



# UNIVERSAL REGISTRATION DOCUMENT

INCLUDING THE ANNUAL FINANCIAL REPORT

## 2019

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**AFR** The elements of the Annual Financial Report are clearly identified in this content using pictograms. The statements made regarding COVID-19 are not part of the Annual Financial Report adopted on February 5, 2020.



This Universal Registration Document has been filed on April 16, 2020 with the Autorité des Marchés Financiers (AMF), as competent authority under Regulation (EU) 2017/1129, without prior approval pursuant to article 9 of said regulation. The Universal Registration Document may be used for a public offer of securities or for the admission of securities to trading on a regulated market if it is supplemented by an offer notice and if applicable, a summary and all amendments made to the Universal Registration Document. The ensuing set of documents is approved by the AMF in accordance with (EU) 2017/1129. This document has been prepared by the issuer and engages the liability of its signatories.

# Overview of Coface

Learn key facts about COFACE  
in just a few minutes

2019 UNIVERSAL  
REGISTRATION  
DOCUMENT

*IMPORTANT INFORMATION - The information contained in this document is a free translation of the French Universal Registration Document registered with the French Market Regulator (AMF) under the visa D.20-0302 and while efforts are made to provide an accurate translation, there may be material errors, omissions or inaccuracies in the reporting. In no way does Coface assume any responsibility for any investment or other decisions made based upon the information provided on this translation. The original language version of the document in French prevails over the translation.*

## **COFACE is a leading player in credit insurance and risk management**

With over 70 years of experience and the most extensive international network, we facilitate inter-company trade, by helping our clients to develop commercial transactions both in their own market and for export. Our experts work to the beat of the global economy.

**4,273**  
EMPLOYEES

**74**  
NATIONALITIES

**€1.48<sup>BN</sup>**  
IN REVENUE

**50,000**  
CORPORATE CLIENTS<sup>(1)</sup>

AT YOUR SIDE IN  
**100**  
COUNTRIES<sup>(2)</sup>

(1) With at least one active contract in our various business lines.

(2) See page 10 "Availability of credit insurance offer".



**XAVIER DURAND**  
CHIEF EXECUTIVE OFFICER  
OF COFACE

“ **Coface has undergone a profound transformation over the last three years, with the aim of becoming the most agile credit insurance partner in the sector.**

The success of our strategic plan, Fit to Win, which came to an end in 2019, enabled us to transform ourselves extensively into the most agile credit insurance partner in the sector. However, the success of Fit to Win is but a first step for Coface. 2020 sees the start of a decisive new period in our future development with the launch of Build to Lead, our new strategic plan. Our ambition is to further strengthen the resilience of Coface while delivering profitable growth and becoming the benchmark in terms of credit insurance. At Coface, we believe in trade as a positive force for the world. Our mission is to support companies in their commercial trade, which is a factor in both social and economic stability.

# Our expertise

Regardless of the client's business sector, Coface offers advice and guidance to enable them to manage their main risks effectively and achieve their strategic objectives. Coface provides a high level of know-how in terms of risk prevention and cover, indemnification and recovery.



## RISK MANAGEMENT

To manage risks, you first need to prevent them. With Coface, you hold all the cards for selecting reliable and solvent prospects, customers, and suppliers effectively. You can then develop your business in a sustainable way.



## RISK COVER

Coface has a comprehensive credit insurance solution to protect you from any unpaid customer receivables



## INDEMNIFICATION AND RECOVERY OF UNPAID RECEIVABLES

Debt recovery is an essential part of the risk control that Coface offers its clients.

**1**  
INTERNATIONAL NETWORK  
OF EXPERTS IN RECOVERY  
LED BY COFACE

**230**  
SPECIALISTS

**185**  
LAW FIRMS

**32**  
PARTNER COMPANIES

**64%**  
OF DEBTS RECOVERED

# Our clients

Coface is set up to best meet the specific needs of its clients and has developed tailored solutions for their individual circumstances.



## MICROBUSINESSES/ SMEs

- Protect yourself against the risk of debt
- Grow your revenue with confidence
- Benefit from our straightforward all-online service that you can access in just a few clicks

### **EASYLINER**

Cover geared towards microbusinesses and SMEs.



## SMES/INTERMEDIATE- SIZE COMPANIES

- Create your contracts according to your business (percentage and period of coverage, countries included under the guarantee, etc.)
- Secure your commercial transactions and protect against the risk of non-payment
- Cover yourself against all types of risks with multiple options: commercial, political, natural disaster, etc.
- Consumer goods, services or international trading transactions can be covered

### **TRADELINER**

The comprehensive and flexible solution for SMEs/medium-sized companies.



## MULTINATIONALS

- Get support to create a worldwide protective framework, while optimising your commercial development
- Have access to global risk management tools and services, combined with a personalised approach from our expert local teams

### **COFACE GLOBAL SOLUTIONS**

A special solution for managing large international accounts.

# Our purpose

Our tag line reflects our ambition and our deep commitment to trade. We make trade / business simpler.



COFACE'S PURPOSE AND CULTURE ARE BASED ON **3 PILLARS:**

## A CONVICTION

that trade is a driver for creating value and stability.

## A VISION

to become the most agile credit insurance partner in the sector.

## A COMMITMENT

to support our clients, to protect and assist them in their growth and contribute to the smooth running of the economy.

IT IS BASED ON FOUR VALUES, which guide our employees in their professional activities each and every day:



Our values:



**Collaboration**



**Client focus**



**Expertise**



**Courage & Accountability**



# Our 2019 results

**€1,481M**  
REVENUE

**77.7%**  
NET ANNUAL COMBINED  
RATIO

**€146,7M**  
NET INCOME  
(GROUP SHARE)

**8.9%**  
ANNUALISED RoATE<sup>(1)</sup>

**190%**  
SOLVENCY RATIO<sup>(2)</sup>

## RATING AGENCIES

MOODY'S

**A2**

NEGATIVE OUTLOOK

FitchRatings

**AA-**

NEGATIVE OUTLOOK

(1) Return on average tangible equity. Annualised RoATE restated for non-recurring items at 9.1% (non-recurring items amounted to -€4.6m and mainly included -€4.0m of expenses related to regulatory projects and -€5.3m of restructuring partially offset by goodwill for €4.7m).

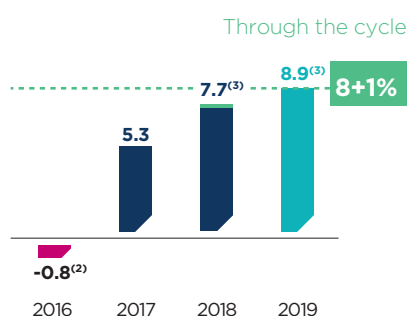
(2) This estimated solvency ratio is a preliminary calculation made according to Coface's interpretation of the Solvency II Regulation and using the partial internal model. The result of the final calculation could differ from this preliminary calculation. The estimated Solvency ratio is not audited.

# Fit to Win review

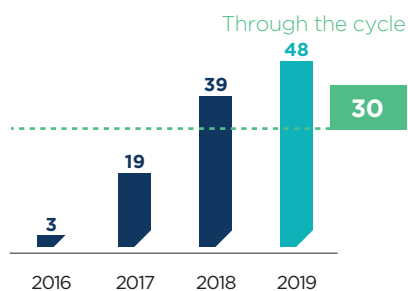
In September 2016, COFACE launched a three-year strategic plan, called Fit to Win. It ended in 2019 and all objectives were achieved or exceeded. In addition, Fit to Win helped profoundly transform the Group to become the most agile credit insurance partner in the sector.



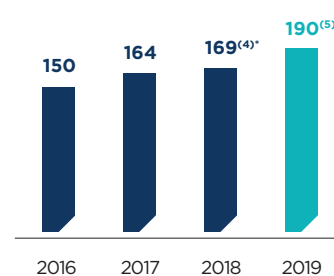
## RoATE<sup>(1)</sup> (in %)



## SAVINGS (in €m)

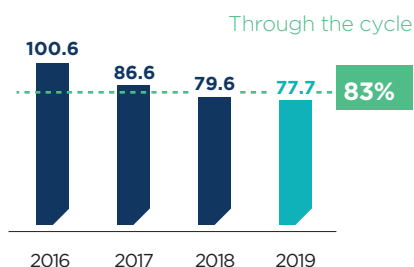


## SOLVENCY (in %)

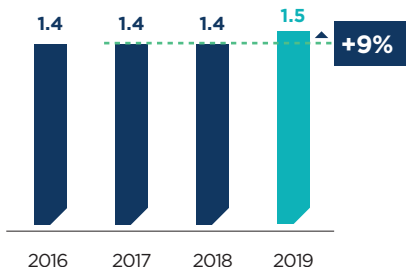


\* using the partial internal model

## COMBINED RATIO (in %)



## INCOME (in €bn)



**PARTIAL  
INTERNAL  
MODEL  
APPROVED**

FTW objective

- (1) Return on equity net of average intangible assets.
- (2) Net income (Group share) restated for extraordinary items and the contribution of the State guarantees business line to net income.
- (3) Restated for non-recurring items: 8.0% in 2018 and 9.1% in 2019.
- (4) The final solvency ratio at the end of 2018 was 169% (based on Coface's interpretation of Solvency and including a stricter estimate of SCR factoring in anticipation of the changes in the regulation). Not audited.
- (5) This estimated solvency ratio is a preliminary calculation made according to Coface's interpretation of the Solvency II Regulation and using the partial internal model. The result of the final calculation could differ from this preliminary calculation. The estimated Solvency ratio is not audited.

However, the success of Fit to Win is but a first step for Coface. Now stronger and more agile, in 2020 the Group is set to embark on a decisive new period in its future development with the presentation of its new strategic plan, "Build to Lead".

## BUILD TO LEAD

Be more profitable and resilient over the long-term

### BUILD TRADE CREDIT INSURANCE LEADERSHIP



Simplify & digitize operating model



Differentiate through Information & Risk Capabilities



Create value through growth

### GROW SELECT SPECIALITY BUSINESSES



Return factoring in Germany to profitable growth



Boost Single Risk & Bonding



Enhance the Information Services offer

### FINANCIAL OBJECTIVES THROUGH THE CYCLE

Combined ratio

**80%**

RoATE\*

**9.5%**

Solvency ratio\*\*

**155%-175%**

Payout Ratio

**≥80%**

\* Return on average equity.

\*\* The information is not audited.

## NORTH AMERICA

Revenue  
**€138.5M** 9%  
of total revenue\*

Employees  
**193**

# At your side, worldwide

Over its 70-year history, Coface has gradually expanded its international presence. Today, this geographic network spans 100 countries, giving Coface the means to be close to its clients and underwrite risks relevant to local realities.

## LATIN AMERICA

Revenue  
**€80.7M** 5%  
of total revenue\*

Employees  
**410**

Directly:

- in most of its largest markets, the Group has a portfolio of licences that enables it to **directly** issue insurance contracts.

Indirectly, the Group uses:

- **freedom of services** within Europe, to issue contracts from another European country where it has a licence;
- an insurer with a licence in the country concerned, which issues the contract and retrocedes all or part of the risks to the Group, according to the fronting principle – **Coface Partner**;
- the occasional issue of contracts from abroad, depending on the terms of the country concerned – **offshore**.

\* Year ended December 31, 2019.

\*\* Including the head office (518).

**NORTHERN EUROPE**

Revenue **€307.5M** **21%** of total revenue\*

Employees **678**

**CENTRAL & EASTERN EUROPE**

Revenue **€148.1M** **10%** of total revenue\*

Employees **772**

**WESTERN EUROPE**

Revenue **€294.6M** **20%** of total revenue\*

Employees\*\* **1,008**

**MEDITERRANEAN & AFRICA**

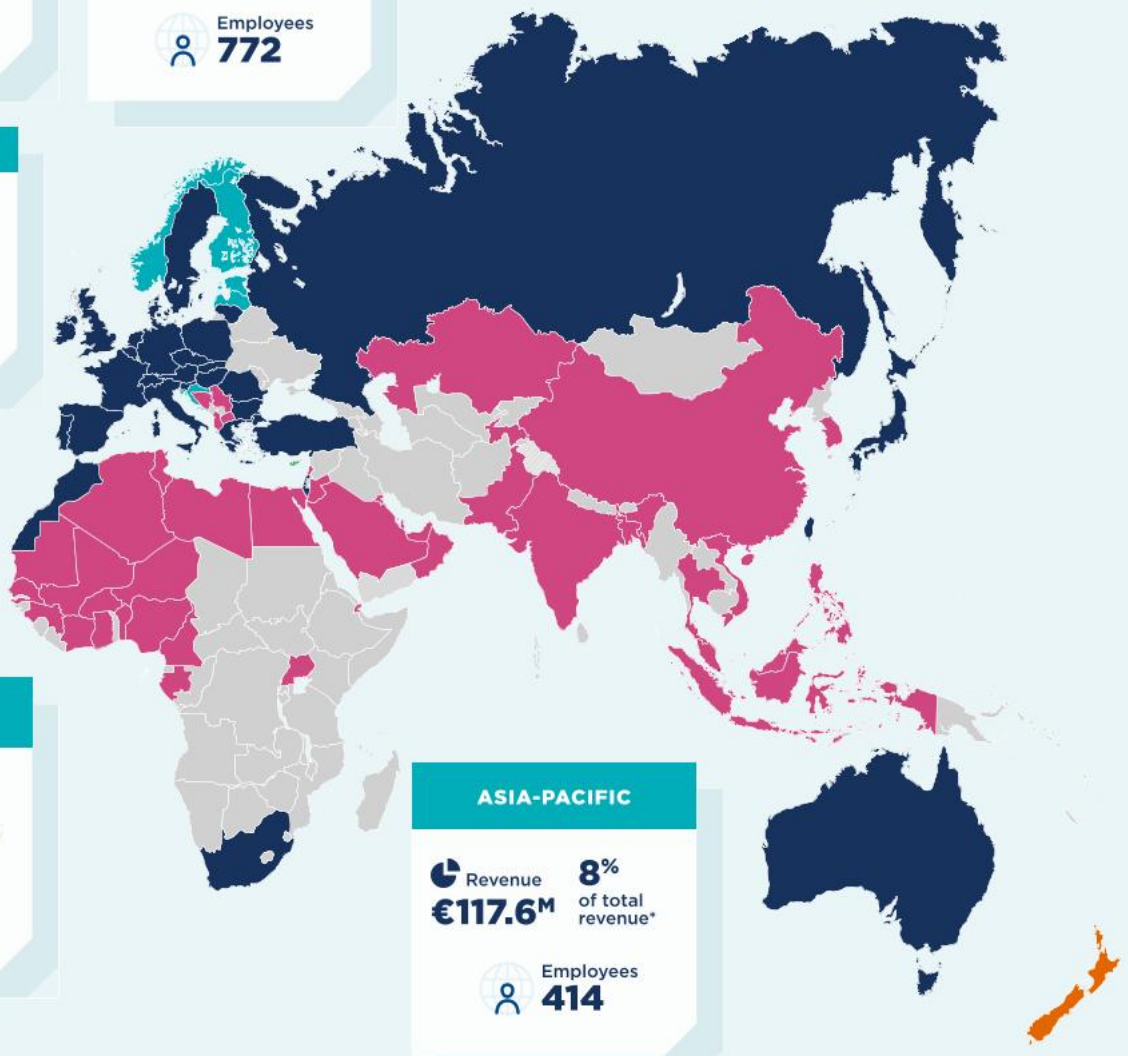
Revenue **€394.2M** **27%** of total revenue\*

Employees **798**

**ASIA-PACIFIC**

Revenue **€117.6M** **8%** of total revenue\*

Employees **414**



**A LEADING INTERNATIONAL NETWORK**

**NORTH AMERICA**

- Canada
- United States

**LATIN AMERICA**

- Argentina
- Brazil
- Chile
- Colombia
- Ecuador
- Guatemala
- Mexico
- Panama
- Paraguay
- Peru
- Uruguay
- Venezuela

**WESTERN EUROPE**

- Belgium
- France
- Ireland
- Luxembourg
- United Kingdom
- Switzerland

**NORTHERN EUROPE**

- Germany
- Denmark
- Finland
- Iceland
- Liechtenstein
- Norway
- Netherlands
- Sweden

**CENTRAL EUROPE**

- Austria
- Bulgaria
- Croatia
- Estonia
- Hungary
- Kazakhstan
- Latvia
- Lithuania
- Poland
- Czech Republic
- Romania
- Russia
- Serbia
- Slovakia
- Slovenia

**MEDITERRANEAN AND AFRICA**

- South Africa
- Albania
- Algeria
- Saudi Arabia
- Bahrain
- Benin
- Burkina Faso
- Cameroon
- Cyprus
- Ivory Coast
- Djibouti
- Egypt
- United Arab Emirates
- Spain
- Gabon
- Ghana
- Greece
- Guinea
- Mauritius

- Israel
- Italy
- Jordan
- Kuwait
- Lebanon
- Libya
- Macedonia
- Mali
- Malta
- Morocco
- Mauritania
- Niger
- Nigeria
- Oman
- Uganda
- Portugal
- Qatar
- Senegal
- Slovenia
- Tunisia
- Turkey

**ASIA-PACIFIC**

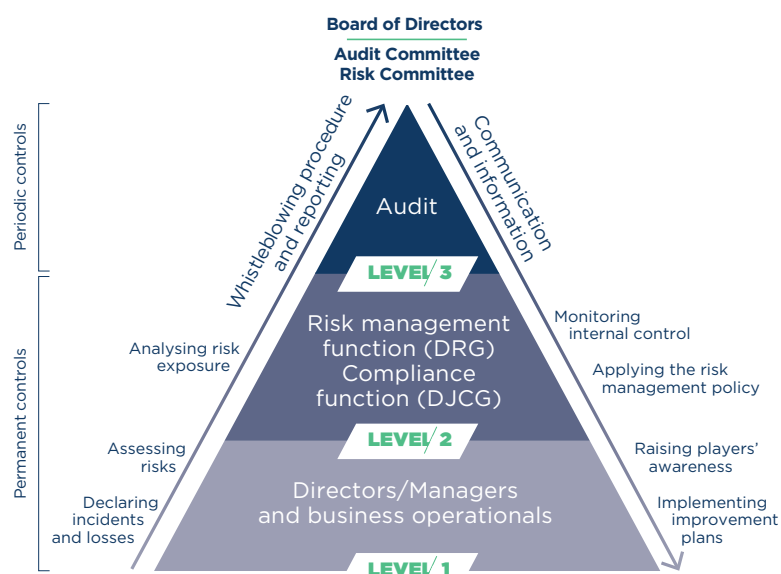
- Australia
- Bangladesh
- Brunei
- China
- South Korea
- Hong Kong
- India
- Indonesia
- Japan
- Malaysia
- New Zealand
- Pakistan
- Philippines
- Singapore
- Taiwan
- Thailand
- Vietnam

# Our risk management

## RISK MANAGEMENT MECHANISM

The risk management and internal control mechanism consists of three lines of defence with well-identified players for each level:

- level one operational controls managed by businesses;
- permanent level two controls managed by the Group Risk Department and by the Group Legal and Compliance Department; and
- periodic level three controls managed by the Group Audit Department.



## PRIORITISATION OF RISKS

Risk mapping focuses on all internal and external risk factors, incorporating financial and non-financial issues. This assessment identifies the significant risk factors to which the Group believes it is exposed and their management (based on a “low, medium, high” scale).

In the process, the risk factors are classified according to a limited number of categories, depending on their nature. The most important risk factors in each category are presented first.

Risk categories	Risk factors*	Frequency	Impact	Evolution of these risks
<b>Credit risk</b>	Risk on premiums collected	High	High	↓
	Risks related to the establishment of insurance technical provisions, depreciation and the assumptions used	High	High	↓
<b>Financial risks</b>	Risks related to the investment portfolio	Medium	Medium	↑
	Risks related to exchange rate fluctuations	Medium	Medium	↑
<b>Strategic risks</b>	Risks related to the competitive environment	High	High	→
	Risks related to the regulatory environment (legal and accounting)	High	High	↓
	Risks related to the Group's international activities	Medium	Medium	→
<b>Operational and non-compliance risks</b>	Non-compliance risk	Medium	High	↓
	Risks related to digital transformation	Medium	High	↑
	Risks related to information systems and cybersecurity	High	High	↑
	Attracting and retaining talent	Medium	Medium	↑
<b>Reinsurance risks</b>	Risks related to relations with reinsurers, the capacity of the reinsurance market and reinsurance costs	Medium	Medium	→

\* All the risk factors (frequency, impact and evolution) are presented in paragraph "5.2 RISK FACTORS".

# Our governance



**From left to right:**

**1** Xavier DURAND, Katarzyna KOMPOWSKA, Declan DALY and Thibault SURER

**2** Pierre BEVIERRE, Antonio MARCHITELLI, Bhupesh GUPTA and Carine PICHON

**3** Nicolas GARCIA, Cécile PAILLARD, Carole LYTTON and Nicolas de BUTTET

**4** Armina ABAD SANCHEZ, Cyrille CHARBONNEL, Keyvan SHAMSA and Oscar VILLALONGA

## GENERAL MANAGEMENT

The focus of the Company's organisational structure is a Group General Executive Committee (CEC) (see also paragraph 1.7. "Group organisational structure").

The GEC is the decision-making body of Coface. It generally meets every week to examine and validate the Group's main strategic guidelines and steer management, with particular regard to strategy and budget, major investments and projects, definition of the organisation and human resources, and monitoring of operational performance and results, in addition to control and compliance of activities.

## OTHER COMMITTEES CHAIRED BY GENERAL MANAGEMENT

In addition to the Group General Executive Committee, Xavier Durand also chairs two other committees: the Executive Committee and the HQ Leaders Committee.

The Executive Committee is composed of the GEC and the regional directors (see also Section 1.7 "Group organisational structure"). The Executive Committee does not have formal decision-making power. It contributes to the development of Group strategy and the consideration of key operational matters or strategic initiatives.

The HQ Leaders Committee meets monthly and includes the Chief Executive Officer and the main managers of the various head office functions. This committee focuses on information and discussions relating to the main areas of reflection and action.

## BOARD OF DIRECTORS

CHAIRMAN: François Riahi, CEO of Natixis.



# Our CSR commitment

Coface has developed a proactive CSR policy as part of a process of improvement. For the purpose of its credit insurance operations, Coface has undertaken a number of initiatives that reflect its social and environmental commitment.



## A RESPONSIBLE EMPLOYER COMMITTED TO SUPPORTING DIVERSITY

**91/100** professional equality index<sup>(1)</sup> SCORE

**39%** OF MANAGERS are **WOMEN**

**1/3** Executive Committee members are **WOMEN**

**74** DIFFERENT NATIONALITIES represented among our employees

**260** EMPLOYEES work outside their country of origin

**39** YOUNG TALENTS in 15 countries benefit from Coface's VIE programme<sup>(2)</sup>



### Women to Win

Coface international network on diversity, the role of women in business and career development.

### Mentoring to Win

Personalised tutoring programme around female leadership.



## A RESPONSIBLE CREDIT INSURER

### SRI INVESTMENTS

**1** PORTFOLIO of Socially Responsible Investment (SRI)

**3** PILLARS environmental, social and governance factors; voting rights and commitments; measuring carbon footprint

**98%** OF ASSETS COVERED by SRI

### HUMAN RIGHTS

**MEMBERSHIP SINCE 2003 OF THE GLOBAL COMPACT OF THE UNITED NATIONS** on human rights, international labour standards and the fight against corruption.

### SUBSCRIPTION POLICIES

**SECTOR EXCLUSIONS:** coal mines, anti-personnel mines, etc.

**INCORPORATION OF THE ENVIRONMENTAL COMPONENT** in the assessment of country risks

(1) Financial year 2018.

(2) International volunteering in companies – source 2019.





## A CULTURE OF ACCOUNTABILITY

As integrity is the foundation of Coface's reputation and the basis for developing sustainable relationships with our clients, Coface applies the following measures:



## SOCIAL COMMITMENT

### Coface Trade Aid

Non-profit association, working for sustainable local economic development for disadvantaged populations around the world: support for returning to or continuing in employment, assistance with business creation, support for innovation, microloans, vocational training.



**ANTI-CORRUPTION CODE** to restate our zero tolerance policy and identify our commitments in this area.

### MONITORING SUSPICIOUS TRANSACTIONS:

Know Your Customer procedures, assessment of trading partners, accounting controls, risk classification, IT tools for transaction filtering.

**CODE OF CONDUCT** to avoid any conflict of interest situations for our employees.

### TRAINING PROGRAMME

and awareness-raising for employees.



## ENVIRONMENT

### A POLICY TO REDUCE

water, energy, paper and fuel consumption.

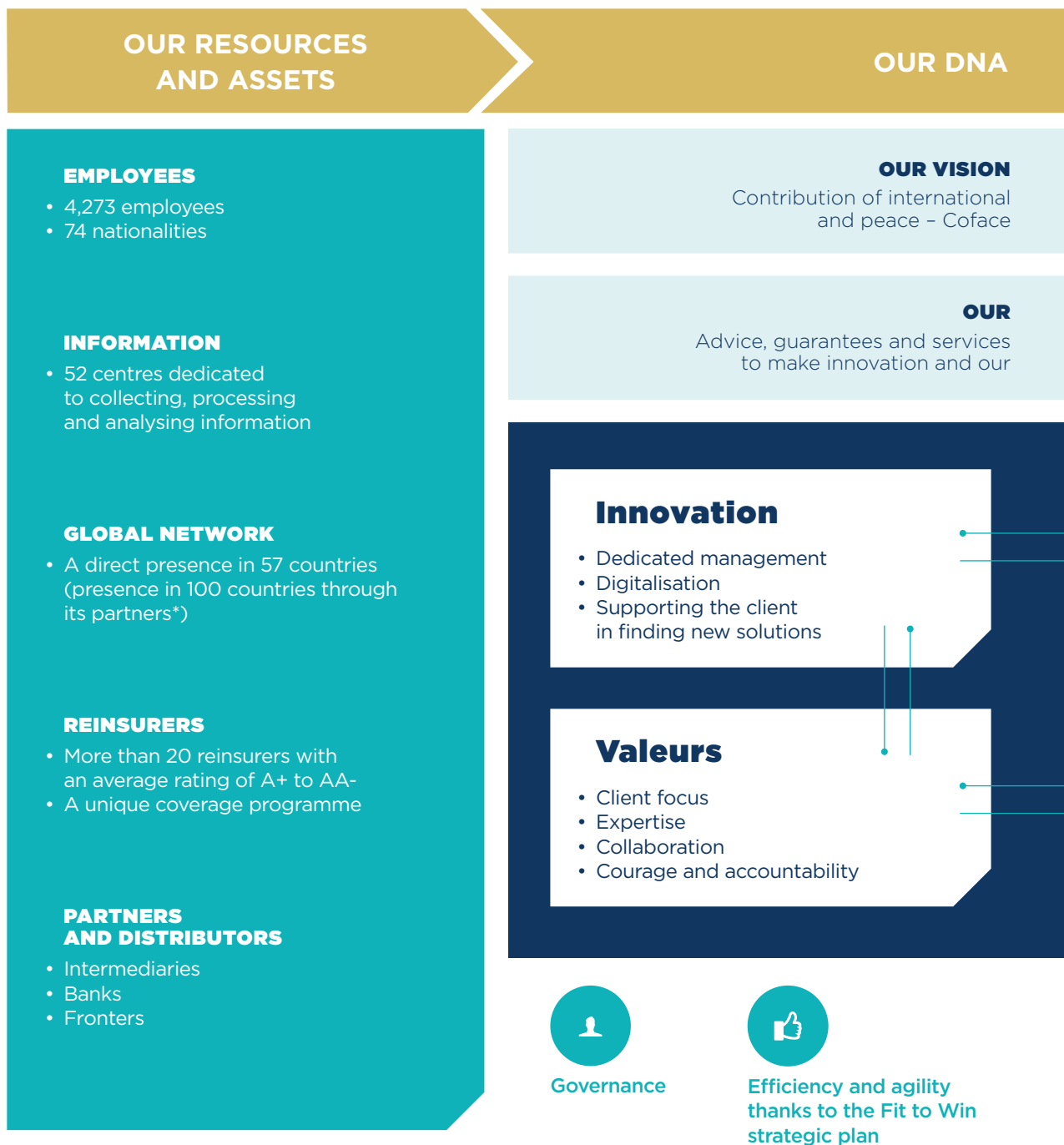
# 14%

share of renewables in Coface's total energy consumption\*

\* At the headquarters in France.

# Our value creation model

In line with the requirements related to the non-financial performance report, Coface presents its business model, reflecting its vision and its commitment to support its clients wherever they operate.



\* See page 10/11 "Availability of credit insurance offer".

AND PERFORMANCE DRIVERS

OUR CREATION OF SHARED VALUE

**AND AMBITION**

trade to prosperity is FOR TRADE

**MISSIONS**

to clients, based on our ability values central to our business

**FINANCIAL**

- €1,481 million revenue
- €225 million current operating income
- €147 million net income

**SHAREHOLDERS AND FINANCIAL PARTNERS**

- €48 million of savings generated
- Distribution of at least 60% of net income, increased to 100% in 2019

**HUMAN**

- Lead Together:
- More than €1 million in 2018 and 2019

**EMPLOYEES**

- 53% women/ 47% men

**Businesses**

- Credit insurance
- Factoring
- Surety bonds
- Services

**ENVIRONMENT & SOCIETY**

- SRI (98% of assets covered by SRI)
- Coface Trade Aid

**CLIENTS**

- 50,000 companies<sup>(1)</sup>
- Total exposure: €569 billion
- Claims amount: €536 million

**Commercial partners**

- Enhancement of the offering



Risk management



Ensuring compliance

(1) With at least one active contract in our various business lines.

# Shareholders' Corner

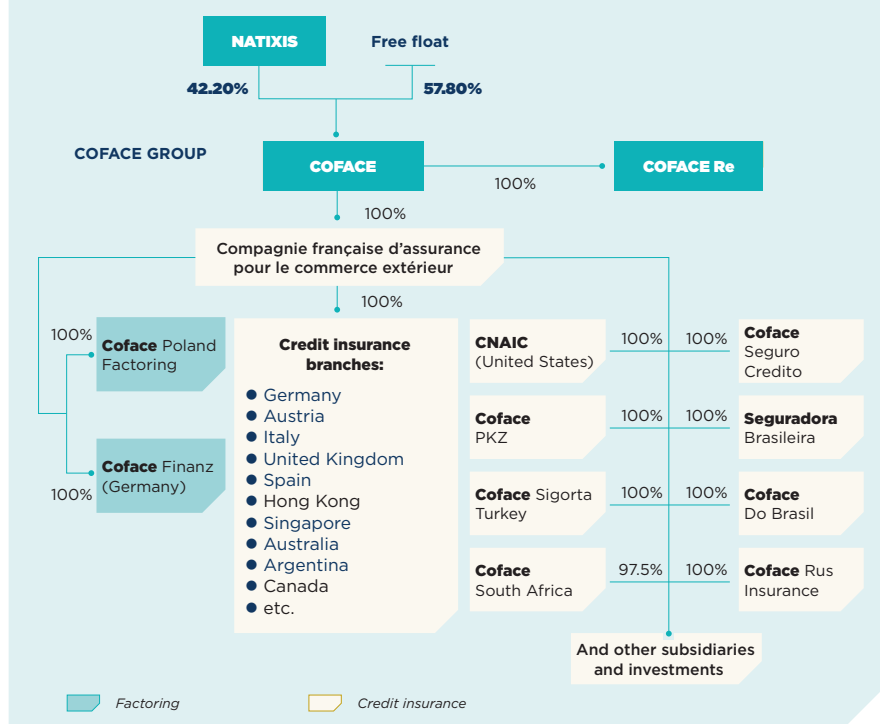
## DATA SHEET

<b>TRADING</b>	Euronext Paris (Compartment A), eligible for deferred settlement service (SRD)
<b>ISIN CODE</b>	FR0010667147
<b>REUTERS CODE</b>	COFA FP
<b>BLOOMBERG CODE</b>	COFA FP
<b>STOCK MARKET INDICES</b>	SBF 120, CAC All Shares, CAC All-Tradable, CAC Financials, CAC Mid & Small, CAC MID 60, Next 150

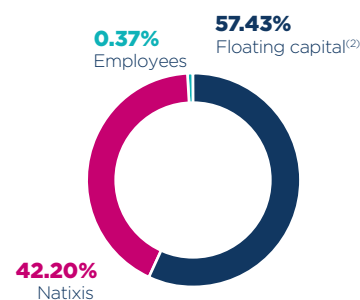
## FINANCIAL CALENDAR 2020

<b>February 5, 2020</b> after market close	FY-2019 results
<b>February 25, 2020</b> (Paris)	Investor Day
<b>April 23, 2020</b> after market close	Results Q1-2020
<b>May 14, 2020</b>	Shareholders' Meeting 2019
<b>July 29, 2020</b> after market close	Results H1-2020
<b>October 29, 2020</b> after market close	Results 9M-2020

## SIMPLIFIED ORGANISATION CHART <sup>(1)</sup>



## SHAREHOLDER STRUCTURE at December 31, 2019



(1) see paragraph 1.2, "Group history".

(2) see paragraph 7.2.3, "Independent control, holding and acquisition of treasury shares by the Company".

# 1 PRESENTATION OF THE COFACE GROUP

<b>1.1</b>	<b>MESSAGE FROM XAVIER DURAND, CHIEF EXECUTIVE OFFICER (CEO)</b>	<b>20</b>
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## 1.1 MESSAGE FROM XAVIER DURAND, CHIEF EXECUTIVE OFFICER (CEO)



### 2019: a record year for Coface as it successfully closes its strategic plan

The in-depth work that we have undertaken since the launch of the Fit to Win strategic plan over three years ago has paid off. In 2019, the Coface group had a record year, despite a more volatile environment marked by an increase in insolvencies and a contraction of world trade, which has notably been affected by increasing political risk (trade war, protectionism, social risks, etc.).

The great results seen in 2019 reflect the successful transformation of Coface as set out in the Fit to Win plan in 2016. We have achieved, or even surpassed all the objectives of the plan.

Over the last three years, we have strengthened our risk management infrastructure. The reorganisation towards “risk-based” underwriting, improved governance of commercial underwriting, the deployment of automated risk underwriting, and the enhancement of our Information services have proved decisive in helping us to better managing our risks. Today, we are more responsive in terms of monitoring business sectors, which allows us to be more effective in our risk underwriting decisions. 2019 saw increased volatility in a number of regions and sectors. Our very proactive and selective risk management has enabled us to properly manage our exposure, particularly in countries such as Argentina or Chile, or in the automotive and metals sectors.

Today, our operational model is more efficient and productive, thanks in particular to the streamlining of our organisations, the launch of shared service centres, and the simplifying of our key processes and IT services. These initiatives have allowed us to outperform the savings plan we initially announced, while improving the quality of service for clients and strengthening control over our operations.

Throughout Fit to Win, Coface has shown its dynamic nature, with one credo: to promote differentiated, profitable growth, aligned with the specific features of each market and the segmentation of our clients. We have redefined our business strategy, differentiating our approach by geography and by client type, to promote profitability over growth. We have also strengthened our business efficiency by deploying best practices group-wide and “automating” our execution processes.

We have revived external growth with the acquisition of PKZ, the leading credit insurance provider in Slovenia. This was the group’s first external growth transaction in ten years, thus strengthening its presence in Central and Eastern Europe.

Overall, our growth is accelerating — up by 5.9% in 2019 — with a positive contribution from all regions and a sustained, rigorous commercial underwriting policy. This momentum is supported by a record retention rate for the Group, with strengthened client excess, reflecting improvement in the quality of service.

Fit to Win also aimed to improve our capital efficiency. The approval in late 2019 of our partial internal model by the French regulator ACPR helped us to close our plan successfully. This new model will permanently align the regulatory capital requirement with actual Coface risks and exposure. This key stage in our search for capital optimisation puts us in a strong position to build the future of Coface.

This success was thanks to the commitment of our employees based on our purpose “For Trade”, a genuine statement of the importance of economic exchanges for the harmonious, serene development of our company. To successfully spearhead our plan, we have begun an important cultural transformation, which is key to the transformation of the entire company. We have invested heavily in talent development and in promoting diversity, as seen by the efforts made in terms of international mobility, the launch of our Women to Win network, or the LEAD Together programme, aimed at strengthening our management and leadership culture. From these initiatives, a commitment emerged that is shared across the Group and based around a common culture and values: client focus, expertise, collaboration, courage and responsibility.

The success of Fit to Win is only a first step for Coface. Now stronger and more agile, in 2020 the group is set to embark on a new, decisive period of its future with the presentation of its new strategic plan.

The ambition charted by our new roadmap for 2020-23 will be to build on the achievements, gains and lessons of the past three years to help create the conditions for long-term, profitable and sustainable growth. This new plan aims to consolidate the success of Fit to Win by strengthening Coface’s expertise, synergies, and agility. The aim is to reaffirm Coface as a leader of the credit insurance market, by placing our clients and partners at the heart of our strategy, while creating opportunities for growth, specifically via adjacent activities that have deep synergies with Coface’s core businesses.

This is the dawn of a new era that will reveal the full potential of Coface, and further strengthen value creation for our clients, our employees, and our partners.

**Xavier Durand**

**Chief Executive Officer (CEO)**

## 1.2 HISTORY OF THE GROUP

COFACE SA (“the Company”) is the holding company of the Coface Group (“the Group”). It performs its activities through its primary operating subsidiary, Compagnie française d’assurance pour le commerce extérieur, and its subsidiaries.

The key dates in its history are described below.

### 1.2.1 Creation and changes to shareholding structure

#### 1946

Compagnie française d’assurance pour le commerce extérieur was created by decree in 1946 and established in 1948 to support French foreign trade. It is the source of the Group as it exists today. Its first shareholders—insurance companies, banks and other financial establishments—were primarily controlled by the French State. Following the privatisation of a large number of these companies in the 1980s, the indirect interests of the French State gradually decreased.

#### 1994

With the privatisation of SCOR (a result of the privatisation of UAP), its major shareholder, most of the capital of Compagnie française d’assurance pour le commerce extérieur became private, but Coface continued to manage State guarantees on behalf of the French State.

#### 2000

Compagnie française d’assurance pour le commerce extérieur was listed on the primary market of the Paris Stock Exchange by its shareholders.

#### 2002

Natexis Banques Populaires, established through the acquisition by the Caisse centrale des banques populaires of Natexis, the latter resulting from the merger of the Group’s two original shareholders (Banque française du commerce extérieur and Crédit national), acquired 35.26% of the Compagnie française d’assurance pour le commerce extérieur share capital from SCOR and became its majority shareholder, owning 54.4% of the share capital.

#### 2006

After Compagnie française d’assurance pour le commerce extérieur was delisted from the Paris Stock Exchange in 2004, it became a wholly-owned subsidiary of Natixis, the entity born out of the merger between Natexis Banques Populaires and Ixis CIB. Natixis is the financing, asset management and financial services bank of the BPCE group, one of the major French banking groups that resulted from the merger of Banques Populaires and Caisses d’Epargne in 2009.

#### 2009 and 2010

The Company strengthened its equity through two capital increases, fully subscribed by Natixis, in the respective amounts of €50 million and €175 million, in particular in view of maintaining the Group’s solvency margin within the context of the sharp economic slowdown at that time.

#### 2014

On June 27, the Company launched an initial public offering (IPO) on Compartment A of the Euronext Paris regulated market. The offering concerned a total of 91,987,426 shares, *i.e.* 58.65% of its capital and voting rights.

#### 2018

As of December 31, Natixis’ shareholding in the Company’s capital is 42.14%. The Company proceeded with two share buyback programmes, of €30 million and €15 million respectively, under the second pillar of Fit to Win, with the aim of improving the capital efficiency of its business model.

#### 2019

As of June 24, the Euronext Expert Indices Committee included COFACE SA in the SBF120, the flagship index of the Paris Stock Exchange. This was thanks to the improved liquidity of Coface securities, and an increase in its market capitalisation.

On July 29, the Company decided to cancel the 1,867,312 shares bought under the share buyback programme, as announced on October 25, 2018, and make a corresponding reduction in the share capital of the Company. This now stands at €304,063,898 divided into 152,031,949 shares with a par value of €2 each. As of December 31, Natixis’ shareholding in the Company’s capital is 42.20%.

Average market capitalisation for 2019 was €1,421,993,572.24.

### 1.2.2 Internationalisation

#### 1992

- ◆ The Group adopted an international growth policy through various acquisitions of credit insurance companies, by creating new subsidiaries or branches. It started with the acquisition of an equity interest in La Viscontea, an Italian surety bond insurance and credit insurance company.
- ◆ This international growth policy was also based on the creation of the CreditAlliance network, in order to enter into various strategic partnerships, especially in emerging countries (located in Latin America, Asia and Africa).

#### 1993

The Group acquired an interest in London Bridge Finance, a British finance company offering credit insurance services, whose business has since been taken over by the Company’s local branch, Coface LBF.

#### 1996

The Group acquired an interest in Allgemeine Kredit, a German company providing domestic and export credit insurance solutions.

#### 1997

The Group took an equity interest in Österreichische Kreditversicherung, the leading Austrian credit insurer.

**2002**

The Group took an equity interest in the portfolio of Continental in the United States.

**2014**

As part of its sales development, Coface reorganised its international network of partners, CreditAlliance, and renamed it Coface Partner, to draw on the strength of networks of larger scale than the Group's own commercial network.

## 1.2.3 Strategy

**2002**

Until 2010, the Group was positioned as a multi-service player specialised in trade receivables management for companies.

**2011-2013**

In 2011, to back the refocusing of its activities on its core business, credit insurance, the Group launched the Strong Commitment plan and set up some 80 structuring measures to clarify and optimise its business model around credit insurance. Implementation of this plan addressed three essential concerns: (i) focusing on the fundamental elements of credit insurance, its core business, (ii) laying the groundwork for a sustainable and profitable growth model, and (iii) implementing a structured, flexible and innovation-oriented form of governance.

