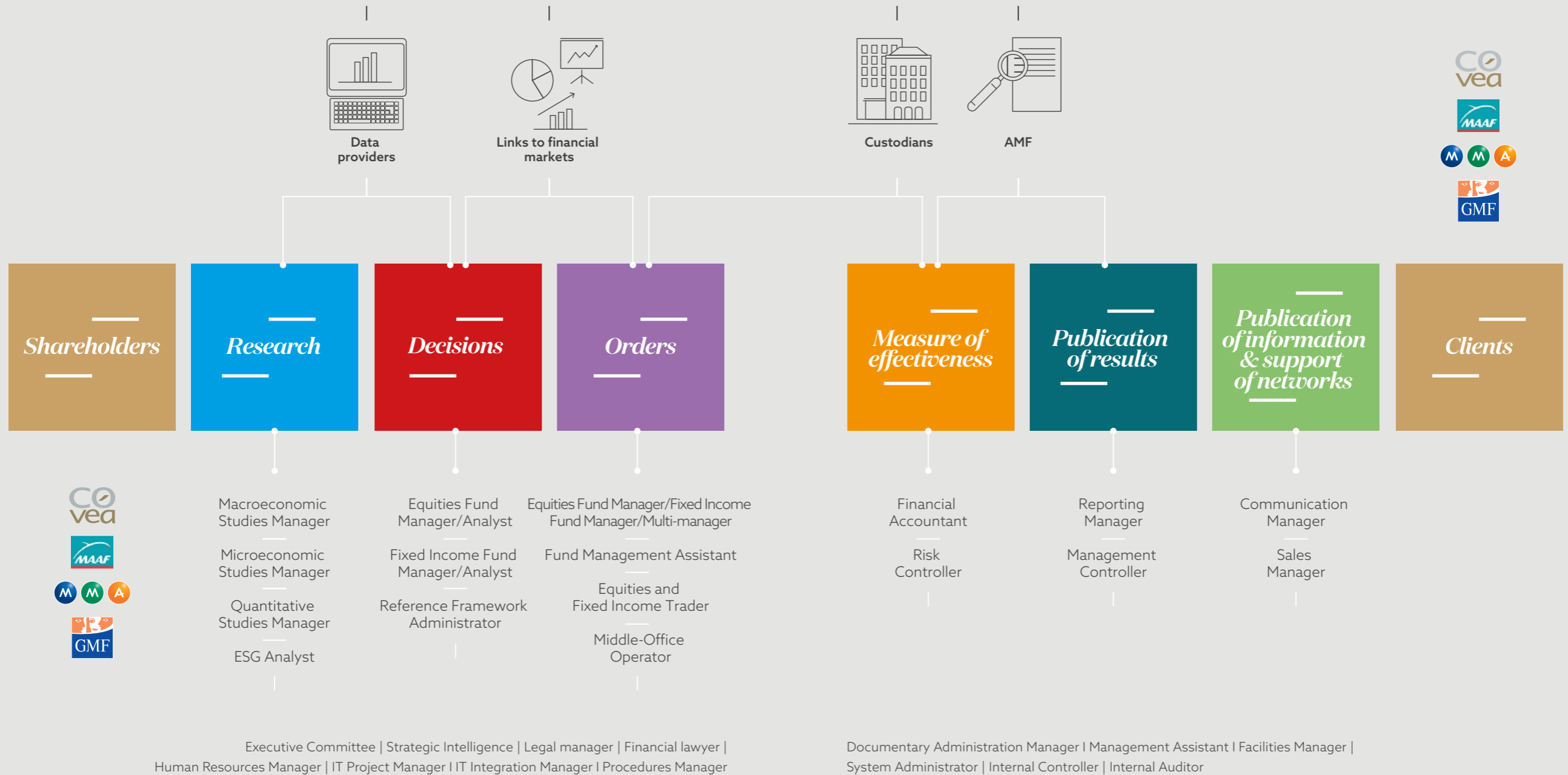
JULIEN CHEVALIER, Deputy Head of the European Equities Mandates team



In 2018, I participated in Covéa Finance's management course. The purpose of this training? To offer support as I took up my duties as Deputy Head of the European Equities Mandate team. It allowed me to understand the role and the requirements of the management function at Covéa Finance, while giving me the necessary tools to manage the activity and the team. I joined the Multi-management team in 2009 and transferred to Europe Equities Mandates thanks to internal mobility. Today, with this new position, I can continue evolving within this team. The two things that make me want to stay: the development prospects (through the marketing of our products) and the trust that has been placed in me since I started.

The Covéa Finance value chain

This chain establishes the contributions of the various fund management company business lines to the valuation of its client portfolio.



In a highly competitive world, which investment solutions does Covéa Finance offer to sustain the performance of my portfolio?

INDEPENDENT FINANCIAL ADVISOR



•• Innovation at the service of customers ••

JULIEN JACQUET,
HEAD OF THE SALES
AND MULTI-MANAGEMENT DEPARTMENT

Finance is an industry that faces many headwinds. Operating in an exacerbated competitive environment and under increasing regulatory pressure, fund management companies have no choice but to demonstrate responsiveness, flexibility and agility, both on the fund management front and in their product offering. Faced with these challenges, Covéa Finance is cultivating its spirit of innovation to adapt more and more to the expectations and requirements of its customers. Illustrative of this ability to adapt, the company launched in 2018 six new funds in line with investor expectations: four environmental themed funds, a fund on the theme of breaks and a fund on the theme of inflation and real returns. Covéa Finance has also obtained the SRI label for one of its existing funds, in order to meet new investor expectations. Because customers face multiple challenges: need for diversification, protection of their savings, meeting regulatory constraints. Thus, Covéa Finance not only offers them products, but rather real investment solutions. To offer these appropriate responses, the company mobilises its entire value chain and its businesses through cross-functional projects where its teams give the full extent of their expertise and involvement.



Commercial growth: the main topics of 2018

With an expanded team, the sales team stepped up its efforts in 2018 to better serve Covéa Group's networks and its customers, both institutionals and independent financial advisors.



— To meet Covéa Finance's sales objectives and better serve its customers, the company expanded its dedicated team in 2018 from three to five employees. Last year, the team increased the number of communication and training actions towards Covéa Group's Life Networks, organised events to nurture the relationship with institutional investors and independent financial advisors (IFAs), while working with other Covéa Finance businesses to effectively support its development.

ACCOMPANYING THE LIFE NETWORKS OF THE COVÉA GROUP

Support for the Group's Life networks remains the priority of Covéa Finance's Sales teams. Depending on their history and their clientele, the different networks have specific needs that need to be addressed appropriately. This is why Covéa Finance offers them tailor-made support, with the provision of numerous documents and communication media, together with the Life Insurance division of the Covéa Group.

The year 2018 proved difficult on the financial markets. In this context, often stressful for the end customer, it was even more crucial to be present alongside the advisors to provide them with the support and tools needed to respond to the concerns of the end investors. At the end of the year, communication was intensified both in person and by telephone, in the form of news items on the markets and the positioning of our wealth funds, but also through social media.

