

ESG (Environment, Social and Governance) policy

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

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

Covéa Finance's ESG Policy is based, first and foremost, on the balance of the three pillars of Environment, Social and Governance. It ensures the Covéa group's request to take ESG criteria into account in the management of its mandates is met, in accordance with its Investment Policy.

After an integration period, the ESG is fully integrated into Covéa Finance's value chain and investment decision-making.

Description of the ESG Policy

It is based on:

- analysing and taking into account private and sovereign issuers extra-financial criteria in the portfolios, according to a deployment plan planned in a multi-year framework;
- an engagement policy;
- a voting policy at general meetings;
- a normative exclusion policy;
- shareholder dialogue as a tool and method of articulating policies and influencing companies;

It aims to:

- have a better understanding of the risks embedded in the portfolios through an extra-financial approach as a complement to financial and stock market approaches;
- serve to filter and prevent extra-financial risks with the implementation of potentially crippling criteria or thresholds;

- describe and prioritise companies through ESG criteria and key criteria and assess governance through resolutions presented at meetings (voting policy) and the quality of shareholder dialogue.

It is subject to an annual review.

The key principles of ESG at Covéa Finance:

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

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

Striving to **align interests between stakeholders:**

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

- in the event of a divergent vision, and provided that the ESG filter does not qualify as crippling (particularly in the context of the exclusion policy), the fundamental vision prevails in management decision-making. Nevertheless, the ESG team can enter into dialogue with the company, in cooperation with management, on ESG issues.

Communication on ESG:

Covéa Finance publishes an annual report on the consideration of ESG criteria in its investments.

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

The principles governing relations between Covéa and Covéa Finance:

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

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

Taking into account **Covéa's financial strategy** based on:

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



The Covéa Finance management model is based on:

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