**2015**

- On July 29, 2015, the French State announced its decision to transfer the State guarantees management activity, carried out by Coface, to the Bpifrance group, and an agreement with Compagnie française d'assurance pour le commerce extérieur on the financial terms of such transfer. Management of State export guarantees was a services business that Coface carried out on behalf of the French State.

- The amended French Finance Act of December 29, 2015 (No. 2015-1786) specified the transfer of this management no later than December 31, 2016. The December 29, 2016 Finance Act (No. 2016-1917, Articles 47 and 127) set the effective date of the transfer at January 1, 2017.

**2016**

In the first half of 2016, the Group was faced with declining profitability. To address this volatile environment, it produced a three-year strategic plan called Fit to Win, with a twofold ambition: becoming the most agile global credit insurer, and steering its management model towards a more efficient capital model (see Section 1.6 "Strategy of the Group")

**2019**

With the aim of achieving growth in new high-potential markets, Coface finalised the acquisition of PKZ, the leading provider of credit insurance in Slovenia, and created the Coface entity in Greece. In this way, Coface extended its business and strengthened its presence in key geographic regions for trade.

**2017**

The first effects of the Fit to Win strategic plan, which is unfolding according to schedule, became visible. In 2017, Coface improved its guidance for loss ratio after reinsurance (below 54%), and the cost savings are used to finance investments under the plan (the €30 million objective for 2018 is confirmed). Restructuring expenses are less than initially expected, affording the Group leeway to step up the transformation of its operational model and invest in its digital infrastructure.

**2018**

The Group's operating results have proven the relevance of the Fit to Win plan. In 2018, the loss ratio was 45.1%, an improvement of 6.2 percentage points, with savings of €39 million achieved, surpassing the targets associated with our strategic plan.

**2019**

The strategic plan was successfully completed, with Coface achieving or surpassing all the objectives of Fit to Win. The change in the combined ratio of 77.7% for the 2019 financial year (better than our target of 83% through the cycle) is a perfect illustration of this.

In three years, revenue increased by 9% at constant exchange rates and scope, to stand at €1,481 million. Net income amounted to €146.7 million, with an annualised return on average tangible equity (RoATE) of 8.9% (9.1% excluding non-recurring items).

Coface improved its capital efficiency, this year obtaining approval of its partial internal model by the regulator ACPR. This considerable success puts Coface in a strong position to ensure its future.

In three years, €48 million in savings has been achieved, surpassing the objective set in the strategic plan.

Coface is now actively working to create its new strategic plan, whose challenge will be to capitalise on what the Company has managed to build over the last three years.

## 1.3 DESCRIPTION OF PRINCIPAL ACTIVITIES

The Group's activities are mainly focused on credit insurance, which represented 89.5% of its revenue in 2019. This entails providing businesses with solutions to protect them against the risk of client debtor insolvency in both their domestic and export markets.

The Group is also present in the factoring market, in Germany and in Poland, and in the surety bond market. In some countries, mainly in Central Europe and Israel, the Group sells information and debt collection products.



The following table presents the changes in the contribution of these activities to the Group's consolidated revenue at December 31 for the 2017-2019 period:

## Consolidated revenue by business line

(in thousands of euros and as a % of the Group total)	See also Section	Dec. 31, 2019		Dec. 31, 2018		Dec. 31, 2017	
		(in €k)	(in %)	(in €k)	(in %)	(in €k)	(in %)
Gross earned premiums - Credit		1,164,752	78.6%	1,068,404	77.2%	1,029,499	76.0%
Gross earned premiums - Single Risk		21,193	1.4%	26,779	1.9%	27,190	2.0%
<b>Earned premiums - credit insurance</b>		<b>1,185,945</b>	<b>80.1%</b>	<b>1,095,183</b>	<b>79.1%</b>	<b>1,056,689</b>	<b>78.0%</b>
<b>Fee and commission income <sup>(1)</sup></b>		<b>140,114</b>	<b>9.5%</b>	<b>132,418</b>	<b>9.6%</b>	<b>128,914</b>	<b>9.5%</b>
<b>Other insurance-related services <sup>(2)</sup></b>		<b>94</b>	<b>0.0%</b>	<b>3,637</b>	<b>0.3%</b>	<b>4,382</b>	<b>0.3%</b>
<b>Compensation of public procedures management services</b>		<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>574</b>	<b>0.0%</b>
<b>Revenue from credit insurance business line</b>	<b>1.3.1/1.5.1</b>	<b>1,326,153</b>	<b>89.5%</b>	<b>1,231,238</b>	<b>88.9%</b>	<b>1,190,559</b>	<b>87.9%</b>
<b>Gross earned premiums - Guarantees</b>	<b>1.3.3/1.5.3</b>	<b>49,652</b>	<b>3.4%</b>	<b>47,425</b>	<b>3.4%</b>	<b>53,008</b>	<b>3.9%</b>
Financing fees		35,226	2.4%	35,295	2.5%	39,472	2.9%
Factoring fees		30,304	2.0%	32,416	2.3%	33,884	2.5%
Other		(1,424)	(0.1%)	(998)	(0.1%)	(1,314)	(0.1%)
<b>Net income from banking activities (factoring)</b>	<b>1.3.2/1.5.2</b>	<b>64,106</b>	<b>4.3%</b>	<b>66,713</b>	<b>4.8%</b>	<b>72,043</b>	<b>5.3%</b>
Information and other services		31,108	2.1%	28,550	2.1%	27,436	2.0%
Receivables management		10,069	0.7%	10,809	0.8%	11,886	0.9%
<b>Revenue from information and other services</b>	<b>1.5.4</b>	<b>41,177</b>	<b>2.8%</b>	<b>39,359</b>	<b>2.8%</b>	<b>39,322</b>	<b>2.9%</b>
<b>CONSOLIDATED REVENUE</b>	<b>NOTE 22</b>	<b>1,481,088</b>	<b>100.0%</b>	<b>1,384,735</b>	<b>100.0%</b>	<b>1,354,933</b>	<b>100.0%</b>

In order to provide greater consistency between the financial statements and the aggregates published and commented on in the financial reporting, the Group is changing the presentation structure of the consolidated income statement. A detailed explanation is provided in the notes to the consolidated financial statements.

(1) Policy management costs.

(2) IPP commission - International policies commission; business contributors' commission.

### 1.3.1 Description of the credit insurance business line

Credit insurance allows a creditor (the seller/supplier), with a term commercial debt held on its debtor (the buyer/client), to ask an insurer to cover the risk of non-payment of the trade receivable, in exchange for payment of a premium. It is therefore one of the key hedge instruments

for the trade receivables of companies that grant payment terms to their clients.

The following diagram illustrates the credit insurance mechanism.



The service proposed by the Group to its policyholders entails much more than indemnifying the losses they sustain; it also includes preventing claims and providing assistance in developing a profitable and solvent clientele.

Preventing the risk of non-payment through credit insurance solutions requires collecting relevant, reliable and up-to-date information about debtors and their economic environment. Information held by the Group on the solvency of debtors is the basis for its credit insurance offerings. It is factored into decisions taken regarding the coverage granted daily by its risk underwriters (see Section 1.5.1 below, "Credit insurance and related services").

The Group grants complete or partial coverage, which in general globally covers a portfolio of debtors (or a stream of business) of a given policyholder, as opposed to underwriting one insurance policy to cover a single debtor risk. Credit insurance policies are generally entered into for a period of one year, and may be automatically renewed.

Within the context of these policies, the Group authorises each new debtor that is presented by the policyholder, and through the credit limit granted, establishes the maximum amount of risks it is prepared to accept for this debtor. It may reduce or cancel its credit limit coverage at any time,

subject sometimes to prior notice, for the future deliveries of goods or services by the policyholder to the debtor concerned, in order to reduce payment default risk. This reduction or cancellation allows the policyholder to be warned of an increased fear on the part of the Group with regard to that debtor's soundness. In certain offerings, the Group may give its policyholders more or less autonomy, depending on their expertise, in setting credit limits for receivables not exceeding an amount as established in their credit insurance policy.

In the event that a receivable is not paid by the debtor, the Group handles the recovery of unpaid receivables, to limit the loss and release the policyholder from managing this dispute phase. As such, the policyholder preserves its commercial relations with its debtor as much as possible. The Group leads negotiations and, if necessary, litigation proceedings, to recover the amounts owed (see Section 1.5.1 "Credit insurance and related services").

By using credit insurance, companies secure their margins by insuring themselves against the financial impacts of an unpaid receivable, while benefiting from information tools regarding the solvency of their debtors and the collection of unpaid receivables. They also benefit from regular exchanges with the Group's sector and country specialists.

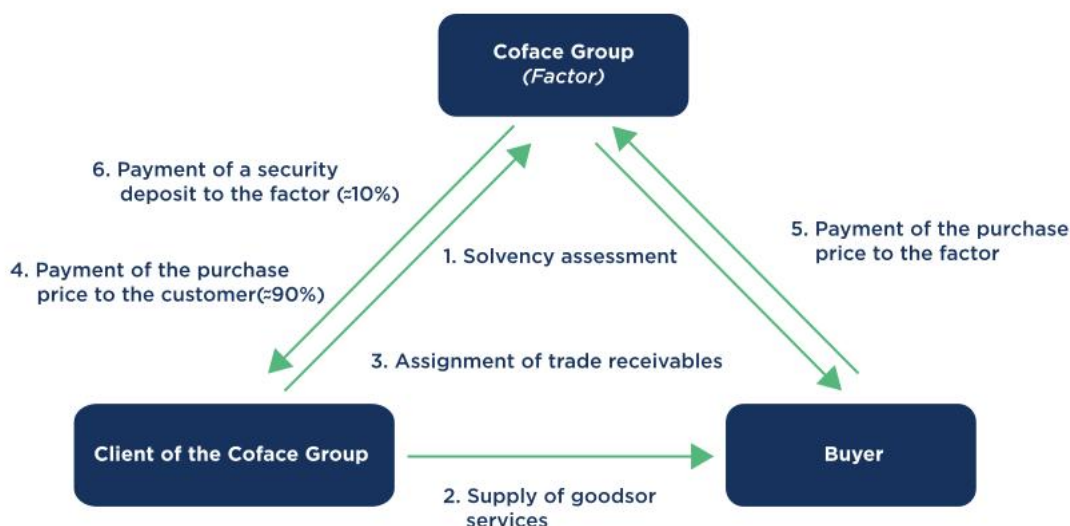
### 1.3.2 Description of the factoring business line

Factoring is a financial technique whereby a factoring company (the factor) finances and, if necessary, manages the trade accounts of a company by acquiring its trade receivables. Depending on the type of factoring, in the event of an unpaid receivable, the loss may either remain at the expense of the factor, or it may be recovered from the company.

The Group's factoring offering allows businesses to fund their trade receivables and optimise their liquidity:

- ◆ by having immediate access to cash upon sale of their receivables (subject to the deposit of a security retention);
- ◆ by reducing their client risk, in the absence of recourse (via the transfer of risks of non-payment and recovery);
- ◆ by financing their growth without being held up by their working capital requirement.

The following diagram illustrates the factoring mechanism:



Factoring mitigates the risks associated with the financing of trade receivables, thanks to the analysis performed on the chosen counterparties, the evaluation of their solvency, and the recovery mechanisms for unpaid receivables. The Group offers such factoring solutions in Germany and Poland.

The Group combines its factoring business with its credit insurance expertise to offer the following products:

- ◆ factoring with recourse: factoring product with recourse on the client in case of payment defaults;
- ◆ full factoring without recourse: product combining the services of factoring and credit insurance. Thus, in the

event of a claim, the client is covered by credit insurance for its unpaid invoices;

- ◆ in-house factoring with or without recourse: the client manages the relationship with its buyer, particularly in the case of a payment default, notably to preserve its commercial relationship;
- ◆ reverse factoring: the Group's client in this case is the buyer, who offers advance payment to its supplier through the factoring company;
- ◆ maturity factoring: a full factoring derivative, for which financing only occurs at the invoice due date (late payment protection).

### 1.3.3 Description of the surety bond business line

In addition to its primary credit insurance business, and relying on its debtor risk management capacity, the Group offers surety bond solutions in certain countries (mainly in France, Italy, Germany and Austria) to address the specific needs of companies in certain markets.

A surety bond consists of a commitment to pay the beneficiary of the surety bond in the event of a default or breach by the bondholder of its contractual obligations. The coverage provided by a surety bond allows a corporate bondholder to reassure its commercial or financial partners, in order to postpone immediate payment and/or to avoid reducing its borrowing abilities. Furthermore, in certain businesses, obtaining a surety bond is an obligation needed to run a business or access specific markets.

The surety bonds issued by the Group have a fixed term (from a few weeks to a maximum of five years) and the associated risks can be shared among several market players (generally banks and insurers).

The Group selectively offers a range of specific surety bonds to help businesses win domestic or export contracts:

- ◆ **contract surety bonds:** tender bond (guaranteeing to the buyer that the seller, having responded to the call for tenders, may actually, if the contract is won, offer the

services announced in its reply to the call for tenders), performance bond (guaranteeing to the buyer that the seller will perform the contract), advance payment bond (commitment to return the payment made by the buyer, in case the seller does not pursue the contract), holdback bond (guaranteeing potential faulty work that might appear during the coverage period), and subcontracting bond (guaranteeing the payment of subcontractors the business has hired);

- ◆ **customs and excise bonds:** allow bearers to benefit from customs duties credits or even, in some markets, to guarantee amounts payable as indirect contributions or excise taxes, or to postpone the payment thereof;
- ◆ **environmental surety bonds:** cover expenses linked to monitoring a site, keeping a facility safe, any interventions in the event of accidents or pollution and restoring the site after the activity is discontinued;
- ◆ **legal bonds for temporary employment companies:** to cover the wages and social security charges of temporary employees, in case the business becomes insolvent;
- ◆ **payment guarantees:** guaranteeing the amounts owed by the bondholder as payment for its purchases and services rendered by a beneficiary.

## 1.4 PRESENTATION OF THE CREDIT INSURANCE MARKET AND THE COMPETITIVE ENVIRONMENT

### 1.4.1 Credit insurance market

The purpose of credit insurance is to protect a company against default on payment of its trade receivables. It provides conditional insurance coverage on counterparties selected by the insurer. The solution offers two basic services: the prevention of debtor risks – by selecting and monitoring insured buyers – and the collection of unpaid receivables. In the classic form of the product, these two services are the main hallmarks of the expertise of sector players.

The Group's principal activity concerns short-term credit insurance (defined by risks of no more than 12 months), which is a market representing around €8 billion of premiums. The Group is also active in the medium-term credit insurance market through its Single Risk offer. This is a global market which is often syndicated, with a value of some €1.8 billion of premiums. In 2019, the Single Risk business represented approximately 2% of the Group's consolidated revenue.

The Group believes that the credit insurance sector has significant growth potential. The credit insurance penetration rate in the total volume of trade receivables worldwide remains very low, estimated at between 5% and 7%, which means that there is a genuine opportunity for conquering new markets. However, although the sector grew by approximately 5% per annum between 2005 and 2009, this rate has then shrunk to about 3% and then to nearly zero growth in 2016, under the effect of pressure on prices, rebounding in 2017 (+3%) due to the global economy <sup>(1)</sup>.

Sector growth depends on several factors, which are sometimes contradictory:

- ◆ the commercial conquest of sector participants (and conversely, the potential loss of clients);
- ◆ organic revenue growth among credit insurance clients;
- ◆ price trends, up or down;
- ◆ the risk selection policy by participants, up or down.

### 1.4.2 Competitive environment of the Coface Group

The global credit insurance market comprises three types of participants: global insurers, national or regional players and niche players.

There are three global insurers: Coface, Euler-Hermes (a Belgian subsidiary of the Allianz group, which is itself listed on the Frankfurt stock exchange) and Atradius (a Dutch company belonging to Grupo Catalana Occidente, which is itself listed on the Madrid Stock Exchange). In 2018, the three insurers shared some 59% of the global market <sup>(2)</sup>.

#### ► 2018 credit insurance market share



The other participants are national or regional and some of them are from or are still public export insurance agencies. These include Sinosure (China), the largest by size, followed by Nexi (Japan), K-Sure (South Korea), EDC (Canada) and Cesce (Spain). There are also private local players, such as the German R+V.

Lastly, a growing number of participants tackle credit insurance with a niche strategy. This strategy allows them to partly bypass the high cost of establishing and maintaining a global debtor information database. These offers generally consist in delegating more broadly the selection of risks to policyholders that can demonstrate effective risk management; the insurer provides its financial strength to absorb shocks beyond a significant deductible. Among the players in this segment, AIG (United States) is the largest in terms of credit insurance earned premiums.

(1) The ICISA database only contains data on ICISA partners (participants and countries) and does not represent the entire credit insurance market.

(2) Global market shares are calculated on the basis of gross short-term credit insurance premiums, including markets under State monopoly in 2018. Sources: i) Official market sources, often at the behest of regulators, and sometimes published by a consolidating organisation (for example, *Latino Insurance* in Latin America. ii) Published consolidated financial statements, when they show the share of gross credit insurance premiums. iii) ICISA data ([www.icisa.org](http://www.icisa.org)), consolidated and published by the association upon declaration by its members. iv) Group estimates, as a last resort.

## 1.5 GROUP ACTIVITIES AND POSITIONING

The Group generates its consolidated revenue of €1,481 million from approximately 50,000 <sup>(1)</sup> clients. Average annual income per client is less than €30,000 and is generated in very diversified business sectors and geographic regions.

The Group does not consider itself to be dependent on particular policyholders; thus, for the financial year ended 31 December 2019, the largest policyholder represented less than 1% of the Group's consolidated revenue.

### 1.5.1 Credit insurance and related services

For the financial year ended 31 December 2019, credit insurance products and related services generated revenue of €1,326 million, or 89.5% of the Group's consolidated revenue. The following table presents the changes in the

contribution of this business line to the Group's consolidated revenue during the 2017-2019 period (in thousands of euros and as a percentage of the Group's total).

Share of consolidated revenue Credit insurance (in thousands of euros and as a % of the Group total)	See also Section	Dec. 31, 2019		Dec. 31, 2018		Dec. 31, 2017	
		(in €k)	(as a %)	(in €k)	(as a %)	(in €k)	(as a %)
Gross earned premiums – Credit		1,164,752	78.6%	1,068,404	77.2%	1,029,499	74.3%
Gross earned premiums – Single Risk		21,193	1.4%	26,779	1.9%	27,190	2.0%
<b>Earned premiums – credit insurance</b>		<b>1,185,945</b>	<b>80.1%</b>	<b>1,095,183</b>	<b>79.1%</b>	<b>1,056,689</b>	<b>76.3%</b>
<b>Fee and commission income <sup>(1)</sup></b>		<b>140,114</b>	<b>9.5%</b>	<b>132,418</b>	<b>9.6%</b>	<b>128,914</b>	<b>9.3%</b>
<b>Other insurance-related services <sup>(2)</sup></b>		<b>94</b>	<b>0.0%</b>	<b>3,637</b>	<b>0.3%</b>	<b>4,382</b>	<b>0.3%</b>
<b>Compensation of public procedures management services</b>		<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>574</b>	<b>0.0%</b>
<b>REVENUE FROM CREDIT INSURANCE BUSINESS LINE</b>	<b>NOTE 22</b>	<b>1,326,153</b>	<b>89.5%</b>	<b>1,231,238</b>	<b>88.9%</b>	<b>1,190,559</b>	<b>86.0%</b>

In order to provide greater consistency between the financial statements and the aggregates published and commented on in the financial reporting, the Group is changing the presentation structure of the consolidated income statement. See detailed explanation in the notes to the consolidated financial statements under "Accounting principles and policies".

(1) Policy management costs.

(2) IPP commission - International policies commission; business contributors' commission.

#### Credit insurance

The Group, directly present through subsidiaries or branch offices over a geographical area representing nearly 97% of world gross domestic product, relies on an international network of local partners, and markets its credit insurance solutions and supplementary services in 100 countries, thus having a presence and geographic footprint on all continents. It considers itself to be one of three global players in the credit insurance market (see Section 1.4 "Presentation of the credit insurance market and the competitive environment").

#### State guarantees management

Between 1946 and 2016, the Group, on behalf of and with the guarantee of the French State, managed export guarantees concerning risks that are uninsurable by the private market.

In 2016, this business represented nearly 4% of its consolidated revenue.

(1) Companies with at least one active contract with Coface in our various business lines

## The Group's primary credit insurance products

The Group has refocused and enhanced its offering of solutions to adapt it to the specific needs of specific identified market segments: small and medium enterprises, mid-market companies, major multinationals, financial institutions and clients of distributor partners.

The Group offers numerous credit insurance solutions which are harmonised at a global level; the main ones are described below.

Product	Description
TradeLiner	This is a flexible offering aimed at addressing the specific requirements and needs of each policyholder thanks to a set of options and adaptable general terms and conditions. Today, it is the central solution in the Group's product platform. TradeLiner is gradually phasing out local offerings as it is rolled out in the various markets and as historical portfolios migrate to this new offering.
EasyLiner	EasyLiner, launched in 2014, is a range of contracts intended for small and medium enterprises (SMEs), which are often unfamiliar with the mechanisms and benefits of credit insurance solutions. This offering can be distributed online, under a custom brand if necessary, in the context of commercial partnership agreements.
Coface Global Solutions	Coface Global Solutions is an offering dedicated to the management of large international policyholders (the "CGS Offering"). This offering relies on a global organisational structure which offers multinational companies services as well as management and control tools tailored to their issues (geographic fragmentation, multi-currency risks, consolidation of buyers' credits, aggregates, etc.).
CofaNet and other online services	CofaNet is the central Internet portal used by Coface for the day-to-day management of the contracts of its policyholders. This multilingual portal is supplemented by a range of added-value services: <ul style="list-style-type: none"> <li>◆ Coface Dashboard: a tool which develops client risk analyses and reporting statements;</li> <li>◆ CofaNet Policy Master: a tool used to streamline the bulk of routine contract management by directly mining data from the policyholder's accounting system;</li> <li>◆ the Group also provides its clients with access to specialised portals for medium-term or surety bond activities (see below).</li> </ul> <p>The main features of CofaNet are also available on smartphones (CofaMove app) and by a system-to-system automatic link (CofaServe web services offering).</p>
Medium-term insurance (Single Risk)	The Single Risk offering provides coverage for commercial and political risks in connection with operations that are time-specific, complex, for a high amount (generally greater than €5 million) and for which the credit term is between 12 months and seven years. It covers policyholders against a risk linked to a particular investment or market, as opposed to credit insurance products, which cover policyholders against payment default risks for the entirety of their revenue (whole turnover policies).

## Pricing of credit insurance offers

The pricing of credit insurance is generally reflected in the premiums. Related services are generally subject to specific pricing depending on the actual consumption of policyholders (number of monitored buyers, number of collection files).

The Group considers the fair compensation of risk as an important issue and has accordingly developed a pricing methodology within a proprietary computer tool (PEPS - past and expected profitability system) and associated commercial governance. The Group considers that it has a benchmark pricing methodology, including, for example, a

risk-based type of analysis and capital cost approach directly linked to the portfolio of the insured risks and the capital allocated. Furthermore, adjustments and improvements are made routinely to ensure that the pricing methodology contributes to controlled and relevant underwriting in the various markets.

Medium-Term Single Risk coverage, for which the default probabilities series are more limited, are subjected to a separate methodology, applied by a small team of experts.

### Information regarding debtor solvency at the core of the Group's business

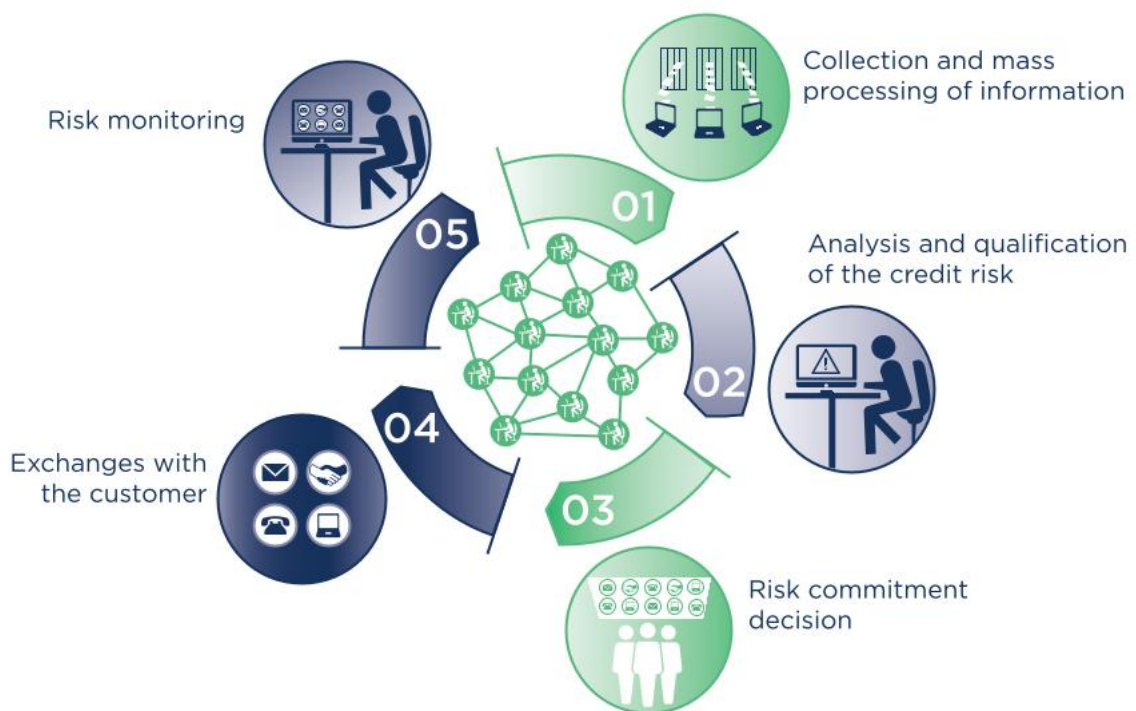
The Group's business essentially consists of the sale of guarantees or services relying on the acquisition and management of relevant, reliable and up-to-date information on debtors and their environment. The Group runs a network of 52 centres dedicated to collecting, processing and analysing financial and solvency information on all of the Group's debtor risks worldwide.

Information is key to every stage of the Group's risk monitoring process, and is compiled within its ATLAS database (see Section 1.8.2 "Group applications and tools"). It is first collected, specifically from some 100 information suppliers, for initial administrative processing. It is then

analysed by the team of 340 credit analysts for the purpose of evaluating debtors according to the "debtor risk assessment" (or DRA) scale which is common to the Group as a whole. The risk underwriters rely on the DRA to decide on the amount of risk to be underwritten for each policyholder.

Lastly, this information, which is collected, enhanced, analysed and used by the Group, is updated regularly to allow tracking of debtor risks. Moreover, all of the Group's businesses rely on EASY, its unique debtor identification database, which facilitates communication between the Group and its partners and clients (see Section 1.8.2 "Group applications and tools").

The following diagram illustrates the central place of information for the Group's activities.

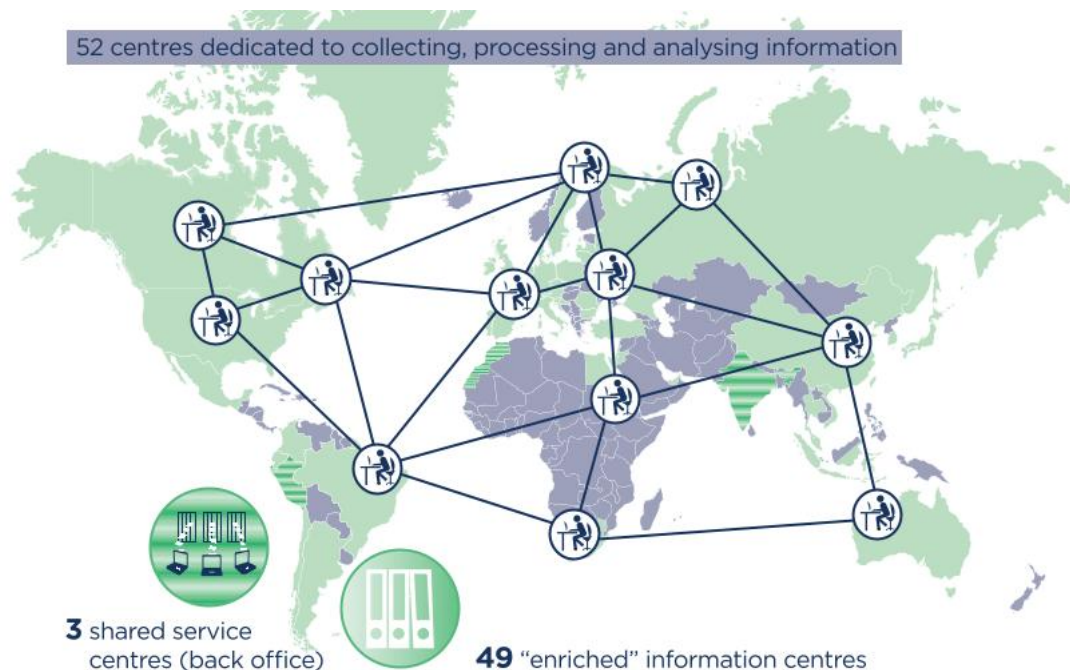


The collection, use and preservation of reliable, updated and secure information constitutes a major issue for the Group, in order to:

- ◆ guide its pricing policy and enhance the quality of its credit insurance offerings;
- ◆ obtain, specifically at the local level due to its close proximity to the risk, microeconomic information on debtors and their economic environment, to support the underwriting decisions of its underwriters in the context of its risk management policy, while offering its policyholders a debtor risk-tracking solution;
- ◆ facilitate its management activity and the recovery of receivables.

Incidentally, this policy allows the Group to obtain macroeconomic information, which is analysed by the teams of the Economic Research Department. These teams are distributed between head office and the Group's various regions, to ensure local coverage. These economists conduct studies internally for the Group's businesses, and externally for policyholders and the public (journalists, academics, prospective clients, banks, brokers, partners and so on). External production essentially takes the form of "panoramas" (country and sector risks, corporate defaults), which are published on its website ([www.coface.com](http://www.coface.com)), the purpose of which is to help businesses assess and prevent risks, and to make their decisions using the most relevant and recent information.

The following diagram illustrates the network of information on the Group's businesses:



Under the Fit to Win strategic plan, the Group allocated substantial investments to information in order to improve risk management, whether by enhanced local presence or by adopting new technologies (artificial intelligence).

### Harmonised risk underwriting process

The Group has established a harmonised process for all of its risk underwriters located in 45 countries, to strengthen and support the management of risks attached to its various businesses. The risk underwriting decision is, by default, made by the risk underwriter of the debtor's country, who is best placed to know the local economic environment. Where applicable, a second risk underwriter is able to adjust this initial decision upward or downward, because they are best qualified to determine the commercial or strategic context of the policyholder. This organisation allows debtor and policyholder proximity to be combined, including for major export transactions. In all, approximately 10,000 risk underwriting decisions are made each day.

Risk underwriting decisions relating to Single Risk coverage are made by a dedicated team within the Group's Risk Underwriting Department.

To make their decisions, risk underwriters rely on the information collected, which is then analysed internally and synthesised by the DRA (debtor risk assessment), the drafting and updating of which are carried out as a function of debtor quality. They also use the weighted assessment of portfolio (WAP), a concise indicator that measures a policyholder's average debtor portfolio quality. Lastly, Coface has implemented detailed management of its risks, through 38 sectors and five different country risk levels (150 risk levels in total).

Risk underwriters:

- ♦ work in real time and in a network, thanks to the ATLAS risk centralisation system, an IT tool for underwriting and managing risks for all entities of the Group (see Section 1.8.2 "Group applications and tools");

- ♦ have no sales objective for the Group's products and services, and their compensation is in no way linked to their commercial success. This is to ensure an impartial application of the Group's policies in terms of risk management;
- ♦ have underwriting delegations (up to €10 million) according to their expertise, seniority and skills. They are compelled, above €10 million, to abide by a double-signature procedure for decisions up to €40 million at the regional level. Decisions relating to coverage greater than €40 million, or which is particularly sensitive, are validated by the Group Risk Underwriting Department.

In 2019, Coface commissioned a new generation of decision-making engines, bringing to 66% the instantaneous response rate to clients.

### Enhanced commercial underwriting

Commercial underwriting is an activity that consists of determining pricing components (premium, bonus and penalty rates), technical parameters (maximum credit term, limit of cash outflows) and the appropriate clauses to match the needs of a policyholder. Commercial underwriting focuses on the contract, whilst risk underwriting deals with the guarantees on the buyers of the entity to be insured, guarantees with scopes linked to the validated clauses. The two activities are therefore complementary. For this reason, a decision was made at Group level in 2017 to attach commercial underwriting to a new Underwriting Department comprising commercial and risk underwriting, information, claims and collections and recovery.

Commercial underwriting is conducted at all levels of the Group (countries, regions and head office) in close collaboration with the risk underwriting teams.



Thanks to this organisational change, we have been able to strengthen the quality of our risk management, optimise the support we provide our clients by becoming more selective in the quality of debtors used as collateral, verify the profitability of the underwritten businesses and ensure that technical expertise is better shared among the Group's underwriting centres.

This business is governed by the Group's rules, which allocate delegation levels on the basis of the seniority and experience of the employees concerned. Beyond certain

risk levels and according to the nature of the request, decisions are taken at the Group's headquarters, either by the Commercial Underwriting Department or by the Group Underwriting Committee.

The Group Underwriting Committee consists specifically of Group commercial underwriting, risk underwriting and commercial underwriting directors. This committee meets every day to review all commercial proposals relating to new businesses or policies to be renewed insofar as these proposals exceed local delegations.

### A multi-channel sales network strengthened by a large network of partners and business contributors

To market its credit insurance products and complementary services, the Group uses several distribution channels, the breakdown of which changes according to local markets. Specialised brokerage is largely dominant on the international scale, although in certain markets direct sales

forces are historically more common. The following diagram illustrates this model of multi-channel distribution of the Group's service offerings (the breakdown between direct and intermediated distribution is expressed as a portion of the total premiums collected).



Fronters, who can also participate as business contributors, are partner insurers who issue insurance policies on behalf of the Group in countries where it does not have a licence. With its partner network, a significant portion of which belongs to the Coface Partner network, the Group thus provides assistance to its policyholders in some 40 countries in which it has no direct commercial presence or specific licence.

In terms of non-specialist contributors, banks are a key distribution channel, opening up new client bases, with better transformation rates for prospects.

Markets/fintechs are a new distribution channel in which Coface has invested over the past few years.

### 1.5.2 Factoring <sup>(1)</sup>

The Group is active in the German and Polish markets.

In Germany, the factoring market continued to grow by 4% in 2018 to reach €241.8 billion in factored receivables.

The German factoring market is dominated by six players, which according to the Coface Group's estimates, account for approximately 74% of the market: Targo Commercial Finance AG, PB Factoring GmbH, Eurofactor GmbH, Deutsche Factoring Bank AG, BNP Paribas Factor GmbH and Coface Finanz GmbH, which holds a market share of approximately 13.6%.

In Poland, the factoring market is still growing: 20% in 2018, much higher than the 5.1% of GDP growth.

The Polish factoring market is led by the following five players, which share (according to the estimates of the Coface Group and the association of Polish factors) approximately 65% of the market: ING CF, BZ WBK Faktor, BGZ BNP Paribas Factoring, and Bank Millennium, as well as Coface Poland Factoring, which holds a market share of some 8%.

(1) Sources: i) Deutsche Factoring Verband. Website: <https://www.factoring.de/german-factoring-market-2017>; and ii) Polish Factors Association. Website: <http://www.factoring.pl/eng/>.

For the financial year ended December 31, 2019, factoring represented €64 million, or 4.3% of the Group's consolidated revenue.

Share of consolidated revenue <b>Factoring</b> (in thousands of euros and as a % of the Group total)	See also Section	Dec. 31, 2019		Dec. 31, 2018		Dec. 31, 2017	
		(in €k)	(as a %)	(in €k)	(as a %)	(in €k)	(as a %)
Financing fees		35,226	2.4%	35,295	2.5%	39,472	2.9%
Factoring fees		30,304	2.0%	32,416	2.3%	33,884	2.4%
Other		(1,424)	(0.1%)	(998)	(0.1%)	(1,314)	(0.1%)
<b>REVENUE FROM THE FACTORING BUSINESS</b>	<b>NOTE 22</b>	<b>64,106</b>	<b>4.3%</b>	<b>66,713</b>	<b>4.8%</b>	<b>72,043</b>	<b>5.2%</b>

In order to provide greater consistency between the financial statements and the aggregates published and commented on in the financial reporting, the Group is changing the presentation structure of the consolidated income statement. See detailed explanation in the notes to the consolidated financial statements under "Accounting principles and policies".

### 1.5.3 Surety bonds

The world surety bond market is largely dependent on the regulatory framework of the various countries. It is therefore fragmented into national markets. Indeed, the local legal context determines the characteristics of the product as well as the requirements in terms of a mandatory surety bond, which makes this market scope difficult to establish. In addition, the practice of certain business sectors or certain types of operations may also influence this market.

The Group estimates that this market represents between €10 billion and €15 billion in revenue, or more than the credit insurance market. Although largely dominated by banking players, the market also has insurers, who are

secondary, for around €6 billion in income, notably because they do not have access, for regulatory reasons, to certain national markets (that is the case in India and in several countries of the Middle East and North Africa). According to the Coface Group's estimates, the world's largest market, the United States, represents approximately half of the global surety bond market. In Europe, Italy is by far the leading market, and in Asia, South Korea has the highest percentage of revenue from surety bonds issued.

For the financial year ended December 31, 2019, surety bonds represented €50 million, or 3.4% of the Group's consolidated revenue, primarily in the Italian market.

Share of consolidated revenue <b>Surety bonds</b> (in thousands of euros and as a % of the Group total)	See also Section	Dec. 31, 2019		Dec. 31, 2018		Dec. 31, 2017	
		(in €k)	(as a %)	(in €k)	(as a %)	(in €k)	(as a %)
<b>GROSS EARNED PREMIUMS - GUARANTEES</b>	<b>NOTE 22</b>	<b>49,652</b>	<b>3.4%</b>	<b>47,425</b>	<b>3.4%</b>	<b>53,008</b>	<b>3.8%</b>

In order to provide greater consistency between the financial statements and the aggregates published and commented on in the financial reporting, the Group is changing the presentation structure of the consolidated income statement. See detailed explanation in the notes to the consolidated financial statements under "Accounting principles and policies".

### 1.5.4 Information and other services

In some countries, essentially in Central Europe, the Group sells information and recovery products to businesses that have no credit insurance. As of December 31, 2019,

this business line represented consolidated revenue of €41 million.

Share of consolidated revenue <b>Information and other services</b> (in thousands of euros and as a % of the Group total)	See also Section	Dec. 31, 2019		Dec. 31, 2018		Dec. 31, 2017	
		(in €k)	(as a %)	(in €k)	(as a %)	(in €k)	(as a %)
Information and other services		31,108	2.1%	28,550	2.1%	27,436	2.0%
Receivables management		10,069	0.7%	10,809	0.8%	11,886	0.9%
<b>REVENUE FROM INFORMATION AND OTHER SERVICES</b>	<b>NOTE 22</b>	<b>41,177</b>	<b>2.8%</b>	<b>39,359</b>	<b>2.8%</b>	<b>39,322</b>	<b>2.8%</b>

In order to provide greater consistency between the financial statements and the aggregates published and commented on in the financial reporting, the Group is changing the presentation structure of the consolidated income statement. See detailed explanation in the notes to the consolidated financial statements under "Accounting principles and policies".

## 1.5.5 Positioning of the Coface Group region by region <sup>(1)</sup>

Thanks to its leading international presence, the Group organises its business lines around seven geographic regions in which it sells its products: Western Europe, Northern Europe, Central Europe, Mediterranean & Africa, North America, Latin America and Asia-Pacific (commentary on regional results can be found in Section 3.3 "Comments on income at December 31, 2019").

### Group activities in the Western Europe region

#### ► Availability of the Group's offering



#### Key figures

The Group, which currently employs approximately 490 people (1,006 including head office) for the Western Europe region, earned revenue of €293.9 million in the region, or 19.8% of its total revenue for the financial year ended December 31, 2019.

#### Classification of countries and offering

The countries in the region represent mature credit insurance markets; there is strong pressure on pricing due to competitive pressure and the relatively low company insolvency rate. However, the economic situation continued to deteriorate in the United Kingdom in 2019, due to the uncertainty surrounding the conditions and exit date for Brexit, which was postponed three times before being set at January 31, 2020. In this adverse context, corporate investment fell for the third year running, and the manufacturing sector, relatively unscathed in 2018, was particularly affected, as was construction. Loss experience continued its upward trend in the UK in 2019 across all sectors, in contrast to the previous year.

Group activities in Western Europe are quite heavily oriented towards the sale of credit insurance policies. Nevertheless, locally they present certain peculiarities, as in Switzerland, where the offering of Single Risk policies represents a significant portion of revenue earned in that country, or in France where the Group also sells surety bonds.

The product line was enhanced in 2018 with the launch of an offering in France for the collection of debts which are not guaranteed. This option allows Group clients to benefit from the expertise of a trusted third party to mitigate the risk of non-payment of their receivables, step up the pace of recovery and protect their image and relationship with their clients.

### Marketing and strategy

In 2019, the region was very active in setting up and implementing numerous projects to promote client loyalty and improve service quality. This strategy is bearing fruit since the satisfaction and retention rates on the region have increased significantly.

In France, following the commercial restructuring, the sales cycle has now been optimised thanks to a new tool called Autonomy, drastically reducing the time taken to issue an offer and/or issue our contracts. Offerings are mostly distributed through brokerage firms, as well as a team of 30 direct sales representatives, which has significantly improved the sale of the Group's credit insurance products; this is the result of the increasing number of partnerships signed with banking networks.