FURTHERING THE RELATIONSHIP WITH IFAS

In 2018, Covéa Finance strengthened its presence in the IFA segment, including the organisation of four round tables named "Déjeuners Investisseurs" ("Investor Luncheons") held in Lyon, Marseille, Lille and Strasbourg. These meetings, at which the fund management teams and ESG took part, made it possible to present the specificities of Covéa Finance's approach, but also to provide an update on the markets and present the new funds. Each edition brought together some twenty participants, in the presence of members of Covéa Finance's Executive Committee, demonstrating the importance given to this approach by the company.

In order to develop interactions with the IFAs, Covéa Finance participated for the fourth time in the Patrimonia trade show in Lyon. It was an opportunity to lead a workshop on the controversies brought about by the three extra-financial ESG pillars, co-facilitated by Covéa Finance's Chairwoman Ghislaine Bailly and Christian Bouquet, Emeritus Professor

“The transition from three to five employees dedicated to commercial growth is a concrete expression of Covéa Finance's revenue ambitions.”

—
JULIEN JACQUET,
 Head of the Sales
 and Multi-management
 department

of Political Geography at Bordeaux Montaigne University. Researcher at the LAM - Les Afriques dans le monde - laboratory (Sciences Po Bordeaux).

TWO EVENTS FOR INSTITUTIONAL INVESTORS

For institutional investors, Covéa Finance organised two events in Paris in 2018. The first one took place in March, with the aim of presenting the company, its characteristics, the specificities of its approach and its investment process, but also its dedicated resources. The second one took place in October, at the launch of the four environmental themed funds. Each edition was a great success and was attended by members of the Executive Committee.

INTERNATIONAL DEVELOPMENT

The Covéa group has an international presence through majority-owned subsidiaries and specific equity investments. By working closely with the international direction, Covéa Finance was able to support the Italian subsidiary of the Group, Bipiemme Vita, in the diversification of its financial investments. This project required the mobilisation of several teams in order to obtain a European passport for certain funds, or even create in advance distribution shares, which were necessary for this investor. This long-term work, carried out throughout 2018, will continue in 2019, with other investments already scheduled.



At the same time, Covéa Finance continued its collaboration with Luxembourg's AME Life Lux. Finally, 2019 could be an opportunity to collaborate with other international entities of the Group.

BEHIND THE SCENES OF THE COMMERCIAL DEVELOPMENT

Many projects were carried out in 2018 in support of commercial growth. The first concerns the redesign of the UCI reporting forms, in conjunction with the Marketing-Communications team. Goal: to enrich the content, strengthen the legibility of the positioning and key indicators of the funds, in compliance with the requirements imposed by the AMF.

By soliciting the Risk Control team, Sales was able to complete the expertise presentation materials by including complementary indicators that are particularly relevant for certain institutional investors.

Sales also interacted with the Management Control and Information Systems teams in order to improve the monitoring of collection and set up valuable dashboards to manage the activity.

In collaboration with the Legal department, Sales also worked in 2018 to secure sales agreements. The aim was to review the existing agreements and sign new ones, for example when Covéa Finance signed an agreement with a distribution platform. The agreements are updated in a recurring way, in

order to regularly look at many parameters, like the retrocession levels or some of the respective obligations.

Finally, with the help of Internal Control, the team secured its sales presentations, whether it is materials presenting new funds or existing products. These include brochures used for individual prospecting meetings or at presentations to a wider panel of investors. In a context of increasing constraints on the nature and form of the information to be detailed in such documents, it is imperative to set up reactive and reliable control processes for fair and relevant information communicated to investors.



•• Cooperation and cross-functionality at the service of commercial growth ••

Bérengère Mercier, European Equities UCI Fund Manager **Nadia Ben Salah**, Head of the Legal Department
Alice Guyot, Head of the Marketing and Communication team **Laëtitia Courdoisy**, Head of the Middle Office team

All Covéa Finance teams mobilised in 2018 to support commercial growth, in particular the launch of the four environmental themed funds. "Fund Management has defined the contours of the themes, then the 'investable' universe before specifying the fund management process of each fund, while preserving existing practices. An approach that has required a major research effort on a very wide universe of European companies", says Bérengère Mercier, European Equities UCI Fund Manager. This work led to the definition of the universe of eligible securities and to the construction simulation of the four portfolios, before the launch of the funds. At the instigation of the Legal department, Product/New Asset Class committees were set up at the same time, bringing together the Fund Management, Sales, Marketing and Communication, Internal Control, Middle

Office, Referential and Information Systems teams. "Objective: to streamline, anticipate and structure the organisation of change needs on the products/asset classes emanating from the fund management and sales teams," explains Nadia Ben Salah, Head of the Legal Department. For its part, Chain-Securities has largely contributed to the needs related to Covéa Finance's commercial growth. "We contributed to this project on an operational level, namely with the opening of securities and cash accounts, the registration of the funds at all our counterparties and intermediaries, and the implementation of regulatory and tax documentation", adds Laëtitia Courdoisy, Head of the Middle Office team. The ESG team was involved in defining the themes and criteria for selecting funds. "The team also collaborated in the creation of communication media on the funds

and participated in the launching actions with investors. Now that the funds are launched, it takes part in their fund management process via the rating system that it helped to develop", comments Yannick Tatibouët, Director of Strategic Intelligence, External Relations, ESG and Research. Finally, the Marketing and Communication team proposed and implemented a specific support plan: brochure, fact sheets and product videos, media plan. "More broadly speaking, we have adapted our presence in the press to business challenges through the implementation of product-oriented campaigns and helped the Sales team organise events dedicated to IFAs and institutional investors", specifies Alice Guyot, Head of the Marketing and Communication team, to conclude.

ESG: a growing role in the fund management process

In 2018, ESG intensified its deployment at Covéa Finance, showing up month after month in the daily working practices of the Fund Management and Research teams.

— The ESG (Environment, Social and Governance) process continued to grow at Covéa Finance throughout 2018. The company has strengthened its dedicated team, which has grown from two to three analysts. Beyond these additional human resources, the ESG function now participates in the fund management committees⁽¹⁾ Covéa Finance, which is where investment decisions are made and which embody the company's shared responsibility. Other highlights of the year: the launch of the range of environmental themed funds, on which the ESG team worked in close collaboration with the fund managers, and the labelling as a SRI of the Covéa Actions Solidaires fund. This distinction was obtained after a thorough audit and certification process, on which the Fund Management, ESG, Legal and Internal Control teams worked on together.

“Since 2018, ESG has participated in the fund management committees of Covéa Finance, the body where investment decisions are made.”

ENHANCED PRESENCE IN DECISION-MAKING BODIES

Beyond the company, Covéa Finance's ESG team actively participated in decision-making bodies conducted in 2018, taking part in five of them.

“In particular, we collaborated on the joint initiative between AFG⁽²⁾, the FFA⁽³⁾ and the MEDEF dialogue between companies and investors, aimed at identifying what was the priority ‘climate’ information in terms of publication, particularly in connection with the recommendations of the TCFD (Task Force on Climate Disclosure). This work led to the publication of a climate reporting framework for companies”, explains Yannick Tatibouët, Director of Strategic Intelligence, External Relations, ESG and Research.

At the same time, the ESG team also participated in working groups, one of which was dedicated to climate risk, within the context of the FFA. This led to the publication of a guide, to which the team contributed, which formalises how an investor can assess its exposure to this risk.