### Group activities in the Northern Europe region

#### ► Availability of the Group's offering



#### Key figures

The Group, which currently employs approximately 678 people in this region, earned revenue of €308.2 million in the region, or 20.8% of its revenue for the financial year ended 31 December 2019.

#### Classification of countries and offering

The countries where the Group has a regional presence represent mature credit insurance markets; there is strong pricing pressure due to competitive pressure and the relatively low company insolvency rate. The Group mainly sells credit insurance services in these markets. In Germany, it also offers factoring services, surety bonds and Single Risk coverage, in addition to information and debt collection.

(1) The workforce figures provided relate to employees on open-ended or fixed-term contracts, excluding those who had permanently left the Company.

## Marketing and strategy

The Group's offering in this region is marketed through a combination of direct sales by its own sales teams and sales through its partners (brokers and banking institutions).

In line with the goals of the strategic plan, the Group is continuing its investments in this region, making profitable growth a priority. The reorganisation of the sales and underwriting functions implemented in 2018, as well as other initiatives undertaken in 2019, aim to make the client the focus of the organisation.

In Germany, Northern Europe's primary market, the central offerings were enhanced to best meet client needs. The launch of new service offerings is also a cornerstone for growth in this market. A new strategy for factoring, aimed at optimising and developing the existing portfolio was set up and is currently being implemented.

Creating the "Nordics" platform has strengthened the Group's footprint in the region while promoting its growth in the Scandinavian market, the mainstays there being Denmark and Sweden.

Although historically characterised by a broker-centred distribution model, the Group is successfully continuing its multi-distribution model in the Dutch market. The new information offering which has been rolled out has also enhanced the range of services offered to clients.

## Group activities in the Central Europe region

### ► Availability of the Group's offering



## Key figures

The Group, which currently employs approximately 772 people in the Central Europe region, earned revenue of €148.1 million in this region (with the largest contributions from Austria, Poland, Romania and Russia), *i.e.* 10.0% of its total revenue for the financial year ended December 31, 2019.

## Classification of countries and offering

In this region, the Group is the only supplier of integrated credit management solutions comprising credit insurance, business information and debt collection services for both insured and uninsured businesses. It also provides factoring services in Poland.

## Marketing and strategy

The Group has the most extensive network in Central Europe and the largest local footprint, offering services in 15 countries, directly or indirectly.

The Group's strategy in this region is built on the cornerstone of supporting the development of distribution, and growing while keeping risks under control.

The Group's strategy for emerging markets with stable credit insurance activity, as defined in its Fit to Win strategic plan, is to achieve healthy growth in a context of controlled risk. It is also characterised by a more diversified offering, mainly implemented through a systematic strategy of cross-selling information services for policyholder clients.

Following the acquisition of PKZ, a former subsidiary of SID Bank, the credit insurance business now operates under the Coface PKZ brand in Slovenia. Thanks to this strategic acquisition, the Group is strengthening its position on the Adriatic market.

## Group activities in the Mediterranean & Africa region

### ► Availability of the Group's offering



Mediterranean & Africa		
■ Albania	■ Israel	■ Portugal
■ Algeria	■ Italy	■ Qatar
■ Bahrain	■ Ivory Coast	■ Saudi Arabia
■ Benin	■ Jordan	■ Senegal
■ Burkina Faso	■ Kuwait	■ South Africa
■ Cameroon	■ Lebanon	■ Spain
■ Chad	■ Libya	■ Tunisia
■ Cyprus	■ Mali	■ Turkey
■ Djibouti	■ Malta	■ Uganda
■ Egypt	■ Mauritania	■ United Arab Emirates
■ Gabon	■ Mauritius	■ Yemen
■ Gambia	■ Morocco	
■ Ghana	■ Niger	
■ Greece	■ Nigeria	
■ Guinea	■ Oman	

### Key figures

The Group, which currently employs approximately 798 people in the Mediterranean & Africa region, earned revenue of €394.2 million in this region, or 26.6% of its revenue for the financial year ended December 31, 2019.

### Classification of countries and offering

In terms of credit insurance, the countries in the region represent both emerging markets and mature markets (Italy, Spain and Portugal). The Group has unique geographic coverage in the credit insurance market in the region. It is directly present in seven countries and in a position to operate its business in Middle Eastern and African countries through partnerships. It develops its strategy by using regional centres based in Casablanca, Dubai, Madrid and Milan, which are tasked with managing its establishments and partner networks in a coordinated manner.

The Group sells credit insurance contracts and surety bonds, as well as debt collection services and information on debtors.

### Marketing and strategy

According to the size and the configuration of markets in the region, the Group alternates between (i) sales through partners such as brokers, agents or banks and (ii) direct sales. It uses these two distribution channels in Italy, Spain, Turkey, the Gulf countries, Israel, South Africa and Morocco. In West African countries, the Group promotes credit insurance through partners (insurers, banks), to whom it supplies credit insurance contracts and back office services.

In the three mature credit insurance markets of Italy, Spain and Portugal, the Group reported further substantial production and an exceptionally high level of client loyalty, while gradually adapting its premium rates to the actual risk situation. This performance is the result of a commercial strategy, organised around multi-channel distribution, thanks in particular to agents and detailed client segmentation. Starting from 2016, the Group has specifically developed partnerships with banks, general insurers and professional associations.

## Group activities in the North America region

### ► Availability of the Group's offering



### Key figures

The Group, which currently employs approximately 193 people in the North America region, earned revenue of €138.5 million in this region, or 9.3% of its total revenue for the financial year ended December 31, 2019.

### Classification of countries and offering

The Group directly issues credit insurance contracts in the United States and in Canada, two markets it considers under-penetrated in terms of credit insurance. It primarily sells credit insurance services, along with debtor information and debt collection services for its policyholders or other clients. The Group also provides Single Risk coverage, on a lesser scale.

### Marketing and strategy

The credit insurance products in this region are distributed using a multi-channel model consisting of a network of exclusive agents and Coface sales teams, as well as through brokers. In an effort to improve efficiency and optimise the targeting of mid-cap companies, the Group is gradually internalising its network of agents as part of its direct sales force. The Group is also developing new distribution channels through other networks such as property insurance and life assurance brokers.

At the same time, the Group has created a new Broker Desk team covering the entire region, which is dedicated to managing relationships with brokers and large accounts.

## Group activities in the Latin America region

### ► Availability of the Group's offering



### Key figures

The Group, which currently employs approximately 410 people in the Latin America region, earned revenue of €80.7 million in this region, or 5.4% of its total revenue for the financial year ended December 31, 2019.

### Classification of countries and offering

In terms of credit insurance, the Group believes that the countries of the region represent high-risk markets, with volatile economies. Most of these countries are in the process of expansion, though facing a high level of political uncertainty.

The portfolio of products sold by the Group in the region essentially consists of credit insurance policies, but also includes debtor information and debt collection services. Credit insurance policies are sold in approximately ten countries, the main ones being Argentina, Brazil, Chile, Colombia, Ecuador, Mexico and Peru in direct credit insurance, and other countries in which contracts are signed through partners.

Business information services are also available in all countries of the region, and the Group has dedicated enhanced information management teams in Argentina, Brazil, Chile, Colombia, Ecuador, Mexico and Peru (where, incidentally, one of the Group's three shared information management centres is based - see Section 1.5.1 "Credit insurance and related services"). Debt collection services are managed in seven dedicated centres, located throughout the region.

## Marketing and strategy

Given the classification of the countries of the region (markets with a high risk profile), the Group's strategy entails stabilising high-risk areas and focusing on developing the most profitable segments in specific countries.

As a leader on the market for more than 10 years now, the Group continues its selective geographic extension in Latin America, engaging in commercial activities based on targeted canvassing according to specific sectors in each of the markets of the region, to adapt them to the reality of sector-specific risks, with pricing adjusted to the realities of the risk profiles. In 2019, it continued to strengthen its relations with specialised brokers to supplement its direct sales force.

## Group activities in the Asia-Pacific region

### ► Availability of the Group's offering



## 1.6 GROUP STRATEGY

After the strategic study launched in February 2016 by Xavier Durand, in September 2016 Coface announced its three-year strategic plan Fit to Win to the market and to its employees. This plan was developed after in-depth consultations involving 31 countries, all regions and all of the Group's key functions.

Fit to Win seeks to reposition the Group as the most agile global trade-credit partner in the industry and to steer its capital management model towards greater efficiency and

## Key figures

The Group, which currently employs approximately 414 people in the Asia-Pacific region, earned revenue of €117.6 million in this region, or 7.9% of its total revenue for the financial year ended December 31, 2019.

## Classification of countries and offering

The Group has a direct presence in 13 countries: Australia, China, Hong Kong, India, Indonesia, Japan, Malaysia, the Philippines, Singapore, South Korea, Taiwan, Thailand and Vietnam.

In terms of credit insurance, the countries of the region essentially represent markets with a high risk profile, apart from Japan and Australia, which are economically mature markets, with a particularly low penetration rate in Japan.

The bulk of the Group's activities in the Asia-Pacific region comes from the direct or indirect sale of credit insurance contracts, which are marketed in all countries in the region.

The region also offers business information and debt collection services. It also owns one of the three back office centres in India used by the Group to process the debtor information that it receives (see Section 1.5.1 "Credit insurance and related services").

## Marketing and strategy

In Asia-Pacific, the Group distributes its products directly and through partnerships with insurers (fronters). The Group has branches with direct insurance licences in Australia, Hong Kong, Japan, Singapore and Taiwan, and has the largest partner network in the region. The latter comprises 38 partners. Lastly, consistent with the Group's multi-channel strategy, the region also uses specialised brokers and banking partners to market its offering.

profitability. This plan has enabled Coface to strengthen its customer service, improve its risk and cost control, and ultimately improve its results throughout the cycle.

To support this plan, Coface has made four values central to the Group's culture: Client focus, Expertise, Collaboration, and Courage & Accountability. These values continue to guide the operational principles and conduct that all Coface employees are expected to adopt.

## 1.6.1 Objectives and achievements of the Fit to Win plan

The objective of the Fit to Win plan was to make Coface the most agile international credit insurance partner in the sector. This was based on two guiding principles: prioritising value creation and maintaining a strong, sustainable financial position.

The Group committed to four financial objectives which it has achieved, and in some cases even exceeded:

- ◆ generate a 9% return on average tangible equity (RoATE) to end 2019 throughout the cycle, after optimising the capital management model. Thanks to the efforts made over three years and the approval in late 2019 of the partial internal model by the French regulator, the Prudential Supervision and Management Authority (ACPR), Coface achieved its objective of return on equity;
- ◆ Coface also committed to a combined ratio of 83% throughout the cycle. Thanks to effective cost and risk

control, Coface reduced its combined ratio after reinsurance from 97.4% in 2016 to 77.7% in 2019, exceeding the target set;

- ◆ following the transfer of state guarantees, Coface announced a savings plan of €30 million to end 2018. Again, the result exceeded the commitments made, as Coface achieved savings of €39 million to end 2018. Continuing its drastic cost management policy, Coface achieved a total of €48 million in 2019;
- ◆ lastly, in 2016 Coface committed to the objective of distributing over 60% of its net income as dividends to shareholders. Over the period 2016–2018, more than 80% of its net income was distributed to shareholders, and total shareholder returns were greater than 100%. Coface's financial position was strengthened thanks to (i) a solvency ratio of 190%—including the partial internal model—and (ii) a rating of AA- by Fitch and A2 by Moody's at the end of 2019.

## 1.6.2 Becoming the most agile international credit insurance partner in the sector

In a volatile economic environment, the Group considers agility an essential quality to guarantee its target profitability and create value for its clients. This requires galvanising its entire network and placing its underwriting teams at the service of its various client segments according to their needs and the changing macro- and microeconomic environments; managing its risks according to the specific nature of each country and sector; optimising its cost structure; and selectively rolling out its commercial resources.

This ambition is also based on the Group's capacity to innovate by offering new products and services, using digital distribution to reach its clients or new clients more effectively, and continuously enhancing information on companies using big data-type techniques.

To achieve this goal, the Group was able to:

- ◆ strengthen risk management and the quality of its information databases on companies;
- ◆ improve its operational efficiency while strengthening the service rendered to its clients;
- ◆ implement a selective, profitable growth strategy.

### Strengthening risk management and information quality

To manage claims through the cycle, the Group relies on expertise developed over the last 70 years and has decided to invest in and adapt its risk management platform to address changes and specific developments in various markets. In concrete terms, several projects have been completed, focusing on information and tools, underwriting processes and skills building.

### Investing in information databases

This goal entails acquiring more information in countries where it is incomplete, especially in emerging countries, but also through more substantial enhancement of existing information. To this end, the Group has hired 25 additional credit analysts tasked with enhancing information in certain

sensitive countries (South Africa, Turkey, Brazil, Russia, etc.) and in countries where there is a scarcity of available financial information such as North America, China or the United Arab Emirates.

### Improving the efficiency of underwriting processes, more particularly on the most risky segments

Because an efficient underwriting process should reflect the solvency of the buyer/debtor as well as the seller's risk management practices, the Group needs to ensure that risk underwriting strategies and commercial activity or even economic research are properly integrated. To this end, the Group has decided to create a single underwriting department to handle both credit risk underwriting and commercial underwriting. This single department has a comprehensive view of all underwriting operations.

The Group has also developed finer and more differentiated underwriting rules tailored to specific clients and sectors: underwriting and drafting of specific contracts, risk monitoring and exposures adjusted to the level of risk taken. With respect to the monitoring of exposures and portfolios, the Group has developed a more refined system of management of its risks through 38 sectors and five country risk levels (150 risk levels in total). Beyond the obvious impact on monitoring quality, this approach has helped to better anticipate risk trends, focus on coverage reductions rather than on terminations, and improve client satisfaction.

### Strengthening the Group's resources and talents in the risk area

In addition to strengthening its Risk Department, the Group has created a team of senior experts, capable of intervening in all countries to support local underwriters and collection teams during peak risk periods. This team has already made it possible to support the activity of local teams during peak activity periods or to take over in the event of a serious incident.



To ensure the continued improvement of underwriting practices, Coface has created schools specialising in risk underwriting and commercial underwriting. These Coface schools promote a faster and more effective induction of new arrivals into the Group, with transmission and sharing of best practices and expertise; they also offer continuing training to existing teams and ensure optimal career growth.

### Improving Group operational efficiency and services rendered to its clients

In addition to the need to cope with the loss of contribution linked to the transfer of the public procedures management business, the Group has decided to improve its operational efficiency to achieve a twofold goal: bolster the quality of customer service and adjust the cost structure of the organisation.

This ambition is backed by a series of major transformation projects, an evolving organisation and the creation of shared services centres, as well as measures taken to improve purchasing processes and better use of the Group's premises. Finally, a Lean Management programme has enabled the Group to optimise its processes and to release resources and redirect them to higher added-value tasks.

The investments required for realising this ambition were financed by the exceptional gain recorded by Coface in 2016 following the transfer of the State exports guarantees business to Bpifrance and by the savings generated under the Fit to Win action plan.

The target of €30 million in cost savings was exceeded in 2018, reaching €48 million in 2019. This achievement was supported by four main initiatives:

#### Simplifying and automating processes

The selected approach combined the implementation of a series of IT projects and the grouping of functions within operational centres of excellence, to pool and automate the appropriate tasks. Coface adopted a Lean Management approach, with the challenge of optimising the use of resources, reducing turnaround times and reallocating resources to higher added-value tasks.

In respect of major IT projects, the Group continues to (i) streamline and integrate IT applications on which the main business processes are based, (ii) modernise and revamp its core tools, as well as (iii) use new technologies for the automation and enhancement of information sources.

Implementation of these major projects enabled tremendous progress to be made in these areas:

- ◆ nearly 30 lean management projects have been launched throughout the Group since 2017 and have already freed up efficiency margins, sparing teams from having to perform numerous repetitive or low value-added tasks and allowing them to devote their time to service quality activities;
- ◆ major work was carried out in 2018 on harmonising and streamlining the clauses proposed in the TradeLiner offering and continued in 2019 with the setting up of a central clause list and a single contract management tool.

As with Autonomy, the interface which allows a paperless client acquisition process from credit insurance questionnaire through to issuing an offer, the new contract management tool will automate the processes for the issue, modification and renewal of contracts and thus meet client expectations in terms of efficiency and service quality;

- ◆ other major IT projects were launched or continued in 2019 to modernise or enhance the Group's tools, such as the debt collection tool expected to be rolled out in all countries in the early part of 2019, the claims management tool, and the factoring tool, as well as the revamping of the accounting tools in various regions where the Group operates;
- ◆ data science work has also been performed, specifically the modelling of policyholder scoring for the purpose of predicting contract terminations, and prospect scoring to allow sales resources to be better directed.

#### Establishing centres of excellence for certain functions to improve the Group's operational model

The Group has set up an IT excellence centre in Romania, specialised in development functions. This centre was inaugurated in June 2017 and is now fully operational. At the end of 2019, it consisted of some 80 employees in charge of studies and developments on part of Coface's range of applications. The app development tasks in question were entirely transferred in 2019.

The Group also expanded the activities of its five shared regional service centres in India, Morocco, Peru, Romania and Mexico, which now employ close to 350 full-time equivalent staff. The Group went even further by combining more support functions in these centres, to benefit not only from economies of scale but also to allow the sharing of expertise and best practices for the benefit of all Group countries, in particular small-sized ones.

#### Reviewing the purchasing and real estate portfolio management policy

Coface optimised its purchases and harmonised its purchasing policies and procedures throughout countries where the Group is located.

Partnerships were developed with its strategic suppliers to obtain offers more tailored to Coface's needs, on better terms.

A new travel policy was implemented to ensure the safety of travellers around the world while optimising travel costs.

The real estate portfolio was streamlined within different Group locations, resulting in:

- ◆ moving to more suitable, modern and often cheaper premises; or
- ◆ staying in the same premises, renegotiating the annual lease cost and extending it in advance;
- ◆ remodelling the premises in line with the Fit to Win strategy of the country or region, like the redevelopment of the premises in Bois-Colombes, which reduced the lease cost.

## Streamlining and simplifying the structure

Major work has been done to reduce the number of operating and legal entities in the Group. These structural simplifications allowed the creation of regional platforms like Lithuania for the Baltic countries or Denmark for the Nordic countries. These platforms give the countries concerned a structure with pooled resources at contained cost.

## Implement a selective, profitable growth strategy

A strategic review of the Group's activities has revealed the polarised nature of economic environments worldwide: growth-stunted markets subject to strong price pressures (in developed countries), compared with growth markets subject to high economic volatility (in many emerging markets), plus political discontinuities in several countries of the world. These observations led Coface to redefine its growth strategy, implementing a differentiated approach for specific geographic regions and client types to prioritise profitability over growth strictly speaking.

## Tailoring its commercial ambitions to specific markets

In so-called "mature" markets, characterised by a high credit insurance penetration rate, limited growth rates and strong competitive intensity, Coface faces the challenge of retaining as many clients as possible by offering quality service and improving the operational efficiency of its sales forces. In its Western Europe markets, the SME segment also represents untapped growth potential, subject to the availability of simple-to-use products that can be distributed through partnerships or digital channels at low cost.

In "under-penetrated" credit insurance markets, such as the US and Japan, the goal is to develop distribution in all its forms and increase opportunities for contacts with clients and prospects. Accordingly, in the US Coface launched a Broker Desk dedicated to broker relations, and internalised part of its broker network. A sector-specific approach with particular focus on major groups has been rolled out for this purpose.

In "stable emerging" markets, such as Central Europe, the Group has to assist with the transition processes of these economies, the emergence of new players in distribution and, more generally, increasingly fierce competition. The Group's strategy therefore entails gradually "automating" its commercial practices, stabilising its sales teams and continuing to invest in information.

In "high-risk" markets, priority is given to risk control and serving major international clients. The allocation of development resources has been dependent on the country's capacity to be profitable through better targeting of sectors and clients. Lastly, the Group continued to invest in information databases to develop the expertise required for profitable commercial underwriting.

## Segmenting the offering and marketing by type of client

In addition to this geographic dimension, the Group is also segmented by type of client: large accounts (CGS), mid-market companies, SMEs and financial institutions.

Large accounts represented one third of the Group's business in 2019. Coface continued to strengthen its value proposition by offering quality service across virtually the entire globe. The Group also implements services tailored to the specific expectations of certain clients: for instance, we support Japanese multinational groups by proposing a dedicated offering, delivered by staff familiar with Japanese culture.

Coface continued to expand in the mid-market segment, while stepping up the roll-out and conversion of TradeLiner for mid-market companies, enabling it to provide a standard offering while meeting the specific needs of its different markets. It is also continuing to invest in the IT applications underlying the business processes with the aim of achieving productivity gains and enhancing the quality of service provided to its clients.

With regard to the SME segment, the Group developed its distribution through new partnerships, particularly with banks, based on its EasyLiner offering. The partnerships signed in Italy or Spain allow these players to offer credit insurance solutions tailored to the profile and needs of their own clients.

Growth in the financial institutions client segment was particularly dynamic, particularly in France, Spain and Germany. The North American market offers huge potential which thus far has not been tapped to any great extent. Establishing a dedicated commercial and underwriting organisation at Group level and allocating local sales teams in the various regions resulted in increased visibility for the Group in the financial institutions market in 2019.

The Group also continues to develop its factoring activities in Germany (thanks to a new management team) and in Poland, and its surety bonds business, in addition to information and debt collection.

## Strategic partnerships and external growth

The Coface global network is a strong asset, both in risk management and in the value proposition to clients, and has continued to develop its presence locally (Slovenia, Greece, etc.) or *via* partners.

Finalised in April 2019, the acquisition of PKZ, a subsidiary of SID Bank and a leader in the credit insurance market in Slovenia, was a major milestone in strengthening Coface's presence in Central Europe and improving the service for clients operating in this region.

The Group continues to look for and develop strategic partnerships which allow it to diversify its client portfolio and strengthen its presence in regions where it perceives growth potential.

### 1.6.3 Evolving towards a more efficient capital management model

The Group continually steers its economic model towards more efficient capital management. Adequate capital compensation is a factor for long-term competitiveness and a major driver for creating value for its shareholders. The Solvency II prudential regime has strengthened this attention paid to both statutory and economic capital.

The Group's capital management policy addresses two major goals: maintaining the financial strength brought to its clients and financing its profitable growth. It is therefore reasserting its financial strength objectives, measured by a solvency ratio, and maintaining a minimum A financial rating from the rating agencies.

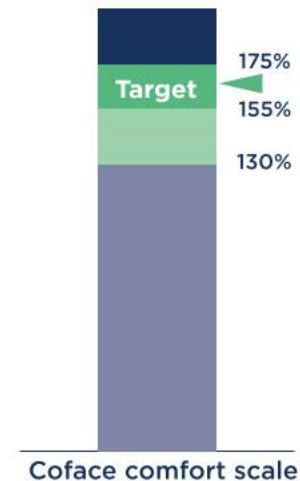
The Group has developed a new comfort scale (155%-175%)<sup>(1)</sup> in line with its risk appetite based on the partial internal model and the stress tests performed under its Own Risk and Solvency Assessment (ORSA). This scale, approved by its Board of Directors, takes into account the flexibility required to cope with external shocks as well as its growth needs.

Recently, the Group demonstrated its capacity to issue instruments that could be used to improve the efficiency of its balance sheet (subordinated debt, contingent equity) and continues to deploy this active strategy as regards available reinsurance options. The Group intends to continue this quest to optimise the cost of its solvency margin.

On December 4, 2019, the Group received the authorisation of the French Prudential Supervision and Resolution Authority (ACPR) to use its partial internal model to calculate its regulatory capital requirement under Solvency II as from December 31, 2019. The implementation of the partial internal model allows the Group to better align its regulatory capital requirement with the actual risks of the portfolio and its credit insurance business.

Furthermore, in its new strategic plan, Coface reasserted its intent to pay a dividend equal to or higher than 80% of its normalised net income, provided that its solvency remains in the target zone.

- Increase in the risk appetite (investments)
  - Possibility of additional investment in the growth of the business
  - Flexibility with regard to the distribution rate
- Distribution policies based on a distribution rate of 80%
  - Investment in the growth of the business
  - Maintenance of the investment risk appetite
- Increased selectivity regarding growth initiatives
  - Flexibility with regard to the distribution rate
- Restriction in growth initiatives
  - Reduction in the distribution rate



### 1.6.4 Principles and objectives of Build to Lead

Between 2017 and 2019, Fit to Win set a solid foundation for profitable growth. Coface relied on the achievements and lessons learned from this plan to build its new strategic plan for 2020-2023: Build to Lead.

The objective of Build to Lead is to create the conditions for long-term, profitable and sustainable growth. It consolidates the successes of Fit to Win by reinforcing

Coface's expertise, synergies and agility. It aims to assert Coface's leadership in credit insurance by placing the client at the centre of the Coface strategy, while creating growth options in adjacent activities, offering significant synergies with Coface's strengths.

(1) The ratio is not audited.

## 1.7 GROUP ORGANISATION

The Group's organisation relies on seven regions and functional departments. The Group's seven regions are autonomous profit centres, each headed by a CEO with direct authority over the country directors. Each region manages its own business and oversees its development according to its specific market conditions.

This organisation, built on precisely defined responsibilities and transparent governance, aims to facilitate implementation of the Group's strategic guidelines.

Since the launch of the Fit to Win strategic plan, the Group has continued to strengthen its teams. It relies on an organisation that promotes client focus and collaboration, while ensuring effective control of activity and risks. This organisation is based on:

- ◆ the Strategy and Development Department, led by Thibault Surer, to which the Transformation Office teams report; this department is responsible for accelerating the Company's transformation process (see Section 1.7.1);
- ◆ the Underwriting Department, led by Cyrille Charbonnel (since April 2017). This department comprises the Risk Underwriting, Information, Claims & Collections and Recovery, and Commercial Underwriting Departments (see Section 1.7.2);

- ◆ the Commercial Department led by Nicolas Garcia (see Section 1.7.3);
- ◆ the Audit Department led by Nicolas Stachowiak (see Section 1.7.4);
- ◆ the Finance and Risk Department led by Carine Pichon (see Section 1.7.5);
- ◆ the General Secretariat, led by Carole Lytton, which includes the Legal Department, the Human Resources Department, the Compliance Department and the Communications Department (see Section 1.7.6);
- ◆ the Business Technologies Department, led by Keyvan Shamsa. Resulting from the merger between the organisation and IT departments, the department fully plays its role in bringing IT activities closer to the business aspects, with priority given to a more cross-functional, agile approach in project implementation and maintenance (see Section 1.7.7).

The links with key functions (Risk, Actuarial, Compliance and Audit, see Section 5.1.2, "Organisation") are hierarchical, thus strengthening the consistent strategy of these functions at Group level as a whole, and ensuring effective performance of monitoring activities. For other functions, functional ties are organised according to the principle of a strong matrix organisation.

The organisational structure below shows the executive organisation of Coface at December 31, 2019:

### GENERAL MANAGEMENT COMMITTEE



### EXECUTIVE COMMITTEE



### 1.7.1 Strategy and Business Development department

Led by Thibault Surer, the scope of this department includes:

- ◆ strategic planning, which is in charge of strategic planning, the execution of strategic studies and Group development through external growth;
- ◆ marketing & innovation, which analyses competition (market studies), determines client segmentation, defines the Group's product and service offering and pricing, and conducts the innovation/digitisation strategy as well as the resulting projects;
- ◆ the partnership department, in charge of developing and setting up new distribution and fronting agreements;
- ◆ financial institutions, intended to strengthen our offering for this market segment;

- ◆ economic research, which performs analyses and publishes macroeconomic studies;
- ◆ the Transformation Office, covering all businesses, is divided into four areas:
  - global programme management, responsible for analysing the value of projects and prioritising them by providing support to business teams as soon as the intent is formed for the project, and for managing the project portfolio,
  - transformation & processes, aimed at identifying and implementing simplifications, optimisation and modernisation of operational processes and steering the lean management projects in process,
  - cross-functional project and change management,
  - shared services, producing economies of scale through the sharing of tasks as well as expertise and best practices across Group countries;
- ◆ Data Lab, in charge of supporting our Company's innovation and digital transformation projects;
- ◆ the Information offer, intended to develop this business line.

## 1.7.2 Underwriting Department

Led by Cyrille Charbonnel, this department combines commercial underwriting, claims & collections and recovery, risk underwriting, risk portfolio management, and information under the same management:

- ◆ Commercial Underwriting examines commercial decisions requiring head office approval and sets underwriting standards in contractual matters;
- ◆ Claims & Collections and Recovery is in charge of indemnification and debt collection procedures;
- ◆ Risk Underwriting defines and controls the policy on underwriting credit risks and monitors its application. Specifically, it oversees the largest outstanding amounts, as well as the most at risk, and analyses the monthly reports on credit risk activity for the Group as a whole. In addition, it underwrites major risks and coordinates risk underwriting centres. It thus supervises the risk underwriting centres within the Group's seven regions;
- ◆ Risk Portfolio Management is in charge of analysing the effectiveness of risk management and implementing the measures necessary for its improvement, and is responsible for the enhanced information (individual analyses of buyers) destined for risk underwriting;
- ◆ Information is tasked primarily with selecting and coordinating information providers and service centres to automatically supply the databases used by risk underwriting;
- ◆ the Underwriting Department is supplemented by two offices attached to it, responsible for monitoring specific risks: Single and Political Risk, and business conducted with financial institutions.

## 1.7.3 Commercial Department

Led by Nicolas Garcia, this department is tasked with structuring, organising and coordinating the Group's commercial activity. Its responsibilities extend to distribution networks, both brokerage-based and direct, and the large account portfolio. This department includes:

- ◆ commercial operations, which mainly handle promotion of mid-market segment sales and monitoring of sales activity;
- ◆ brokerage, in charge of organisation, strategy and promotion of brokered sales over all client segments;
- ◆ Global Solutions, devoted to the large account segment, which handles strategy, management and quality of service in this segment.

## 1.7.4 Audit Department

Led by Nicolas Stachowiak, this department is in charge of internal auditing. In particular, it performs three levels of periodic controls, according to the requirements of

Solvency II, and reports directly to the CEO, according to an audit plan approved by the Board of Directors.

## 1.7.5 Finance and Risk Department

Led by Carine Pichon, the Company's effective manager under Solvency II since November 2, 2015, this department, together with all of the Group's operational departments and entities, is tasked with steering and monitoring the Group's financial performance in all the countries where it is present.

Its tasks therefore consist in (i) accounting and taxation, (ii) publication of regulatory statements, (iii) financial communications and relations with investors and rating agencies, (iv) the set-up of balance sheet protection resources (in particular in the reinsurance sector), and (v) the Group's asset management, financing and purchasing.

In accordance with the new insurance sector and banking system rules, the actuarial function has been separated from the Risk Department and has reported directly to Carine Pichon since July 1, 2016:

- ◆ the Risks Department is in charge of supporting the actions of the general management teams to ensure the Group's long-term solvency and profitability, and monitor compliance with the requirements laid down by the Solvency II Directive. It covers the risk management and internal control functions as described in the Solvency II Directive;
- ◆ the Actuarial Department is responsible for such matters as analysing and processing the financial impacts of risk and setting rates. It works on modelling solvency and provisioning under Solvency II (internal model).

## 1.7.6 General Secretariat

Led by Carole Lytton, the general secretariat includes the functions below:

- ◆ Legal, which acts as a consultant to all Group entities. It is specifically in charge of the smooth operation of the Group's corporate bodies and committees, in addition to substantial litigation;
- ◆ Compliance, which is in charge of overseeing the Group's compliance with all rules governing its activities;
- ◆ Human Resources, which is in charge of providing change management support to general management and all employees. The function manages human

resource procedures and policies, and implements numerous initiatives in talent and skills development, remuneration and performance management;

- ◆ Communications, which defines and implements the Group's internal and external communications strategy, both in France and abroad. It carries out this task in liaison with general management.

The General Secretariat is in charge of organising and promoting the Group's corporate social responsibility (CSR) policy.

## 1.7.7 Business technologies

Led by Keyvan Shamsa, this department comprises:

- ◆ two cross-functional units responsible for the development, deployment and management of IT resources shared by the Group;
- ◆ a functional unit covering the Coface businesses, which conducts impact studies and supports the implementation of various IT projects of the Group and users;

- ◆ an international unit comprising the seven regions and providing coordination and consistency between the business, Business Technology areas and regions.

# 1.8 INFORMATION SYSTEMS AND PROCESSES

## 1.8.1 General introduction

The use of efficient, reliable and secure information systems is a major challenge for the Group in the context of its commercial offerings; the digital experience provided to its clients through its offerings is an important development thrust. It is also equally important for its management, reporting and internal control procedures, allowing it to have a global perspective on its activities, the completion of its strategic plans and its development, the management of its risks, and the follow-up given to internal and external audit reports.

In recent years, the Group has focused on aligning its information systems on its strategic objectives, and unifying and securing business data. This approach has continued as part of the new strategic plan, which includes a strong component of streamlining processes and automation of information systems. In accordance with its business continuity plan (BCP), all servers worldwide are hosted in two external data processing centres (data centres) located in France in the Paris region. The data is backed up on a private cloud. These two sites combine the Group's information system equipment (servers, storage, backups, network and telecommunications equipment, etc.). In the

event of a failure at one of these two sites, the other takes over in a completely transparent manner for all users. User backup sites are also planned in the event of a crisis for significant entities, in particular for head office staff. The “Information Systems” portion of the BCP is tested at least once a year (see Section 5.1.3 “Defining and measuring risks”, subheading “Operational and non-compliance risks”).

The Group has chosen to guarantee a high level of expertise and quality in data management, and has leant towards open information systems, which allow it to keep abreast of the technological developments needed for its activities, through a range of applications consisting of internally developed applications and software packages.

Furthermore, the Group’s information systems follow a quality process based on the ITIL (Information Technology Infrastructure Library) and CMMI (Capability Maturity Model Integration) standards, and an active certification process. As such, the Coface Group’s information systems have been ISO 9001 certified since 2000 <sup>(1)</sup>.

Overall, thanks to this new architecture, maintenance costs have fallen and security and assurance of business continuity have been improved. The Group is committed to investing in its information systems, particularly to support its commercial and innovation strategy, while also controlling related expenses and investments.

## 1.8.2 Group applications and tools

The main operational applications and tools directly linked to the services delivered by the Group and its clients, and quoted in this registration document, are described below.

Applications	Description
<b>ATLAS</b>	ATLAS is the IT underwriting tool for the credit insurance business and for the risk underwriting management of all the Group’s businesses, for all of its entities and a number of partners of the Coface Partner network. ATLAS incorporates all functions necessary for commercial underwriting and monitoring (receipt of a request for credit limit cover, automatic or manual underwriting, management and follow-up of the risk covered, as well as outstanding amounts and portfolios). It offers comprehensive management of debtor risks: the various risks are integrated, and outstanding amounts are managed and viewable. The quality of Group-level reporting and control procedures is thereby improved. This tool—accessible 24/7 excluding programmed maintenance periods—contains access to information on more than 70 million businesses worldwide, thereby allowing a quick answer to an initial request for a credit limit. In addition, this tool offers an integrated view of the information contained in the Group’s main risk analysis tools (ATLAS, EASY, ATLAS-INFO, WORKLIST, CUBE) and a link to these applications in a single portal.
<b>DCON</b> (Debt Collection Online)	DCON is a tool used by the Group in the context of its debt management and collection activities, and for managing outstanding invoices linked to this business line. It combines all tasks and reminders relating to a file, and likewise facilitates the communication and sharing of information among the Group’s entities. The modernisation of this tool in 2020 will simplify and harmonise the underlying processes and improve the reliability of the quality of the data shared with clients around the world.
<b>EASY</b>	EASY is a centralised Group database and software tool which allows companies to be identified, regardless of their location in the world. It is linked to all Group applications which require access to such data, notably enabling: <ul style="list-style-type: none"> <li>◆ search and identification of debtors;</li> <li>◆ ongoing management of the content and quality of information in this database (history of modifications made);</li> <li>◆ file duplication and data standardisation;</li> <li>◆ cross-checking with lists of debtors that appear on the anti-money laundering lists of international institutions.</li> </ul>
<b>CofaNet</b>	CofaNet is a secure web platform for managing the flow of information dedicated to the Group’s policyholders. Using this platform, each policyholder may, in a few seconds, identify its debtors, identify its receivables with covered risks, declare its claims, or even track indemnification of its unpaid receivables. The platform offers key services for the Group’s various business lines. It went through a major upgrade at the end of 2017 and is now part of a client portal.
<b>Other Group tools</b>	The Group also provides other IT tools used for its various businesses, such as NAVIGA for surety bond management, SONATA for Single Risk management, and MAGELLAN for factoring. INVOICING, an invoicing tool, and iNCA, a litigation management tool, are deployed in the Northern Europe and Central Europe regions and will be extended to the other regions of the world under the strategic plan.

(1) ISO: Founded in 1947, ISO (International Organisation for Standardisation) is the world’s leading producer of voluntary international standards in almost all technological and economic domains. These standards establish quality specifications that are applicable to products, services and best practices in order to boost efficiency in all sectors of the economy.

## 1.9 THE GROUP'S REGULATORY ENVIRONMENT

The Group is governed by specific regulations in each of the countries in which it operates its insurance or factoring activities, either directly, or through subsidiaries or partnerships.

### 1.9.1 Credit insurance activities

#### General rules on oversight and control of the Group's activities

The French Insurance Code (Code des assurances), notably in Book III thereof, provides that an insurance company holding an authorisation from a Member State that allows it to perform its activities in one or more classes of insurance, may exercise these same activities, directly or through branch offices, within the context of the European passport.

As an insurance company, Compagnie française d'assurance pour le commerce extérieur is subject to the provisions of the French Insurance Code and European Union regulations, in particular Solvency II. Compagnie française d'assurance pour le commerce extérieur and its branches in the European Union are placed under the control of the ACPR, the French Prudential Supervision and Resolution Authority, an independent administrative authority tasked with ensuring, in particular, that insurance companies are always capable of meeting their commitments to their policyholders, by the application of appropriate internal policies and a sufficient level of equity capital. In this respect, Level Two controls have been put in place since 2008. They primarily concern regulatory licences and authorisations, compliance with the regulations relating to the protection of personal data, the establishment of specific procedures to guarantee data confidentiality, rules of governance, compliance with anti-money laundering legislation, and "Know Your Customer" obligations assumed by insurance companies, along with the effectiveness of the reporting procedures.

The Company, as a holding company for an insurance group, is likewise subject to the ACPR's additional oversight as concerns compliance with the solvency standards (see Section 5.2.4 "Financial Risks").

In accordance with Articles L.322-4 and R.322-11-1 to R.322-11-3 of the French Insurance Code, any party (acting alone or in concert) that intends to increase or decrease its interest, directly or indirectly, in the share capital of the Company or Compagnie française d'assurance pour le commerce extérieur, such that the voting rights held by that party (or parties, in the case of a disposal or extension of interest made in concert) would go above or below the threshold of one tenth, one fifth, one third or one half of the voting rights in the Company or in Compagnie française d'assurance pour le commerce extérieur, is required to inform the ACPR of such plan and obtain its approval in advance. Pursuant to Article L.561-2 of the French Monetary and Financial Code, Compagnie française d'assurance pour le commerce extérieur is subject to the legislative mechanism relating to combating money laundering and the financing of terrorism. The current mechanism, codified under Title Six, Book V of the French Monetary and Financial Code, includes oversight of any practices whereby third parties would use insurance operations to engage in corruption or to re-inject funds obtained by committing criminal offences into the legal economy. Transactions likely to be the result of an act of corruption, money laundering,

or terrorism financing are analysed and, where applicable, result in a declaration of suspicion to TRACFIN (traitement du renseignement et action contre les circuits financiers clandestins - Financial Intelligence Unit), which is the competent authority for this subject area in France.

Owing to the entry into force in 2017 of the French Law of 9 December 2016 on transparency, anti-corruption and the modernisation of economic life, known as "Sapin II", the Group has reviewed its internal procedures in order to verify their legal and regulatory compliance.

#### Prudential regime for insurance companies

The prudential regime for insurance companies, to which the Company is subject as an insurance group as defined in Article L.356-1 5 of the French Insurance Code, comprises two aspects which govern their operation: a financial component on the one hand, and an accounting component on the other. The companies of the Group operating outside of the European Union are likewise subject to a prudential regime.

#### Financial aspect of the prudential regime for insurance companies

The regulations derived (i) from Directive No. 2009/138/EC of the European Parliament and of the Council of November 25, 2009 on the taking-up and pursuit of the business of insurance and reinsurance, transposed by ordinance and decree into the French Insurance Code in April and May 2015, and (ii) from its implementing texts, including the delegated regulations of the European Commission ("the Commission"), notably delegated Regulation (EU) 2015/35 supplementing the aforementioned directive, came into force on January 1, 2016 (together "Solvency II").

The aim of Solvency II is, in particular, to achieve better understanding of the risks of insurers, and create a common system for all European Union members (see Section 5.2.2 "Risks linked to financial markets and to the Group's financial strength").

In this context, Solvency II lays down the rules relating to the valuation of assets and liabilities, technical provisions, equity, solvency capital requirement, minimum capital requirement and the investment rules to be applied by insurance companies.

In this regard, with the exception of Coface PKZ Zavarovalnica d. d., a Slovenian subsidiary acquired by the Company in 2019, the insurance entities located on EU territory are branches of the Company, thus allowing all the assets of these entities to be centralised, leaving only the minimum cash required for operational requirements at local level. In other countries, regardless of the legal status of the entity concerned, it must comply with local regulations. To that end, the entities have locally maintained their asset portfolios as well as their cash in an effort, in particular, to respond to the asset-liability and solvency requirements set by local regulators.



### Accounting aspect of the prudential regime for insurance companies

In addition to the general accounting obligations enacted by Articles L.123-12 et seq. of the French Commercial Code, the Group is subject to specific accounting rules for insurance companies, which have been codified under Title IV, Book III of the French Insurance Code. In fact, the inversion of the production cycle that is specific to insurance activities, *i.e.* the fact of providing services with an actual cost that will only be known after the fact, justifies the existence of the specific accounting rules for the companies that conduct these activities.

The Group's consolidated financial statements are prepared in application of IFRS rules including IFRS 4, phase 1. This standard requires that the references used for insurance contracts as defined by IFRS be a recognised set of accounting guidelines. The Group has thus adopted the French principles to show the accounting of the insurance contracts. The provision for equalisation is not accepted under IFRS, and was thus eliminated in the IFRS financial statements. Furthermore, the Group must apply IFRS 4, paragraph 14, and specifically proceed to conduct liability adequacy tests.

It should be noted that IFRS 4, which specifically deals with insurance contracts, is being revised and will be replaced by IFRS 17, which was scheduled to come into force on 1 January 2021 and has been deferred to 1 January 2022. For this reason and in order to avoid a competitive imbalance between insurance companies that belong to a financial conglomerate and others, IFRS 9, concerning financial instruments negotiated on cash or derivative markets, which came into force in 2018, will not be applicable to insurance holdings until 1 January 2022.

### Regulations applicable to credit insurance contracts signed by the Group

The contracts issued in each of the countries where it is present comply with the corresponding country's regulations. In France, credit insurance contracts issued by the Group are not subject to the provisions of the French Insurance Code, but rather to those of the general law on contracts – with the exception of the provisions of Article L.111-6 (major risks), L.112-2 (pre-contractual information), L.112-4 (content of insurance policies), L.112-7 (information to be provided when the contract is offered with freedom of services) and L.113-4-1 (reasons to be provided to the policyholder by the credit insurer when the guarantee is terminated) of the French Insurance Code.

## 1.9.2 Factoring activities in Germany and Poland

Factoring is regulated by the German banking law (Kreditwesengesetz) as a financial service (and not as a banking activity), and is defined as the ongoing disposal of receivables based on a master agreement with a third-party institution, with or without recourse against the ceding company. As a financial service (Finanzdienstleistung), as defined in German banking law, the factoring business is regulated and subject to oversight by the German financial regulation authority, BaFin (Bundesanstalt für Finanzdienstleistungsaufsicht), which notably requires authorisation to conduct such activities.

In Poland, factoring activities that are performed within the context of the local Civil Law scheme on disposal of receivables are not specifically supervised, with the caveat that they are subject to Polish anti-money laundering regulations.

The law and regulations applicable to the Group's factoring activities in Germany and Poland do not impose any requirements in terms of regulatory capital or liquidity. At the Group level, regulatory capital requirements are calculated in accordance with the Basel regulations applicable to banking activities (see Section 3.4.2 "Group Solvency").



# 2

## CORPORATE GOVERNANCE

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## 2.1 STRUCTURE AND OPERATION OF THE BOARD OF DIRECTORS AND ITS SPECIALISED COMMITTEES

### 2.1.1 Mapping of the characteristics of the members of the Board of Directors for financial year 2019 <sup>(1)</sup>

Name	Age	Gender	Nationality	Shares	Independent status	Start of term	End <sup>(1)</sup>	Attendance rate <sup>(6)</sup>	Participation in committees of the Board of Directors <sup>(7)</sup>
François RIAHI	47	♂	French	500	NO	15/06/18	2020	100%	NCC
Jean ARONDEL	69	♂	French	1,000	NO	21/11/12	2020	100%	-
Nathalie BRICKER Appointed on May 16, 2019	51	♀	French	500	NO	16/05/19	2022	100%	-
Jean-Paul DUMORTIER Resigned on Jul. 25, 2019	71	♂	French	550	NO	26/07/13	2020	100%	AAC
Éric HÉMAR	56	♂	French	892	YES	01/07/14	2021	71%	AAC (Ch.)
Daniel KARYOTIS	59	♂	French	1,000	NO	08/02/17	2020	71%	-
Isabelle LAFORGUE	39	♀	French	500	YES	27/07/17	2020	100%	AAC
Nathalie LOMON	48	♀	French	900	YES	27/07/17	2020	71%	RC (Ch.)
Sharon MACBEATH	51	♀	British	500	YES	01/07/14	2021	100%	NCC
Marie PIC-PÂRIS Co-opted on Oct. 23, 2019	59	♀	Monegasque	500	NO	23/10/19	2020	50% <sup>(8)</sup>	-
Isabelle RODNEY	54	♀	French	500	NO	03/11/16	2020	100%	RC
Anne SALLÉ-MONGAUZE	54	♀	French	500	NO	03/11/16	2020	100%	RC
Olivier ZARROUATI	61	♂	French	500	YES	01/07/14	2021	100%	NCC (Ch.)
<b>Average</b>	<b>54 <sup>(2)</sup></b>	<b>58% <sup>(3)</sup></b>	<b>17% <sup>(4)</sup></b>		<b>42% <sup>(5)</sup></b>	<b>5-year term</b>		<b>92% <sup>(6)</sup></b>	

For the purposes of their corporate mandates, the members of the Board of Directors are domiciled at the head office of the Company.

(1) Until the Ordinary Shareholders' Meeting called to approve the financial statements for the financial year ending December 31 of the specified year.

(2) Average on December 31, 2019.

(3) Percentage of women on December 31, 2019.

(4) Percentage of foreign national directors on December 31, 2019.

(5) Percentage of independent directors on December 31, 2019. As the Company is controlled by Natixis within the meaning of Article L.233-3 of the French Commercial Code, the recommendation of Article 8.3 of the AFEP-MEDEF Code which requires this committee to include at least one-third independent members has therefore been met (see Section 7.3.3 "Declaration relating to the Company's control by the majority shareholder").

(6) Average attendance rate at Board meetings.

(7) AAC: Audit and Accounts Committee/RC: Risk Committee/NCC: Nominations and Compensation Committee/Ch.: Chairman

(8) As Marie Pic-Pâris was co-opted on October 23, 2019, her attendance was calculated on the basis of the last two meetings of 2019.

♀ Female ♂ Male

(1) In the interests of transparency, directors whose terms of office expired during the financial year are also indicated.

## 2.1.2 Experience and offices of the members of the Board of Directors

The Board of Directors is composed of 12 members. Information relating to the members of the Board of Directors and notably their principle offices outside the Coface Group are described in the section below <sup>(1)</sup>.



### François RIAHI

**Chairman of the Board of Directors**

since June 15, 2018

#### FRENCH NATIONALITY

Age: 47

#### ATTENDANCE RATE AT BOARD MEETINGS

100%

#### ATTENDANCE RATE AT NOMINATIONS AND COMPENSATION COMMITTEE MEETINGS

100%

#### EXPIRATION DATE OF THE TERM OF OFFICE

Ordinary Shareholders' Meeting called to approve the financial statements for the financial year ended December 31, 2020

#### PRINCIPAL TERMS OF OFFICE AND DUTIES OUTSIDE THE COFACE GROUP

##### During financial year 2019

- Chief Executive Officer (CEO) of Natixis\*
- Member of the Board of BPCE
- Chairman of the Board of Directors of Natixis Payment Solutions
- Chairman of the Board of Directors of Natixis Assurances
- Chairman of the Board of Directors of Natixis Investment Managers
- Director: Peter J. Solomon GP Company LLC, Peter J. Solomon Securities LLC

##### During the past five years and which are no longer held

- Member of the Board and Chief Executive Officer (CEO) in charge of Finance, Strategy, Legal Affairs and Corporate Secretariat for the BPCE Supervisory Board
- Member of the General Management Committee and Co-Head of Natixis Corporate & Investment Banking\*
- Member of the Executive Committee and Head of Corporate & Investment Banking's Asia Pacific Platform for Natixis\*
- Permanent representative of BPCE: director of Crédit Foncier de France and director and Deputy CEO of CE Holding Participations
- Permanent representative of Natixis\*: director of Natixis Coficiné
- Chairman of the Supervisory Board of Natixis Pfandbriefbank AG
- Director: Natixis Japan Securities Co Ltd, Natixis North America LLC, Natixis Assurances, Natixis Asia Ltd, Natixis Australia PTY Ltd

#### CURRICULUM VITAE

François Riahi is Chief Executive Officer (CEO) of Natixis and a member of the BPCE Board. He is a graduate of the École centrale de Paris school of engineering, the Paris Institute of Political Science (Sciences Po) and the Stanford Executive Program, and is a former student of the École nationale d'administration (ENA). He began his career as an Inspecteur des Finances (auditor) at the Inspection Générale des Finances. In March 2009, he joined the BPCE group first as Deputy CEO and Chief Strategy Officer and then Head of Corporate & Investment Banking's Asia Pacific Platform for Natixis. In 2016, he joined Natixis' General Management Committee as Co-Head of Corporate Banking. Between January 2018 and June 2018, he was Chief Executive Officer (CEO) of BPCE, in charge of Finance, Strategy and Corporate Secretariat.

\* Listed company.



### Jean ARONDEL

**Director**

since November 21, 2012

#### FRENCH NATIONALITY

Age: 69

#### ATTENDANCE RATE AT BOARD MEETINGS

100%

#### EXPIRATION DATE OF THE TERM OF OFFICE

Ordinary Shareholders' Meeting called to approve the financial statements for the financial year ended December 31, 2020

#### PRINCIPAL TERMS OF OFFICE AND DUTIES OUTSIDE THE COFACE GROUP

##### During financial year 2019

- Chairman of the Steering and Supervisory Board of Caisse d'Épargne Loire-Centre
- Chairman of the Board of Directors of Société Locale d'Épargne Pays Chartrain et Drouais
- Director of CE Holding Participations of the BPCE group
- Non-voting member of the BPCE Supervisory Board
- Chairman of the Board of Directors of the Fédération Nationale des Caisses d'Épargne
- Ex officio Chairman of the Compensation Committee of Caisse d'Épargne Loire-Centre
- Ex officio Chairman of the Appointments Committee of Caisse d'Épargne Loire-Centre
- Member of the Board of Directors of the Caisse d'Épargne Loire-Centre corporate foundation
- Member of the Audit Committee of Caisse d'Épargne Loire-Centre
- Member of the Risks Committee of Caisse d'Épargne Loire-Centre
- Chairman of the Association pour l'Histoire des CEP
- Vice-Chairman of World Savings Bank Institute (WSBI)
- Co-manager: SNC Écureuil - 5 rue Masseran

##### During the past five years and which are no longer held

- Director of NATIXIS LEASE (SA) for Caisse d'Épargne Loire-Centre
- Chairman of the Caisse d'Épargne Loire-Centre corporate foundation

#### CURRICULUM VITAE

Jean Arondel, an engineer and HEC graduate, is the Chairman of the Steering and Supervisory Board of Caisse d'Épargne Loire-Centre. He has served in executive functions within various companies in the manufacturing, cosmetics and financial sectors, and was also a director at Natixis Lease.

(1) In accordance with legal requirements and the recommendations of the AFEP-MEDEF Code, Coface directors cannot hold more than four other terms of office in listed companies outside the Group, including abroad.



## Nathalie BRICKER

### Director

since May 16, 2019

#### FRENCH NATIONALITY

Age: 51

#### ATTENDANCE RATE AT BOARD MEETINGS SINCE MAY 16, 2019

100%

#### EXPIRATION DATE OF THE TERM OF OFFICE

Ordinary Shareholders' Meeting called to approve the financial statements for the financial year ended December 31, 2022

#### PRINCIPAL TERMS OF OFFICE AND DUTIES OUTSIDE THE COFACE GROUP

##### During financial year 2019

- Natixis Payment Solutions: permanent representative of Natixis\* - director
- Compagnie Européenne de Garanties et Cautions: permanent representative of Natixis\* - director
- BPCE Vie: permanent representative of Natixis\* - director and member of the Audit and Risk Committee
- Natixis Investment Managers: permanent representative of Natixis\* - director and member of the Audit and Accounts Committee
- Compagnie de Financement Foncier: director and member of the Audit Committee

##### During the past five years and which are no longer held

- Natixis Assurances: director
- Nexgen Financial Holdings LTD: director

#### CURRICULUM VITAE

##### Natixis\*

- 2018 to date: Chief Financial Officer, member of the General Management Committee
- From 2016 to 2018: Head of Accounting and Ratios at the Natixis group, member of the Executive Committee
- From 2013 to 2016: Head of Accounting and Ratios at the Natixis group
- From 2007 to 2013: Head of Accounting at the Natixis group
- From 2005 to 2007: Head of Accounting Standards and Systems

##### CDC IXIS

- From 2004 to 2005: Head of the Accounting Department
- From 2000 to 2004: Deputy Head of the Accounting Department and Head of the Corporate Accounts sector

##### Caisse des dépôts et consignations

- From 1998 to 2000: Head of the Central Accounting department
- From 1995 to 1998: facilitator of the accounting network for the Markets and Custodian activities

##### KPMG Audit, Paris

- From 1991 to 1995: policy assistant and then policy officer, specialising in banking audits

\* Listed company.



## Jean-Paul DUMORTIER

Resigned on July 25, 2019

### Director

since July 26, 2013

#### FRENCH NATIONALITY

Age: 71

#### ATTENDANCE RATE AT BOARD MEETINGS

100%

#### ATTENDANCE RATE AT AUDIT AND ACCOUNTS COMMITTEE MEETINGS

100%

#### EXPIRATION DATE OF THE TERM OF OFFICE

Ordinary Shareholders' Meeting called to approve the financial statements for the financial year ended December 31, 2020

#### PRINCIPAL TERMS OF OFFICE AND DUTIES OUTSIDE THE COFACE GROUP

##### During financial year 2019

- Chairman of Holding Wilson 250 SAS
- Chairman of the Board of Directors of SCM Habitat Rives de Paris
- Chairman of the Board of Directors of Banque Populaire Rives de Paris
- Chairman of Imocominvest OPCI
- Chairman of Imocominvest 2 OPCI
- Director of Crédit Foncier de France

##### During the past five years and which are no longer held

- Director of SOVAFIM

#### CURRICULUM VITAE

Jean-Paul Dumortier, a graduate of the Institut d'études politiques de Paris and a former student of ENA, has been Chairman of the Board of Directors of Banque Populaire Rives de Paris since 2013. After starting his career in the financial sector, he became Chairman and Chief Executive Officer (CEO) of Foncière Paris France from 2005 to 2012, and has been director of Banque Populaire Rives de Paris since 2004.



## Éric HEMAR

**Independent director**

since July 1, 2014

### FRENCH NATIONALITY

Age: 56

### ATTENDANCE RATE AT BOARD MEETINGS

71%

### ATTENDANCE RATE AT AUDIT AND ACCOUNTS COMMITTEE MEETINGS

100%

### EXPIRATION DATE OF THE TERM OF OFFICE

Ordinary Shareholders' Meeting called to approve the financial statements for the financial year ended December 31, 2021

### PRINCIPAL TERMS OF OFFICE AND DUTIES OUTSIDE THE COFACE GROUP

#### During financial year 2019

- Chairman & Chief Executive Officer (CEO) of ID Logistics group\*
- Chief Executive Officer: IDL Supply Chain South Africa, IDL Fresh South Africa, ID Assets (Taiwan)
- Chairman: ID Logistics, ID Logistics France, ID Logistics France 3, ID Logistics Mayotte, ID Logistics Océan Indien, Ficopar, Timler, Les Parcs du Lubéron Holding, IDL Bucharest
- Chairman of the Board of Directors: France Paquets, ID Logistics (Nanjing) Business Consultation, ID Logistics Nanjing, ID Logistics Taiwan
- Director: ID Logistics China Holding Hong Kong, ID Logistics Switzerland SA, ID Logistics Nanjing, ID Logistics Taiwan, ID Logistics (Nanjing) Business Consultation, France Paquets, ID Logistics group, ID Logistics Belgium, IDE Enterprise (Taiwan)
- Member of the Supervisory Board: Dislogic, ID Logistics Polska
- Permanent representative of Les Parcs du Lubéron Holding, Chairman of SAS Les Parcs du Lubéron 1
- Permanent representative of ID Logistics, Chairman of SAS ID Logistics France 9, SAS ID Logistics France 10, SAS ID Logistics Selective 6, SAS ID Logistics Selective 7, SAS ID Logistics France 13, SAS ID Logistics France 14, SAS ID Logistics France 15
- Permanent representative of ID Projets to the Board of Directors of Froid Combi
- Manager: FC Logistique R&D, ID Logistics Maroc, ID Logistics Training

#### During the past five years and which are no longer held

- Chief Executive Officer: IDL Logistics (Mauritius)
- Director: ID Logistics, ID Logistics La Réunion, ID Logistics (Mauritius)

### CURRICULUM VITAE

Éric Hémar, a former ENA student, began his career at the Cour des comptes before joining the Ministry of Equipment, Transportation and Tourism in 1993, where he served as Technical Adviser to Minister Bernard Bosson. In 1995, he joined the Sceta group, and then Geodis as General Secretary. He left Geodis Logistics in March 2001 to create the ID Logistics group\*. Mr Hémar has been Chairman and Chief Executive Officer (CEO) of the ID Logistics group since 2010.

\* Listed company.



## Daniel KARYOTIS

**Director**

since February 8, 2017

### FRENCH NATIONALITY

Age: 59

### ATTENDANCE RATE AT BOARD MEETINGS

71%

### EXPIRATION DATE OF THE TERM OF OFFICE

Ordinary Shareholders' Meeting called to approve the financial statements for the financial year ended December 31, 2020

### PRINCIPAL TERMS OF OFFICE AND DUTIES OUTSIDE THE COFACE GROUP

#### During financial year 2019

- Chief Executive Officer (CEO) of Banque Populaire Auvergne Rhône Alpes and a member of the BPCE Board
- Non-voting member of the BPCE Supervisory Board
- Member of the Board of Directors, Chairman of Banque de Savoie
- Permanent representative of Banque Populaire Auvergne Rhône Alpes, director: i-BP, Pramex International, Fondation Paul Bocuse
- Permanent representative of Banque Populaire Auvergne Rhône Alpes, non-voting member: Siparex
- Permanent representative of Banque Populaire Auvergne Rhône Alpes, Chairman: Garibaldi Capital Développement and SAS Sociétariat

#### During the past five years and which are no longer held

- Permanent representative of Banque Populaire Auvergne Rhône Alpes, director: Compagnie des Alpes\*
- Permanent representative of BPCE, director of Natixis\*, Crédit Foncier de France, CE Holding Promotion
- Member of the Board of Directors of Nexity\*

### CURRICULUM VITAE

Daniel Karyotis graduated from Sciences Po Paris with a Master's degree in econometrics and has a degree from Sorbonne University's Centre de perfectionnement d'analyse financière in Paris. He is also a member of the Société française des analystes financiers (SFAF).

After commencing his career with Société Générale in the financial markets from 1985 to 1987, he went on to hold financial analyst positions at Standard & Poor's. He then joined Caisse d'Épargne Champagne Ardennes (CECA), where he occupied various senior management positions from 1992 to 1997. He sat on the Board of Caisse d'Épargne du Pas de Calais from 1998 to 2001 and was Chairman of the Board of CECA from 2002 to 2007. In 2007, he was appointed Chief Executive Officer of Banque Palatine until 2012, when he was appointed member of the Board of BPCE in charge of Finance, Risks and Operations. In 2016, he led the merger of three Banque Populaires in the Auvergne-Rhône-Alpes region, creating BPAURA, where he has been CEO since its inception.

\* Listed company.



## Isabelle LAFORGUE

**Independent director**

since July 27, 2017

### FRENCH NATIONALITY

Age: 39

### ATTENDANCE RATE AT BOARD MEETINGS

100%

### ATTENDANCE RATE AT AUDIT AND ACCOUNTS COMMITTEE MEETINGS

100%

### EXPIRATION DATE OF THE TERM OF OFFICE

Ordinary Shareholders' Meeting called to approve the financial statements for the financial year ended December 31, 2020

### PRINCIPAL TERMS OF OFFICE AND DUTIES OUTSIDE THE COFACE GROUP

#### During financial year 2019

- Executive VP Finance & Operation, Owkin

#### During the past five years and which are no longer held

- Chief Transformation Officer, Econocom\*
- Deputy CEO for France, Econocom\*

### CURRICULUM VITAE

After graduating from *École polytechnique* and *École des Mines de Paris*, Isabelle Laforgue commenced her career at SFR in 2006, where she held various roles in the Strategy and Finance Departments. She was appointed Director of Central Finance in 2011, in charge of management control, accounting, financial communications and consolidation. In 2012, she was appointed Chief of Staff to the Chairman and Chief Executive Officer of SFR, advising, analysing and supporting the decision-making processes during a period of change and market consolidation. In 2015, she joined Econocom, a European company specialising in the digital transformation of businesses, as Chief Transformation Officer to develop and implement the Group's internal transformation. In 2017, she became Deputy CEO for France at Econocom. In 2019, she joined Owkin, a start-up specialising in the use of artificial intelligence in cancer research, as Executive VP Finance & Operation.

\* Listed company.



## Nathalie LOMON

**Independent director**

since July 27, 2017

### FRENCH NATIONALITY

Age: 48

### ATTENDANCE RATE AT BOARD MEETINGS

71%

### ATTENDANCE RATE AT RISK COMMITTEE MEETINGS

100%

### EXPIRATION DATE OF THE TERM OF OFFICE

Ordinary Shareholders' Meeting called to approve the financial statements for the financial year ended December 31, 2020

### PRINCIPAL TERMS OF OFFICE AND DUTIES OUTSIDE THE COFACE GROUP

#### Since September 2019

- SEB Internationale SAS, CEO
- Immobilière Groupe SEB SAS, CEO
- WMF Group GmbH: member of the Supervisory Board
- ZHEJIANG SUPOR Co. Ltd: director and member of the Audit committee
- Fonds de dotation Groupe SEB: director representing the founding members

#### During financial year 2019

- EVP Finance, Legal & Governance, Ingenico group SA\*
- Director, Ingenico Holdings Asia Limited (HK)
- Director, Fujian Landi Commercial Equipment Co., Ltd.
- Manager, Ingenico e-Commerce Solutions BVBA/SPRL (BE)
- Director, Ingenico Financial Solutions NV/SA (BE)
- Director, Ingenico do Brasil Ltda.
- Director, Ingenico Holdings Asia II Limited (HK)
- Director, Stichting Beheer Derdengelden Ingenico Financial Solutions (IFS Foundation)
- Chairman of the Supervisory Board and member of the Audit Committee, Global Collect Services B.V.
- Director, Fixed & Mobile Pte. Ltd.
- Director, Fixed & Mobile Holdings Pte. Ltd.
- Director, Ingenico Corp.
- Chairman, Ingenico Business Support S.A.S.
- Chairman, Ingenico 5 S.A.S.
- Director, Bambora Top Holding AB

#### During the past five years and which are no longer held

- Director, Ingenico International (Singapore) Pte. Ltd.
- Director, Ingenico Japan Co. Ltd.
- Director, Ingenico Inc. (Oct. 13, 2015 – Dec. 31, 2017)
- Chairman, Ingenico France S.A.S. (Dec. 13, 2011 – May 31, 2016)
- Chairman, Ingenico Terminals S.A.S. (Dec. 13, 2011 – May 31, 2016)
- Director, Ingenico México, S.A. de C.V. (June 3, 2015 – Oct. 24, 2017)
- Director, Ingenico (Latin America) Inc. (June 8, 2015 – May 19, 2017)
- Director, GCS Holding BV (Jan. 25, 2016 – Oct. 25, 2017)

### CURRICULUM VITAE

Nathalie Lomon has been Deputy CEO, overseeing the SEB group's finance, audit and legal functions, since September 2019. She is also a member of the Executive Committee and the General Management Committee.

A graduate of the NEOMA Business School, Nathalie Lomon began her career in auditing at Mazars in 1995 before joining the General Inspection department at BNP Paribas in 1999. In 2002, she joined Pechiney where she held several financial and management positions, including Chief Financial Officer for the Aeronautical, Transport and Industry division of Rio Tinto Alcan. She then joined the Ingenico group in 2010 as Head of Management Control, subsequently becoming Chief Financial Officer for the European-SEPA region in 2014 and then Chief Financial Officer in 2015, overseeing the finance, legal & governance functions, as well as being a member of the Executive Committee.

\* Listed company.





## Sharon MACBEATH

**Independent director**

since July 1, 2014

### BRITISH NATIONALITY

Age: 51

### ATTENDANCE RATE AT BOARD MEETINGS

100%

### ATTENDANCE RATE AT NOMINATIONS AND COMPENSATION COMMITTEE MEETINGS

100%

### EXPIRATION DATE OF THE TERM OF OFFICE

Ordinary Shareholders' Meeting called to approve the financial statements for the financial year ended December 31, 2021

### PRINCIPAL TERMS OF OFFICE AND DUTIES OUTSIDE THE COFACE GROUP

#### During financial year 2019

- Group HR Department of Hermès International\* since June 17, 2019

#### During the past five years and which are no longer held

- Director of Group Human Resources, member of the Executive Committee of Rexel\*
- Member of the Board and Executive Committee, Director of Human Resources and Communications for the Tarkett group\* (until May 1, 2019)
- Director on the Supervisory Board of Hermès International\* until March 2019\*
- Member of the Hermès International Audit Committee\* until March 2019\*
- Member of the Nominations, Compensation and Governance Committee of Hermès International\* until March 2019\*

### CURRICULUM VITAE

Sharon MacBeath has a degree in psychology and management from the University of Glasgow, holds a Master's degree in human resources from the Sorbonne, and has an EMBA from INSEAD. After founding the consulting firm EMDS, which specialises in the recruitment, selection and development of highly promising young people with international profiles, she has worked in France since 1991 in the field of human resources. She held the position of Director of Human Resources for the pharmacy and beauty line of the Rexam group before becoming Director of Human Resources and Communications for Redcats, a company in the Kering group (formerly PPR) in 2005. Ms MacBeath was Head of Human Resources and a member of the Executive Committee of the Rexel group between 2013 and the end of 2016. She has been a member of the Board and Head of Human Resources at the Tarkett group since January 2017, before moving from a role as director on the Supervisory Board at Hermès International\* to the role of Group Human Resources Director at Hermès International\* in June 2019.

\* Listed company.



## Marie PIC-PÂRIS

**Director**

since October 23, 2019

### MONEGASQUE NATIONALITY

Age: 59

### ATTENDANCE RATE AT BOARD MEETINGS

50% (as Marie Pic-Pâris was co-opted on October 23, 2019, her attendance was calculated on the basis of the last two meetings of 2019)

### EXPIRATION DATE OF THE TERM OF OFFICE

Ordinary Shareholders' Meeting called to approve the financial statements for the financial year ended December 31, 2020

### PRINCIPAL TERMS OF OFFICE AND DUTIES OUTSIDE THE COFACE GROUP

#### During financial year 2019

- Chairman of the Board of Directors of Banque Populaire Rives de Paris
- Director of the Eyrolles group
- Director of TF1\*
- Director of Banque Palatine

#### During the past five years and which are no longer held

- 2018 – Director of aufeminin.com
- 2015 – Director of La Procure

### CURRICULUM VITAE

Marie Pic-Pâris is a graduate of the ESSEC Business School. She started her career in banking at BNP Paribas then at the Crédit Agricole group, where she mainly worked on setting up complex banking transactions (financing planes and LBOs). In 1994, she founded the company Futurekids, a computer science school introducing children aged three and up to new technologies. She sold her company in 2002 and went on to hold senior management positions with consultancy firms, including Bernard Julhiet. In 2006, she joined the family-owned Eyrolles group as General Secretary and was then appointed CEO in 2008.

\* Listed company.



## Isabelle RODNEY

### Director

since November 3, 2016

#### FRENCH NATIONALITY

Age: 54

#### ATTENDANCE RATE AT BOARD MEETINGS

100%

#### ATTENDANCE RATE AT RISK COMMITTEE MEETINGS

100%

#### EXPIRATION DATE OF THE TERM OF OFFICE

Ordinary Shareholders' Meeting called to approve the financial statements for the financial year ended December 31, 2020

#### PRINCIPAL TERMS OF OFFICE AND DUTIES OUTSIDE THE COFACE GROUP

##### During financial year 2019

- Chairman of CAZ Foncière 2 SAS
- Member of the Board of CECAZ SA
- Permanent representative of CECAZ on the Board of Directors of AEW Foncière Écureuil
- Chairman of the Board of Directors of MURACEF SA

##### During the past five years and which are no longer held

- None

#### CURRICULUM VITAE

Isabelle Rodney has been a member of the Board of Caisse d'Épargne Côte d'Azur since August 2008. She is in charge of the finance and expertise division and oversees in this respect the Financial Department, the Commitments and Recovery Department as well as the Customer Services Department. A graduate of the Paris École supérieure de commerce and the Stanford Executive Program, holder of a degree in business law and an actuary diploma, from 1986 to 1993 she worked as a broker, trader and treasurer in various financial organisations (Coficoba, BMF, Casden Banque Populaire). Within the Banque Populaire group, she was later appointed Sub-Director in the Casden group, in charge of the Treasury, ALM, planning and Management Control. In 2001, she joined the Caisse nationale des Caisses d'Épargne (CNCE), where she held the position of Director of the Planning and ALM Department. She was then appointed Director of the Financial Performance Department in 2007, after following the Caisse d'Épargne group's course for senior managers.



## Anne SALLÉ-MONGAUZE

### Director

since November 3, 2016

#### FRENCH NATIONALITY

Age: 54

#### ATTENDANCE RATE AT BOARD MEETINGS

100%

#### ATTENDANCE RATE AT RISK COMMITTEE MEETINGS

100%

#### EXPIRATION DATE OF THE TERM OF OFFICE

Ordinary Shareholders' Meeting called to approve the financial statements for the financial year ended December 31, 2020

#### PRINCIPAL TERMS OF OFFICE AND DUTIES OUTSIDE THE COFACE GROUP

##### During financial year 2019

- Chief Executive Officer of Compagnie Européenne de Garanties et Cautions (CEGC)
- Manager of: CEGC Conseil, SCI SACCEF La Boétie

##### During the past five years and which are no longer held

- Manager of: SCI SACCEF Champs-Élysées
- Chief Executive Officer (CEO) of Natixis HCP
- Director of HCP NA LLC (United States)
- Permanent representative of Natixis HCP on the Board of Directors of Kompass International Neuenschwander SA and ELLISPHERE
- Permanent representative for CEGC on the Board of Directors of SIAGI

#### CURRICULUM VITAE

Anne Sallé-Mongauze graduated from the Paris Institut d'études politiques and holds a postgraduate degree in economics and finance. She started her career in 1987 at the Autorité des marchés financiers (French Financial Markets Authority), in the inspection division. In 1995, she joined the Banque Populaire group as Deputy Manager of the Equity Capital Markets Department. She joined the Finance Department in 2003 and participated in the steering of various growth operations. In 2006, she was appointed M&A Manager at Natixis' Strategy Division, before becoming Director of Strategy in 2013. On August 25, 2014, she was appointed Chief Executive Officer of Compagnie Européenne de Garanties et Cautions, a subsidiary of BPCE.



## Olivier ZARROUATI

### Independent director

since July 1, 2014

#### FRENCH NATIONALITY

Age: 61

#### ATTENDANCE RATE AT BOARD MEETINGS

100%

#### ATTENDANCE RATE AT NOMINATIONS AND COMPENSATION COMMITTEE MEETINGS

100%

#### EXPIRATION DATE OF THE TERM OF OFFICE

Ordinary Shareholders' Meeting called to approve the financial statements for the financial year ended December 31, 2021

#### PRINCIPAL TERMS OF OFFICE AND DUTIES OUTSIDE THE COFACE GROUP

##### During financial year 2019

- Chairman of Thélème SASU

##### During the past five years and which are no longer held

- Chairman of: Zodiac Aerotechnics, GEAD
- Director: Icore GmbH (Germany), HeathTechna (United States) and Chairman of the Board and member of the Executive Committee of Zodiac Aerospace\*
- Chairman: Zodiac Engineering, Sicma Aero Seat Services (United States), Zodiac US Corporation (United States), Fondation ISAE-SUPAERO
- Director: Air Cruisers Company LLC (United States), Avox Systems Inc. (United States), C&D Aerospace Canada Co. (Canada), C&D Zodiac Inc. (United States), Esco (United States) formerly Engineering Arresting Systems (United States), Zodiac Interconnect UK Ltd (formerly Icore) (United Kingdom), Mag Aerospace Industries Inc. (United States), Zodiac Parachutes Industries of Southern Africa Pty (South Africa), Zodiac Aerospace UK Ltd (United Kingdom), Zodiac Seats France, Monogram Train LLC (United States), Sicma Aero Seat Services (United States)
- Member of the GIFAS Board
- Member of GEAD

#### CURRICULUM VITAE

Olivier Zarrouati is a former student of the École polytechnique and an engineering graduate of the École nationale supérieure de l'aéronautique (SUPAERO) and of Harvard's Kennedy School in Cambridge, USA. After beginning his career as an engineer in the armaments sector, he held the positions of engineer and Head of Major Projects at the CNES (Centre national d'études spatiales) from 1982 to 1988, and then at Matra Marconi Space from 1989 to 1994. He joined Intertechnique, which was purchased by Zodiac in 1999, as Head of External Development and Subsidiary Control. He subsequently performed various functions within the Zodiac Aerospace group, in particular as Chief Executive Officer (CEO) of the Aerosafety Systems segment and as CEO of aeronautical businesses. From 2007 to 2017, he was Chairman of the Board and Director of the Executive Committee of the Zodiac Aerospace group. He has also been Chairman of the Fondation Institut Supérieur de l'Aéronautique et de l'Espace SUPAERO since 2011. In 2017, he founded his own company, Thélème.

\* Listed company.

### 2.1.3 Operation of the Board of Directors

The Board of Directors has developed Internal Rules which can be consulted on the website at <http://www.coface.com/Group/Our-organisation>, in the Board of Directors tab.

#### Convening notice of the Board of Directors

The Board of Directors meets as often as required in the interests of the Company, and at least once per quarter.

Board meetings are convened by the Chairman. However, directors representing at least one third of the Board members may convene a meeting of the Board, detailing the agenda, if there has been no meeting for more than two months. Where the duties of CEO are not performed by the Chairman, the CEO may also ask the Chairman to convene a Board meeting to consider a fixed agenda.

Board meetings are held either at the registered office or at any other location indicated in the convening notice. The convening notice is in the form of a simple letter or e-mail, sent to the Board members within a reasonable period of time before the scheduled date of the meeting. It is sent out by the Board Secretary.

In the event of an emergency as defined below ("Emergency"), the following accelerated procedure may be applied.

An Emergency is defined as an exceptional situation (i) marked by the existence of a brief period of time, imposed by a third party on penalty of being time-barred, and for which a failure to comply could result in harm to the Company or one of its subsidiaries or (ii) which requires a quick response from the Company which is incompatible with the application of the Board of Directors' usual time frame for a convening notice.

In an Emergency, the meeting may be convened using all appropriate methods, even verbally, and the time frames for convening and holding the meeting of the Board of Directors shall not be subject to the provisions described above, insofar as the Chairman of the Board of Directors of the Company has:

- ◆ first sent notice to the directors providing the basis for the Emergency as defined above; and
- ◆ sent all directors, with the convening notice for said Board meeting, all the information needed for their analysis.

#### Conduct of the Board of Directors' meetings

Meetings of the Board of Directors are chaired by the Chairman of the Board of Directors or, in his absence, by the oldest director or by one of the Vice-Chairmen, as the case may be.

In accordance with the legal and regulatory provisions, and except when adopting decisions relating to the review and closing of the annual corporate and consolidated financial statements, directors participating in the Board meeting by video conference or telecommunication that meet the technical criteria set by the current legal and regulatory provisions are deemed to be present for the purposes of calculating the quorum and the majority.

Each meeting of the Board of Directors must be long enough for useful and in-depth debate on the agenda. Decisions are made by a majority of the votes of the members present or represented. In the event of a tie, the Chairman of the Board of Directors shall have the casting vote.

In the event of a malfunction in the video conference or telecommunications system, as noted by the Chairman of the Board of Directors, the Board may make valid decisions and/or move forward with just the members who are physically present, provided that the quorum conditions are met.

#### Informing the Board of Directors

Pursuant to the terms of Article 21 of the Company's Articles of Association, and Article 3.4 of the Board of Directors' Internal Rules, the Board carries out the inspections and verifications which it deems necessary. The Chairman or the Chief Executive Officer must send each director all the documents and information needed for the accomplishment of their duties.

The directors must have access to the information that will allow them to make an informed decision, sufficiently in advance of the meeting of the Board of Directors. However, for urgent matters, or when respect for confidentiality so requires, and in particular when sensitive strategic, commercial or financial information is at issue, this information may be provided during the meeting. Directors shall likewise receive, if they so request, a copy of the minutes of the Board of Directors' deliberations.

Furthermore, the directors receive all useful information on the events or operations which are significant for the Company in between meetings.

The Company has set up a Group-level governance system based on a clear separation of responsibilities with a system for the provision of information. This governance system includes the following key functions: risk management, verification of compliance, internal audit and actuarial functions (see Section 5.1.2 "Organisation"). Each key function operates under the ultimate responsibility of the Board of Directors, to which it reports.

- ◆ Information at the initiative of the Board of Directors.

The Board of Directors consults key function managers, directly and at its own initiative, whenever it deems this necessary and at least once a year. This consultation can take place in the absence of the Chief Executive Officer (CEO) if the Board members consider it necessary. The Board of Directors may refer this consultation to a specialised Board committee.

- ◆ Information at the initiative of a key function manager.

Key function managers may inform the Board of Directors, directly and at their own initiative, of the occurrence of certain events that warrant this action. They must do so immediately upon encountering a major problem that falls within their purview. The key function manager must send a written report of the problem to the Chairman. The report must include a detailed explanation of the problem as well as all the elements required to understand it. The report must include recommendations for resolving the problem. The Chairman then communicates this report to the Board members.

## 2.1.4 Activities of the Board of Directors in 2019

The Board of Directors met seven times in 2019.

The average attendance rate was 92%.

The main subjects reviewed by the Board of Directors in 2019 included the following:

Financial position, cash and commitment of the Company	<ul style="list-style-type: none"> <li>◆ Approval of the 2018 annual financial statements (corporate and consolidated)</li> <li>◆ Review of quarterly and half-yearly financial statements</li> <li>◆ Approval of the 2020 budget</li> </ul>
Internal control/Risks	<ul style="list-style-type: none"> <li>◆ Solvency II: approval of all written policies as drafted or revised in 2019</li> <li>◆ Regulatory reports: ORSA, RSR, SFCR, actuarial reports and anti-money laundering reports</li> <li>◆ Appetite for risk</li> <li>◆ Examination, approval of the documentation on the partial internal model and submission of the approval application to the French Prudential Supervision and Resolution Authority (ACPR)</li> </ul>
Corporate governance	<ul style="list-style-type: none"> <li>◆ Convening of a Combined Shareholders' Meeting on May 16, 2019</li> <li>◆ Self-assessment of the Board's work</li> <li>◆ Appointment of a director</li> <li>◆ Co-opting of a director</li> <li>◆ Appointment to the Audit Committee</li> <li>◆ Assessing the independence of directors</li> <li>◆ Investor perception study</li> </ul>
Compensation	<ul style="list-style-type: none"> <li>◆ Compensation of the Chief Executive Officer, Xavier Durand</li> <li>◆ Approval of the 2019 Long-Term Incentive Plan</li> </ul>
Financial operations	<ul style="list-style-type: none"> <li>◆ Authorisation to issue guarantees as part of its factoring business</li> <li>◆ Decision to implement a share buyback programme in May 2019 as part of the LTIPs plans</li> <li>◆ Renewal of the liquidity agreement</li> <li>◆ Cancellation in July 2019 of shares repurchased in January 2019</li> </ul>
Corporate strategy	<ul style="list-style-type: none"> <li>◆ Progress on the Fit to Win strategic plan</li> <li>◆ Reporting on the progress of development of the new strategic plan</li> <li>◆ Review of the 2020-2023 strategic plan</li> <li>◆ Strategy seminar on October 23, 2019</li> </ul>
Businesses	<ul style="list-style-type: none"> <li>◆ Presentation of the Central Europe region,</li> <li>◆ Presentation of the Northern Europe region</li> </ul>

## 2.1.5 Diversity policy applied to the members of the Board of Directors

The Company is vigilant with regard to the diversity of the members of its Board of Directors, in order to ensure that the latter operates in a manner appropriate to the Company's business and development, in compliance with applicable regulations. The Company also refers to the provisions of the AFEP-MEDEF Code in implementing its diversity policy. Several criteria are applied:

### ◆ Number of directors

The number must reflect the size of the Company and the aforementioned diversity. In 2019, there were 12 directors.

### ◆ Seniority and age of directors

The Company complies with the regulations as concerns the term of corporate offices, and strives to have a wide range of ages represented on its Board. In 2019, the average age of directors was 54 years.

### ◆ Proportion of independent and non-independent members

The Company complies with the rules applicable to narrowly held and controlled companies. 42% of the members of the Board of Directors are independent directors. Two-thirds of the directors, including the Chairman, sitting on the Audit and Accounts Committee and the Nominations and Compensation Committee are independent directors. The Risk Committee is chaired by an independent director.

- ◆ International diversity

The Company takes into account international diversity, which stood at 17% in 2019.

- ◆ Gender equality

The Company strives to maintain a gender balance on its Board of Directors. In 2019, the proportion of women on the Board was 58%.

- ◆ Skills and expertise

The Company ensures its directors possess specific skills in certain fields, in order to ensure that the Board has the requisite expertise in terms of financial skills, insurance regulations, human resources and digital technology.

## 2.1.6 Assessment of the Board's work

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The Company carried out a self-assessment of the work of its Board of Directors and its specialised committees in accordance with the recommendations of the Corporate Governance Code for listed AFEP-MEDEF companies.