A SECOND EDITION OF THE ESG REPORT

In 2018, Covéa Finance published the second edition of its ESG report. A way for the company to comply with its regulatory obligations (Article 173 of the Energy Transition Act, in this case), but also to communicate more widely on its progress in integrating the ESG into its investment process. Covéa Finance has, as in previous years, contributed to the publication of the ESG report of its parent company Covéa Group. This approach was carried out within the framework of a dedicated Task Force, a working group



“Beyond the company, Covéa Finance's ESG team has actively participated in the work of focus groups conducted in 2018, taking part in five of them.”

bringing together Covéa Finance's ESG team, the Investments division, the Public Affairs division, Covéa Group's CSR team, and finally, Covéa Immobilier.

ESG TOOLS AND REPORTS

In 2018, Covéa Finance continued to develop its proprietary tool designed to facilitate access to ESG analysis for fund managers and research teams. At the end of 2018, it was opened to the fund managers who follow the funds of the environmental themed range before being deployed at the beginning of 2019 to all the fund managers, the Executive Committee and the research teams. *“This tool gives, for example, the opportunity for people to calculate the carbon footprint of a particular fund, thus bringing climate indicators into daily work practices. It also includes a section in which the assessments of the ESG team on companies will be compiled”,* adds Yannick Tatibouët. Finally, this tool will allow the ESG

team to track and identify ESG controversies, i.e., events, scandals or suspicions that may have an adverse impact on an issuer or its stakeholders, so that they are available to the fund managers and Research teams.

The ESG reports, in turn, saw their scopes expanded in 2018. The ESG report, for example, now identifies all open UCIs with assets under management in excess of €500 million. Specific ESG reports have also been published for certain UCIs, an approach that will be extended in 2019 to the funds of the environmental themed range. In 2018, the latter were already the subject of monthly “reporting forms”, which included indicators on carbon footprint. The ESG team, in collaboration with the fund management teams, also participated in the publication of quarterly reports for internal decision support, particularly on green bonds.

2019 OUTLOOK

In 2019, Covéa Finance plans to set up awareness of the Covéa Group's Life Networks on ESG. This initiative is part of a broader teaching goal, a key element of ESG. This work towards external targets will be done in parallel with the work carried out internally, with the various teams concerned at Covéa Finance. The other major project to come in 2019 will concern the materialisation and mapping of ESG risks.

(1) Value committees.

(2) French Asset Management Association.

(3) French Federation of Insurance.

An ever-stronger presence in local decision-making bodies

Throughout 2018, Covéa Finance made its voice heard within the framework of marketplace professional associations, at both French and European level.



YANNICK TATIBOUËT,
Director of Strategic Intelligence,
External Relations,
ESG and Research

In 2018, Covéa Finance continued to work in the context of marketplace professional associations. "We took part in the international financial forum organised by Paris Europlace, for which we were a bronze sponsor this year", states Yannick Tatibouët, Director of Strategic Intelligence, External Relations, ESG and Research. For its part, the Covéa Group joined Af2i (French Association of Institutional Investors): membership in this organisation was a natural fit for Covéa Finance.

RAMP-UP OF MARKETPLACE PROJECTS ON SUSTAINABLE FINANCE

Consultations by supervisory authorities on the theme of sustainable and responsible finance increased in 2018. The European Commission launched an ambitious action plan on this subject, which led to a lot of projects in professional associations (AFG⁽¹⁾, FFA⁽²⁾, Insurance Europe and AMICE⁽³⁾), in which Covéa Finance actively contributed to. In addition, there was a proliferation of surveys and feedback requests on sustainable and responsible investment, particularly from AFG and FFA, in which Covéa Finance took part.

ANTICIPATING THE ADOPTION OF THE PACTE ACT

Throughout 2018, the teams also prepared for the adoption of the PACTE Act, which is expected to culminate in the spring of 2019. "We worked on its potential impacts for Covéa Finance as a company, without uncovering any major risk", says Yannick Tatibouët. "However, the future law is directly related to savings (retirement and employee), and will therefore affect our customers' customers. This is why we are in close contact with the Covéa Group on this topic, in order to anticipate the consequences as best as possible in terms of savings and product flows."

(1) French Asset Management Association

(2) French Federation of Insurance.

(3) Association of Mutual Insurers and Insurance Cooperatives in Europe.

Range of funds*

Fixed Income and Money Market Funds

UCITS

Europe

Covéa Moyen Terme

Covéa Obligations

Covéa Euro Souverain

Covéa Euro Spread

International

Covéa Haut Rendement

Covéa Oblig Inter

Combined

Covéa Rendement Réel

Combined Convertibles

Covéa Obligations Convertibles

Short-term Money Market

Covéa Sécurité

Equity and Combined Funds

UCITS

France

Covéa Actions France

Covéa Perspectives Entreprises

Eurozone countries

Covéa Actions Croissance

Covéa Actions Euro

Countries of the European Union

Covéa Actions Europe

Covéa Actions Rendement

Covéa Actions Europe Opportunités

International

Covéa Actions Europe hors Euro

Covéa Actions Investissement

Covéa Actions Monde

Covéa Terra

Covéa Solis

Covéa Aeris

Covéa Aqua

Covéa Ruptures

Asia

Covéa Actions Japon

Covéa Actions Asie

Americas

Covéa Actions Amérique

Covéa Actions Amérique Mid Cap

Combined

Covéa Patrimoine

Covéa Flexible ISR

AIFs

Sustainable Development/SRI

Covéa Actions Solidaires

Combined

Covéa Ultra Flexible

Multi-management Funds

UCITS

Countries of the European Union

Covéa Multi Europe

Covéa Multi Immobilier

International

Covéa Multi Small Cap Europe

Covéa Multi Monde

Combined Risk-profile

Covéa Profil Équilibre

Covéa Profil Dynamique

International Equities Risk-profile

Covéa Profil Offensif

AIFs

International

Covéa Multi Haut Rendement

Emerging Countries

Covéa Multi Émergents

Combined

Covéa Multi Absolute Return

* Open.

In a world where digitisation and digitalisation are more and more becoming the norm, what are the means implemented by Covéa Finance to adapt and make portfolio management processes more reliable?

FINANCIAL ADVISOR
OF A COVÉA LIFE NETWORK



•• Digitalisation at the service of fund management ••

LAT-DIOR SECK,
HEAD OF THE INFORMATION
SYSTEM DEPARTMENT

Digitalisation impacts all of Covéa Finance's businesses. Far from treating this as a constraint, the company has decided to make it a factor of progress. Through an ambitious project that involves the entire value chain and support functions, Covéa Finance is currently developing a new EDMS (Electronic Document Management System) for all of the company content, continuing the construction of its data warehouse and the evolution of its decision-making tools and its redesigning its web tools (for the intranet and internet sites). In this context, the Information System department aims to be an expert contributor that supports the various teams in the digitalisation process of their business. With regard to portfolio management, it helps to make the processes reliable at many different levels: digitisation of uses, traceability of data, securing of IT production, continuity and recovery plan, cybersecurity, etc. To summarise, the Information System department advises, recommends and implements IT solutions that serve the company's digital strategies, which is a guarantee of efficiency and sustainability.