This exercise was conducted using a questionnaire.

The assessment mainly focused on:

- ◆ the organisation, operation and composition of the Board;
- ◆ the relevance of the agendas and discussions on topics of importance to the Company;
- ◆ the relationship between the directors and general management;
- ◆ assessing the work of the specialised committees;
- ◆ the Board's general level of performance.

Generally, the Board's overall performance was considered satisfactory in terms of its organisation and work, the involvement and authority of the directors, the responses to the questions the Company was asked, the confidence in the Chairman and Chief Executive Officer (CEO) and its compliance with the rules of governance.

The main areas to improve on in 2020 are as follows:

- ◆ creation of a shared space for documents for the Board of Directors and the committees;
- ◆ continuing efforts to give directors more time to read documents;
- ◆ strengthening expertise in insurance on the Board.

## 2.1.7 Analysis of the independence of members of the Board of Directors

Pursuant to the AFEP-MEDEF Code, the Board of Directors must review the status of independent directors every year. At its meeting of February 11, 2019, the COFACE SA Board of Directors reviewed the situation of each director with respect to the criteria recommended in the AFEP-MEDEF Code and the analysis of the Corporate Governance High Committee, (HCGE) in the AFEP-MEDEF Code application guide revised in December 2018.

In order to evaluate the independence of directors and in the absence of any other dependence criteria, Coface attaches particular importance to any business relationship with a company in which the directors hold senior management positions.

In the event of the existence of any such relationship, Coface assesses any impact it could have on the independent judgement of the director. In order to do this, Coface analyses a body of evidence and parameters, including in particular the nature of the activity, the place of credit insurance in the strategy of the Company, the importance of the contract with regard to the Company's turnover and the existence of an alternative offering at comparable conditions on the market. Comparable criteria are applied for relationships in which there is a contract for the supply of goods or services.

The independence of directors was assessed at the Board of Directors' meeting on December 17, 2019.

It is clear from this review that Éric Hémar and Olivier Zarrouati do not meet any dependence criteria. The Board of Directors had previously recognised Sharon MacBeath as independent when she held senior management positions at Tarkett. Sharon MacBeath left Tarkett in mid-2019 to become Head of Human Resources at the Hermès group, which has no commercial link with Coface. Isabelle Laforgue now holds positions at Owkin, for which no commercial link has been identified. Nathalie Lomon holds senior management positions within the SEB group, a company insured by Coface. However, the analysis did not identify any dependent relationship between the two companies. The amount of premiums paid by SEB is less than 0.3% of the amount of COFACE premiums. Conversely, the competitive conditions that characterise the credit insurance market would allow SEB to provide an alternative in the event that there is a break in its relations with Coface. This affiliation does not therefore affect the independence of Nathalie Lomon.

Criteria to be assessed	Éric Hémar	Nathalie Lomon	Sharon MacBeath	Isabelle Laforgue	Olivier Zarrouati
Not to have held an employee position or a corporate mandate within the past five years in Natixis, Coface, or one of its subsidiaries.	✓	✓	✓	✓	✓
Not to be a corporate officer of a company in which Coface directly or indirectly holds a directorship or in which an employee or corporate officer of Coface holds or has held a directorship within the past five years.	✓	✓	✓	✓	✓
Not to be a client, supplier, corporate banker, significant investment banker of the Company or its group, or for which the Company or its group represents a significant proportion of the business.	✓	✓	✓	✓	✓
Not to have a close family tie to a corporate officer.	✓	✓	✓	✓	✓
Not to have been an auditor of Coface over the past five years.	✓	✓	✓	✓	✓
Not to have been a director of Coface for more than 12 years.	✓	✓	✓	✓	✓
Not to be a director representing a significant shareholder of Coface or Natixis.	✓	✓	✓	✓	✓
Not to receive or have received significant supplementary compensation from Coface or from the Group outside of the compensation for attendance at meetings of the Board of Directors and its committees, including for participation in any form of options on shares, or any other form of performance-linked compensation.	✓	✓	✓	✓	✓

The percentage of independent directors on the Board is 42% as at December 31, 2019.

## 2.1.8 Specialised committees, offshoots of the Board of Directors

Pursuant to Article 18 of the Company's Articles of Association, the Board of Directors may decide to form, with or without the participation of individuals who are not directors, committees or commissions to examine issues that the Board itself or its Chairman refers for their assessment. These committees or commissions perform their duties under its responsibility.

In this regard, the Board of Directors has established an Audit and Accounts Committee, a Risk Committee, and a Nominations and Compensation Committee, whose composition, powers and rules of operation are described below.

### Audit and Accounts Committee

During financial year 2019, the members of the Audit and Accounts Committee were Mr Éric Hémar (Chairman), Ms Isabelle Laforgue and Mr Jean-Paul Dumortier until his resignation on July 25, 2019. As at the date of this report, Ms Marie Pic-Pâris is a member of the Committee, replacing Mr Jean-Paul Dumortier.

Two-thirds of the members of the Audit and Accounts Committee are independent members of the Board of Directors. It thus conforms to the recommendation of the AFEP-MEDEF Code according to which this committee must have a majority of independent members.

### Composition (Article 1 of the Audit and Accounts Committee Internal Rules)

#### ◆ Members

The Audit and Accounts Committee has three members, who have the appropriate and requisite qualifications to exercise their functions effectively, including particular expertise in financial or accounting matters. They are appointed from among the directors of the Company for the duration of their term of office as members of the Board of Directors.

At least two-thirds of the members of the Audit and Accounts Committee are independent members of the Board of Directors.

#### ◆ Chairman

The Chairman of the Audit and Accounts Committee will be one of the members of the Audit and Accounts Committee nominated by the Company's Board of Directors from among the independent members for the duration of his/her term of office as a director.

The Chairman of the Audit and Accounts Committee will exercise his/her functions in accordance with the Audit and Accounts Committee Internal Rules.

The Chairman of the Audit and Accounts Committee will set the dates, times and places of the meetings of the Audit and Accounts Committee, set the agenda and chair its meetings. The convening notices for the meetings will be sent by the Committee's Secretary,

who reports to the Board of Directors on the opinions and recommendations expressed by the Audit and Accounts Committee for the Board of Directors to consider.

The Chairman of the Audit and Accounts Committee will ensure that the preparation and due process of the work of the Audit and Accounts Committee is monitored between each of its meetings.

### Duties (Article 3 of the Audit and Accounts Committee Internal Rules)

The role of the Audit and Accounts Committee is to ensure that matters concerning the development and verification of accounting and financial information are monitored, in order to facilitate the Board of Directors' duties of control and verification. In this regard, the committee issues opinions and/or recommendations to the Board of Directors.

Accordingly, the Audit and Accounts Committee will, in particular, exercise the following principal functions:

#### ◆ Monitoring the preparation of financial information

The Audit and Accounts Committee must examine the annual or half-year corporate and consolidated financial statements before they are presented to the Board of Directors, to ensure the accounting methods used to prepare these financial statements are relevant and consistent.

The Audit and Accounts Committee reviews in particular the level of technical provisions and any situations that could create a significant risk for the Group, as well as all financial information or quarterly, half-year or annual reports on the Company's business, or produced as a result of a specific transaction (such as asset contribution, merger or market transaction).

It reviews the accounting treatment of all major transactions.

The examination of the financial statements should be accompanied by a presentation by the Statutory Auditors indicating the key points not only of the results of the statutory audit, in particular the audit adjustments and significant weaknesses in internal control identified during the conduct of the audit, but also the accounting methods used, as well as a presentation by the Chief Financial Officer describing the Company's risk exposure and its material off-balance sheet commitments.

It examines the scope of consolidated companies.

#### ◆ Monitoring the control of the external audit of financial statements

The Audit and Accounts Committee is responsible for monitoring the legal control of the corporate and consolidated financial statements by the Company's Statutory Auditors.

The Audit and Accounts Committee has regular discussions with the Statutory Auditors during the Audit and Accounts Committee meetings dealing with the review of the procedures for preparing financial information and the review of the financial statements in order to report on their performance and the conclusions of their work.

The Audit and Accounts Committee should also monitor the Company's Statutory Auditors (including without the presence of the executives), in particular their working schedule, potential difficulties encountered in the exercise of their duties, modifications which they believe should be made to the Company's financial statements or other accounting documents, irregularities, anomalies or accounting inaccuracies which they may have identified, uncertainties and material risks relating to the preparation and treatment of accounting and financial information, and material weaknesses in internal control that they may have discovered.

It is responsible for monitoring the independence of the Statutory Auditors and compliance with the professional code of conduct.



The Audit and Accounts Committee shall meet the Statutory Auditors at least once a year without the presence of the executives. In this respect, the Audit and Accounts Committee should also review, with the Statutory Auditors, the risks affecting their independence and the preventive measures taken to mitigate such risks. It must, in particular, ensure that the amount of the fees paid by the Company and the Group, or the share of such fees in the revenues of the firms and their networks, would not impair the independence of the Statutory Auditors.

At the same time, the Statutory Auditors will also present to the Audit and Accounts Committee a report on compliance with their obligations regarding the professional code of conduct for Statutory Auditors and with professional auditing standards.

To this end, the Audit and Accounts Committee must, in particular, ask to receive each year:

- the Statutory Auditors' statement of independence;
  - the amount of the fees paid to the network of Statutory Auditors by the companies controlled by the Company or the entity controlling the Company in respect of services that are not directly related to the Statutory Auditors' mission; and
  - information concerning the benefits received for services directly related to the Statutory Auditors' mission.
- ◆ **Selection and renewal of the Statutory Auditors**
- The Audit and Accounts Committee must oversee the selection and renewal of the Statutory Auditors, and must submit the result of this selection to the Board of Directors. When the Statutory Auditors' term expires, the selection or renewal of the Statutory Auditors may be preceded, at the suggestion of the Audit and Accounts Committee and the decision of the Board of Directors, by a call for tenders overseen by the Audit and Accounts Committee, which will approve the specifications and choice of firms consulted, and ensure the selection of the "best bidder" and not the "lowest bidder".
- The Audit and Accounts Committee reports regularly on the exercise of its duties to the Board of Directors and informs it without delay of any difficulties encountered.
- ◆ **Approval of the provision by the Statutory Auditors of services other than account certification**
- Pursuant to the provisions of Article L.822-11-2 of the French Commercial Code, the committee approves the provision by the Company's Statutory Auditors of services other than account certification. In this case, it makes this decision after having reviewed the risks affecting the independence of the Statutory Auditors and the preventive measures adopted by the latter.
- ◆ **Internal control duties**
- The Audit and Accounts Committee provides its opinion on the organisation of the Audit Department.
- The committee receives a copy of the Company's annual audit plan. It reviews this plan, in cooperation with the Risk Committee.
- It is responsible for monitoring internal audit recommendations when these relate to its areas of expertise. It receives regular summary reports from management.
- It receives a copy of the annual compliance plan.
- ◆ **Annual budget**
- Before the beginning of each financial year, it reviews the Company's draft budget and monitors the budget process throughout the financial year.

## Operation (Article 2 of the Audit and Accounts Committee Internal Rules)

- ◆ **Frequency of meetings and procedures for convening meetings**

The Audit and Accounts Committee will be convened whenever necessary and at least four times a year. The Audit and Accounts Committee will, in particular, meet prior to each Board meeting if the agenda includes the examination of a matter within its remit and sufficiently in advance of any Board meeting for which it is preparing resolutions.

- **Ordinary convening of meetings**

Meetings of the Audit and Accounts Committee are called in writing, with convening notices issued by the committee's Secretary and sent to each member. The Chairman of the Company's Board of Directors may, as necessary, refer a matter to the Chairman of the Audit and Accounts Committee and ask them to convene said committee to discuss a specific agenda.

- **Extraordinary convening of meetings**

Two members of the Audit and Accounts Committee may ask its Chairman to convene a meeting of the committee to discuss a certain agenda or to add one or more points to the agenda in accordance with the limits and powers of said committee. In the event that the Chairman of the Audit and Accounts Committee does not grant this request within a period of 15 days, the two members may convene the Audit and Accounts Committee and set the agenda for its meeting.

If the Company's Statutory Auditors consider there is an event which exposes the Company or its subsidiaries to a significant risk, they may ask the Chairman of the Audit and Accounts Committee to convene a meeting of said committee.

- ◆ **Form and timing for convening meetings**

The notice convening the Audit and Accounts Committee contains the detailed agenda for the meeting and is sent to the members of the Audit and Accounts Committee with reasonable prior notice. The information allowing the members of the Audit and Accounts Committee to issue informed advice during this meeting is sent to the members of said committee, to the extent possible, sufficiently in advance of the meeting.

In case of an urgent matter, the Audit and Accounts Committee may be convened at any time by its Chairman, acting under an exceptional procedure. In this case, the Audit and Accounts Committee meeting does not need to comply with the time limits for the above convening notice as long as the urgent matter is declared in the convening notice and the information allowing the members of the Audit and Accounts Committee to issue informed advice has been sent prior to the meeting.

- ◆ **Attendance at Audit and Accounts Committee meetings**

If any member is unable to attend a meeting of the Audit and Accounts Committee, he or she may participate in the meeting by phone or video conference.

Only the members and the Secretary of the Audit and Accounts Committee are entitled to attend its meetings.

At the Chairman's proposal, the Audit and Accounts Committee may invite to any of its meetings any executive of the Company (including an executive of any of the principal subsidiaries) capable of informing the work of the Audit and Accounts Committee, as well as the Statutory Auditors of the Company.

◆ Quorum and majority rule

The opinions and recommendations expressed by the Audit and Accounts Committee can only be valid if at least half of its members (including the Chairman) are present.

No member of the Audit and Accounts Committee may represent another member.

The opinions and recommendations of the Audit and Accounts Committee will be adopted if the Chairman and the majority of members present at the meeting vote in favour.

◆ Secretariat and minutes of meetings

The Secretary of the Company's Board of Directors is responsible for the secretariat of the Audit and Accounts Committee.

The opinions and recommendations of the Audit and Accounts Committee will be included in a written report. One copy of the report will be sent to all members of the Audit and Accounts Committee and another, if required, will be sent by the Chairman to the directors of the Company.

### Activity of the Audit and Accounts Committee

The Audit and Accounts Committee met five times in 2019. The average attendance rate was 100%.

The main work notably addressed:

- ◆ approval of the annual financial statements for the financial year 2018;
- ◆ examination of the quarterly and half-yearly financial statements for the financial year 2019;
- ◆ examination and approval of the 2019 audit plan;
- ◆ call for tenders for the reappointment of the Statutory Auditors;
- ◆ changes in international accounting standards: IFRS 17;
- ◆ composition, allocation and performance of the financial portfolio;
- ◆ review of off-balance sheet commitments;
- ◆ presentation of the 2020 budget.

### Risk Committee

The principle of a Risk Committee was decided by the Board of Directors during its meeting of April 24, 2018.

As at the date of this report, the Risk Committee consists of Ms Nathalie Lomon (Chairman), Ms Isabelle Rodney and Ms Anne Sallé-Mongauze.

### Composition (Article 1 of the Risk Committee Internal Rules)

◆ Members

The Risk Committee has three members, who have the appropriate and requisite qualifications to exercise their functions effectively, including expertise in risk management. They are appointed from among the directors of the Company for the duration of their term of office as members of the Board of Directors.

The Risk Committee has an independent member from the Board of Directors.

◆ Chairman

The Chairman of the Risk Committee is the independent member of the Risk Committee nominated by the Board of Directors for the duration of his/her term of office as a director.

The Chairman exercises his/her functions in accordance with the Internal Rules of the Risk Committee.

The Chairman of the Risk Committee sets the dates, times and places of its meetings, establishes the agenda and chairs its meetings. The convening notices for the meetings will be sent by the committee's secretary,

who reports to the Board of Directors on the opinions and recommendations expressed by the Risk Committee for the Board of Directors to consider.

The Chairman of the Risk Committee will ensure that the preparation and due process of the work of the Risk Committee are monitored between each of its meetings.

### Duties (Article 3 of the Risk Committee Internal Rules)

The role of the Risk Committee is to ensure that the risk management and monitoring mechanisms are effective and that there are efficient operational internal control measures in place, review the compliance of reports sent to the regulator, monitor the Group's capital requirements management, and monitor the implementation of recommendations from internal audits of areas under its responsibility. The Risk Committee carries out all of these duties in order to facilitate the Board of Directors' duties of control and verification. In this regard, the committee issues opinions and/or recommendations to the Board of Directors.

Accordingly, the principal functions of the Risk Committee include the following:

◆ Efficiency of risk management systems

The Risk Committee reviews the major asset and liability risks (including subscription risks, market risk and funding risk), and ensures that effective monitoring and management mechanisms are in place. In this regard, it evaluates the various risk management policies on an annual basis.

Each year, it reviews the internal assessment carried out by the Company of its risks and solvency (ORSA).

It is kept updated on the Company's risk appetite.

It receives and reviews the results and updates of risk mapping carried out by the Company.

◆ Review of all regulatory reports relating to the Company

The Risk Committee receives and reviews the regulatory reports required under regulations (in particular SFCR, RSR, anti-money laundering report, actuarial reports), before they are approved by the Board.

◆ Changes in prudential regulations

The Risk Committee is informed of any regulatory changes that may have an impact on the Group's solvency or governance. It is also informed of solutions introduced to reduce any negative effects of these changes.

◆ The committee is responsible for monitoring the Group's capital requirements.

It monitors, in particular, the drafting of the partial internal model, the compilation of the file for the regulator, and the results of the model.

It also examines the governance of and major changes to the model.

◆ The committee ensures that all Level 1 and Level 2 operational controls are in place.

It receives a summary of the results of these controls. It is informed of action plans implemented following these controls and is regularly updated on the progress of these action plans.

The Risk Committee is informed of any loopholes in the internal control system and of the corrective actions implemented to address them. It is informed of the actual implementation of these corrective actions.

## Operation (Article 2 of the Risk Committee Internal Rules)

- ◆ Frequency of meetings and procedures for convening meetings

The Risk Committee will be convened whenever necessary and at least four times a year. The Risk Committee will, in particular, meet prior to each Board meeting if the agenda includes the examination of a matter within its remit and sufficiently in advance (at least two days) of any Board meeting for which it is preparing resolutions.

- Ordinary convening of meetings

Meetings of the Risk Committee are called in writing, with convening notices issued by the committee's Secretary under the conditions set out in paragraph 3, Section 1 b) of the Risk Committee Internal Rules and sent to each member. The Chairman of the Company's Board of Directors may, as necessary, refer a matter to the Chairman of the Risk Committee and ask them to meet with said committee to discuss a specific agenda.

- Extraordinary convening of meetings

Two members of the Risk Committee may ask its Chairman to convene a meeting of the committee to discuss a certain agenda or to add one or more points to the agenda in accordance with the limits and powers of said committee. In the event that the Chairman of the Risk Committee does not grant this request within a period of 15 days, the two members may convene the Risk Committee and set its agenda.

If the Company's Statutory Auditors consider there is an event which exposes the Company or its subsidiaries to a significant risk, they may ask the Chairman of the Risk Committee to convene a meeting of said committee.

- Form and timing for convening meetings

The notice convening the Risk Committee contains the detailed agenda for the meeting and is sent to the members of the Risk Committee with reasonable prior notice. The information allowing the members of the Risk Committee to issue informed advice during this meeting is sent to the members of said committee, to the extent possible, sufficiently in advance of the meeting.

In case of an urgent matter, the Risk Committee may be convened at any time by its Chairman, acting under an exceptional procedure. In this case, the Risk Committee meeting does not need to comply with the time limits for the above convening notice as long as the urgent matter is declared in the convening notice and the information allowing the members of the Risk Committee to issue informed advice has been sent prior to the meeting.

- ◆ Attendance at Risk Committee meetings

If any member is unable to attend a meeting of the Risk Committee, he or she may participate in the meeting by phone or video conference.

Only the members and the Secretary of the Risk Committee are entitled to attend its meetings.

At the Chairman's proposal, the Risk Committee may invite to any of its meetings any executive of the Company (including an executive of any of the principal subsidiaries) capable of informing the work of the Risk Committee, as well as the Statutory Auditors of the Company.

- ◆ Quorum and majority rule

The opinions and recommendations expressed by the Risk Committee can only be valid if at least half of its members (including the Chairman) are present.

No member of the Risk Committee may represent another member.

The opinions and recommendations of the Risk Committee will be adopted if the Chairman and the majority of members present at the meeting vote in favour.

- ◆ Secretariat and minutes of meetings

The Secretary of the Company's Board of Directors will be responsible for the secretariat of the Risk Committee.

The opinions and recommendations of the Risk Committee will be included in a written report. One copy of the report will be sent to all members of the Risk Committee and another, if required, will be sent by the Chairman to the directors of the Company.

## Activity of the Risk Committee

The Risk Committee met six times in 2019. The average attendance rate was 100%.

It considered:

- ◆ the risk mapping;
- ◆ the review of the specific documentation for the partial internal model;
- ◆ the examination of risk policies;
- ◆ the review of risk appetite indicators;
- ◆ regulatory reports: ORSA (Own Risk and Solvency Assessment), RSR (Regular Supervisory report) and SFCR (Solvency and Financial Condition report);
- ◆ the report on anti-money laundering;
- ◆ the analysis of the results of Level One and Level Two controls related to the Volcker rule;
- ◆ the remediation plan;
- ◆ the roll-out of use tests.

## Nominations and Compensation Committee

The principle of a Nominations and Compensation Committee was decided by the Board of Directors during its meeting of July 15, 2014. As at the date of this report, the members of the Nominations and Compensation Committee are Mr Olivier Zarrouati (Chairman), Ms Sharon MacBeath and Mr François Riahi.

The Nominations and Compensation Committee is chaired by an independent director, and two thirds of the committee are independent members of the Board of Directors. It thus conforms to the recommendation of the AFEP-MEDEF Code according to which this committee must have a majority of independent members.

### Composition (Article 1 of the Nominations and Compensation Committee Internal Rules)

#### ◆ Members

The Nominations and Compensation Committee has three members, appointed from among the members of the Company's Board of Directors for the duration of their term as director.

The Nominations and Compensation Committee has a majority of independent members of the Board of Directors who are competent to analyse compensation-related policies and practices.

#### ◆ Chairman

The Chairman of the Nominations and Compensation Committee will be one of the members of the Nominations and Compensation Committee nominated by the Company's Board of Directors from among the independent members for the duration of their term of office as director.

The Chairman of the Nominations and Compensation Committee will convene the meetings of the Nominations and Compensation Committee, determine the agenda and chair the meetings.

The Chairman will report to the Board of Directors on the proposals and recommendations put forward by the Nominations and Compensation Committee in order for the Board of Directors to consider them, and will ensure that the preparation and due process of the work of the Nominations and Compensation Committee is monitored between each of its meetings.

### Duties (Article 3 of the Nominations and Compensation Committee Internal Rules)

#### ◆ Role of the Nominations and Compensation Committee

In all matters relating to the appointment of executives (and separate from any issues related to their compensation), the Chief Executive Officer (CEO) will be involved in the work of the Nominations and Compensation Committee.

The Nominations and Compensation Committee shall prepare the resolutions of the Company's Board of Directors on the following topics:

##### • Compensation conditions

The Nominations and Compensation Committee is responsible for formulating proposals for the Company's Board of Directors concerning:

- the level and terms of compensation of the Chief Executive Officer (CEO), and, as the case may be, the Deputy CEO, including benefits in kind, retirement plans and retirement contributions, as well as potential grants of stock options or warrants;
- the rules for the distribution of directors' attendance fees to be allocated to the Company's directors and the total amount to be submitted to the approval of the Company's shareholders; and
- compensation policy.

##### • Appointment conditions

The Nominations and Compensation Committee:

- makes proposals to the Board of Directors regarding the appointment of members of the Board of Directors by the Ordinary Shareholders' Meeting, and the appointment of the members of General Management;
- establishes and keeps an up-to-date succession plan for members of the Board of Directors and the key executives of the Company and the Group.

In its specific role of appointing members of the Board of Directors, the Nominations and Compensation Committee shall consider the following criteria: (i) the desired balance in the membership of the Board of Directors with regard to the composition and evolution of the Company's ownership; (ii) the desired number of independent Board members; (iii) the proportion of men and women required by current regulations; (iv) the opportunity to renew terms; and (v) the integrity, competence, experience and independence of each candidate. The Nominations and Compensation Committee must also establish a procedure for selecting future independent members and undertake its own evaluation of potential candidates before the latter are approached in any way.

The qualification of an independent member of the Board of Directors is discussed by the Nominations and Compensation Committee, which drafts a report on the matter for the Board. Each year, in light of this report and prior to the publication of the annual report, the Board of Directors will review each director's situation with regard to the criteria of independence as defined by the Internal Rules of the Board of Directors.

#### ◆ Resources and prerogatives of the Nominations and Compensation Committee

The Nominations and Compensation Committee leaves all documents and information required for the completion of their tasks at the disposal of the Company's Chief Executive Officer (CEO). It may, moreover, if requested by the Company's Board of Directors, order any study or analysis by experts outside of the Company relating to the compensation conditions for corporate officers from comparable companies in the financial sector.

### Operation (Article 2 of the Nominations and Compensation Committee Internal Rules)

#### ◆ Frequency of meetings and procedures for convening meetings

The Nominations and Compensation Committee will be convened whenever necessary and at least once a year. The Nominations and Compensation Committee will, in particular, meet prior to each Board meeting if the agenda consists of the examination of a matter within its remit and sufficiently in advance of any Board meeting for which it is preparing resolutions.

##### • Ordinary convening of meetings:

Meetings of the Nominations and Compensation Committee are called in writing by its Chairman, with convening notices sent to each member by the Nominations and Compensation Committee Secretary. The Chairman of the Company's Board of Directors may, as necessary, refer a matter to the Chairman of the Nominations and Compensation Committee and ask them to meet with said committee to discuss a specific agenda.

##### • Extraordinary convening of meetings

Two members of the Nominations and Compensation Committee may ask its Chairman to convene a meeting of the committee to discuss a certain agenda or to add one or more points to the agenda in accordance with the limits and powers of said committee. In the event that the Chairman of the Nominations and Compensation Committee does not grant this request within a period of 15 days, the two members may convene the Nominations and Compensation Committee and set its agenda.

- Form and timing for convening meetings

The notice convening the Nominations and Compensation Committee is sent to the members of the Nominations and Compensation Committee with reasonable prior notice and contains the detailed agenda for the meeting. The information allowing the members of the Nominations and Compensation Committee to issue informed advice during this meeting is sent to the members of said committee, to the extent possible, sufficiently in advance of the meeting.

In case of an urgent matter, the Nominations and Compensation Committee may be convened at any time by its Chairman, acting under an exceptional procedure. In this case, the Nominations and Compensation Committee meeting does not need to comply with the time limits for the above convening notice as long as the urgent matter is declared in the convening notice and the information allowing the members of the Nominations and Compensation Committee to issue informed advice has been sent prior to the meeting.

- ◆ Attendance at meetings of the Nominations and Compensation Committee

Only members of the Nominations and Compensation Committee are entitled to attend its meetings. The Secretary of the Nominations and Compensation Committee also participates in these meetings.

If any member is unable to attend a meeting of the Nominations and Compensation Committee, they may participate by phone or video conference.

- ◆ Quorum and majority rule

The opinions and proposals expressed by the Nominations and Compensation Committee can only be valid if at least half of its members (including the Chairman) are present.

No member of the Nominations and Compensation Committee may represent another member.

The opinions and proposals of the Nominations and Compensation Committee will be adopted if the majority of the members present, including the Chairman, vote in favour.

- ◆ Secretariat and minutes of meetings

The Secretary of the Company's Board of Directors is responsible for the secretariat of the Nominations and Compensation Committee.

The opinions and proposals of the Nominations and Compensation Committee will be included in a written report. One copy of the report will be sent to all members of the Nominations and Compensation Committee and another, if required, will be sent to the directors of the Company.

### Activity of the Nominations and Compensation Committee

The committee met twice in 2019. The average attendance rate was 100%.

It examined and/or set:

- ◆ the compensation of the Chief Executive Officer;
- ◆ a Long-Term Incentive Plan for 2019;
- ◆ succession plans for the Chief Executive Officer (CEO) and members of the Executive Committee;
- ◆ the development of the management teams: number of new members, introducing new skills, building on existing skills;
- ◆ improving HR procedures: mobility, talent management, leadership, recognition.

## 2.1.9 Fitness and probity policy

### Fitness

All persons that perform functions as director, effective manager, head of key functions, general manager of a branch, or who have the authority to sign on behalf of the Company, should be fit, under all circumstances, to implement sound and prudent management based on their professional qualifications, knowledge and experience.

The assessment of fitness includes an evaluation of professional diplomas and qualifications, relevant knowledge and experience in the insurance sector, as well as in the sectors of finance, accounting, actuarial services and management. The assessment takes into account various entrusted tasks.

Furthermore, to assess the fitness of members of the Board of Directors, their training and their experience with respect to their responsibilities are taken into account, in particular the experience acquired as Chairman of a Board or a committee. In appraising each person, the assessment also takes into account the fitness, experience and responsibilities of the other members of the Board of Directors. When terms of office have been previously exercised, fitness is presumed owing to the experience acquired. For new members, the assessment considers the training they may receive throughout their term of office.

The Company ensures that directors collectively have the necessary knowledge and experience in the insurance and financial markets, Group strategy and its economic model, its governance, financial analysis and actuarial system, and the legal and regulatory requirements applicable to the Group, which are appropriate to assume the responsibilities conferred on the Board of Directors.

### Probity

Evaluating a person's probity includes an assessment of their honesty and financial strength, based on tangible evidence concerning their character, personal behaviour and professional conduct, including any relevant information of a criminal, financial or prudential nature, for the purpose of this assessment.

The functions of director, effective manager, head of key functions, general manager of a branch, or the authority to sign on behalf of the Company cannot be performed by any person who has been the subject, within the past 10 years, of:

- ◆ a final sentence;
- ◆ a final measure of personal bankruptcy or any other final prohibition measure.

Persons serving as effective manager, head of key functions, general manager of a branch, or who have the authority to sign on behalf of the Company, are required to provide as proof, a declaration of absence of bankruptcy and a police record or, failing that, an equivalent document issued by a competent judicial or administrative authority of the original Member State of origin of these persons.

This fitness and probity policy will be applied by all direct or indirect subsidiaries of the Company and may be adapted in line with any stricter local regulations in this area.

The Company's fitness and probity policy was reviewed on November 29, 2018 and approved by the Board of Directors on December 18, 2018 to extend to independent directors the obligation to provide the Company with a police record to prove their probity.

### 2.1.10 Prevention rules applicable to directors in respect of conflicts of interest

Pursuant to the Director's Ethics Charter, which can be consulted on the website at <http://www.coface.com/Group/Our-organisation>, on the Board of Directors tab, a director must inform the Board of Directors of any conflict of interests, including potential conflicts, in which he or she may be directly or indirectly involved. The director shall refrain from participating in discussion and decision-making on the subjects concerned.

The director shall also inform the Chairman of the Nominations and Compensation Committee of any intention to accept a new directorship in a listed company that does

not belong to a group of which the director is an executive, in order to allow the Board of Directors, at the proposal of the Nominations and Compensation Committee, to decide, if necessary, whether such an appointment would be incompatible with being a director of the Company.

The director shall inform the Chairman of the Board of Directors of any conviction for fraud, any indictment and/or public sanction, and any prohibition to manage or govern that may have been issued against them, as well as any bankruptcy, sequestration or winding-up proceedings in which they may have been involved.

### 2.1.11 Statement of conflicts of interest

To the Company's knowledge, there is no service contract binding the members of the Board of Directors to the Company or to one of its subsidiaries and providing for the award of benefits.

To the Company's knowledge, there are no familial ties between the members of the Board of Directors and the other executive corporate officers of the Company.

To the Company's knowledge, none of the members of the Board of Directors have been convicted of fraud during the last five years. None of these people have participated as a manager in a bankruptcy, sequestration or winding-up proceedings in the last five years, and none of these people were subject to charges and/or an official public sanction handed down by a statutory or regulatory authority (including designated professional bodies). None of these people were prevented by a court from acting as a member of an administrative, management or supervisory body of an issuer, nor from taking part in the management or performance of the business of an issuer in the last five years.

To the Company's knowledge, as of the date of this Universal Registration Document, there are no potential conflicts of interest between the duties of the members of the Board of Directors and the executive officers of the Company, as regards the Company and their private interests.

To the Company's knowledge, no pact or agreement has been entered into with any shareholders, customers, suppliers or other parties by virtue of which any member of the Board of Directors or any executive officer of the Company has been appointed in such capacity.

As of the date of this Universal Registration Document, no restrictions have been accepted by the members of the Board of Directors or the corporate officers of the Company as concerns the disposal of their interests in the Company's share capital, with the exception of the rules relating to the prevention of illegal insider trading and the recommendations of the AFEP-MEDEF Code imposing an obligation to retain shares.

## 2.1.12 Code of corporate governance

The Company voluntarily refers to all recommendations of the Corporate Governance Code for listed companies of the AFEP and MEDEF (the “AFEP-MEDEF Code” <sup>(1)</sup>). The Company makes copies of the AFEP-MEDEF Code available for the members of its corporate bodies at all times.

Within the context of the rule to “apply or explain” provided for by Article L.225-37-4 of the French Commercial Code,

and by Article 27.1 of the AFEP-MEDEF Code, the Company believes that its practices comply with the recommendations of the AFEP-MEDEF Code. However, as of the date of publication of the Universal Registration Document, certain recommendations are not applied, for the reasons presented in the following table:

<p>The Board of Directors' rules must specify that any significant operation not covered by the Company's published strategy must receive the prior approval of the Board (Article 1.9).</p>	<p>The wording of the Board of Directors' Internal Rules, although slightly different, results in a comparable outcome. In fact, it provides that the following are subject to the prior authorisation of the Board of Directors, based on a simple majority of the members present or represented:</p> <ul style="list-style-type: none"> <li>◆ extension of the Company's activities to significant businesses not performed by the Company; and</li> <li>◆ any interest, investment, disposal or any establishment of a joint venture carried out by the Company or one of its significant subsidiaries, for a total amount that is greater than €100 million.</li> </ul>
<p>The Compensation Committee must not include any corporate officer (Article 17.1).</p>	<p>The Chairman of the Board of Directors is a member of the Compensation Committee. The Chairman of the Board of Directors has no executive role. Furthermore, there is no risk of a conflict of interest, to the extent that the role of Chairman is not compensated, and that Mr François Riahi does not receive any compensation for his offices as Chairman of the Board of Directors for COFACE SA and as a member of the Compensation Committee.</p>
<p>The Board of Directors must periodically set a minimum quantity of shares that must be retained by the Chairman of the Board and the Chief Executive Officer in registered form, until the end of their duties (Article 22).</p>	<p>The Articles of Association set the number of shares that must be held by any director. The LTIP plans set the number of shares that must be held by the Chief Executive Officer until the end of their duties.</p>

## 2.1.13 Limitations on the powers of the general management

The Board of Directors has established specific procedures in its Internal Rules which are aimed at limiting the powers of the Company's general management.

Pursuant to the terms of Article 1.2 of the Board of Directors' Internal Rules, the following are subject to prior authorisation from said Board, based on a simple majority of the members present or represented:

- ◆ extension of the Company's activities to significant businesses not performed by the Company; and

- ◆ any interest, investment, disposal or any establishment of a joint venture carried out by the Company or one of its significant subsidiaries, for a total amount that is greater than €100 million.

### Factors that may have an impact in the event of a public offer

These factors are published in Section 7.4 “Factors that may have an impact in the event of a public offer”.

(1) <https://afep.com/publications/le-code-afep-medef-revise-de-2018/>.

## 2.2 CHIEF EXECUTIVE OFFICER AND GROUP GENERAL MANAGEMENT SPECIALISED COMMITTEES

At the meeting of November 22, 2012, the Board of Directors decided to separate the roles of Chairman of the Board of Directors and Chief Executive Officer. This decision is connected to the Company's wish to comply with best practices in the area of corporate governance and to clearly distinguish between the strategic, decision-

making and supervisory duties of the Board of Directors, and the operational and executive duties of the Chief Executive Officer. This separation was specifically reasserted by the Board of Directors at its meeting of January 15, 2016 when it appointed Xavier Durand.

### 2.2.1 Experience and terms of office of the Chief Executive Officer (CEO)

For the purposes of this Universal Registration Document, the Chief Executive Officer (CEO) is domiciled at the Company's head office.

#### Xavier DURAND

##### Chief Executive Officer (CEO)

since February 9, 2016

Age: 56

End of term of office on the day of the Ordinary Shareholders' Meeting called to approve the financial statements for the financial year ended December 31, 2019

98,000 bearer shares

(see Section 7.2.9 "Transactions carried out by persons with executive responsibilities")

#### PRINCIPAL TERMS OF OFFICE AND DUTIES

##### During financial year 2019

- Chairman of the Board of Directors and Chief Executive Officer (CEO) of Compagnie française d'assurance pour le commerce extérieur
- Chairman of the Board of Directors of Coface North America Holding Company
- Director of: ALD Automotive\*

##### During the past five years and which are no longer held

- Chairman and Chief Executive Officer of GE Capital Asia Pacific
- Director of the Strategy and Growth Department of GE Capital International in London
- Director of Krungsri group, Thailand, Chairman of the Compliance Committee
- Director of: Hyundai Capital Cards, GE Japan Corporation, Axa France Vie, Axa France Iard, Wizink Bank (Madrid, formerly Banco Populare)

#### CURRICULUM VITAE

Xavier Durand is a graduate of the Ecole Polytechnique and the École Nationale des Ponts et Chaussées. He started his career in 1987 with consultancy firm The Mac Group (Gemini Consulting) before joining the Sovac Real Estate Bank in 1994 as deputy CEO. In 1996, Xavier Durand joined GE Capital, where he led an international career, first in Chicago as Director of Strategy and Growth of the finance division of the Global Auto business, then in France, first as CEO Sales & Development of GE Money Bank France, then CEO France, and subsequently of GE Capital's European banking activities. In 2011, he was named CEO of GE Capital Asia-Pacific, based in Japan. He was appointed GE Capital's Director of Strategy and Growth, based in London, at the end of 2013. He has been Chief Executive Officer of COFACE SA since February 9, 2016.

\* Listed company.

### 2.2.2 Composition and experience of the members of the Group General Executive Committee

The Chief Executive Officer of the Company created a Group General Executive Committee (GEC). It comprises eight members: the Director of Human Resources; the Transformation Office Director, the Underwriting Director; the Commercial Director; the General Secretary; the Chief Financial and Risk Officer; the Business Technology Director; and the Strategy and Business Development Director (see also Section 1.7 "Group organisation").

The GEC is the decision-making body of Coface. It generally meets every week to examine and validate the Group's

main strategic guidelines and steer management, in particular, concerning strategy and budget, major investments and projects, definition of the organisational structure and human resources, monitoring of operational performance and results, in addition to control and compliance of activities.

In addition to Xavier Durand, the following persons were members of the Group General Executive Committee on the date of publication of the Universal Registration Document:





## Pierre BEVIERRE

Director of Human Resources

*The Human Resources Department is responsible for all of the Group's key human resources processes and policies.*

### CURRICULUM VITAE

*Pierre Bevierre, 52 years old, holds a postgraduate degree in human resources from the Université Paris-Dauphine. He began his career as an expert in recruitment before joining Presstalis, a French media distribution corporation, in 1992 as Head of HR and industrial relations. In 1998, he was appointed Head of Compensation and Employee Benefits at GE Money Bank, then Head of HR at GE Insurance in 2001. In 2004, he was promoted to Director of Human Resources Europe for shared financial services at the GE group. In 2008, he joined MetLife as Director of Human Resources for Western Europe and was appointed Vice-Chairman of Human Resources for Central and Eastern Europe in 2012. He joined the Group on January 2, 2017 as Group Head of Human Resources and has been a member of the Executive Committee since January 1, 2019.*



## Nicolas de BUTTET

Transformation Office Director

*The Transformation Office covers all the businesses and is divided into four areas: global programme management, Transformation & Processes, cross-functional project and change management, and shared services.*

### CURRICULUM VITAE

*Nicolas de Buttet, 46 years old, graduated from EDHEC. After beginning his career as a credit analyst within the Crédit Lyonnais group, he joined the Euler Hermes group as a risk underwriter and then became head of the department. He joined the Group in 2012 as Head of Underwriting for Western Europe and France. Between September 2013 and September 2017, he served as the Group's Head of Underwriting, Information and Litigation. He has been head of the Transformation Office since September 2017.*



## Cyrille CHARBONNEL

Underwriting and Claims Director

*The combined control of debtor and client risk is critical to the Fit to Win plan. The Underwriting and Claims Department is in charge of both commercial underwriting and litigation, as well as being responsible for the Risk Underwriting and Information Department.*

### CURRICULUM VITAE

*Cyrille Charbonnel, 55 years old, is a graduate in finance from the Institut supérieur de commerce de Paris. After initially working at an organisational consulting firm, he joined the Euler Hermes France group as a risk analyst in 1990. He then moved into sales in 2001 and was appointed Sales and Marketing Director in 2004. In 2007, he left for Portugal as Chief Executive Officer of the local subsidiary. He joined Coface in 2011 as Group Organisation Director, then as Chief Operating Officer. In 2013, he was appointed Director of the Western Europe and France region before becoming Group Chief Underwriting Director in 2017.*



## Nicolas GARCIA

Commercial Director

*The Group's Commercial Department is tasked with structuring, organising and coordinating the Group's commercial activity. Its responsibilities extend to distribution networks, both brokerage-based and direct, and management of portfolio accounts, including those of Coface Global Solutions, intended for our major international customers.*

### CURRICULUM VITAE

*Nicolas Garcia, 47 years old, holds a degree from the University of Bordeaux in economics and international finance, as well as an MBA in international banking & finance from Birmingham Business School. He has held various positions within the Euler Hermes group, including Head of Commercial Underwriting since 2011. He has held the position of Group Commercial Director since July 2, 2014.*



## Carole LYTTON

### General Secretary

The General Secretariat encompasses the Human Resources Department, the Communications Department, the Legal Department, and the Compliance Department.

#### CURRICULUM VITAE

Carole Lytton, 63 years old, graduated from the Institut d'études politiques de Paris and holds postgraduate degrees in public law and international law. She joined the Group in 1983 and has been the Chief Legal and Compliance Officer since 2008. Since 2013, her duties have also included Facilities Management for France, which reports to her. She was appointed General Secretary on July 3, 2015. Since 2016, the Group Communications and Human Resources Departments have also been placed under her authority.



## Carine PICHON

### Group Chief Financial and Risk Officer

The Finance and Risk Department encompasses management control and purchasing, accounts, investment and financing activities, financial communications, and reinsurance, as well as the Risk Department and the Actuarial Department.

#### CURRICULUM VITAE

Carine Pichon, 47 years old, is a graduate in corporate finance of École supérieure de commerce de Rouen and of the University of Regensburg (Germany). After working at PricewaterhouseCoopers, where she held the title of Mission Director for Insurance, she joined the Group in 2001 as Consolidation Supervisor. After serving as Chief Financial Officer for Coface in France, she became Chief Financial Officer for the entire Group in 2013. The Group Risk Department has been reporting to her since November 30, 2015. On November 2, 2015, the Board of Directors decided to appoint her as the Company's effective manager under the Solvency II Regulation.



## Keyvan SHAMSA

### Business Technology Director

The Business Technology Department brought together the former Information Systems and Organisation Departments in 2018.

#### CURRICULUM VITAE

Keyvan Shamsa, 57 years old, has a PhD in computer science from Université Pierre et Marie Curie. He began his career in finance at Crédit Lyonnais Corporate and Investment Banking in 1991 as part of the information systems team before being appointed in 2000 as Head of IT at Crédit Lyonnais Asset Management (now Amundi). In 2005, he joined Société Générale Corporate and Investment Banking in New York as Head of Corporate Information Systems for the American continent. In 2008, he joined BNP Paribas Asset Management in Paris as Head of Information Systems, where he also held various other management positions over a 10-year period. He joined the Group on November 5, 2018 as Business Technology Director.



## Thibault SURER

### Strategy and Business Development Director

The Strategy and Business Development Department includes the functions of strategic planning, marketing and innovation, partnerships, offerings to financial institutions and economic research.

#### CURRICULUM VITAE

Thibault Surer, 57 years old, is a graduate of École des hautes études commerciales de Paris, the London Business School and the Stockholm School of Economics. He began his career in Eurosuez-Euroventures funds (1987-1994) and then spent 15 years with McKinsey & Company as Partner and Director of the Financial Institutions and Transport and Logistics Competence Centres. After serving as Partner in the Astorg Partners private equity fund (2010 to 2015), he became Strategy and Business Development Director of Coface Group on June 13, 2016.

## 2.2.3 Other committees chaired by General Management

In addition to the Group General Executive Committee, Xavier Durand also chairs two other committees: the Executive Committee and the HQ Leaders Committee.

The Executive Committee is composed of the GEC and the regional directors (see also Section 1.7 “Group organisation”).

The Executive Committee has no formal decision-making power. It helps to prepare the Group’s strategy and with the study of key operational subjects or strategic initiatives.

Like the GEC, the Executive Committee pays particular attention to monitoring the efficiency of internal control, internal audit and risk management systems that are

considered essential to the Group’s smooth internal governance. They meet each month to review the progress of the Group’s cross-disciplinary projects and the implementation of the strategic plan.

Furthermore, the Executive Committee members contribute, as a team, to setting up and disseminating Coface’s managerial culture.

As regards the HQ Leaders Committee, the Chief Executive Officer (CEO) convenes the main managers of the various head office functions for a meeting of this committee once a month. This committee focuses on information and discussions relating to the main areas of reflection and action.

## 2.3 COMPENSATION AND BENEFITS PAID TO MANAGERS AND CORPORATE OFFICERS

The Company refers to the AFEP-MEDEF Code to prepare the report required by Article L.225-37 of the French Commercial Code.

The tables inserted in the sections below present a summary of compensation and benefits of any kind that are paid to corporate officers of the Company, and to members of the Company’s Board of Directors by (i) the Company, (ii) companies controlled, pursuant to Article L.233-16 of the French Commercial Code, by the company in which the mandate is performed, (iii) companies controlled, pursuant to Article L.233-16 of the French Commercial Code, by the Company or companies that control the company in which the mandate is performed and (iv) the Company or companies that, pursuant to the same article, control the company in which the mandate is exercised. Since the Company belongs to a group at the date of this registration document, the information concerns the amounts owed by all companies in the chain of control.

The Company is a limited corporation (société anonyme) with a Board of Directors. The duties of Board Chairman, performed by Mr François Riahi since June 15, 2018, and Chief Executive Officer (CEO), performed by Mr Xavier Durand, have been separated.

No form of compensation or benefit has been paid to the Chairman of the Board of Directors by the Company. The compensation paid by Natixis to Mr François Riahi for his term as Chief Executive Officer (CEO) of Natixis is described below (Sections 2.3.2 and 2.3.3).

Mr Xavier Durand was compensated by the Company for his term as Chief Executive Officer as described in Sections 2.3.2 and 2.3.3 below.

### 2.3.1 Employee compensation policy

#### Regulatory framework

The Company’s compensation policy falls under the provisions of the Solvency II Directive and the 2015/35 delegated regulation (Article 258 Section 1, Point 1 and Article 275).

Generally, compensation practices should contribute to effective risk management within the Company, and in particular:

- ◆ ensure strict compliance with the legal and regulatory provisions applicable to insurance companies;
- ◆ prevent conflicts of interest and not encourage risk-taking beyond the limits of the Company’s risk tolerance;
- ◆ be consistent with the Company’s strategy, interests and long-term results;
- ◆ guarantee the Company’s capacity to keep appropriate equity.

In this context, Coface’s compensation policy specifies general provisions applicable to all employees according to certain criteria and provisions specific to the population identified as regulated.

#### General principles

The compensation policy is a key instrument in implementing Coface’s strategy. It seeks to attract, motivate and retain the best talent. It encourages individual and collective performance and seeks to be competitive in the market while respecting the Group’s financial balance. It complies with the regulations in force, guarantees internal equity and professional equality, particularly between men and women. It includes social and environmental issues in its deliberations.

It is proposed by the Group’s HR Department and is subject to approval by the Nominations and Compensation Committee, and then by the Board of Directors. The HR function is responsible for implementing the policy at the country level to ensure practices are consistent within the Group, and to ensure each country is compliant with local regulations and remains competitive in the market.

Structured in a clear and transparent manner, compensation is intended to be adapted to the Group's objectives and to assist it in its long-term development strategy:

- ◆ **fixed compensation:** this is the principal component of individual compensation and depends on the abilities and expertise expected for a given position. It is set at the time of hiring and reviewed annually in light of market practices, individual contribution and internal equity in strict compliance with the constraints of the budgets allocated for the financial year;
- ◆ **annual individual variable compensation ("bonus"):** the Group's variable compensation policy takes individual and collective performance over a given year into account and is assessed on the basis of financial and non-financial criteria. The eligibility rules and variable compensation level are set by function, responsibility level and market under consideration.  
For the Group's Senior Managers, the target variable compensation is set as a percentage of the base salary and may not exceed 100% of this. It comprises objectives set annually by the General Executive Committee and the managers of each function involved in supporting the Group's HR Department. This procedure ensures that individual objectives are consistent with the Company's strategic objectives:
  - 15% of the objectives set are purely quantitative and relate to the financial performance of the business entity,
  - 45% relate to the performance of the function in question and are mainly quantitative,
  - 40% are set individually at the annual performance review meeting. They may be quantitative and/or qualitative, provided that they comply with the SMART rules (specific, measurable, attainable, relevant and time-bound);
- ◆ **long-term individual variable compensation (Long-Term Incentive Plan):** each year since 2016, the Group has awarded free performance shares to an identified regulated population in the context of the Solvency II Directive (Executive Committee, key functions and employees with significant influence on the Company's risk profile), for whom a portion of variable compensation must be deferred, and to certain key employees as part of the reward and retention policy. This plan also ensures that the interests of the beneficiaries are aligned with those of the shareholders over the long term;
- ◆ **collective variable compensation (employee savings):** in France, the Group negotiated a three-year profit-sharing agreement in 2018. This agreement benefits all employees on a fixed or open-ended employment contract, who have more than three months' seniority within the companies forming part of the Compagnie française d'assurance pour le commerce extérieur - Fimipar economic and corporate unit (a wholly-owned subsidiary of the Group). Participation is handled according to the legal formula. Similar collective schemes exist in other Group entities depending on their legal obligations and seek to give employees a stake in the Company's performance;
- ◆ **corporate benefits:** corporate benefits are determined by each of the Group's entities in an effort to closely address local concerns. The Group ensures practices are consistent, and guarantees a level of social protection that is competitive in the market and respectful of its employees worldwide. In 2020, the Group will introduce a car policy aiming to harmonise practices and reduce the carbon impact of its vehicle fleet.

The compensation of employees is wholly or partly comprised of these components, depending on the position held, the level of responsibility and the reference market.

## Special provisions applicable to the regulated population

### Scope of the regulated population

Pursuant to the provisions of Article 275, Section 1, Point (c) of Regulation 2015/35, the Company has identified the following persons as falling within the scope of the regulated population:

- ◆ members of the Executive Committee who cover general management, finance, strategy, transformation, operations (business technology), legal, compliance and human resources, commercial, risk underwriting, information, claims and debt collection and regional managers;
- ◆ persons holding the key functions described in Articles 269 to 272 of Regulation 2015/35: audit, risk, compliance and actuarial;
- ◆ persons whose professional activity has a material impact on the Company's risk profile: risk underwriting, commercial underwriting, investment, reinsurance, human resources, economic research, financial communication, country managers where revenue exceeds a threshold determined each year with respect to the Company's overall revenue.

For 2019, 28 functions fell within the regulated population scope. The Nominations and Compensation Committee identifies these functions, then presents them to the Board of Directors for approval. This list is reviewed each year in order to guarantee a perfect match between the evolution of the Company's risk profile and that of its employees.

### Specific provisions regarding compensation

The Group endeavours to ensure that the proportion and structure of variable compensation are balanced and that the goals set are in accordance with the Company's strategy and risk profile.

In addition to rules common to all employees, the Group sets specific compensation rules intended for the population identified as regulated:

- ◆ the variable compensation package therefore includes the annual variable compensation ("bonus") and the long-term variable compensation (Long-Term Incentive Plan) in the form of free shares of the Company;
- ◆ free shares make up the deferred portion of the variable compensation and represent at least 30% of overall variable compensation. They are contingent upon presence and performance conditions and have a vesting period of three years;
- ◆ all risk hedging transactions are prohibited.

Furthermore, to avoid any conflict of interest, for the control functions referred to in Articles 269 to 272 (audit, risk, compliance), the collective part of annual variable compensation based on financial objectives is assessed using the Group scope, irrespective of the employee's level of involvement, to prevent them from being directly assessed on the performance of the units placed under their control.

## 2.3.2 Compensation policy for corporate officers

In accordance with Decree No 2019-1234 of November 27, 2019 relating to the compensation of corporate officers of listed companies provided for under the PACTE Law, the Board of Directors, at the request of the Nominations and Compensation Committee, draws up a compensation policy for corporate officers. This document describes the principles of the policy, which is in line with the Company's corporate interests, falls within its commercial strategy and contributes to its long-term viability.

It describes all the components of fixed and variable compensation and explains the decision-making process followed to determine, review and implement it.

It is presented in a clear and understandable way as part of the corporate governance report and is the subject of a draft resolution submitted for approval by the Shareholders' Meeting each year and each time a significant change is made.

The compensation policy for corporate officers defines the principles, structure and governance rules applicable to the compensation paid to the Chief Executive Officer and the directors.

### Compensation of the Chief Executive Officer

#### Principles applicable to the compensation of the Chief Executive Officer

At the start of each financial year, the Board of Directors, at the proposal of the Nominations and Compensation Committee, sets the various components of the Chief Executive Officer's (CEO) compensation. The Nominations and Compensation Committee proposes the compensation policy for the Chief Executive Officer in compliance with the rules laid down by the Solvency II Directive and the recommendations of the AFEP-MEDEF Code.

It thereby ensures that the principles of balance, external competitiveness, consistency and internal equity are observed in determining the components of compensation. It ensures a correlation between the responsibilities exercised, the results achieved and the level of compensation over a performance year.

It also ensures that compensation practices contribute to effective risk management within the Company and in particular to:

- ◆ strict compliance with the laws and regulations applicable to insurance companies;
- ◆ prevention of conflicts of interest and the management of risk-taking within the limits of risk tolerance for the Company;
- ◆ consistency with the Company's strategy, interests and long-term results;
- ◆ consideration of social and environmental issues.

The Chief Executive Officer's compensation is subject to a comparative analysis of the market each year by a compensation consultancy firm in order to ensure it is competitive within the market and that the structure offers the right balance of fixed, variable, short-term and long-term components. The results of this analysis are fed back to the Nominations and Compensation Committee as part of the annual review of the Chief Executive Officer's compensation.

The objectives, practices and governance in terms of compensation are clearly established and communicated and the components of the Chief Executive Officer's compensation are presented transparently in the corporate governance report subject to approval by the Shareholders' Meeting.

#### Components of the compensation of the Chief Executive Officer

The compensation of the Chief Executive Officer comprises:

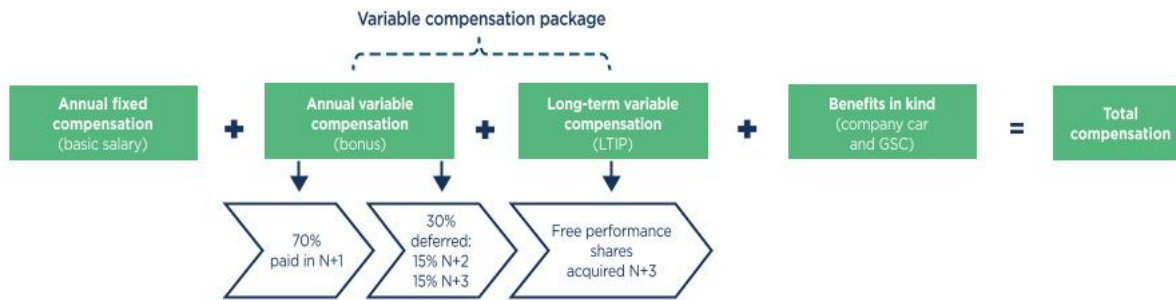
- ◆ **fixed compensation:** determined at the start of the term of office, it is agreed that any significant increase must be explained in terms of responsibilities exercised, performance and market practices;
- ◆ **annual variable compensation:** the bonus is assessed on the basis of performance for a given year. The target is set at 100% of the base salary. It comprises 60% financial objectives and 40% strategic and managerial objectives. The maximum achievement rate for variable compensation is 200% (150% for financial objectives and 50% for strategic and managerial objectives);
- ◆ **long-term variable compensation:** in the form of free shares of the Company. They are contingent upon presence and performance conditions and have a vesting period of three years. The Chief Executive Officer's allocation meets the same conditions as all beneficiaries; however, he must retain 30% of the shares allocated until expiry of the term of office. These Long-Term Incentive Plan (LTIP) schemes are intended to ensure that the interests of the Chief Executive Officer are aligned with those of the shareholders over the long term;
- ◆ **benefits in kind:** the Chief Executive Officer is entitled to a company vehicle and the payment of 62.5% of the contributions payable to the business managers and corporate officers social guarantee scheme (GSC).

He is entitled to the group healthcare and retirement schemes in place for all employees and has no additional retirement scheme.

#### Note:

- ◆ the variable compensation package includes the annual variable compensation ("bonus") and the long-term variable compensation (Long-Term Incentive Plan) in the form of free shares;
- ◆ the payment of 30% of the annual variable compensation ("bonus") is deferred and paid as follows: 50% in N+2 and 50% in N+3. Deferred compensation is not paid if a loss is observed on the date of payment or in case of dismissal for serious misconduct or gross negligence;
- ◆ deferred compensation, including the deferred bonus portion and the free shares allocated under the Long-Term Incentive Plan, accounts for more than 50% of the overall variable compensation;
- ◆ all risk hedging transactions are prohibited.

The compensation of the Chief Executive Officer may be summarised as follows:



## Directors' compensation

### Principles of directors' compensation

The Group's policy is not to allocate compensation to management representatives who perform the duties of directors in Group companies or to directors representing the principal shareholder, Natixis. The Chairman of the Board of Directors does not therefore receive any compensation for their corporate office within COFACE SA.

The compensation policy for corporate officers has been adapted to the usual practices of listed companies and guarantees the independence of directors.

The components of directors' compensation are presented clearly and transparently in the corporate governance report and are subject to approval by the Shareholders' Meeting.

### Components of directors' compensation

The total annual package allocated to the compensation of directors in 2019 amounted to €450,000, divided between the Board of Directors, the Accounts and Audit Committee, the Risk Committee and the Nominations and Compensation Committee. The rules on distribution of directors' fees are as follows:

		Fixed portion (per year prorata temporis of the term of office)	Variable portion (per meeting and capped*)
Board of Directors	Members	€8,000	€3,000
	Chairman	€17,000	€3,000
Audit and Accounts Committee	Members	€5,000	€2,000
	Chairman	€17,000	€3,000
Risk Committee	Members	€5,000	€2,000
	Chairman	€8,000	€3,000
Nominations and Compensation Committee	Members	€3,000	€2,000

\* Capped:

- at six meetings for the Board of Directors, the Audit and Accounts Committee and the Risk Committee;  
- at five meetings for the Nominations and Compensation Committee.

On an annual basis of six Board meetings; six Audit and Accounts Committee meetings; six Risk Committee meetings; five Nominations and Compensation Committee meetings	Financial year 2019 - maximum gross compensation amounts		
	Amount of compensation	Fixed portion (in %)	Variable portion (in %)
Member of the Board of Directors	€26,000	31	69
Member of the Board of Directors + Chairman of the Audit and Accounts Committee	€61,000	41	59
Member of the Board of Directors + member of the Audit and Accounts Committee	€43,000	30	70
Member of the Board of Directors + Chairman of the Risk Committee	€61,000	41	59
Member of the Board of Directors + member of the Risk Committee	€43,000	30	70
Member of the Board of Directors + Chairman of the Nominations and Compensation Committee	€49,000	33	67
Member of the Board of Directors + member of the Nominations and Compensation Committee	€39,000	28	72

### 2.3.3 Summary of compensation of each executive corporate officer for financial years 2018 and 2019

In order to comply with regulations, the tables below present a summary of compensation and stock options and shares allocated during the financial years ended December 31, 2018 and December 31, 2019 to Mr François Riahi, Chairman of the Board of Directors, and Mr Xavier Durand, Chief Executive Officer.

No form of compensation or benefit has been paid to Mr François Riahi by Coface for his term as Chairman of the Board of Directors of COFACE SA. The compensation paid by Natixis to Mr François Riahi for his term as Chief Executive Officer (CEO) of Natixis is described below.

► **AMF nomenclature - Table 1 - Table summarising the compensation and stock options and shares allocated to each executive corporate officer**

	Financial year 2019 <sup>(1)</sup>	Financial year 2018 <sup>(1)</sup>
<b>François Riahi, Chairman of the COFACE SA Board and Natixis CEO <sup>(2)</sup></b>		
Compensation due for the financial year <sup>(3)</sup>	1,790,646	996,245
Value of the multi-year variable compensation allocated during the financial year		
Value of options allocated during the financial year		
Value of performance shares allocated during the financial year <sup>(4)</sup>	160,000	93,333
<b>TOTAL</b>	<b>1,950,646</b>	<b>1,089,577</b>
<b>Xavier Durand, Chief Executive Officer</b>		
Compensation due for the financial year <sup>(5)</sup> (presented in detail in Section 2.3.4 below)	1,460,526	1,497,179
Value of the multi-year variable compensation allocated during the financial year	-	-
Value of options allocated during the financial year	-	-
Value of performance shares allocated during the financial year (presented in detail in Section 2.3.8 below) <sup>(6)</sup>	463,260	463,320
<b>TOTAL</b>	<b>1,923,786</b>	<b>1,960,499</b>

(1) In euros.

(2) The details of the compensation for Mr François Riahi are available in Section 2.4.2.4, of Chapter 2.4 of the 2019 Natixis Universal Registration Document filed with the Autorité des marchés financiers (French Financial Markets Authority) on March 6, 2020. They are also available on the website at [www.natixis.com](http://www.natixis.com).

(3) Including €2,384 of family supplement for 2019.

(4) Corresponding to the value on the date it was awarded, for a fair value of €79,587 in 2019.

(5) Before social contributions and income tax.

(6) IFRS fair value (corresponding to a value on the allocation date of €594,198 for the 2018 LTIP plan and €564,445 for the 2019 LTIP plan).

### 2.3.4 Compensation of executive corporate officers for financial years 2018 and 2019

In order to comply with regulations, the tables below present a breakdown of the fixed and variable compensation along with other benefits awarded during the financial years ended December 31, 2018 and 2019 to Mr François Riahi, Chairman of the Board of Directors since June 15, 2018, and to Mr Xavier Durand, Chief Executive Officer.

No form of compensation or benefit has been paid to Mr François Riahi by the Company. The compensation paid by Natixis to Mr François Riahi for his term as Chief Executive Officer (CEO) of Natixis is described below.

#### Compensation due or allocated for the financial year ended December 31, 2018, to Mr François Riahi, Chairman of the COFACE SA Board of Directors since June 15, 2018

► AMF nomenclature - Table 2 - Summary of compensation of each executive corporate officer

	2019 <sup>(1)</sup>		2018 <sup>(1)</sup>	
	Amounts due	Amounts paid	Amounts due	Amounts paid
<b>François Riahi, Chairman of the COFACE SA Board and Natixis CEO <sup>(3)</sup></b>				
Fixed compensation for corporate office <sup>(4)</sup>	800,000	800,000	466,667	466,667
Annual variable compensation	988,262	749,248 <sup>(5)</sup>	528,190	827,706 <sup>(5)</sup>
Extraordinary compensation	-	-	-	-
Compensation for participating in COFACE SA Board meetings	-	-	-	-
Benefits in kind <sup>(6)</sup>	2,384	2,384	1,388	1,388
<b>TOTAL</b>	<b>1,790,646 <sup>(2)</sup></b>	<b>1,551,632</b>	<b>996,245 <sup>(2)</sup></b>	<b>1,295,791</b>

(1) In euros.

(2) François Riahi benefited at the Board meeting of August 2, 2018 from a free share allocation of 13,605 performance shares on a prorata temporis basis valued at €93,333 at their allocation date, and a free share allocation of 31,708 performance share valued at €160,000 at their allocation date at the Board meeting of May 28, 2019.

(3) The details of the compensation for Mr François Riahi are available in Section 2.4.2.4, of Chapter 2.4 of the 2019 Natixis Universal Registration Document filed with the Autorité des marchés financiers (French Financial Markets Authority) on March 6, 2020. They are also available on the website at [www.natixis.com](http://www.natixis.com).

(4) On a gross basis before social contributions and income tax.

(5) This amount includes payment and delivery of securities relating to the variable remuneration deferred from previous years. Excluding collective variable compensation (employee profit-sharing) paid to François Riahi for the 2017 financial year for his role as Co-Head of Natixis Corporate & Investment banking. The delivery of securities relating to long-term compensation plans is presented in Section 2.4.3.3 in AMF table n°7.

(6) The deferred amount corresponds to the family supplement.



## Compensation due or allocated for the financial year ended December 31, 2018, to Mr Xavier Durand, Chief Executive Officer (CEO) of COFACE SA

### ► AMF nomenclature - Table 2 - Summary of compensation of each executive corporate officer

	2019 <sup>(1)</sup>		2018 <sup>(1)</sup>	
	Amounts due <sup>(2)</sup>	Amounts paid <sup>(3)</sup>	Amounts due <sup>(2)</sup>	Amounts paid <sup>(3)</sup>
<b>Xavier Durand, Chief Executive Officer</b>				
Fixed compensation	575,000	575,000	575,000	575,000
Annual variable compensation	870,723 <sup>(5)</sup>	635,272 <sup>(4)</sup>	907,532 <sup>(5)</sup>	611,840 <sup>(4)</sup>
Multi-year variable compensation	-	-	-	-
Deferred variable compensation <sup>(6)</sup>	-	200,109	-	69,000
Extraordinary compensation	-	-	-	-
Directors' fees	-	-	-	-
Benefits in kind <sup>(7)</sup>	14,803	14,803	14,647	14,647
<b>TOTAL <sup>(8)</sup></b>	<b>1,460,526</b>	<b>1,425,184</b>	<b>1,497,179</b>	<b>1,270,487</b>

(1) Amount in euros, on a gross basis before social contributions and income tax.

(2) The amounts due correspond to the sums allocated for the financial year excluding long-term variable compensation and deferred variable compensation.

(3) The amounts paid correspond to the sums effectively paid during the financial year and include the amounts that were due for the previous financial year.

(4) Variable compensation paid in performance year N (portion due for N-1).

(5) Variable compensation for performance year N.

(6) Deferred variable compensation paid in year N for performance year N-2 and N-3.

(7) Mr Xavier Durand is entitled to the payment by the Company of 62.5% of the contributions payable to the business managers and corporate officers social guarantee scheme (GSC), and a company car.

(8) For the history of allocation of bonus shares, see Section 2.3.12.

## Breakdown of the components of the compensation of Mr Xavier Durand, Chief Executive Officer (CEO) of COFACE SA for the financial year ended December 31, 2019 (see also Section 7.6.3 on the principles and components of the Chief Executive Officer's compensation)

Components of compensation	Amount	Comments																								
Fixed compensation	€575,000	Gross annual compensation set at €575,000 since the start of his term on February 9, 2016.																								
		Variable compensation is set at €575,000. It comprises 60% financial objectives and 40% strategic and managerial objectives. The maximum achievement rate for variable compensation is 200% (150% for financial objectives and 50% for strategic and managerial objectives). The achievement rate for 2019 objectives proposed by the Nominations and Compensation Committee meeting of January 20, 2020, approved by the Board of Directors at the meeting of February 5, 2020 and submitted for approval of the Shareholders' Meeting that closes the 2019 accounts is 151.43%, broken down as follows:																								
		<table border="1"> <thead> <tr> <th>Financial objectives</th> <th>Allocation key</th> <th>Achievement rate</th> <th>Amount of variable compensation</th> </tr> </thead> <tbody> <tr> <td>Turnover</td> <td>20%</td> <td>174%</td> <td>200,595</td> </tr> <tr> <td>Net income</td> <td>20%</td> <td>250%</td> <td>287,500</td> </tr> <tr> <td>Internal general overheads excluding exceptional items</td> <td>10%</td> <td>52%</td> <td>30,153</td> </tr> <tr> <td>Gross loss ratio excluding claims handling expenses</td> <td>10%</td> <td>163%</td> <td>93,725</td> </tr> <tr> <td><b>TOTAL (A)</b></td> <td></td> <td><b>106.43%</b></td> <td><b>611,973</b></td> </tr> </tbody> </table>	Financial objectives	Allocation key	Achievement rate	Amount of variable compensation	Turnover	20%	174%	200,595	Net income	20%	250%	287,500	Internal general overheads excluding exceptional items	10%	52%	30,153	Gross loss ratio excluding claims handling expenses	10%	163%	93,725	<b>TOTAL (A)</b>		<b>106.43%</b>	<b>611,973</b>
Financial objectives	Allocation key	Achievement rate	Amount of variable compensation																							
Turnover	20%	174%	200,595																							
Net income	20%	250%	287,500																							
Internal general overheads excluding exceptional items	10%	52%	30,153																							
Gross loss ratio excluding claims handling expenses	10%	163%	93,725																							
<b>TOTAL (A)</b>		<b>106.43%</b>	<b>611,973</b>																							

Components of compensation	Amount	Comments																												
		<table border="1"> <thead> <tr> <th>Strategic and managerial objectives</th> <th>Allocation key</th> <th>Achievement rate</th> <th>Amount of variable compensation</th> </tr> </thead> <tbody> <tr> <td><i>New strategic plan</i></td> <td>15%</td> <td>100%</td> <td>86,250</td> </tr> <tr> <td><i>Internal model</i></td> <td>15%</td> <td>125%</td> <td>107,813</td> </tr> <tr> <td><i>Strengthening of the succession plan of the Executive Committee</i></td> <td>5%</td> <td>100%</td> <td>28,750</td> </tr> <tr> <td><i>Continuation of the cultural transformation, commercial processes and projects</i></td> <td>5%</td> <td>125%</td> <td>35,938</td> </tr> <tr> <td><b>TOTAL (B)</b></td> <td></td> <td><b>45.00%</b></td> <td><b>258,750</b></td> </tr> <tr> <td><b>TOTAL (A + B)</b></td> <td></td> <td><b>151.43%</b></td> <td><b>870,723</b></td> </tr> </tbody> </table>	Strategic and managerial objectives	Allocation key	Achievement rate	Amount of variable compensation	<i>New strategic plan</i>	15%	100%	86,250	<i>Internal model</i>	15%	125%	107,813	<i>Strengthening of the succession plan of the Executive Committee</i>	5%	100%	28,750	<i>Continuation of the cultural transformation, commercial processes and projects</i>	5%	125%	35,938	<b>TOTAL (B)</b>		<b>45.00%</b>	<b>258,750</b>	<b>TOTAL (A + B)</b>		<b>151.43%</b>	<b>870,723</b>
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		<p>The bonus due for financial year 2019 is therefore €870,723 and will be paid as follows:</p> <ul style="list-style-type: none"> <li>◆ 70% of the total amount paid in 2020, i.e. €609,507;</li> <li>◆ 15% of the total amount deferred to 2021, i.e. €130,608;</li> <li>◆ 15% of the total amount deferred to 2022, i.e. €130,608.</li> </ul> <p><b>Note that payment of the 2019 bonus is conditional on the approval of the Ordinary Shareholders' Meeting that follows the closing of financial year 2019.</b></p> <p>A penalty scheme has also been introduced: therefore, in case of losses observed prior to the payment dates of the deferred amounts or dismissal for gross negligence or serious misconduct before the payment date, no payment will be made for these deferred amounts.</p>																												
Multi-year variable compensation	€0.00	N/A																												
Extraordinary compensation	€0.00	N/A																												
Long-term variable compensation (Allocation of stock options/ performance shares and any other component of long-term compensation)	(see Section 2.3.8)	<p>70,000 shares are allocated under the Long-Term Incentive Plan 2019 (LTIP 2019), representing an IFRS fair value of €463,260 (€564,445 at allocation, based on the average of the opening price for the last 20 stock market trading sessions preceding the date of the Board meeting).</p> <p>Bonus shares will be definitively vested on February 14, 2022, subject to presence and performance conditions measured over the term of the plan until December 31, 2021, as follows:</p> <ul style="list-style-type: none"> <li>◆ One third of shares allocated are vested subject to the condition of achieving COFACE SA's RoATE (Return on Average Tangible Equity) level for the financial year ending December 31, 2021;</li> <li>◆ One third of the shares allocated will be vested subject to the relative performance of COFACE SA's shares, measured by COFACE SA's Total Shareholder Return (TSR) compared to the TSR of companies comprising the Euro Stoxx Assurance index over the period from January 1, 2019 to December 31, 2021;</li> <li>◆ One third of the shares allocated will be vested subject to achievement of the net cost ratio for the financial years ended December 31, 2019, December 31, 2020 and December 31, 2021.</li> </ul> <p>The share vesting period is set at three years starting from February 11, 2019. The plan does not include a retention period.</p> <p>The Board decided that 30% of the CEO's shares vested under the LTIP 2019 should be retained until the end of his corporate term of office or of any other role that he might be required to hold within Coface.</p>																												
No hedging	€0.00	To the Company's knowledge, no hedging instrument has been set up.																												
Supplementary retirement scheme	€0.00	Mr Xavier Durand is not entitled to any supplementary retirement scheme.																												
Directors' fees	€0.00	Mr Xavier Durand did not receive any directors' fee for financial year 2019 in connection with his duties within the Company.																												
Benefits in kind	€14,803	Xavier Durand is entitled to a company vehicle and the payment of 62.5% of the contributions payable to the business managers and corporate officers social guarantee scheme (GSC).																												
<b>TOTAL AMOUNTS DUE*</b>	<b>€1,460,526</b>																													

\* The amounts due correspond to the sums allocated for the financial year excluding long-term variable compensation.

### 2.3.5 Compensation of members of the Board of Directors for financial years 2018 and 2019

The table below shows the compensation received by members of the Company's Board of Directors for the financial year ended December 31, 2018 as well as compensation owed to them for the financial year ended December 31, 2019.

► **Table 3 - Table of compensation received by non-corporate officers (AMF nomenclature) <sup>(1)</sup>**

Non-corporate officers	First appointment	Expiry of the term of office <sup>(3)</sup>	Amounts due for financial year 2019 <sup>(2)</sup>	Amounts paid in financial year 2018 <sup>(2)</sup>
<b>Jean Arondel</b>	21/11/2012	2020	26,000	24,000
Other compensation			-	-
<b>Nathalie BRICKER</b> Appointed on May 16, 2019	16/05/2019	2022	- <sup>(4)</sup>	-
Other compensation			-	-
<b>Jean-Paul DUMORTIER</b> Resigned on Oct. 23, 2019	26/07/2013	2020	28,567	32,500
Other compensation			-	-
<b>Éric HÉMAR</b>	01/07/2014	2021	55,000	51,000
Other compensation			-	-
<b>Daniel KARYOTIS</b>	08/02/2017	2020	23,000	22,000
Other compensation			-	-
<b>Isabelle LAFORGUE</b>	27/07/2017	2020	41,000	32,500
Other compensation			-	-
<b>Nathalie LOMON</b>	27/07/2017	2020	55,000	43,000
Other compensation			-	-
<b>Sharon MACBEATH</b>	01/07/2014	2021	33,000	29,000
Other compensation			-	-
<b>Marie PIC-PÂRIS</b> Co-opted on Oct. 23, 2019	23/10/2019	2020	5,000	-
Other compensation			-	-
<b>Isabelle RODNEY</b>	03/11/2016	2020	41,000	30,500
Other compensation			-	-
<b>Anne SALLÉ-MONGAUZE</b>	03/11/2016	2020	- <sup>(4)</sup>	- <sup>(4)</sup>
Other compensation			-	-
<b>Olivier ZARROUATI</b>	01/07/2014	2021	40,000	40,000
Other compensation			-	-

(1) The dates of appointments and ends of terms of office for the Board of Directors are available in Section 2.1.1 "Mapping of the characteristics of the members of the Board of Directors for financial year 2019".

(2) In euros, on a gross basis (before social contributions and tax).

(3) Shareholders' Meeting called to approve the financial statements for the financial year ending December 31 of the year in question.

(4) Ms Nathalie Bricker, Chief Financial Officer of Natixis, waives her attendance fees for her participation on the Board of Directors of COFACE SA pursuant to the Natixis policy. The same applies to Ms Anne Sallé-Mongauze, CEO of a wholly owned subsidiary of Natixis.

### 2.3.6 Stock options or warrants allocated in financial year 2019 to each executive corporate officer by the Company or by any company in the Group

No stock options or warrants were allocated for corporate officers during the financial year ended December 31, 2019.

### 2.3.7 Stock options or warrants exercised in financial year 2019 by each executive corporate officer

No stock options or warrants were exercised by a corporate executive officer during the financial year ended December 31, 2019.

### 2.3.8 Bonus shares allocated during financial year 2019 to each executive corporate officer

The conditions for bonus share allocation are described in Section 2.3.4. The table below restates the description of the bonus shares allocated to Mr Xavier Durand under the 2019 Long-Term Incentive Plan.

► **Table 6 – Shares allocated to each corporate officer (AMF nomenclature)**

	Plan date	Number of shares allocated during the financial year	Valuation of shares in euros according to the method used for the consolidated financial statements <sup>(1)</sup>	Vesting date	Availability date <sup>(2)</sup>	Performance conditions
Xavier DURAND Chief Executive Officer (CEO)	2019 Long-Term Incentive Plan 11/02/2019	70,000	€463,260	14/02/2022	14/02/2022	See table in Section 2.3.4
<b>TOTAL</b>		<b>70,000</b>	<b>€463,260</b>			

<sup>(1)</sup> The value on the allocation date was €564,445 based on the average of the opening prices for the last 20 stock market trading sessions preceding the date of the Board meeting.

<sup>(2)</sup> Mr Xavier Durand must retain 30% of the shares acquired under the LTIP 2019 until the end of his corporate term of office or of any other role that he might be required to hold within Coface.

### 2.3.9 Shares which have become available in financial year 2019 for each executive corporate officer

As the performance condition was met in full, all of the shares allocated to Mr Xavier Durand under the LTIP 2016, i.e., 50,000 shares, were definitively vested and delivered on November 4, 2019. As agreed under the Plan's regulations, Xavier Durand must retain 30% of the shares

acquired under the LTIP 2016 until the end of his corporate term of office or of any other role that he might be required to hold within Coface, which corresponds to 15,000 shares under this Plan.

### 2.3.10 History of allocation of stock options or warrants

No stock options or warrants were allocated during the financial years ended December 31, 2019, 2018, 2017 and 2016.

No plan to allocate stock options or warrants is pending at the date of this Universal Registration Document.

### 2.3.11 Stock options or warrants granted to the top ten employees who are not corporate officers

No stock options or warrants were allocated during the financial years ended 31 December 2019, 2018, 2017 and 2016 to the top ten employees who are not corporate officers.

No plan to allocate stock options or warrants is pending at the date of this Universal Registration Document.

### 2.3.12 History of bonus share allocation

298,997 performance shares were allocated under the LTIP 2016, out of the 399,932 available shares representing the total package allocated to this plan by the Board of Directors. 50,000 performance shares were allocated to the Chief Executive Officer for a value on the allocation date of €312,553 (an IFRS fair value of €258,950). The remainder of the 248,997 performance shares were allocated to members of the Executive Committee, to the "regulated" population and to a specific number of other employees, with a view to retaining such employees. In addition, in certain countries where the allocation of bonus was too complicated or impossible, a "phantom shares" solution was implemented for some beneficiaries (31,594 phantom shares). As the performance condition was met in full, the shares allocated under this plan were delivered on the final vesting date of November 4, 2019, subject to the condition of beneficiaries being present on that date, meaning that 268,602 shares were actually delivered.

366,146 performance shares were allocated under the LTIP 2017, out of the 405,317 available shares representing the total package allocated to this plan by the Board of Directors. 60,000 performance shares were allocated to the Chief Executive Officer for a value on the allocation date of €370,080 (an IFRS fair value of €318,300). The remainder of the 306,146 performance shares were allocated to members of the Executive Committee, to the "regulated" population and to a specific number of other employees, with a view to retaining such employees. In addition, in certain countries where the allocation of bonus was too complicated or impossible, a "phantom shares" solution was implemented for some beneficiaries (34,400 phantom shares).

298,132 performance shares were allocated under the LTIP 2018, out of the 382,869 available shares representing the total package allocated to this plan by the Board of Directors. 65,000 performance shares were allocated to the Chief Executive Officer for a value on the allocation date of €594,198 (an IFRS fair value of €463,320). The remainder of the 233,132 performance shares were allocated to members of the Executive Committee, to the "regulated" population and to a specific number of other employees, with a view to retaining such employees. In addition, in certain countries where the allocation of bonus was too complicated or impossible, a "phantom shares" solution was implemented for some beneficiaries (29,000 phantom shares).

372,268 performance shares were allocated under the LTIP 2019, out of the 434,055 available shares representing the total package allocated to this plan by the Board of Directors. 70,000 performance shares were allocated to the Chief Executive Officer for a value on the allocation date of €564,445 (an IFRS fair value of €463,260). The remainder of the 302,268 performance shares were allocated to members of the Executive Committee, to the "regulated" population and to a specific number of other employees, with a view to rewarding and retaining such employees. In addition, in certain countries where the allocation of bonus shares was too complicated or impossible, a "phantom shares" solution was implemented for some beneficiaries (28,520 phantom shares) – see Section 7.2.3 "Independent control, holding and acquisition of treasury shares by the Company".

► **Table 10 – History of bonus share allocations**

	Long-Term Incentive Plan *			
	2019	2018	2017	2016
Meeting date	16/05/2018	19/05/2016	19/05/2016	19/05/2016
Date of the Board of Directors' meeting	11/02/2019	12/02/2018	08/02/2017	03/11/2016
Total number of bonus shares allocated	372,268	298,132	366,146	298,997
of which allocated to Xavier Durand	70,000	65,000	60,000	50,000
Share vesting date	14/02/2022	15/02/2021	09/02/2020	04/11/2019
End-date of the retention period	N/A	N/A	N/A	N/A
Number of shares subscribed	-	-	-	-
Cumulative number of cancelled or lapsed shares	-	-	-	30,395
Remaining bonus shares allocated at financial year-end	372,268	298,132	366,146	268,602

\* The performance conditions are described in Section 2.3.4 above. The amounts indicated do not take into account the shares cancelled for the plans that were not delivered by December 31st, 2019 (LTIP 2017).