Content digitisation: new milestones

In order to acquire tools in line with the increasing digitalisation of its environment, Covéa Finance continued in 2018 its content digitisation process. The programme includes: a mapping of the future Electronic Document Management System (EDMS) through inter-team workshops.

— The management of content digitisation is directly in line with Covéa Finance's stated goal of *"Being a driver of sustainable growth"*, which aims to adapt the company to the digitalisation movement. *"Today, all the tools that we use daily to perform our tasks are computer-based, so it is logical that the interfaces between them are also digital and secure"*, said Véronique Gervais, Head of Assistantship and Marketing-Communication. Regarding the organisation and working methods, digitisation is not limited to IT tools: it modifies the ways we work, but also the interactions between the employees and the various Covéa Finance providers.

AN APPROACH BY BUSINESS LINE

This project, which involves nearly three million documents, is part of a long-term approach and extends until 2020. It is organised around the various business lines and involves the entire value chain. In 2018, the excellent involvement of the teams, the listening capacity and the constructive communication with the sponsors made it possible to reach the set objectives, namely to create an inventory of the files of the future EDMS, thanks to inter-team workshops and specific micro-workshops in the presence of referents in the business. *"Goal: to inventory all the contents of the company, and materialise their inclusion in the future EDMS"*, comments Christophe Miot, Head of the Procedures and Document Management team. To this end, an example of a tool for content digitisation management was presented to employees to enable them to grasp the concept more easily.

In 2019, the project team will continue to run micro-workshops with the different business lines to continue mapping all of the company's content. *"From the beginning of the year, we will begin to draft the digitisation master plan and continue to interview publishers"*, added Véronique Gervais. As for the timetable, which provides for a deployment of the solution in 2020, *"right now, we are totally on schedule"*, said Christophe Miot.



Digitalisation projects

New reporting portal, digitised training, employer communication and intranet site: focus on four major projects that illustrate the dynamism of Covéa Finance's digitalisation approach.

Architecture and new Reporting portal

— The increase in the number of regulatory and operational reports prompted Covéa Finance to reflect on how to respond to these ever more complex and data-consuming demands. The teams worked in two stages: first with the creation of a data warehouse with the aim of gathering all the information within the same database, thus ensuring their consolidation, their coherence and facilitating their cross-tabulation. Then, with the implementation of a Reporting portal allowing internal users to access their reports, but also to provide pre-calculated indicators, a prerequisite for the autonomy of the business lines to conduct exploratory work.

Starting employer communication on social networks

— Covéa Finance's presence on social networks materialised in three stages: firstly, the distribution of recruitment offers, then the creation of a career HR page, and finally a targeted three-month marketing campaign giving more visibility to this same page. The objectives of this presence are multifold: to further highlight the employer brand, promote Covéa Finance's expertise to potential customers in support of communication and marketing actions, and also attract new talent in line with the company's DNA. The operation was successful: in less than six months, the number of subscribers increased by more than 50%.

Launch of digitised training

— Adapting to technological developments is a major challenge for training. Thus, Covéa Finance initiated several years ago a consideration of the digitisation process. The first step consisted in the archiving and doing away of paper documents (agreements, invoices, signatures). It then continued with the deployment of mandatory trainings (anti-corruption, anti-money laundering, etc.) in the form of remote modules. A formula that guarantees greater flexibility for employees, who are free to choose when they want to train. This strong trend will be increased in 2019 and will entail other types of training.

Redesigning the intranet site

— In order to reinforce information fluidity and flow within the company and to meet the new needs of employees, Covéa Finance redesigned its intranet site in 2018. The new modernised interface is simpler, more intuitive and more interactive. It allows easy access to the latest news of the company and business lines. This project is part of the digitalisation of the company and is a catalyst for cross-functionality within the company. This was a participatory project since the employees (through the network of internal communication correspondents) participated in preparatory workshops and test phases of the site, in order to build an intranet site that fully meets their needs.

Securing our information system

Covéa Finance's information system completed its transformation in 2018, while several projects came to secure processes and computer data.



DJAFAR HALLAL,
IT and Data
Legal Manager

JEAN-LUC LESSAULT,
Head of the
IT Integration
team

END OF THE TRANSFER OF IT PRODUCTION

To better meet the requirements of asset management and anticipate its mutations, Covéa Finance decided in 2016 to upgrade its information system (IS). There were five objectives to this project: achieving a level of performance adapted to the requirements of the business, optimising the times to resolve incidents, gaining responsiveness on the regulatory front, obtaining a commitment to achieve specific results from the outsourcing provider chosen and working in the long-run with clearly identified referents. "The process led to the outsourcing of the IS, consisting in a physical move towards two new data centres, an office migration and a takeover of the IS operation by the chosen provider", explains Jean-Luc Lessault, Head of the IT Integration team. The testing period following the switch of 4 November 2017 was successfully completed on 5 February 2018. Another switch followed, that of electronic messaging. Other milestones of this project in 2018: the quality assurance plan and crisis management processes were defined, the user backup site was set up and Covéa Finance directly took over the management of software license agreements.

SECURING COMPUTER DATA

As part of the transfer of IT production, business licences were identified, which until now had been managed by Covéa Group's procurement division. "It has become necessary to integrate these licences into the spectrum of contracts managed by Covéa Finance's Legal department. In fact, these IT contracts are specific to Covéa Finance's business and require the consideration of specific regulatory aspects", says IT and Data Legal Manager, Djafar Hallal. Since 2017, the Legal department has, in coordination with the Information System department, undertaken a two-phase plan. The first is the assignment of the Group's contracts to Covéa Finance under their initial conditions. The second consisted in renegotiating each contract while incorporating the contractual concepts specific to the company's activity.

CYBERSECURITY PROJECT

Cyber risk is today the second most feared of all risks, behind winding up and ahead of the risk related to natural disasters⁽¹⁾. And for good reason: the consequences of a cyber attack can be terribly destructive: serious malfunctions of the organisation, blackmail, data theft, embezzlement, etc. "This is why the implementation of a cybersecurity project has become essential at Covéa Finance, which is also conducting a deep digitalisation process. Changing work patterns and new technologies have led us

"Our approach to secure the information system involves the deployment of new infrastructure protection solutions, but also regular awareness-raising actions."

to rethink our approach to the information system security, which must involve the deployment of new infrastructure protection solutions, as well as regular efforts to increase user awareness of the imperatives of cybersecurity", comments Claude De Oliveira, IT and Security Coordinator.

As part of the IS transformation, the teams began by building infrastructures better suited to Covéa Finance's needs, particularly in terms of security and specific asset management risks. Beyond a simple project, the implementation of Covéa Finance's BCP/DRP⁽²⁾ approach is the result of a cross-functional collaboration allowing to anticipate and control its operational risk. As part of the digitalisation process, several protection solutions have been deployed: antispam on the messaging front, antivirus software on client and server computers, remote access solution (VPN), etc. The awareness of good practices is achieved via the support given to new employees, as soon as they arrive, through the "discovery circuit", but also through a dedicated section on the intranet site. Finally, the entry into force of the General Data Protection Regulation (GDPR) resulted in a dedicated cybersecurity project.

"Through these projects, cybersecurity is becoming a major asset for the digital transformation of our society by bringing more confidence in the Information System", concludes Claude De Oliveira.

(1) Source: Allianz Risk Barometer 2018.