### 2.3.13 Employment contracts, retirement indemnities and indemnities in the event of termination of the duties of the executive corporate officers

► **Table 11 - Employment contracts, retirement indemnities and indemnities in the event of termination of the duties of the executive corporate officers (AMF nomenclature)**

Executive corporate officers	Employment contract		Supplementary retirement scheme		Compensation or benefits due or which could be due as a result of a termination or change of duties		Indemnities related to a non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
<b>François RIAHI</b> Chairman of the Board of Directors From June 15, 2018 until the Ordinary Shareholders' Meeting called to approve the financial statements for the financial year ending December 31, 2020		X		X <sup>(1)</sup>	√ <sup>(2)</sup>		√ <sup>(3)</sup>	
<b>Xavier DURAND</b> Chief Executive Officer (CEO) From February 9, 2016 until the Ordinary Shareholders' Meeting called to approve the financial statements for the financial year ending December 31, 2019		X		X <sup>(2)</sup>	√			X

(1) François Riahi benefits from mandatory pension schemes as all other Natixis employees do, and does not benefit from any complementary pension scheme under Articles 39 or 83 of the French General Tax Code. Moreover, the Chief Executive Officer (CEO) of Natixis makes contributions to the life insurance policy under Article 82 of the French General Tax Code set up by the BPCE group. Contributions under this scheme are funded by the Chief Executive Officer and not by Natixis. Pursuant to this scheme, in 2018, in his role as Chief Executive Officer of Natixis, François Riahi made a payment of €117,333.

(2) The Chief Executive Officer benefits from all health, retirement and social security plans under the prevailing conditions of the Company.

(3) No compensation for severance or a change in position, or under a non-compete clause, was paid in 2019. No form of compensation or benefit has been paid to François Riahi by the Company.

#### Severance pay granted to Mr Xavier Durand

In the event that his corporate term ends, Mr Xavier Durand is entitled to an amount of severance pay equal to two years' salary (fixed and variable). The reference used for the fixed portion shall be the salary for the current financial year at the date his duties cease. The reference amount for the variable portion will be the average of the variable compensation received for the three financial years preceding the date his duties cease.

This severance pay shall be due if the following performance criteria have been met:

- ♦ achievement of at least 75% of the average annual objectives during the three financial years preceding the departure date; and

- ♦ the Company's combined ratio after reinsurance is at most 95% on average for the three financial years preceding the departure date.

If just one of the two conditions above has been fulfilled, 50% of the severance pay will be due. If none of the conditions above has been met, no severance pay will be due. No indemnity will be paid by the Company if the corporate term of office is ended at Mr Xavier Durand's initiative or in the event of termination for serious misconduct or gross negligence. The compensation components and corporate benefits governed by the regulated agreements procedure in accordance with the provisions of the French Commercial Code are subject to approval by the Company's Shareholders' Meeting.

Mr Xavier Durand does not have an employment contract and is not entitled to any indemnity relating to a non-compete clause.

### 2.3.14 Amounts placed in reserve or otherwise recorded by the Company or its subsidiaries for the purposes of paying pensions, retirement or other benefits

As Mr Xavier Durand is entitled to the collective scheme within the Company, no particular amount was reserved or recorded by the Company or its subsidiaries for the purposes of paying pensions, retirement or other benefits to its corporate officers.

# 3

## COMMENTS ON THE FINANCIAL YEAR

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### 3.1 ECONOMIC ENVIRONMENT <sup>(1)</sup>

In 2019, the global economy achieved 2.5% growth, according to Coface<sup>(2)</sup>, a performance significantly lower than that of 2018 (3.2%). The slowdown concerned both the advanced economies (1.7%, down 0.5% compared with 2018) and the emerging economies (3.5%, down 0.8% compared with 2018). At the same time, global trade declined by 0.3% in volume year-on-year in the third quarter, the lowest rate since the crash of 2008–2009.

Eurozone growth slowed in 2019 (1.2%) after an excellent 2018 (1.9%) already down sharply from 2017 (2.5%). Despite an even more accommodating monetary policy, the uncertainties surrounding Brexit, the US-China trade war, political changes in Spain and Italy, as well as the major difficulties in the automotive sector weighed on growth. Growth in **Germany** (downgraded to A2 by Coface in 2019) stalled (0.6%, down 0.9% compared with 2018), notably due to the downturn in the automotive sector. Activity also slowed in **France** but to a considerably lesser extent (1.2%, down 0.5%), in the wake of a weaker increase in consumer spending and savings rates despite, paradoxically, an increase in confidence and disposable income. The downturn in **Spain** and **Portugal** was similar to that of France but from a higher starting point: good performances slowed slightly in Spain (2%, down 0.6%), and in Portugal (1.8%, down 0.6% compared with 2018), but remain significantly higher than those observed in **Italy** (0%, down 0.9%). All sectors of the Italian economy struggled, leaving the country bottom of the heap in Europe. Faced with the country's political problems, consumers were particularly defiant, which led them to increase their savings despite concerns about the banks. At the same time, Greece experienced its third consecutive year of recovery (1.8%, down 0.1% compared with 2018).

In the **United Kingdom**, with 1.3% growth (down 0.1% compared with 2018), activity levels remained below the long-term average. The main cause lies in the major uncertainty surrounding Brexit, which weighed on investment. The pound fluctuated with announcements relating to Brexit, showing depreciation of just 5% and 3% respectively against the euro and the dollar. Only consumer

spending flourished thanks to the growth in real incomes. Growth in the **United States** fell 0.6 percentage points to 2.3%, primarily in relation to the decline in the manufacturing sector. Consumer spending remained high, boosted by the major growth in employment, low interest rates and the real estate-related wealth effect. The trade war with China merely served to change the origin of the goods purchased. Finally, growth in **Japan** remained low (unchanged at 0.8%). Exports, in particular automotive parts and equipment for the electronics sector, decreased continuously throughout the year.

The slowdown in the global economy accompanying the tariff war between the United States and China, as well as domestic political and social factors, also led to a deterioration in the economic situation among emerging countries. Once again, **Latin America** was the region with the least favourable indicators (-0.1%, after 1.4% in 2018). A prime example of this situation is the Argentine economy (-3% after -2.5% in 2018), which continued to pay a high price for its monetary crisis, soaring inflation, deficit and high debt. Brazil, with a newly elected president, was unable to make significant progress (0.9% after 1.1%). The **Middle East and North Africa** region also experienced a significant downturn (growth fell from 1.4% in 2018 to 0.4% in 2019), in the context of an economic situation already lacking momentum. Conversely, Israel and Egypt maintained very dynamic levels of activity. Growth in **Eastern Europe** (1.8% after 2.7%) fell, as it did in Russia (1.1% after 2.3%). The other regions experienced only small decreases in activity. Growth in **Central Europe** fell from 4.3% to 3.7% mainly due to Turkey (from 2.8% to -0.6%). Growth in **Sub-Saharan Africa** stabilised at 2.5%. **Emerging Asia** stood out again with the most vigorous growth (5.2%, -0.7 percentage points compared with 2018). However, the downturn in China accelerated (6.1% after 6.6%) against the backdrop of the trade war with the United States and a slowdown in consumer spending and local authority investment. The trend was even more pronounced in India (5.5% after 6.8%). The other major economies in South East Asia have maintained high growth.

#### ► GDP growth (as a %): 2018, 2019 and 2020<sup>(1)</sup> (source Coface)



(1) Group estimates.

(2) The terms "Group", "Coface Group" or "Coface", unless expressly stated otherwise, refer to COFACE SA as a parent company, its subsidiaries, the branches of Compagnie française d'assurance pour le commerce extérieur, the main operational subsidiary and its holdings.



## 3.2 SIGNIFICANT EVENTS OF 2019

### 3.2.1 Changes in governance

#### Appointments to the Board of Directors of Coface

At its meeting on March 27, 2019, the Board of Directors of COFACE SA co-opted **Nathalie Bricker**, Chief Financial Officer of Natixis, as a new non-independent director.

At its meeting on October 23, 2019, the Board of Directors of COFACE SA co-opted **Marie Pic-Pâris**, President of Banque Populaire Rives de Paris, as a non-independent director. She replaces Jean-Paul Dumortier who leaves the Board due to the expiry of his six-year term at Banque Populaire Rives de Paris.

The Board of Directors is composed of 12 members: seven are non-independent directors and five are independent directors.

#### Appointments to the Coface Executive Committee

On March 11, 2019, **Oscar Villalonga** joined Coface as CEO of the North America region. He joins the Executive Committee and reports to Xavier Durand, the Group's Chief Executive Officer (CEO).

### 3.2.2 Acquisition of SID - PKZ (Slovenia)

On April 15, 2019, Coface announced the acquisition of SID - PKZ, the market leader in credit insurance in Slovenia. The business now operates under the new brand name Coface PKZ. Founded by SID Bank in 2005, SID - PKZ recorded €14.3 million of gross written premiums in 2018. The transaction had a neutral impact on the Group's solvency

ratio. The initial recognition of the assets and liabilities of Coface PKZ is finalised and negative goodwill of €4.7 million has been recognised in the income statement. The contribution of Coface PKZ (excluding the impact of negative goodwill) in the Group's net income as of December 31, 2019 is not significant.

### 3.2.3 Coface launches credit insurance offer in Greece

The country has undertaken reforms which pave the way for a promising credit insurance market. This opening of an entity in the country extends Coface's historically strong presence in the Mediterranean & Africa region, which

represented 27% of the Group's revenues in 2019. The impact of the new entity on the Groups' financial statements for the year 2019 is not significant.

### 3.2.4 Coface South Africa new partnership

Following the strategic partnership signed on November 16, 2018 and approved by the South African regulatory authorities during the second quarter of 2019, Coface South Africa, the South African subsidiary of Compagnie française d'assurance pour le commerce extérieur, opened up 2.5% of its capital to the South African investment fund, the B-BBEE investment holding company, Identity Capital Partners (Pty) Ltd. Through this transaction,

Coface South Africa will improve and strengthen its local footprint and compliance with B-BBEE (broad-based Black Economic Empowerment) legislation. The opening of Coface South Africa's capital could be increased up to 25% over a 10-year horizon. In addition, Coface has a call option for the shares of these minority shareholders. The impact of this transaction on the financial statements for the year is not significant.

### 3.2.5 Takeover of minority shareholders of Brazilian subsidiary SBCE (Seguradora Brasileira C.E.)

Compagnie française d'assurance pour le commerce extérieur has acquired the minority shareholders in its Brazilian subsidiary SBCE (Seguradora Brasileira C.E.). This acquisition of 24.2% of the capital was made through two local banks, each owning 12.1%. This operation is part of the

Group's desire to rationalise its presence in Brazil. The purchase of minority interests without any change in the consolidation method has no impact on the net income and no significant impact on the equity.

### 3.2.6 Integration into the SBF 120 index

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The Expert Indices Committee of Euronext has decided to include COFACE SA in the SBF 120 index and this decision was effective on Monday, June 24, 2019. The SBF 120 is one of the leading Paris stock market indices. It tracks the top 120 companies in terms of market capitalisation and

liquidity. This entry follows the increased market capitalisation and share liquidity of Coface, which reflect the strengthening of its fundamentals since the launch of its Fit to Win strategic plan.

### 3.2.7 Fitch affirms Coface AA- rating, with an outlook 'stable'

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Fitch Ratings affirmed, on July 10 2019, Coface's AA- Insurer Financial Strength (IFS) rating. The outlook under this rating remains stable. The AA- IFS ratings of Coface North America Insurance Company and Coface Re, two other major insurance entities of the Group, have also been affirmed with a stable outlook.

In Fitch's press release, the rating agency highlights that these affirmations "are primarily driven by Coface's very strong business profile, very strong 'capitalisation and leverage', and strong profitability".

Fitch views Coface's financial performance and earnings "as strong, underpinned by underwriting profitability and effective risk management, across the cycle".

### 3.2.8 Capital reduction by cancellation of shares

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The Board of Directors of COFACE SA, in its meeting of April 24, 2019, decided to cancel the 1,867,312 shares bought under the share buyback programme, as announced on October 25, 2018, and to make a corresponding

reduction in the share capital of the Company. Therefore, the share capital of COFACE SA now stands at €304,063,898 divided into 152,031,949 shares with a nominal value of €2 each.

### 3.2.9 Approval for partial internal model

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On July 25, 2019, Coface submitted its partial internal model to the ACPR, the French Prudential Supervision and Resolution Authority. On December 4, 2019, COFACE SA announced that it has received authorisation from the ACPR to use the Group's partial internal model for calculating its regulatory capital requirement under the Solvency II Directive from December 31, 2019. Coface's

partial internal model has been the subject of extensive discussion and review by the Group's supervisory authority since the launch of the pre-application phase in 2016. This model covers the insurance underwriting risk module. The other modules (market risk, underwriting risk, operational risk) still use the parameters of the standard formula.

## 3.3 COMMENTS ON INCOME AT DECEMBER 31, 2019

### 3.3.1 Performance of the Group

The 2019 financial year performance has enabled Coface to achieve and even exceed the objectives of its Fit to Win strategic plan. Reported consolidated revenue of €1,481.1 million was up 5.9% at constant scope and exchange rate compared with 2018. The net combined ratio was 77.7%, outperforming the target of 83% across the cycle. This breaks down into a loss ratio up by 0.1 percentage point to 45.0% and a cost ratio down by 1.8 percentage points to 32.7% compared with 2018. The Group ended the year with net income (Group share) up 20%, at €146.7 million (compared with €122.3 million in 2018) and a return on equity of 9.1% after restatement for non-recurring items (target of 8 + 1% after optimising the capital model).

The approval of the partial internal model by the ACPR marks a decisive step in improving Coface's capital efficiency, the second pillar of its Fit to Win plan. The Group adjusted the target solvency ratio upwards to a range of between 155% and 175%. The Group's estimate is 190% as of December 31, 2019 <sup>(1)</sup>. Coface will propose to shareholders the distribution of a dividend <sup>(2)</sup> of €1 per share, i.e. a distribution rate above 100% (earnings per share at €0.97).

The fluctuations at constant scope and exchange rate presented for the purposes of comparability in the tables below take account of the inclusion of Coface PKZ in the Group's consolidation scope from April 1, 2019.

### 3.3.2 Revenue

The Group's consolidated revenue grew by 5.9% at constant scope and exchange rate (up 7.0% at current scope) to €1,481.1 million at December 31, 2019.

The positive exchange rate effect of 0.2 percentage points had a limited impact but masks large disparities between currencies. The strengthening of the US dollar (the portfolio's largest foreign currency) and the Asian

currencies against the euro offset the almost continuous depreciation of the Argentine peso and to a lesser extent that of the Turkish lira.

The table below shows the changes in the Group's consolidated revenue by business line as of December 31, 2018 and 2019:

Change in consolidated revenue by business line (in millions of euros)	As at Dec. 31		Change		
	2019	2018	(in €m)	(as a %)	(as a %: at constant scope and exchange rate)
Insurance	1,417.0	1,318.0	99.0	7.5%	6.4%
Gross earned premiums*	1,235.6	1,142.6	93.0	8.1%	7.0%
Services**	181.4	175.4	6.0	3.4%	2.2%
Factoring	64.1	66.7	-2.6	-3.9%	-3.8%
<b>CONSOLIDATED REVENUE</b>	<b>1,481.1</b>	<b>1,384.7</b>	<b>96.4</b>	<b>7.0%</b>	<b>5.9%</b>

\*Gross earned premiums - Credit, Single Risk and Guarantees.

\*\* Sum of revenue from services related to credit insurance ("Fees and commission income" and "Other insurance-related services") and services provided to customers without credit insurance (access to information on corporate solvency and marketing information - "Information and other services", and debt collection services - "Receivables management") - See Note 22 of the notes to the consolidated financial statements.

#### Insurance

Revenue from the insurance business (including surety bond and Single Risk) was up by 6.4% at constant scope and exchange rate (up 7.5% at current scope and exchange rate), rising from €1,318.0 million in 2018 to €1,417.0 million in 2019.

Gross earned premiums were up 7.0% at constant scope and exchange rate (up 8.1% at current scope and exchange rate), from €1,142.6 million in 2018 to €1,235.6 million in 2019. Emerging markets saw a return to sustained growth and new business is increasing significantly in mature countries.

The production of new contracts amounted to €133 million, up €17 million compared with 2018.

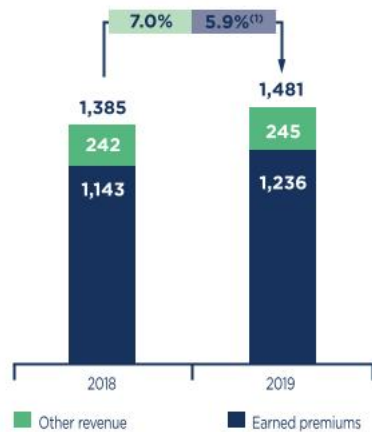
The contract retention rate (ratio between the annual value of renewed policies and the value of policies to be renewed during the year) was high in all regions and reached a record annual level of 91.6% for the Group (compared with 91.1% at December 31, 2018). The pressure on prices remained controlled with a 1.0% fall in 2019 (compared with -1.4% in 2018), reflecting good commercial discipline and re-pricing in the highest risk markets.

(1) This estimated solvency ratio constitutes a preliminary calculation made according to Coface's interpretation of Solvency II regulations and using the Partial Internal Model. The result of the definitive calculation may differ from the preliminary calculation. The estimated solvency ratio is not audited.

(2) The distribution proposal is subject to the approval of the Annual General Shareholders' Assembly of 14 May 2020.

Growth in the turnover of Coface's clients had a positive impact of 2.8% in 2019. Although still positive, this growth represents a major slowdown compared with the previous year (+6.1% in 2018). This slowdown was particularly marked in the second half of the year.

Revenue from the services business was up by 2.2% at constant scope and exchange rate (up 3.4% at current scope and exchange rate), rising from €175.4 million in 2018 to €181.4 million in 2019.



1) At constant exchange rate.

## Factoring

Revenue from factoring (exclusively in Germany and Poland) was down 3.8% at constant exchange rates (down 3.9% at current exchange rates), from €66.7 million in 2018 to €64.1 million in 2019.

The repositioning of the portfolio in Germany continued in 2019 and a new management team was installed. The amount of factored receivables stabilised but turnover fell by 5.3%.

The factored receivables portfolio in Poland continued to grow, generating a 4.2% increase in revenue at constant exchange rate (+3.4% at current exchange rate). The interest margin recovered from the previous year.

## Change in revenue by region

The table below shows the trends in consolidated revenue (net of intra-group flows) within the Coface Group's seven geographic regions for the financial years ended December 31, 2018 and 2019:

Change in consolidated revenue by region of invoicing (in millions of euros)	As at Dec. 31			Change		
	2019	2018	(in €m)	(as a %)	(as a %: at constant exchange rate)	(as a %: at constant scope and exchange rate)
Western Europe	294.6	284.0	10.7	3.8%	3.4%	3.4%
Northern Europe	307.5	303.1	4.4	1.5%	1.5%	1.5%
Mediterranean & Africa	394.2	370.4	23.8	6.4%	6.7%	6.7%
North America	138.5	126.5	12.0	9.5%	4.2%	4.2%
Central Europe	148.1	133.8	14.2	11%	11%	2.4%
Asia-Pacific	117.6	95.4	22.1	23%	18%	18%
Latin America	80.7	71.5	9.1	13%	24%	24%
<b>CONSOLIDATED REVENUE</b>	<b>1,481.1</b>	<b>1,384.7</b>	<b>96.4</b>	<b>7.0%</b>	<b>6.8%</b>	<b>5.9%</b>

All the regions reported an increase in revenue at constant scope and exchange rate.

In Western Europe, revenue increased by 3.4% at constant exchange rates (+3.8% at current exchange rates). All business indicators progressed with the exception of the policyholder business, which contracted but remained positive, particularly in France. All markets recorded growth in new production and retention was at a record level.

Revenue in Northern Europe increased by 1.5% at current and constant exchange rates. Credit insurance revenues rose amid a significant recovery in new business that offset the limited customer business. Pricing pressure eased somewhat in Germany. Factoring revenue was still down within a context of margin control.

Revenue for the Mediterranean & Africa region was up 6.7% at constant exchange rates (+6.4% at current exchange rates) thanks to positive sales momentum. The growth of new business thus offset the contract retention rate which was down slightly, particularly in Spain.

In North America, revenue increased by 4.2% at constant exchange rates (+9.5% at current exchange rates). In addition to a strong exchange rate effect, the credit insurance portfolio developed favourably thanks to a

significant increase in the retention rate and the growth of new business. However, Single Risk contract production was down.

Central Europe posted a 2.4% increase in revenue at constant scope and exchange rates (+11% at current scope and exchange rates due to Coface PKZ's contribution from the second quarter onwards). An increase in new production and resilient customer business allowed the portfolio to continue to grow.

Asia-Pacific recorded an 18% increase in revenue at constant exchange rates (+23% at current exchange rates). The negative exchange rate impact was due to currencies correlated to the US dollar. The strong growth of the credit insurance portfolio in 2018 continued in 2019, bolstered by a better retention rate. 2018 was marked by high premium refunds (low claims level). Adjusted for this impact, growth would be 11%.

Latin America recorded a 24% increase in revenue at constant exchange rates (+13% at current exchange rates). The negative exchange rate impact resulted from the continued sharp depreciation of the Argentine peso. The region benefited from the signing of major international contracts. This upturn took place within a context of caution regarding risks (financial and social unrest).

### 3.3.3 Underwriting income

#### Underwriting income before reinsurance

Underwriting income before reinsurance reached €265.9 million, a 21% increase compared with end-December 2018 (€219.9 million). Revenue growth was the leading contributor to this performance at +€96.4 million, which generated positive operating leverage as the increase in costs was less than half of that of revenue.

A cost ratio down by 1.5 points thus contributed to the improvement in the combined ratio before reinsurance (-2.3 percentage points), which stood at 77.8% as of December 31, 2019 (80.0% as of December 31, 2018). The loss ratio fell by 0.8 percentage points.

#### Loss experience

The Group's loss ratio before reinsurance including claims handling expenses improved by 0.8 percentage points, dropping from 44.2% in 2018 to 43.4% in 2019 despite a riskier global environment. There was a rise in the frequency of claims, although unit costs were down compared with the previous year. The Group continues to benefit from the strict management of past claims, maintaining recoveries at a higher level than the historic average. Through a selective underwriting policy, the level of loss is under control in all regions; Latin America is the only region that exceeded the 50% loss threshold.

(in millions of euros and as a %)	As at Dec. 31		Change	
	2019	2018	(in €m)	(as a %)
Claims expenses incl. claims handling costs	536.2	504.5	31.7	6.3%
Loss ratio before reinsurance	43.4%	44.2%	-	-0.8 pt
Earned premiums	1,235.6	1,142.6	93.0	8.1%

The loss ratio in Western Europe was stable at 34.6% and the region still benefits from recoveries on highly reinsured optional policies.

Thanks to an improvement in losses on products that combine factoring and credit insurance services, Northern Europe saw its ratio decrease by 8 percentage points to 40.9%.

The ratio for the Mediterranean & Africa region improved by 2.5 percentage points to 46.3%. Despite a more sustained frequency of claims, their unit cost was significantly under that of the previous year, particularly in Italy. This is not the case in South Africa, where the loss ratio deteriorated.

The loss ratio in North America deteriorated 6.7 percentage points to 45.8% following the positive impact of gains recorded on previous underwriting periods in 2018. A higher frequency rate and a number of larger claims also penalised this year's loss ratio.

The loss ratio in Central Europe improved by 7.3 percentage points to 42.5%, due in particular to the favourable development of past claims in Russia. It should be noted that the loss ratio was below the regional average for the entity Coface PKZ (32.2%), which entered the Group's consolidation scope in the second quarter of the year.

After benefiting from the major recoveries on claims recorded in previous years in 2018, the loss ratio of the Asia-Pacific region understandably deteriorated to 35.9% (+12.3 percentage points) yet remained at a highly satisfactory level.

The loss ratio in Latin America climbed slightly to 60.1% (+2.2 percentage points) due to the deterioration of the loss ratio in Mexico and, to a lesser extent, Brazil. There was a tangible improvement in Argentina after a year impacted by large claims in 2018.

Change in loss experience by invoicing region (as a %)	As at Dec. 31		Change in points
	2019	2018	
Western Europe	34.6%	34.6%	0.0 pt
Northern Europe	40.9%	48.9%	-8.0 pts
Mediterranean & Africa	46.3%	48.8%	-2.5 pts
North America	45.8%	39.1%	6.7 pts
Central Europe	42.5%	49.7%	-7.3 pts
Asia-Pacific	35.9%	23.6%	12.3pts
Latin America	60.1%	57.9%	2.2 pts
<b>LOSS RATIO BEFORE REINSURANCE</b>	<b>43.4%</b>	<b>44.2%</b>	<b>-0.8 PT</b>

#### ► Overheads

Overheads (in millions of euros)	As at Dec. 31		Change	
	2019	2018	(as a %)	(as a %: at constant scope and exchange rate)
Internal overheads	547.0	527.0	3.8%	2.8%
of which claims handling expenses	31.2	28.0	11.0%	12%
of which internal investment management expenses	4.0	4.0	0.8%	0.7%
Commissions	165.3	163.2	1.3%	0.6%
<b>TOTAL OVERHEADS</b>	<b>712.4</b>	<b>690.2</b>	<b>3.2%</b>	<b>2.3%</b>

Total overheads, which include claims handling expenses and investment management expenses, grew by 2.3% at constant scope and exchange rate (up 3.2% at current scope and exchange rate), from €690.2 million at December 31, 2018 to €712.4 million at December 31, 2019.

Policy acquisition commissions were up 0.6% at constant scope and exchange rate (up 1.3% at current scope and exchange rate), from €163.2 million in 2018 to €165.3 million in 2019. This rise was limited with regard to the increase in earned premiums (+7.0% at constant scope and exchange rates) due to the increase in savings generated by the insourcing of agents in North America.

Internal overheads, which include claims handling expenses and investment management expenses, grew by 2.8% at constant scope and exchange rate (up 3.8% at current scope and exchange rate), from €527.0 million in 2018 to €547.0 million in 2019.

Payroll costs increased 4.4% at constant scope and exchange rate (up 5.6% at current scope and exchange

rate), from €282.3 million in 2018 to €298.1 million in 2019. This increase was mainly due to the payment of compensation to agents now insourced in North America. High inflation, notably in Argentina, also drove wage increases. The improved operational performance over the last two years resulted in an increase in variable compensation and greater contributions to employee savings plans (employee profit sharing) in favour of the French teams in particular.

The 7.8% increase in IT costs at constant scope and exchange rates (+9.3% at current scope and exchange rates) from €47.9 million in 2018 to €52.3 million in 2019 was primarily due to the stepping-up of regulatory and transformation projects.

Other expenses (taxes, information costs, rent) were down 0.8% at constant scope and exchange rate (down 0.1% at current scope and exchange rate), from €196.8 million in 2018 to €196.6 million in 2019.

The €30 million cost savings objective over the term of the Fit to Win strategic plan was exceeded, with €48 million in savings made at end-December 2019. These savings enabled investment in Coface's in-depth transformation focused on risks (risk management and compliance), information systems and tools, processes, and service quality.

The cost ratio before reinsurance improved by 1.5 percentage points from 35.9% for the financial year ended December 31, 2018 to 34.4% for the financial year ended December 31, 2019, thanks to a greater increase in earned premiums than in overheads. The growth in earned premiums thus had a favourable impact of 2.8 percentage points, less 0.2 percentage points for the increase in policy acquisition commissions and 1.1 percentage points for the increase in internal overheads.



In Western Europe, overheads were down 6.1% at constant exchange rates (-5.8% at current exchange rates), due to good control of local costs, aided by a favourable impact of re-billed central expenses.

In Northern Europe, overheads were down 3.5% at current and constant exchange rates thanks to savings that were evenly distributed between local costs (external fees, consultancy fees and rent from the subletting of a portion of the building that houses the registered office in Germany) and re-billed central expenses.

Overheads in the Mediterranean & Africa region were up 3.5% at current and constant exchange rates. This targeted increase in policy acquisition commissions supports the growth of earned premiums. Internal overhead costs were stable.

In Central Europe, overheads increased by 5.4% at constant scope and exchange rates (+13% at current scope and exchange rates), with this rise attributable to IT costs.

In North America, overheads increased slightly by 1.8% at constant exchange rates (+7.0% at current exchange rates). The compensation of insured agents increased internal overheads but generated savings in policy acquisition commissions, which now have a lower correlation with the growth in earned premiums.

In Latin America, overheads increased by 28% at constant exchange rates (+17% at current exchange rates). High inflation, particularly in Argentina, drove wage increases. The region also saw an increase in re-billed central expenses.

In Asia-Pacific, overheads rose by 9.0% at constant exchange rates (+14% at current exchange rates), a targeted increase in external commissions, while revenue was up sharply.

### Underwriting income after reinsurance

Underwriting income after reinsurance reached €187.9 million, a 19% increase compared with 2018 (€157.8 million).

The 25% rise in reinsurance costs to -€78.0 million for the year ended December 31, 2019 (-€62.1 million for the year ended December 31, 2018) resulted principally from the growth in earned premiums with, consequently, a rise in premiums ceded to reinsurers. The improvement in the loss ratio as well as the recoveries recorded on highly reinsured optional policies also limited the increase in claims ceded to reinsurers.

(in thousands of euros and %)	As at Dec. 31		Change	
	2019	2018	(in €k)	(as a %)
Revenue	1,481,088	1,384,735	96,353	7.0%
Claims expenses	-536,247	-504,509	-31,738	6.3%
Acquisition costs	-242,675	-243,236	561	-0.2%
Administrative costs	-274,784	-241,136	-33,648	14.0%
Other expenses from insurance activities	-70,739	-82,556	11,817	-14.0%
Expenses from banking activities, excluding cost of risk	-13,742	-13,552	-190	1.4%
Cost of risk	-1,804	-2,122	319	-15.0%
Expenses from other activities	-75,198	-77,739	2,541	-3.3%
<b>Underwriting income before reinsurance</b>	<b>265,899</b>	<b>219,885</b>	<b>46,014</b>	<b>21.0%</b>
Income and expenses after ceded reinsurance	-77,963	-62,128	-15,835	25.0%
<b>UNDERWRITING INCOME AFTER REINSURANCE</b>	<b>187,936</b>	<b>157,757</b>	<b>30,179</b>	<b>19.0%</b>
Net combined ratio	77.7%	79.6%	-	-

### 3.3.4 Investment income, net of management expenses

#### Financial markets

Economic growth slowed in the United States, the eurozone and China in 2019 yet remained clearly positive. The uncertainty brought about by the US–China trade war and the lack of visibility regarding Brexit played an important role in this slowdown. At the end of the year, however, these risks abated. The central banks implemented new monetary easing measures, which were very positive for equity markets and bond yields fell sharply until the autumn before regaining some ground.

The US economy slowed gradually over the course of 2019. After a start to the year marked by the longest shutdown in history, the development of the trade wars between the United States and various other countries held centre stage. The Federal Reserve, concerned about the risks associated with these tensions, shifted its attitude to adopt a more accommodative tone before lowering its key rate three times. The economy slowed as the year went on, although the labour market remained strong and wage growth continued at a moderate pace. As a result, consumption remained high and supported growth. Inflation rose slightly. The year ended on a positive note with the announcement of an agreement on the trade front between the United States and China. Against this backdrop, US rates fell sharply to a low point at the end of August before rebounding. The US 10-year rate fell from 2.7% at the start of the year to 1.5% in August due to the slowdown in the global economy before rebounding under the impetus of a more favourable outlook for global economic growth ending the year at levels of around 1.9%. In this context, equity markets rose significantly to reach +32% over the year.

Economic growth in the eurozone weakened after a good start to the year, primarily due to global trade tensions as well as fears surrounding Brexit. The European Central Bank responded with accommodative new monetary measures. At the end of the fourth quarter, however, the environment improved as a result of positive developments on Brexit, the outline of a US–China trade agreement and the stabilisation or recovery of most short-term economic indicators. From

The following table shows the financial portfolio by main asset class:

#### ► Market value

<i>(in millions of euros)</i>	As at Dec. 31	
	2019	2018
Listed shares	160	162
Unlisted shares	15	16
Bonds	2,119	1,775
Loans, deposits and money market mutual funds	319	525
Real estate	236	227
<b>Total investment portfolio</b>	<b>2,848</b>	<b>2,705</b>
Associated and non-consolidated companies	142	129
<b>TOTAL</b>	<b>2,991</b>	<b>2,834</b>

a political perspective, in addition to Brexit the main events were a change of government in Italy, the arrival of a new European Commission and inconclusive new elections in Spain. With regard to rates, the German 10-year rate declined from 0.2% to -0.7%, at the end of August, a historic low, before ending the year at levels close to -0.2%. As for the equity market, it ended the year up 25% in Europe.

With regard to the emerging economies, GDP growth was slower in 2019, while there remained significant differences between countries. The persistence of trade tensions between the United States and China and the slowdown in global trade contributed to a weaker business environment and a reduction in investment and exports from emerging countries. Part of the economic slowdown is attributable to the lower growth of some major emerging economies such as China, India and Mexico, and to recessions in a number of others, such as Turkey and Argentina, two idiosyncratic cases. Faced with this situation, the central banks of emerging countries also adopted a more accommodative position, in an environment characterised by relatively low inflationary pressure.

#### Financial income

Within this low-rate economic environment, the Group, as part of the strategic allocation, has reduced its exposure to the sovereign debt of developed markets and money market products, in favour of investment grade corporate bonds and debts of mainly investment grade emerging countries. These investments are all made within a strictly defined risk framework; issuer credit quality, issue sensitivity, and the spread of risk across issuers and geographic regions are covered by clear rules defined in the various management mandates granted to the Group's dedicated asset managers.

The market value of the portfolio increased over the 2019 financial year due to the fall in interest rates, the tightening of credit spreads, and the sharp rise in equity markets, against a backdrop of support from central banks with regard to prospects of a slowdown in growth and geopolitical tensions between China and the US.



The results of the investment portfolio amounted to €54.8 million, of which €10.1 million in realised gains and impairment/reversals (i.e. 2.0% of 2019 average annual outstandings and 1.6% excluding gains and impairment), to be compared to €45.4 million, of which €4.7 million of gains and impairment/reversals in 2018 (1.7% of 2018 average

annual outstandings and 1.5% excluding gains and impairment). Within a favourable market environment through the fall in interest rates and the rise in equity markets, the Group managed to improve the rate of return by 30 basis points.

► Investment portfolio income

<i>(in millions of euros)</i>	As at Dec. 31	
	2019	2018
Equities	6.6	5.5
Fixed income	39.8	30.9
Investment property	8.4	9.0
<b>Total investment portfolio</b>	<b>54.8</b>	<b>45.4</b>
<i>Of which realised gains and impairment</i>	<i>10.1</i>	<i>4.7</i>
Associated and non-consolidated companies	-4.7	3.1
Net foreign exchange gains and derivatives	-5.3	7.8
Financial and investment charges	-7.8	-5.2
<b>TOTAL</b>	<b>36.9</b>	<b>51.1</b>

After income from equity securities, foreign exchange and derivatives income, financial expense and investment charges, the Group's financial income for 2019 was €36.9 million.

Due to the increase in revaluation reserves on the investment portfolio, which was mainly affected by the fall in rates and the rise in equity markets, the economic rate of return of financial assets stood at +5.0% in 2019 compared with -0.2% for the same period in 2018.

### 3.3.5 Operating income/(loss)

<i>(in millions of euros)</i>	As at Dec. 31		Change		
	2019	2018	<i>(in €m)</i>	<i>(as a %)</i>	<i>(as a %: at constant scope and exchange rate)</i>
<b>Consolidated operating income</b>	<b>218.9</b>	<b>203.9</b>	<b>15.0</b>	<b>7.3%</b>	<b>6.8%</b>
<b>Operating income including finance costs</b>	<b>197.5</b>	<b>186.2</b>	<b>11.3</b>	<b>6.0%</b>	<b>5.5%</b>
<b>Other operating income / expenses</b>	<b>-6.0</b>	<b>-5.0</b>	<b>-1.0</b>	<b>21%</b>	<b>19%</b>
<b>OPERATING INCOME INCLUDING FINANCE COSTS AND EXCLUDING OTHER OPERATING INCOME AND EXPENSES</b>	<b>203.5</b>	<b>191.2</b>	<b>12.3</b>	<b>6.4%</b>	<b>5.8%</b>

Consolidated operating income increased 6.8% at constant scope and exchange rate, from €203.9 million for the financial year ended December 31, 2018 to €218.9 million for the financial year ended December 31, 2019.

Current operating income, including finance costs and excluding non-recurring items (other operating income and expenses), increased by 5.8% at constant scope and exchange rate from €191.2 million in 2018 to €203.5 million in 2019.

The net combined ratio, including extraordinary items, fell by 1.9 percentage points, from 79.6% in 2018 to 77.7% in 2019, including a decline of 0.1 percentage points in net loss ratio and a decline of 1.8 percentage points in cost ratio.

Other operating income and expenses amounted to a negative €6.0 million and mainly included:

- ◆ for other operating income:
  - a gain on disposal of the office building in Milan for €2.3 million (classified as business premises);
- ◆ for other operating expenses:
  - provisions for restructuring in the amount of €5.3 million,
  - €1.3 million of expenses net of reversals of provisions related to the Fit to Win strategic plan.

All regions contributed positively to operating income.

Change in operating income consolidated by invoicing region (in millions of euros)	As at Dec. 31		Change	Share of annual total at Dec. 31, 2019
	2019	2018		
Western Europe	31.3	34.9	-3.7	12%
Northern Europe	74.3	53.0	21.3	29%
Mediterranean & Africa	79.0	71.3	7.7	31%
North America	16.3	13.0	3.4	6%
Central Europe	30.4	28.7	1.7	12%
Asia-Pacific	21.4	26.1	-4.7	8%
Latin America	2.3	9.7	-7.4	1%
<b>TOTAL (EXCLUDING INTERREGIONAL FLOWS AND HOLDING COST NOT RE-INVOICED)</b>	<b>255.0</b>	<b>236.6</b>	<b>18.4</b>	<b>100%</b>

### 3.3.6 Net income (attributable to owners of the parent)

The effective tax rate of the Coface Group fell from 34.4% in 2018 to 28.1% in 2019, down by 6.3 percentage points in particular due to a better absorption of loss carryforwards on a number of emerging markets.

Net income (Group share) for the year stood at €146.7 million, a 20% increase compared with the financial year ended December 31, 2018 (€122.3 million).

### 3.3.7 Parent company net income

COFACE SA's net income amounted to €132.7 million in 2019 compared with €122.6 million in 2018. COFACE SA benefited from payments by its subsidiaries, Compagnie française d'assurance pour le commerce extérieur and

Coface RE, respectively of a €125.1 million dividend (€133.4 million dividend in 2018) and of a €15.7 million dividend.

## 3.4 GROUP CASH AND CAPITAL RESOURCES

Information in this section is derived from the statement of cash flows in the consolidated financial statements and from Note 9 “Cash and cash equivalents” in the Company’s consolidated financial statements.

<i>(in millions of euros)</i>	As at Dec. 31	
	2019	2018
Net cash flows generated from operating activities	247.7	124.8
Net cash flows generated from investment activities	-77.6	31.3
Net cash flows generated from financing activities	-155.3	-116.0

<i>(in millions of euros)</i>	As at Dec. 31	
	2019	2018
Cash and cash equivalents at beginning of period	302.4	264.3
Cash and cash equivalents at end of period	320.8	302.4
Net change in cash and cash equivalents	18.4	38.1

### 3.4.1 Group debt and sources of financing

The Group’s debt comprises financial debt (financing liabilities) and operating debt linked to its factoring activities (composed of “Amounts due to banking sector companies” and “Debt securities”).

<i>(in millions of euros)</i>	As at Dec. 31	
	2019	2018
Subordinated borrowings	389.3	388.7
<b>Sub-total financial debt</b>	<b>389.3</b>	<b>388.7</b>
Amounts due to banking sector companies	523.0	660.2
Debt securities	1,538.7	1,537.6
<b>Sub-total operating debt</b>	<b>2,061.7</b>	<b>2,197.8</b>

#### Financial debt

For the financial year ended December 31, 2019, the Group’s financing liabilities, totalling €389.3 million, exclusively include the subordinated loan.

These fixed-rate (4.125%) subordinated notes (maturing on March 27, 2024) were issued on March 27, 2014 by COFACE SA for a nominal amount of €380 million.

The issue allowed the Group to optimise its capital structure, which had previously been characterised by an extremely low debt ratio (less than 1% at end-2013), and to strengthen its regulatory equity.

These securities are irrevocably and unconditionally guaranteed on a subordinated basis by Compagnie française d’assurance pour le commerce extérieur, the Group’s main operating entity.

### Operating debt linked to the factoring business

The Group's operating debt is mainly linked to financing for its factoring activities.

This debt, which includes "Amounts due to banking sector companies" and "Debt securities" items, corresponds to sources of refinancing for the Group's factoring companies (Coface Finanz in Germany and Coface Poland Factoring in Poland).

Amounts due to banking sector companies, which correspond to drawdowns on the bilateral credit lines (see "Bilateral credit lines" below) set up with various banking partners of Coface Finanz and Coface Poland Factoring and the Group's leading local banks, amounted to €523 million for the financial year ended on December 31, 2019.

Borrowings represented by securities amounted to €1,538.7 million for the financial year ended on December 31, 2019, including:

- ◆ the Senior units issued by the Vega securitisation fund under the Coface Finanz factoring receivables securitisation programme (see paragraph below "Securitisation programme"), in the amount of €1,100 million; and
- ◆ commercial paper issued by COFACE SA (see paragraph below "Commercial paper programme") to finance the activity of Coface Finanz in the amount of €438.7 million.

### Coface Group's main sources of operational financing

To date, the Coface Group's main sources of operational financing are:

- ◆ a securitisation programme to refinance its trade factoring receivables for a maximum amount of €1,100 million;
- ◆ a commercial paper programme for a maximum amount of €650 million; and
- ◆ bilateral credit lines for a maximum total amount of €897.5 million.

In February 2012, the Group took a first step towards achieving financial autonomy by implementing a factoring receivables securitisation programme dedicated to financing the business of Coface Finanz (Germany) and implemented a commercial paper programme dedicated to factoring financing.