(2) Business Continuity Plan/Disaster Recovery Plan.

In an abundant regulatory context, what are the projects launched by Covéa Finance to meet this challenge and secure investments?

FINANCIAL DIRECTOR
OF A PENSION FUND



•• Securing fund management and ensuring compliance ••

SÉBASTIEN DESBOIS,
HEAD OF COMPLIANCE
AND PERMANENT INTERNAL CONTROL

Like all asset management companies, Covéa Finance has been evolving for several years in an increasingly restrictive regulatory environment. To ensure compliance with the new requirements, the company has launched major projects, using the skills of its employees in project mode, under the guidance of sponsors from the Executive Committee. This was particularly the case in preparation for the entry into force of MiFID II (the Markets in Financial Instruments Directive), which aims to strengthen investor protection, the application of the Market Abuse Regulation (MAR) or the new Money Market Fund Regulation (MMF). In terms of securing investments, Covéa Finance's process is very thorough and is based on the principle of shared responsibility. The first-level controls are carried out by the fund managers within the scope of their authority and make it possible to ensure the traceability of the fund management decisions. Fund management actions are monitored at the fund management committees. Internal control carries out a second-level control based on the results of the first-level controls, but also by performing random tests to check the compliance of the results of the first-level controls on the traceability of fund management decisions.

Focus on major regulatory projects

In 2018, Covéa Finance continued to work on major regulatory projects and used them to review the organisation of its businesses, improve its performance and control costs.

For all stakeholders in the market, 2018 was a key year with the entry into force of numerous European regulations aimed at securing the financial sector, overseeing the activity and harmonising rules and good practices. This is quite a lot to deal with, and on top of that, there is the uncertainty related to Brexit. 2018 was therefore a pivotal year and the last straight line before the implementation of new mechanisms. Overview of the company's progress on the various regulatory projects.

MIFID II

The measures taken in 2017 on the Research and Market Transparency aspects, in particular with Covéa Finance's choice to internalise the research costs, are operational. This initiative, led by the Legal department, made it possible to improve not only the qualification and use of external research, but also the customers' circuit of knowledge and the dissemination of information for them, and to review the claims processing circuit. Finally, the fund management reports of the mandates and UCIs of the company will be, in this context, enriched with additional elements.

SAPIN 2

In connection with this regulation, Covéa Finance updated its conflict of interest management system by incorporating the notion of corruption. In addition, an update of policies and rules of procedure, and employee training, were all added under the guidance of Internal Control.

PACTE ACT

Aimed at boosting the economy, this law includes a section on financial markets. In 2018, the Strategic Intelligence and External Relations division and the Legal department actively contributed to the preparatory work before the drafting of the text: follow-up of impacts on life insurance contracts, overhaul of the regulation on NDS (negotiable debt securities), transposition of ISDA* contracts into French law, etc.

SHAREHOLDER RIGHTS DIRECTIVE

This is the first transposition of the PACTE Act that changes the rules on voting policies, shareholder dialogue and ESG policy. This change has allowed Covéa Finance to improve its organisation, but also its mode of operation, thanks to an optimised distribution of tasks between Fund Management, Legal and ESG. This project has also streamlined the representativeness of Covéa Finance vis-à-vis the companies in which it invests.

MMF

The European Money Market Fund (MMF) Regulation has prompted numerous exchanges between Covéa Finance and the AMF, and the need to update the accreditation file, mobilising numerous teams internally to meet the 21 January 2019 deadline.

GDPR

To comply with this regulation which aims to protect personal data, Covéa Finance has set up a collection of processes that use this data. The



“Regulatory changes have a profound impact on Covéa Finance’s business lines.”

company has also created the position of Data Protection Officer whose role is to coordinate the claims of third parties and the actions to record these data, and finally ensures that they are properly used. In this framework, Covéa Finance has also updated the security policy of its information system. This is a project run by the Legal Department in coordination with the Covéa Group.

BREXIT

In view of the uncertainty surrounding Brexit, Covéa Finance lawyers are actively participating in the AFG working group dedicated to this subject. Goal: to anticipate potential Brexit impacts on UCI ranges, passports and eligible assets.

WHEN REGULATION TRANSFORMS THE BUSINESS LINES

All these regulatory changes have profound repercussions on Covéa Finance's business lines,

in that they lead to a change in the organisation of work, relations between teams and the exact definition of each person's mission, all along the value chain. Significant developments in 2018 included the remodelling of the scope of the quantitative research and risk control missions, the enrichment of the role of the latter with respect to the trading desk, the operational separation of certain professions (namely research and fund management), or the evolution of the reference framework's scope of activities.

* The most commonly used standard contract for the sale of over-the-counter derivatives.

Crisis management: being reactive in an uncertain world

In 2018, Covéa Finance overhauled its Business Continuity and Disaster Recovery Plan (BCP/DRP). Goal: to be able to respond appropriately in the event of a crisis, whatever it may be.

— To guard itself against all the risks that could threaten the activity of Covéa Finance: this was one of the working areas of 2018 through a project dedicated to crisis management. It was a matter of ensuring that the organisation and the means were always adequate, starting with the crisis unit itself: its calibration, its activation procedures and its operation were thus studied again, and the BCP “kit” was updated.

As part of this project, the project team identified the various possible crisis scenarios, their detection and their recovery framework. In this regard, three tracks were explored in particular: unavailability of the premises (flood, fire, etc.), an information system problem and a human resources issue (an epidemic, for example). The project then highlighted the most “critical” activities and business lines and how to ensure their continuity. At the same time, in the same vein as the transfer of the IT production to an external outsourcing company, new technical backup solutions were put in place, including a backup area managed by an external service provider. The IT continuity plan (ITCP) has also been updated. Finally, on the crisis communication front, messages were drafted according to the various crisis scenarios, with a predefined list of recipients: internally, at Covéa Group level, and externally, without forgetting social media.

We were able to test this system in three stages in 2018: simulating the operation of a crisis unit, testing the IT continuity plan, then testing the business continuity and disaster recovery plan from a dedicated backup site. This as a whole enabled us to successfully test emergency procedures, which will nevertheless continue to be improved every year.



VÉRONIQUE GERVAIS,
Head of Assistantships,
Marketing and Communication

SÉBASTIEN DESBOIS,
Head of Compliance and
Permanent Internal Control

LAT-DIOR SECK,
Head of the Information
System department

Risk control continues to be modernised

An important work to modernise risk control was carried out within the company. The objective? To define the most relevant risk monitoring indicators with regard to the specificities of fund management and the risk profile of the portfolios.

— As part of the company’s stated goal of “capitalising on teamwork”, the project to modernise risk control is taking place in a context of changing asset management techniques. Faced with this challenge, Risk Control is adapting its organisation and methods to improve its performance (tools, indicators, analyses, etc.). The project covers all the portfolios under management, and all the inherent risks (markets, counterparty, liquidity, valuation, etc.).

It will culminate in 2019 with the update of Covéa Finance’s Risk Control policy. Objective: to ensure the homogeneity of controls throughout the risk chain.

IDENTIFYING MONITORING INDICATORS

In 2018, Covéa Finance conducted important work to define the most relevant risk monitoring indicators with regard to the specificities of fund management and the risk profile of the portfolios. “We have also developed a new global monitoring tool for these indicators, regrouping the portfolios into classes (Fixed Income, European Equities, International Equities, Multi-management, etc.), by types (UCIs/mandates) and then by specific characteristics (Life [VIE], Property and Casualty [IARD], Retirement Savings Plan [PERP], etc.). This tool makes it in particular possible to follow in a global and individual way, the market risks present in the portfolios”, explains Soufiane Jaouani, Deputy Head of the Risk Control team. Limits have been defined for each indicator: they are part of an overall process of raising red flags with Management and Fund Management, in addition to the current risk committee. These data are transmitted regularly, and may lead to corrections or justifications. Finally, in 2018, the risk control teams conducted several studies on specific risks (ETFs, convertible bonds, commodities, etc.).



**SOUFIANE
JAOUANI,**
Deputy Head
of the Risk
Control team

Data governance: a single interface

Since the end of 2017, Covéa Finance has chosen to have a full-time employee dedicated to financial data engineering. Looking back on the first year of this position with its challenges and its flagship projects.

— Created at the end of 2017 at Covéa Finance, the financial data engineering function enables the company to centrally manage market data services and thus gain overall visibility of the different contracts. Its second mission is to control the budget allocated to these services, while the third is to monitor the compliance of the use of these services, in the strict framework set up by the contracts. *“I am also responsible for implementing tools and governance around the theme of market data”*, says Financial Data Engineer, Alexander Agbidinoukoun.

2018 is when the foundations of this governance were laid. *“I started by outlining the market data service landscape and understanding how it was used, before contacting each supplier to introduce myself as a unique and privileged interface on this topic”*, adds Alexander Agbidinoukoun. This phase led him to work in close synergy with the Covéa Finance’s Legal department. The last major area of work in 2018: controlling the use of data services to ensure its compliance.

MARKET DATA AT THE HEART OF THE SYSTEM

Beyond the missions mentioned above, a cross-functional “Market data governance” project was undertaken. As part of this project, a first sub-project will help define the terms of the problem and the key topics: what constitutes public data, or private data? What is possible/not possible to do with public data? It will also lead to defining the main types of market data services, for which there are two main families: on the one hand, that of the terminals used in particular by fund managers and trading;

“In 2018, we laid the foundations for data governance across a number of projects, in close synergy with the Legal department”.

on the other hand, that of data flows, which feed Covéa Finance’s tools, such as the securities reference framework and the order placement tool.

The second major sub-project regards the procedures organising the governance of the market data. *“The idea is to define the processes that govern and punctuate the life cycle of market data services, that is to say, all the governance around adding, removing and modifying these services”*, comments Alexander Agbidinoukoun. The third sub-project is devoted to the quality of the data in the reference framework, in collaboration with the dedicated service, while the fourth focuses on identifying areas for budget reduction. And on this last point, the work is already bearing fruit since 2018 saw the costs related to the use of terminals decrease by 13% compared to the planned budget.



ALEXANDER AGBIDINOUKOUN,
Financial Data Engineer



LÉA PHAM VAN,
Microeconomic Studies Manager

•• Getting information from the source ••

In 2013, Covéa Finance created a team dedicated to the fundamental and historical analysis of companies: Microeconomic Research.

In a context of increasingly complex companies and ever more information concerning them, the aim was to create a research team totally independent from external research. The work of our team is the fruit of a joint and specific consideration at Covéa Finance. Our methods involve the creation of in-house tools that help us track long-term trends, and then draw our own conclusions about the events that punctuate companies’ lives. The independence of our research work is based on one essential

point: our primary source of information is the companies themselves. On the one hand, through the official documents and press releases they publish, but also through our direct contact with them. By gathering information directly from the source, we avoid any bias in our analysis. It also guarantees the reliability of the information and allows us to select the data and announcements that we deem relevant, according to our own angle of analysis. These are views that we do not hesitate to compare with those of the Microeconomic Research, Quantitative and ESG teams, with whom we work closely.

In an uncertain economic environment with negative rates, what are the resources and levers deployed by Covéa Finance to address these challenges?

OLIVIER LE BORGNE,
DIRECTOR OF INVESTING AND ASSETS-LIABILITIES
GENERAL INVESTMENTS DIVISION OF THE COVÉA GROUP



•• Adapting fund management methods ••

ÉRIC LE COZ,
HEAD OF THE FIXED INCOME
MANDATES TEAM

In a fast moving economic environment, Covéa Finance has many advantages. Admittedly, the context is fraught with uncertainty, with less predictable central banks, and many issues that remain unresolved: Brexit, US-China trade negotiations, political developments in Europe, and so on. These parameters create the conditions for greater volatility in the financial markets. So, to better decipher the news in a world where information is abundant but of variable quality, one of Covéa Finance's essential resources is its ability to share verified, unbiased information between its fund management and internal Research teams. It is on this basis, and based on the principle of shared responsibility in decision-making, that the most appropriate strategies are selected. With two key words: prudence and agility, qualities that teams must combine in this almost-undecipherable environment, where the levels of public and private debt remain very high. As a result, Covéa Finance continues to limit bond investments, and its credit risk exposures remain contained. The low interest rate environment favours other asset classes. Lastly, in an effort to adapt to new market expectations, Covéa Finance implements themed strategies related to the environment or inflation, or bets on technological breakthroughs and non-euro markets, to meet the needs of its portfolios, but also to those of an external clientele. Fund Management methods are thus being modernised in a manner in which the notion of ESG occupies an increasingly important place.



Building the fund management of the future

Boosting the shared responsibility of the different fund management teams and modernising working methods around seven themes: these were the objectives of the March 2018 fund management seminar.

— As part of the modernisation of its asset management methods, at a seminar held in March 2018, Covéa Finance brought together some fifty employees from European and International Equity Management, Multi-management and Sales, Fixed Income Management, Trading and Research. Through cross-functional focus groups, participants worked on process enhancement and new forms of organisation. Beyond the seminar, the groups formed continued to work for almost six months. Each of the seven themes was then the subject of documented and formatted conclusions, with a view to publishing training materials for new employees.

Theme 1 USE OF EXTERNAL RESEARCH IN THE MIFID II CONTEXT

Taking into account the new regulatory framework, the teams reflected on the use of research produced internally by Covéa Finance. Another area of work: identifying what, in the needs, is internal or external, in order to optimise the demands and the budget.

Theme 2 HOW IS A MANDATE PORTFOLIO BUILT?

Objective: to describe the process of consideration to be followed in the management of mandates. The group developed a decision tree for different cases: an action on the sensitivity of a fixed-income mandate, the occurrence of a trig-

ger for the purchase of shares and taking profits in a mandate. (See opposite framed box.)

Theme 3 THE NATURE OF A CORE

The participants set themselves the task of defining the nature of a core portfolio. To this end, they created an analysis tool with a set of simple indicators, which makes it possible to quickly establish the "potential core" of a company by confirming, through tests, intuitions as to what to include or exclude. (See opposite framed box.)

Theme 4 STANDARD REPORTING

Standard reporting is a common language, a tool that allows everyone to quickly learn about how a portfolio is built and its embedded risk. The group questioned its construction method. What document is attached to which use? What question does it answer, what risk is involved, which fund management committee is concerned?

Theme 5 COMPLEMENTARY ANALYSIS METHOD

Covéa Finance's process of analysis is an undeniable asset for long-term fund management. Without giving up on the quality requirement, the group has been thinking about a tool to analyse so called 'benchmark' securities resulting from the "investment universe" tool to react to market movements.

Through cross-functional focus groups, participants worked on process enhancement and new forms of organisation.

Theme 6 SECTORAL APPROACH IN A GLOBALISED WORLD

"Global" considerations are already being expressed by Covéa Finance in committees (commodities/foreign exchange/banks) and fund management committees. The group was in charge of imagining how to go further, thinking of this framework of exchange with its actors, its initiatives, its works.

Theme 7 ENRICHING THE CORE GRID WITH ESG CRITERIA

Objective of this group: to reflect on the integration of the assessment of the three non-financial perspectives into the rating criteria of a core security, then to present this new core grid, complementary to our existing analysis grids, with these new assessment elements and the points attached to this new rating.

•• Building a mandate portfolio ••

XAVIER SIMLER,
American Equities Fund Manager

During and after the fund management seminar, my working group looked at the construction of mandate portfolios. The objective was to create documents presenting the various steps to building a portfolio and to list the questions that the fund manager must ask himself/herself at each stage. These materials will be useful to existing staff, but will also be used to train newcomers. First challenge: taking into account extremely varied parameters such as the specifics of mandate management, their liabilities or the market environment. Second challenge, which proved to be an asset: the diversity of profiles within the team that allowed each of us to better understand the management of a mandate. Thus, the work was articulated around three requests: the adjustment of the rate sensitivity for a bond mandate, the realisation of capital gains and the preparation of a programme based on triggers for an equity mandate.

•• Assessing the core potential of a company ••

VALÉRIE MAILLARD,
European Equities Mandates Fund Manager

Core values are the bedrock of our investments: they are essential to guarantee the resilience of portfolios as well as the accumulation of capital gains over the long term. We select them as part of an analysis that includes nearly forty criteria and focuses on five areas: market environment, economic and strategic model of the company, profitability, quality of the balance sheet and flows, and finally, governance. The work undertaken during the fund management seminar allowed us to create a screening tool to quickly identify potential Cores within a universe before starting any in-depth study. This will boost the selection process of new securities. Objective: to identify new core statuses to reinforce the strength of our portfolios by limiting the risk of concentration of our capital gains cushion.

NEW FUNDS

Environmental themed fund: meeting the challenges of the future

Aeris, Aqua, Terra, Solis: Covéa Finance's new range of four environmental themed funds focuses on a long-term vision of climate issues.

The creation in 2018 of Covéa Finance's four environmental themed funds is part of a voluntary initiative to integrate many environmental issues related to human activity into business practices (demographic growth, urbanisation, industrialisation, intensive agriculture, air pollution). "This approach is also in line with the expectations of regulators, which take shape in particular by objectives such as the one set by the COP21 in 2015, aiming to limit to the rise in temperatures in 2100 to 2°C over the pre-industrial era", recalls Samir Ramdane, Head of the European Equities UCI team. As far as France is concerned, the range is in line with the spirit of the Energy Transition Act, which encourages companies to reduce their carbon emissions and promotes a more efficient management of resources. "Each of the four funds is invested in at least 60% of the portfolio in securities that have a favourable impact on the topic in question, namely air quality and the decarbonisation of the economy for Aeris, rational management of water consumption for Aqua, sustainable production for Terra and the energy transition for Solis", explains Samir Ramdane. This is a way for Covéa Finance to invest and meet the great challenges of the future.

SAMIR RAMDANE,
Head of the European Equities UCI team



XAVIER CHAPON,
Head of the Fixed Income Department

Covéa Rendement Réel, a fund addressing the problem of inflation

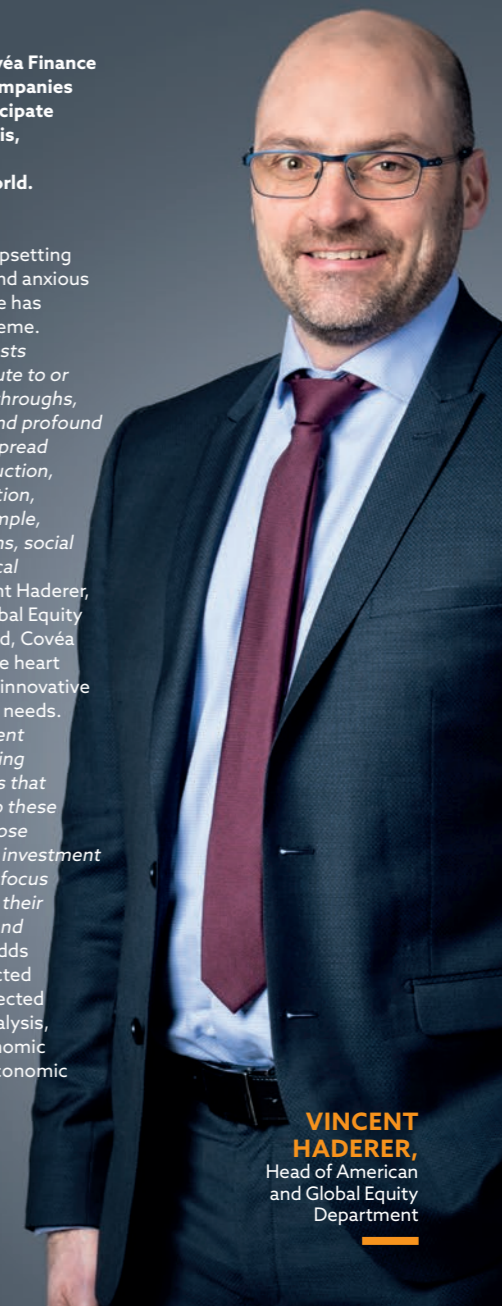
Covéa Rendement Réel is a fund that allows Covéa Finance to invest primarily in inflation-indexed bonds, in response to the expectations of the Covéa Group and many institutional investors.

Launched in the summer of 2018, the Covéa Rendement Réel fund was created on the basis of a simple observation, namely the long decline in interest rates and the inflation observed in recent years. "Even if we did not expect a significant rise in rates or inflation, we had reached a potential turning point. It became clear that, from now on, we'd have to hedge against a hike in prices and/or nominal rates. A fund on the subject of inflation seemed to us like a relevant way to respond to this issue", says Xavier Chapon, Head of the Fixed Income Department. The result is a product based on a theme dear to Covéa Finance's shareholder client, the Covéa Group, but also corresponds to a growing demand from institutional investors in the broader sense that Covéa Finance is targeting. "Our objective: to make Covéa Rendement Réel a 'real assets' fund, within the constraints of its prospectus, that is to say a product that allows Covéa Finance to invest mainly in inflation-indexed bonds, on commodities through index futures, on equities and convertible bonds", concludes Xavier Chapon.

Covéa Ruptures focuses on the agents of change

With Covéa Ruptures, Covéa Finance is choosing to invest in companies that contribute to or participate in major disruptions, that is, significant and profound transformations of our world.

Witnessing the profound transformations that are upsetting the balance of our world and anxious to take part, Covéa Finance has designed a fund on this theme. "Covéa Ruptures thus invests in companies that contribute to or participate in major breakthroughs, that is to say, significant and profound transformations that are spread over the methods of production, distribution and consumption, which may derive, for example, from changes in regulations, social aspirations, or technological innovations", states Vincent Haderer, Head of American and Global Equity Department. With this fund, Covéa Finance is positioned at the heart of current issues, through innovative funds that meet investors' needs. "Covéa Ruptures' investment strategy consists in selecting companies from all sectors that initiate, benefit or adapt to these breaks (ruptures). We choose companies within a global investment universe, with a particular focus on growth and the level of their investment and research and development spending", adds Vincent Haderer. The selected companies are finally subjected to an in-depth financial analysis, integrating the macroeconomic scenarios defined in the Economic and Financial Outlook.



VINCENT HADERER,
Head of American and Global Equity Department

Securing the management of assets: an permanent task

Widening of the investment universe, foreign exchange risk, market abuse: the Legal department and Internal Control are acting to ensure a secure working environment for the Fund Management teams

“The Legal department is actively contributing to the risk assessment and hedging process related to Covéa Finance’s business.”



DAMIEN SABOT
Markets and Operations Legal Manager

STUDY ON SOVEREIGN BONDS OF EMERGING COUNTRIES

In order to assist the fund management teams in expanding their investments in government debt securities to other emerging countries (Czech Republic, South Africa, Brazil, Chile, Mexico, South Korea, Indonesia), the Legal department has carried out a comparative study of the conditions of these bond issues. “This study presents the general characteristics of the issuers and the operating mode of the relevant institutions responsible for government bond issues in each country. It allowed us to highlight the presence of certain types of legal clauses in the event of issuer default, such as collective action clauses or pari passu clauses”, explains Damien Sabot, Markets and Operations Legal Manager.

FX RISK FRAMEWORK WITH MASTER AGREEMENTS ON DERIVATIVES

The Legal department has referenced the six new funds created in 2018 with the authorities and, on their integration, in master agreements relating to OTC derivatives with counterparty banks in close collaboration with the other teams of Covéa Finance to enable fund management teams to implement their FX risk hedging strategies as soon as they are launched.

MODERNISING INTERNAL CONTROL TOOLS

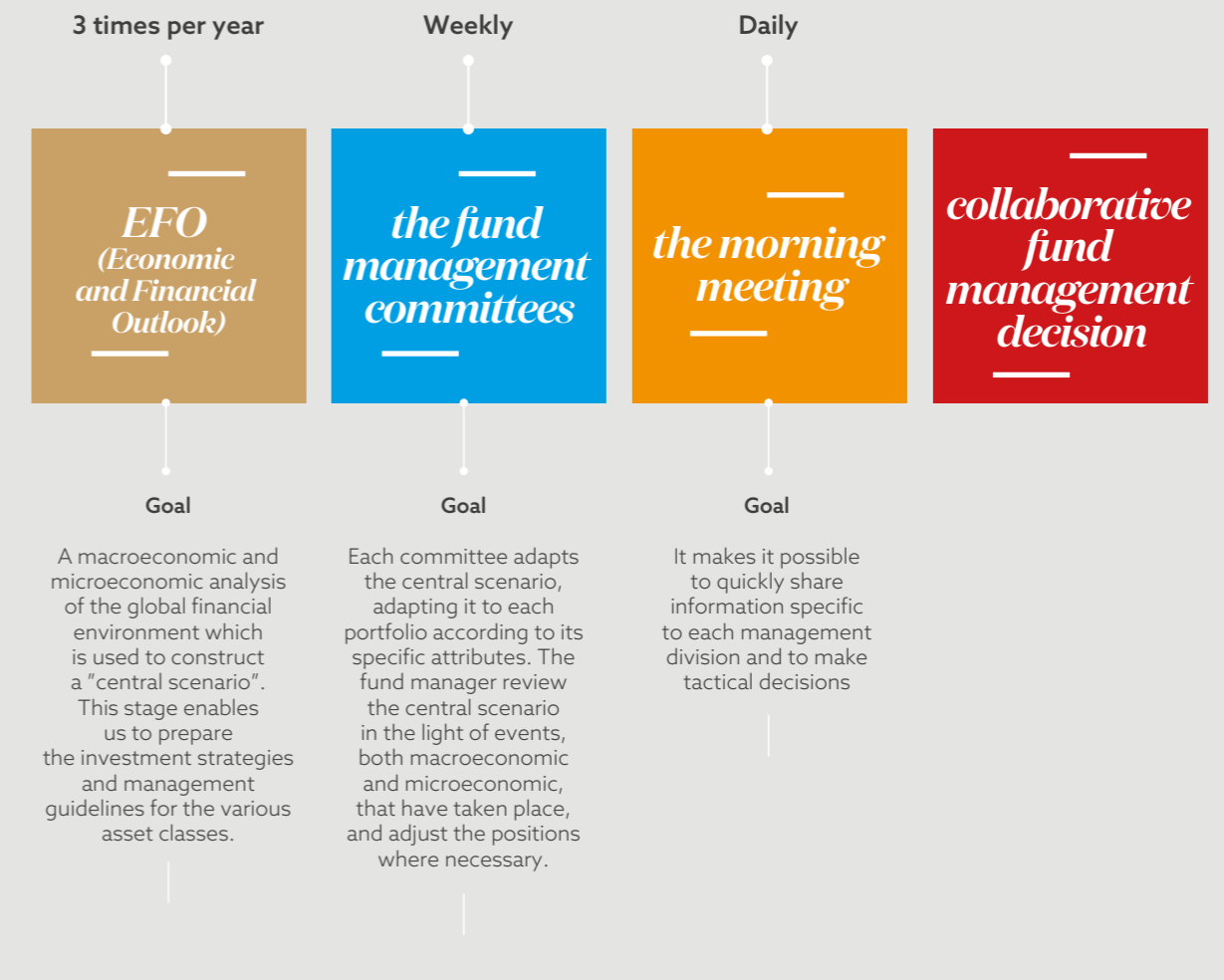
Covéa Finance continued in 2018 to modernise its internal control tools, particularly in the area of market abuse, and is currently working on the implementation of an external solution (in addition to the internal solution already in use). “In terms of trading costs, the company uses a Transaction Cost Analysis (TCA) reporting tool, which makes it possible to monitor the proper execution of the instructions sent by the Fund Management teams, as well as to identify their potential market impacts.” says Sébastien Desbois, Head of Compliance and Permanent Internal Control. Lastly, Internal Control has parametered in its tool that follows the constraints specific to the management of UCIs and mandates the constraints related to the construction of portfolios.

The investment process

COVÉA FINANCE’S INVESTMENT PROCESS raises cooperation to the status of a fundamental principle at all decision-making levels. The objective is to preserve the capital entrusted to the company by its clients by protecting it from monetary erosion and by demanding Remuneration for the risk taken.

To achieve this, Covéa Finance encourages teamwork and has a scalable information system, dedicated to the fund managers. Finally, the company relies on its four major competitive advantages: its method, its employees, its clients and its systems. Its fund management philosophy is built around a long-term

vision, based on fundamentals that give meaning to the economy and strategic direction to its investments. Its expertise, based on the maximisation of internal added value, is to propose and implement asset allocation which is expressed through the Economic and Financial Outlook (EFO) process.



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