In 2014, a structural addition was introduced into the securitisation programme which allowed the maximum amount of the programme to be increased to €1,195 million (recall that the initial amount was €1,100 million). At the end of 2015, the securitisation programme was renewed ahead of schedule, for an unchanged maximum amount.

In 2017, the Group continued to set up new bilateral lines in Germany and Poland. At the end of 2017, the securitisation programme was entirely renewed ahead of schedule, for a period of five years and for an unchanged amount. Concerning the commercial paper issue programme, the Group restructured the credit lines likely to be drawn should the commercial paper market shut down. Since July 28, 2017, the Group has had a syndicated loan maturing in three years with two one-year extension options for a

maximum amount of €700 million. This loan replaces the bilateral credit lines covering the maximum amount of the €600 million commercial paper programme on the one hand, and includes an additional liquidity line of €100 million available to factoring entities if needed.

On June 8, 2018, Coface Poland Factoring and a group of partner banks set up a €300 million multi-currency syndicated loan. This syndicated loan partly replaces existing bilateral credit lines. The loan has a two-year maturity with the option of a one-year extension, at the lenders' discretion. The maximum amount of the commercial paper programme was increased to €650 million with the option to issue commercial paper in euros, dollars and pound sterling. The additional Group-level liquidity line available to factoring entities, if needed, was thus increased to €50 million.

In 2019, the securitisation programme was reduced to €1,100 million in July and then renewed early in December. The following extensions were exercised during the year:

- ◆ third year of the €300 million multi-currency syndicated loan for Coface Poland Factoring;
- ◆ fifth year of the €700 million syndicated loan for COFACE SA.

At December 31, 2019, the amount of the Coface Group's debt linked to its factoring activities amounted to €2,061.7 million.

### (a) Securitisation programme

In connection with the refinancing of its factoring activities, in February 2012 the Group implemented a securitisation programme for its factoring trade receivables for a maximum total amount of €1,100 million, guaranteed by Compagnie française d'assurance pour le commerce extérieur. The maximum amount of the programme increased by €95 million, thanks to a structural addition set up in July 2014. The ceding entity was Coface Finanz, the German wholly-owned subsidiary of Compagnie française d'assurance pour le commerce extérieur. The purchaser of the receivables is a French securitisation mutual fund, Vega, governed by the stipulations of the French Monetary and Financial Code. The Group gained initial funding from this ceded reinsurance, with 35% of the programme due in one year and the remaining 65% in three years. On February 3, 2014, the Group reached an agreement with the banks in charge of the funding to renew the funding due in one year and extend the three-year portion of the funding, which was accordingly raised to 75% of the programme size. Thanks to the additional financing that was introduced in July 2014, the share of financing at three years reached 77%. The securitisation programme was completely renewed early in December 2017, *i.e.* for a maximum amount of €1,195 million and financing units of 23% and 77%, respectively, on maturities of one and three years.

In July 2019, the securitisation programme was reduced to a maximum amount of €1,100 million and was subsequently renewed early in December 2019. The financing units were changed to 25% and 75% respectively on maturities of one and three years. The main monitoring indicators for the programme include the default ratio, the delinquency ratio and the dilution ratio. The priority units issued by the Vega securitisation mutual fund were subscribed and refinanced by four vehicles issued in consideration for the short-term securities. The subordinated units were underwritten by Coface Poland Factoring.

At December 31, 2019, €1,100 million had been used under this programme.

This securitisation programme includes a number of usual early payment cases associated with such a programme, concerning the financial position of Coface Finanz (the ceding company) and other Group entities (including certain indicators regarding the quality of the ceded receivables), and linked to the occurrence of various events, such as:

- ◆ payment default of Coface Finanz or of Compagnie française d'assurance pour le commerce extérieur for any sum due under the securitisation mutual fund;
- ◆ the cross default of any Group entity pertaining to debt above €100 million;
- ◆ closure of the asset-backed commercial paper market for a consecutive period of 180 days;
- ◆ winding-up proceedings against Coface Finanz, Coface Poland Factoring, the Company or Compagnie française d'assurance pour le commerce extérieur;

- ◆ the discontinuance of or substantial change to the activities practised by Coface Finanz or by Compagnie française d'assurance pour le commerce extérieur;
- ◆ a downgrading of the financial rating of Compagnie française d'assurance pour le commerce extérieur below BBB- for the main funding (maximum amount of €1,100 million) and to below A for additional funding (maximum amount of €70 million); as well as in case of
- ◆ non-compliance with one of the covenants linked to the quality of the portfolio of ceded factoring receivables.

The securitisation programme does not contain a change of control clause for the Company, but contains restrictions regarding the change of control in Compagnie française d'assurance pour le commerce extérieur and the factoring companies resulting in their exit from the Group.

The three covenants set by the securitisation programme include:

Covenant	Definition	Trigger threshold
Default ratio	Three-month moving average of the rate of unpaid receivables beyond 60 days after their due date	> 2.24%
Delinquency ratio	Three-month moving average of the rate of unpaid receivables beyond 30 days after their due date	> 5.21%
Dilution ratio	Three-month moving average of the dilution ratio	> 9.71%

At December 31, 2019, the Group had complied with all of these covenants.

## (b) Bilateral credit lines

In connection with the refinancing of its factoring business, the Group also introduced, mainly through its subsidiaries, a certain number of bilateral credit lines and bank overdrafts for a total maximum amount of €897.5 million:

- ◆ bilateral credit lines and bank overdrafts concluded with six German banks (the "German credit lines") and two Polish banks (the "Polish bank overdrafts") for a maximum amount of €247.5 million. These bilateral credit lines and bank overdrafts were concluded for a maximum period of one to two years. Some German credit lines contain the usual clauses, such as: borrower compliance with a specified net asset level; borrower change of control clause; and benefit for the lender of the strictest financial covenant granted by the borrower to other financial institutions. The Polish overdraft facilities contain the standard commitments. At December 31, 2019, €11.5 million had been drawn down under the German credit lines and Polish bank overdrafts;
- ◆ bilateral credit lines concluded with the Group's eight relationship banks:
  - four lines for a maximum total amount of €175 million for Coface Finanz (with maturities ranging between one and three years), of which €119 million had been drawn down as of December 31, 2019,
  - two lines for a maximum total amount of €175 million for Coface Poland Factoring (with maturities ranging between one and two years), of which €162.6 million had been drawn down as of December 31, 2019,
  - a syndicated loan facility for a total amount of €300 million for Coface Poland Factoring, of which €230.1 million had been drawn down as of December 31, 2019.

## (c) Commercial paper programme

The Group has a commercial paper issuance programme that was extended in October 2015 and increased in June 2018 to reach a maximum amount of €650 million. Under this programme, the Company frequently issues securities with due dates ranging generally between one and six months. At December 31, 2019, securities issued under the commercial paper programme totalled €438.7 million. The programme was rated P-2 by Moody's and F1 by Fitch.

Should the commercial paper market shut down, since July 28, 2017 the Group has had a currently unused syndicated loan, granted for a period of three years with two one-year extension options and covering the maximum amount of the commercial paper issue programme (€650 million). This loan replaces the former bilateral credit lines in force in the event of market shutdown. The agreement regulating this syndicated loan contains the usual restrictive clauses (such as a negative pledge clause, prohibition from assigning the assets outside the Group above a specified threshold or restrictions related to the discontinuance or any substantial change in the Group's business activities) and early repayment clauses (payment default, cross default, non-compliance with representations, warranties and commitments, significant adverse change affecting the Company and its capacity to meet its obligations under these bilateral credit lines, insolvency and winding-up proceedings), in line with market practices. The fifth year of the €700 million syndicated loan for COFACE SA was exercised.

### 3.4.2 Solvency of the Group <sup>(1)</sup>

The Group measures its financial strength based on the capital requirement (amount of equity required to cover its managed risks) according to the Solvency II regulation for its insurance business and according to banking regulations for the Group's financing companies. The change in capital requirement depends on numerous factors and parameters linked to changes in the loss ratio, underwriting volumes, risk volatility, the sequencing of loss settlement and the asset types invested in the Company's balance sheet.

On December 4, 2019, the Group received the authorisation of the ACPR to use its partial internal model to calculate its regulatory capital requirement under Solvency II as from December 31, 2019. The implementation of the partial internal model allows the Group to better align its regulatory capital requirement with the actual risks of the portfolio and its credit insurance business.

For insurance activities, pursuant to the Solvency II regulation which became effective on January 1, 2016, the Group proceeded with the calculation of the solvency capital requirement (SCR) on December 31, 2019, using the partial internal model introduced by European Directive No. 2009/138/EC. The Group's SCR evaluates the risks linked to pricing, underwriting, establishment of provisions, as well as market risks and operating risks. It takes account

of frequency risks and severity risks. This calculation is calibrated to cover the risk of loss corresponding to a 99.5% quantile at a one-year horizon. At December 31, 2019, the estimated capital required for the two Group businesses amounted to €1,150 million, compared with €1,238 million euros <sup>(2)</sup> at the end of 2018.

At December 31, 2019, the required capital for the factoring business was estimated at €213 million by applying a rate of 10.5% to the risk-weighted assets, or RWA. The Group has reported its capital requirements using the standard approach since December 31, 2019. It should be noted that the local regulators for Germany and Poland (the two countries in which the Group operates its factoring business) have not defined specific mandatory capital requirements for factoring companies.

The amount of the capital requirement for the insurance business and the capital requirement for the factoring business is comparable with the available capital, which totalled €2,187 million as of December 31 2019.

As of December 31, 2019, the capital requirement solvency ratio (ratio between the Group's available capital and its capital requirement for insurance and factoring) is estimated at 190%, compared to 169% at the end of 2018.

The table below presents the items for calculating the Group's capital requirement coverage ratio<sup>(3)</sup>:

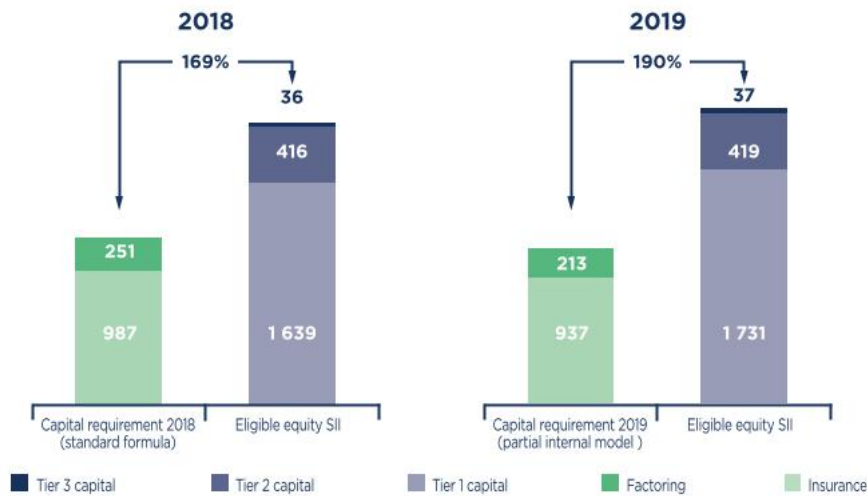
<i>(in millions of euros)</i>	<b>As at Dec. 31, 2019</b>	<b>As at Dec. 31, 2018*</b>
Total equity	1,925	1,807
- Goodwill and other intangible assets (net of deferred taxes)	-199	-198
+ Revaluation of provisions using the best estimate method (net of deferred taxes)	374	325
- Consolidation under the equity method of non-consolidated subsidiaries (net of deferred taxes)	-116	-87
+/- Other adjustments*	-69	-49
- Dividend payments	-147	-122
+ Subordinated debt (valued at market value)	419	416
<b>= Solvency II available own funds (A)</b>	<b>2,187</b>	<b>2,091</b>
Capital required - Insurance (B)	937	987
Capital requirement - Factoring (C)	213	251
Capital required (D) = (B) + (C)	1,150	1,238
<b>SOLVENCY RATIO (E) = (A)/(D)</b>	<b>190%</b>	<b>169%</b>

\* Mainly linked to the revaluation of certain balance sheet items, including the adjustment following the equity availability test.

(1) Information relating to solvency is not audited.

(2) The capital required as at December 31, 2018 was calculated in accordance with the standard formula for the insurance business and taking into account the early adoption of the standardised approach to credit risk under the Capital Requirements Directive (CRD) IV regulation for the factoring business.

(3) This estimated solvency ratio constitutes a preliminary calculation made according to Coface's interpretation of Solvency II regulations and using the Partial Internal Model. The result of the definitive calculation may differ from the preliminary calculation. The estimated solvency ratio is not audited.



### 3.4.3 Return on equity

The return on equity ratio is used to measure the return on the Group's invested capital. Return on average tangible equity (or RoATE) is the ratio between net attributable income (attributable to owners of the parent) and the

average of attributable accounting equity (attributable to owners of the parent) restated for intangible items (intangible asset values).

The table below presents the elements used to calculate the Group's RoATE over the 2018-2019 period:

(in millions of euros)	As at Dec. 31		2018
	2019	2019 <sup>(1)</sup>	
Accounting equity (attributable to owners of the parent) - A	1,924	1,927 <sup>(2)</sup>	1,806
Intangible assets - B	221	221	221
Equity, net of intangible assets - C (A - B)	1,704	1,706	1,586
Average equity, net of intangible assets - D $([C_n + C_{n-1}]/2)$	1,645	1,646	1,585
Net income (attributable to owners of the parent) - E	146.7	149.3	122.3
RoATE - E/D	8.9%	9.1%	7.7%

(1) Calculation restated for non-recurring items.

(2) Recalculated on the basis of net income excluding non-recurring items.

### 3.4.4 Off-balance sheet commitments

Most of the Group's off-balance sheet commitments concern certain credit lines, guarantees received (pledged securities received from reinsurers corresponding to

deposits made by reinsurers under commitments binding them to the Coface Group) and transactions on financial markets.

The table below presents the details of the Group's off-balance sheet commitments for the 2018-2019 period:

<i>(in thousands of euros)</i>	<b>As at Dec. 31, 2019</b>	<b>Related to financing</b>	<b>Related to activity</b>
<b>Commitments given</b>	<b>1,055,216</b>	<b>1,037,195</b>	<b>18,021</b>
Endorsements and letters of credit	1,037,195	1,037,195	
Property guarantees	7,500		7,500
Financial commitments in respect of equity interests	10,521		10,521
<b>Commitments received</b>	<b>1,503,863</b>	<b>1,018,308</b>	<b>485,555</b>
Endorsements and letters of credit	140,576		140,576
Guarantees	342,479		342,479
Credit lines linked to commercial paper	700,000	700,000	
Credit lines linked to factoring	318,308	318,308	
Contingent capital	0		0
Financial commitments in respect of equity interests	2,500		2,500
<b>Guarantees received</b>	<b>382,200</b>		<b>382,200</b>
Securities lodged as collateral by reinsurers	382,200		382,000
<b>Financial market transactions</b>	<b>281,097</b>		<b>281,097</b>

<i>(in thousands of euros)</i>	<b>As at Dec. 31, 2018</b>	<b>Related to financing</b>	<b>Related to activity</b>
<b>Commitments given</b>	<b>1,098,565</b>	<b>1,075,637</b>	<b>22,928</b>
Endorsements and letters of credit	1,075,637	1,075,637	
Property guarantees	7,500		7,500
Financial commitments in respect of equity interests	15,428		15,428
<b>Commitments received</b>	<b>1,443,393</b>	<b>1,026,777</b>	<b>416,616</b>
Endorsements and letters of credit	140,063		140,063
Guarantees	174,053		174,053
Credit lines linked to commercial paper	700,000	700,000	
Credit lines linked to factoring	326,777	326,777	
Contingent capital	100,000		100,000
Financial commitments in respect of equity interests	2,500		2,500
<b>Guarantees received</b>	<b>356,927</b>		<b>356,927</b>
Securities lodged as collateral by reinsurers	356,927		356,927
<b>Financial market transactions</b>	<b>250,081</b>		<b>250,081</b>

Guarantees and letters of credit totalling €1,037,195 thousand for the financial year ended December 31, 2019 correspond mainly to:

- ♦ a joint guarantee of €380,000 thousand in favour of investors in COFACE SA subordinated notes (10-year maturity);
- ♦ various joint guarantees totalling €657,195 thousand given by the Group, in particular to banks financing the factoring business.

Collateral concerns Coface Re for €346,600 thousand and Compagnie française pour le commerce extérieur for €35,600 thousand.

The syndicated loan for a maximum amount of €700 million for the financial year ended December 31, 2019 includes the coverage of the Group's commercial paper issuance programme for €650 million and an additional liquidity line of €50 million available to factoring entities if needed (see Section 3.4.1 "Group debt and sources of financing").



## 3.5 POST-CLOSING EVENTS AT DECEMBER 31, 2019

(ACCORDING TO ITEM 20.9 OF ANNEX I TO EC REGULATION 809/2004)

### 3.5.1 Agreement to acquire GIEK Kredittforsikring

On February 5, 2020, Coface signed a binding agreement with the Norwegian Ministry of Trade, Industry and Fisheries to acquire GIEK Kredittforsikring in full. Created in 2001, GIEK Kredittforsikring underwrites and manages the short-term export credit insurance portfolio previously underwritten by the Norwegian export credit guarantee agency, GIEK. In 2018, the company recorded a total of around €9 million (NOK 92 million) of gross written

premiums on a portfolio mostly consisting of export policies. The company is well known in the market for the quality of its customer service and for the relevance of its pricing model. It also benefits from a solid market presence with Norwegian exporters. The acquisition of GIEK Kredittforsikring by Coface is subject to usual regulatory approvals.

### 3.5.2 Anticipated impacts of the COVID-19 pandemic

The COVID-19 pandemic represents a triple shock for the world economy: a supply shock, a demand shock, and an oil counter-shock. The negative effects of these shocks will only be partially offset by the actions of central banks (liquidity injections, asset purchases) and governments (stimulus plans, charge deferrals). In addition, some governments (Germany, France) are setting up specific support mechanisms specific to the credit insurance sector that cover very large perimeters and amounts.

In this very uncertain environment, Coface is developing evolving economic scenarios including forecasts of growth and world trade. These two parameters are very fluid and difficult to predict. Coface is therefore not in a position to give a reliable estimate at this stage. The extent of this economic slowdown will depend on the duration of containment measures. In addition, a sudden slowdown in economic growth is generally associated with an increase in business defaults.

The anticipated impacts of current events are threefold for Coface financials:

- ◆ Turnover: the activity of Coface customers, on which the amount of insurance premiums is indexed, will likely experience a marked decrease, accentuating a downward trend already noted in 2019. In addition, the containment measures currently in place weigh on Coface's commercial activity. These phenomena are only partially offset by rate increases, while an increase in the number of policy cancellations is expected due to the probable failures of a certain number of customers, or reductions in limits. With regards to factoring, the fall in the volume of business financed in Germany will likely also weigh on turnover.

- ◆ Claims experience: Coface anticipates in its central scenario a very significant rise in business failures worldwide with differentiated effects according to business sectors and countries. Coface has taken numerous preventive measures since the start of the year, targeted by country, sector and customer. Limit reduction measures are therefore on the rise. Coface has not yet recorded a significant increase in the number of claims overall, but their number is increasing in certain countries, starting from very low points (France, Spain). Coface recorded a large claim in Northern Europe at the beginning of the year, but this was unrelated to the COVID-19 crisis.

- ◆ Solvency: the fall in the value of investments led to a drop of 8 points in the solvency ratio due to the effect of the fall in unrealized capital gains. This figure is in line with the sensitivities previously communicated by Coface. The group has also significantly increased the share of liquidity in its investment portfolio, which now represents 22% of assets compared to 7% at the end of 2019.

Therefore, the Board of Directors of COFACE SA, in its meeting of 1 April 2020, has decided to propose to the Combined General Meeting of 14 May 2020 to pay no dividend for the financial year ending 31 December 2019.

The containment measures applied in the various countries in which Coface operate have resulted in massive use of remote working, without disrupting group processes, thus proving Coface's resilience.

## 3.6 OUTLOOK

### 3.6.1 Economic environment <sup>(1)</sup>

In 2020, global growth is expected to grow at a rate close to that of 2019 (2.4%, -0.1 percentage point compared with 2019), although this incorporates two opposing trends: another slowdown for advanced countries (from 1.7% to 1.2%) and a slight acceleration (from 3.5% to 3.9%) for emerging markets.

In 2020, among advanced economies, the United States will see a marked slowdown in its growth (1.3%, down 1 percentage point compared with 2019). The elimination of the effects of corporation tax reduction (2018) and electoral uncertainty will hamper corporate investment. With a fractionally milder slowdown, activity would be slightly less dynamic in the United Kingdom (0.9% compared to 1.3% in 2019). The uncertainty surrounding future trade links with the European Union will continue to weigh on investment. The planned reduction in from 19% to 17% in corporation tax will be cancelled in order to finance the additional funding allocated to the national health service. In Japan (0.3% compared with 0.8%), consumer spending will suffer from an increase in VAT from 8% to 10%. However, budgetary loosening and the still very accommodating monetary policy will cushion the blow.

Growth in the eurozone is expected to remain at a low level (1.1% compared with 1.2%). In Germany (0.5% compared with 0.6%), the automotive industry and related sectors should halt their decline and perhaps even mount a slight recovery. The uncertainty about the future relationship with the United Kingdom and the evolution in trade relations around the world will continue to weigh on investment, while the slowdown expected by major partners will impact exports. Only construction and consumption, driven by the dynamism of employment and wages, as well as low-cost credit, will support activity. In Italy, a fragile government, huge public debt, persistent difficulties in the automotive and metal industries, as well as caution on the part of the banks, with some in questionable health, will prevent a return to real growth (0.5% after stagnation). Growth in Spain will be slower (1.6% compared to 2%), and the

Spanish automotive sector too will struggle to reverse its decline. In France, growth is expected to hold out (1.2%, identical to 2019). Faced with high capacity utilisation rates, companies will continue to invest.

Emerging countries are expected to experience slightly more buoyant growth in 2020 than in 2019. Inflation has fallen, which has enabled the central bank to reduce its interest rates, and public banks have increased credit. The low level of debt will enable an accommodative budgetary policy to be maintained. In Russia (1.6% after 1.1%), the major projects announced by the president in 2018 should in principle be launched. Were this not the case, performance would be lower, particularly as credit no longer compensates for the weak revenue growth. The steady growth in Central Europe will eventually be hit by the poor health of Western Europe, in particular Germany and the automotive sector, despite the dynamism of domestic demand driven by wages, employment and European funds. In Saudi Arabia (2.2% after 0.2%), public spending will compensate for the fall in oil revenues corresponding to the implementation of the OPEC+ agreement and unfavourable prices. Brazil (1.5% after 0.9%) should finally emerge from its slump and consumption will take off as interest rates fall. Conversely, the recession, albeit more moderate (-2% after -3%), will continue in Argentina, where soaring inflation erodes purchasing power, and uncertainty about the new government's policy and the prospect of renegotiating public debt is paralysing investment. In Chile (1%, unchanged), the budgetary stimulus plan adopted following the social explosion will not restore confidence. In India (6.2% after 5.5%), the effects of the withdrawal of high-value bank notes and the introduction of a retail sales tax should dissipate. In China, growth is expected to fall below 6% (5.8%) despite the signing of the first phase of a trade agreement with the United States in early 2020. High tariffs (approximately 20%) will continue to weigh on foreign trade. Otherwise, most countries in South East Asia will retain strong growth.

### 3.6.2 Outlook for the Group

The end of 2019 was marked by hopes for the signing of a trade agreement between the United States and China, and by the general election in the United Kingdom, which made it possible to specify the date on which it would leave the European Union. The leading indicators also stabilised at relatively low levels, particularly in the manufacturing sectors. Financial conditions remain accommodative under the action of the central banks.

However, the persistence of major global imbalances and the rise in corporate debt continue to pose a significant risk of default, particularly in sectors affected by major transitions (digitisation, environment) or countries impacted by political shocks. Coface therefore confirms its economic scenario of a gradual slowdown in global growth and a further rise in the number of bankruptcies worldwide. This economic context remains evolving and volatile, particularly with regard to the impact of the coronavirus on the world economy.

It was against this backdrop that Coface completed the Fit to Win plan and developed its new strategic plan. This new plan will build on the many successes of Fit to Win and will continue the transformation initiated over recent years. It will strive to strengthen Coface's profitable growth dynamic and the resilience of its economic model.

Lastly, the Board of Directors renewed the mandate of Xavier Durand as Chief Executive Officer for a term of four years. This term will end at the General Meeting called to approve the 2023 financial statements. Xavier Durand and the General Executive Committee will present Coface's new strategic plan on February 25, 2020.

(1) Group estimates.

## 3.7 KEY FINANCIAL PERFORMANCE INDICATORS

### 3.7.1 Financial indicators

#### Consolidated revenue

The composition of the Group's consolidated revenue (premiums, other revenue) is described under "Accounting principles and methods" in the notes to the consolidated financial statements.

#### Claims expenses

"Claims expenses" correspond to claims paid under credit insurance contracts, Single Risk policies and guarantees, less changes in recoveries following recourse (amounts recovered from the debtor after paying the policyholder for the claim) during the financial year, and to the change in claims provisions during the financial year, and the handling expenses for these claims, which cover the costs of processing and managing policyholders' claims declarations, and those generated by monitoring the recovery procedures (charges and provisions for internal and external debt collection fees).

Claims paid correspond to compensation paid under the policies during the financial year, net of collections received, plus costs incurred to provide the management, regardless of the financial year during which the claim was declared or during which the event producing the claim took place, less amounts recovered during the financial year for claims previously indemnified, regardless of the year the indemnification was paid.

Claims provisions are established for claims declared but not yet settled at financial year end, as well as for claims that have not yet been declared, but which have been deemed probable by the Group, given the events that have arisen during the financial year (incurred but not reported – IBNR provisions). The amounts thus provisioned also take into consideration a forecast of the amount to be collected for these claims. These provisions are decreased each year by recoveries made following the payment of compensation or the estimate of potential losses for declared or potential claims. The difference between the amount of provisions in a given financial year (established during the first year of underwriting a policy) and the amounts revalued the following years are either a liquidation profit (revaluation downward) or loss (revaluation upward) (see Note 23 to the consolidated financial statements).

#### Operating expenses

"Operating expenses" correspond to the sum of the following items:

- ◆ "Policy acquisition costs", consisting of:
  - external acquisition costs, namely commissions paid to intermediaries which introduce business (brokers or other intermediaries) and which are based on the revenue contributed by such intermediaries, and
  - internal acquisition costs corresponding essentially to fixed costs related to payroll costs linked to policy acquisition and to the costs of the Group's sales network;
- ◆ "Administrative costs" (including Group operating costs, payroll costs, IT costs, etc., excluding profit sharing and incentive schemes). The policy acquisition costs as well as administrative costs primarily include costs linked to the credit insurance business. However, due to pooling, costs related to the Group's other businesses are also included in these items;
- ◆ "Other current operating expenses" (expenses that cannot be allocated to any of the functions defined by the chart of accounts, including in particular management expenses);
- ◆ "Expenses from banking activities" (general operating expenses, such as payroll costs, IT costs, etc., relating to factoring activities); and
- ◆ "Expenses from other activities" (overheads related exclusively to information and debt collection for customers without credit insurance).

As such, "Operating expenses" consist of all overheads, with the exception of internal investment management expenses for insurance – which are recognised in the "Investment income, net of management expenses (excluding finance costs)" aggregate – and claims handling expenses, with the latter included in the "Claims expenses" aggregate.

Total internal overheads (*i.e.* overheads excluding external acquisition costs (commissions)), are analysed independently of the method for accounting for them by function, in all of the Group's countries. This presentation enables a better understanding of the Group's economy and differs on certain points from the presentation of the income statement, which meets the presentation requirements of the accounting standards.

#### Cost of risk

"Cost of risk" corresponds to expenses and provisions linked to covering the ceding risk (inherent to the factoring business) and the credit risk, net of credit insurance coverage.

#### Underwriting income

Underwriting income is an intermediate balance of the income statement which reflects the operational performance of the Group's activities, excluding the management of business investments. It is calculated before and after recognition of the income or loss from ceded reinsurance:

- ◆ "Underwriting income before reinsurance" (or underwriting income gross of reinsurance) corresponds to the balance between consolidated revenue and the total represented by the sum of claims expenses, operating expenses and cost of risk;
- ◆ "Underwriting income after reinsurance" (or underwriting income net of reinsurance) includes, in addition to the underwriting income before reinsurance, the income or loss from ceded reinsurance, as defined below.

### Income (loss) from ceded reinsurance (expenses or income net of ceded reinsurance)

“Reinsurance income” (or income and expenses net of ceded reinsurance) corresponds to the sum of income from ceded reinsurance (claims ceded to reinsurers during the financial year under the Group’s reinsurance treaties, net of the change in the provision for claims net of recoveries that was also ceded, plus the reinsurance commissions paid by reinsurers to the Group for proportional reinsurance), and charges from ceded reinsurance (premiums ceded to reinsurers during the financial year for reinsurance treaties of the Group, net of the change in provisions for premiums also ceded to reinsurers).

### Investment income, net of management expenses (excluding finance costs)

“Investment income, net of management expenses (excluding finance costs)” combines the result of the Group’s investment portfolio (investment income, gains or losses from disposals and reversals of provisions for impairment), exchange rate differences and investment management expenses.

### Current operating income/(loss)

“Current operating income (loss)” corresponds to the sum of “Underwriting income after reinsurance”, “Net investment income excluding the cost of debt (finance costs)” and non-current items, namely “Other operating income and expenses”.

In the presentation of operating income by region, the amounts are represented before revenue from interregional flows and holding costs not charged back to the regions have been eliminated.

### Income tax

Tax expenses include tax payable and deferred tax that results from consolidation restatements and temporary tax differences, insofar as the tax position of the companies concerned so justifies (as more extensively described under “Accounting principles and methods” and in Note 29 of the consolidated financial statements).

### Net income (attributable to owners of the parent)

Net income (attributable to owners of the parent) corresponds to the amount of “Net income from continuing operations” (corresponding to “Operating income”, net of “Finance costs”, “Share in net income of associates” and “Income tax”), “Net income from discontinued operations” and “Non-controlling interests”.

## 3.7.2 Operating indicators

As part of its business operations, in addition to the financial aggregates published in accordance with the International Financial Reporting Standards (IFRS), the Group uses four operational indicators to track its commercial performance. They are described below:

### Production of new contracts

The production of new contracts corresponds to the annual value of credit insurance policies taken out by new customers during the period. The Group generally records a higher production of new contracts during the first quarter of a given financial year.

### Retention rate

The rate corresponds to the ratio between the annual value of the policies actually renewed and that of the policies that were supposed to be renewed at the end of the preceding period. The annual value of the policies corresponds to the valuation of the credit insurance policies over a 12-month period according to an estimate of the volume of related sales and the level of the rate conditions in effect at the time the policy is taken out.

### Price effect of credit insurance policies

The price effect of the credit insurance policies corresponds to the difference between the annual value of the contracts, calculated based on the rate conditions in effect at the time the policy is taken out, and the annual value of the policies for the preceding period (calculated based on the rate conditions of the preceding period and excluding any volume effect related to the definitive revenue of the policyholders).

### Volume effect

The method for calculating premiums on the Group’s revenue produces its effects throughout the life of the policies, and not for a single financial year. When the volume of a policyholder’s actual sales is higher than what was taken into consideration to determine the amount of premiums billed during the period covered by the policy, this difference produces a positive effect on the earned premiums recorded by the Group with a one-year lag. Conversely, when the volume of the policyholder’s sales is less than what was used as the basis for calculating the flat rate, this difference does not produce any effect on the Group’s revenue for the following financial year.

### 3.7.3 Breakdown of the calculation of ratios as of December 31

Earned premiums <i>(in thousands of euros)</i>	2019	2018
<b>Gross earned premiums [A]</b>	<b>1,235,597</b>	<b>1,142,608</b>
Ceded earned premiums	-353,585	-327,541
<b>NET EARNED PREMIUMS [D]</b>	<b>882,012</b>	<b>815,067</b>

Claims expenses <i>(in thousands of euros)</i>	2019	2018
<b>Claims expenses* [B]</b>	<b>-536,247</b>	<b>-504,509</b>
Ceded claims	126,829	124,537
Change in claims provisions net of recoveries	12,622	12,211
<b>NET CLAIMS EXPENSES [E]</b>	<b>-396,797</b>	<b>-367,762</b>

\* Of which claims handling expenses.

Operational expenses <i>(in thousands of euros)</i>	2019	2018
<b>Operating expenses</b>	<b>-677,138</b>	<b>-658,219</b>
Of which employee profit sharing	7,038	6,219
Other income (services)	245,491	242,127
<b>OPERATING EXPENSES, NET OF OTHER INCOME - BEFORE REINSURANCE [C]</b>	<b>-424,609</b>	<b>-409,872</b>
Commissions paid by reinsurers	136,172	128,666
<b>OPERATING EXPENSES, NET OF OTHER INCOME - AFTER REINSURANCE [F]</b>	<b>-288,437</b>	<b>-281,207</b>

Gross combined ratio = gross loss ratio	$\frac{\text{B}}{\text{A}} + \text{gross cost ratio}$	$\frac{\text{C}}{\text{A}}$
Net combined ratio = net loss ratio	$\frac{\text{E}}{\text{D}} + \text{net cost ratio}$	$\frac{\text{F}}{\text{D}}$

Ratios	2019	2018
Loss ratio before reinsurance	43.4%	44.2%
Loss ratio after reinsurance	45.0%	45.1%
Cost ratio before reinsurance	34.4%	35.9%
Cost ratio after reinsurance	32.7%	34.5%
Combined ratio before reinsurance	77.8%	80.0%
Combined ratio after reinsurance	77.7%	79.6%

### 3.7.4 Alternative performance measures (APM) as of December 31, 2019

This section takes a look at KPIs not defined by accounting standards but used by the Company for its financial communications.

This section is a follow-up to the AMF's position - IAP DOC 2015-12.

The indicators below represent indicators listed as belonging to the category of Alternative Performance Measures.

#### a) Alternative Performance Measures related to revenue and its items

Definition	Justification
<b>Revenue with restated items</b>	
<p><b>(1)</b> Two types of restatements on revenue:</p> <p><b>i.</b> Calculation of revenue growth percentages in like-for-like:</p> <ul style="list-style-type: none"> <li>◆ year N recalculated at the exchange rate of year N-1;</li> <li>◆ year N-1 at the Group structure of year N.</li> </ul> <p><b>ii.</b> Removal or addition of revenue in value (€) considered as extraordinary in the current year.</p> <p>The term "extraordinary" refers to impacts on revenue which do not occur every year.</p>	<p><b>i.</b> Historic method used by Coface to calculate pro forma %.</p> <p><b>ii.</b> Item considered as extraordinary, i.e. which will only occur in the current financial year (year N).</p>
<b>Fee and commission income/Gross earned premiums (current - like-for-like)</b>	
<p>Weight of fees and commission income over earned premiums on like-for-like basis:</p> <ul style="list-style-type: none"> <li>◆ year N at the exchange rate of year N-1;</li> <li>◆ year N-1 at the Group structure of year N.</li> </ul> <p>Fees and commission income corresponds to the revenue invoiced on additional services.</p>	<p>Indicator used to monitor changes in fees and commission income compared with the main revenue item at constant scope.</p>
<b>Internal overheads excluding extraordinary items</b>	
<p><b>(2)</b> Restatement or Addition of items considered as extraordinary with respect to internal overheads. The term "extraordinary" refers to impacts on expenses which do not occur every year.</p>	<p>Indicator used to compare changes in internal overheads by excluding extraordinary items.</p>

#### b) Alternative Performance Measures related to operating income

Definition	Justification
<b>Operating income excluding restated extraordinary items (including finance costs and excluding other operating income and expenses)</b>	
<p>Restatement or Addition of items considered as extraordinary to operating income: these include extraordinary income and expenses impacting either revenue (see definition above, <b>(1)</b>) or overheads (see definition above <b>(2)</b>).</p>	<p>Indicator used to compare changes in operating income by excluding extraordinary items.</p>

#### c) Alternative Performance Measures related to net income

Definition	Justification
<b>Net income excluding extraordinary items</b>	
<p>Restatement or Addition of items considered as extraordinary with respect to net income.</p> <p>This includes extraordinary income and expenses likely to impact either revenue (see definition above <b>(1)</b>) or overheads (see definition above <b>(2)</b>).</p> <p>This aggregate is also restated for "current operating income and expenses" classified after operating income in the management income statement.</p>	<p>Indicator used to compare changes in net income by excluding extraordinary items.</p>

Reconciliation with the financial statements	€m - N/N-1 comparison	
	2019	2018
<p><b>i.</b> (Rev. current N - FX Impact N-1)/(Rev. current N-1 + perimeter Impact N) -1</p> <p><b>ii.</b> Rev. current N +/- Restatements/Additions of extraordinary items N</p>	<p><b>i. +5.9%</b> = (1,481.1 - 2.9)/(1,384.7 + 11.2 Coface PKZ) - 1</p> <p><b>ii. 1,481.1 +/- 0.0</b></p>	<p><b>i. N/A</b> 1,396.0 = 1,384.7 + (11.2 Coface PKZ)</p> <p><b>ii. 1,384.7 +/- 0.0</b></p>
Fee and commission income/Earned premiums - Constant	<p><b>Current: 11.3%</b> = 140.2/1,235.6</p> <p><b>Like-for-like: 11.3%</b> = 139.8/1,234.0</p>	<p><b>Current: 11.9%</b> = 136.1/1,142.6</p> <p><b>Like-for-like: 11.9%</b> = 136.8/1,153.1</p>
Current internal overheads +/- Restatements +/- Additions of extraordinary items	<p><b>€547.0m</b> = 547.0 +/- 0.0</p>	<p><b>€527.0m</b> = 527.0 +/- 0.0</p>

Reconciliation with the financial statements	€m - N/N-1 comparison	
	2019	2018
Operating income +/- Restatements +/- Addition of extraordinary items	<p><b>€203.5m</b> = 218.9 + (- 21.4) - (- 6.0 Non-recurring items)</p>	<p><b>€191.2m</b> = 203.9 + (-17.7) - (- 5.0 Non-recurring items)</p>

Reconciliation with the financial statements	€m - N/N-1 comparison	
	2019	2018
Current operating income +/- Restatements +/- Additions of extraordinary items net of tax	<p><b>€149.3m</b> = 146.7 - (- 6.0 Non-recurring items - 4.0 Non-recurring fees + 4.7 Negative goodwill PKZ) - (2.8 tax on Non-recurring items and fees)</p>	<p><b>€126.2m</b> = 122.3 - (- 5.0 Non-recurring items - 0.8 Non-recurring fees) - (2.0 tax on Non-recurring items and fees)</p>

## d) Alternative Performance Measures related to the combined ratio

Definition	Justification
<b>Loss ratio gross of reinsurance (loss ratio before reinsurance) and gross loss ratio with claims handling expenses refer to the same indicator</b>	
The ratio of claims expenses to gross earned premiums (the sum of gross earned premiums and unearned premium provisions), net of premium refunds.	Indicator for monitoring the level of loss borne by the Group with respect to premiums, after ceded reinsurance.
<b>Loss ratio net of reinsurance (loss ratio after reinsurance)</b>	
Ratio between claims expenses net of claims expenses ceded to reinsurers under reinsurance treaties entered into by the Group, and total earned premiums net of premiums ceded to reinsurers.	Indicator for monitoring the level of loss borne by the Group with respect to premiums, after ceded reinsurance.
<b>Cost ratio before reinsurance</b>	
Ratio between operating expenses (net of employee profit sharing) less other income* and earned premiums.	Indicator for monitoring the level of operating expenses (insurance contracts portfolio acquisition and management) borne by the Group with respect to premiums.
<b>Cost ratio after reinsurance</b>	
Ratio between operating expenses (net of employee profit sharing) less other income* net of commissions received from reinsurers under reinsurance treaties entered into by the Group, and the total of earned premiums net of premiums ceded to reinsurers.	Indicator for monitoring the level of operating expenses (insurance contracts portfolio acquisition and management) borne by the Group with respect to premiums after ceded reinsurance.
<b>Combined ratio before/after reinsurance</b>	
The combined ratio is the sum of the loss ratios (before/after reinsurance) and cost ratios (before/after reinsurance) as defined above.	Overall profitability indicator of the Group's activities and of its technical margin before and after ceded reinsurance.
<b>Net combined ratio excluding restated and extraordinary items [A]</b>	
Restatement or Addition of items considered as extraordinary with respect to combined ratio after reinsurance. This includes extraordinary income and expenses impacting either revenue (see definition above, <b>(1)</b> ) or overheads (see definition above <b>(2)</b> ).	Indicator used to compare changes in combined ratios after reinsurance by excluding extraordinary items.
<b>Loss ratio excluding extraordinary items [B]</b>	
Restatement or Addition of items considered as extraordinary with respect to loss ratio after reinsurance.	Indicator used to compare changes in loss ratios after reinsurance by excluding extraordinary items.
<b>Net cost ratio excluding restated and extraordinary items [C]</b>	
Restatement or Addition of items considered as extraordinary to cost ratio after reinsurance: these include extraordinary income and expenses impacting either revenue (see definition above, <b>(1)</b> ) or overheads (see definition above <b>(2)</b> ).	Indicator used to compare changes in cost ratios after reinsurance by excluding extraordinary items.



Reconciliation with the financial statements	€m - N/N-1 comparison	
	2019	2018
- Claims expenses/Gross earned premiums	See 3.7.3 – Breakdown of the calculation of ratios at December 31	
- (Claims expenses + Ceded claims + Change in provisions on claims net of recourse)/(Gross earned premiums + Expenses from ceded reinsurance)	See 3.7.3 – Breakdown of the calculation of ratios at December 31	
- (Operating expenses – Employee profit sharing – Other income)/Gross earned premiums	See 3.7.3 – Breakdown of the calculation of ratios at December 31	
- (Operating expenses – Employee profit sharing – Other income – Commissions received from reinsurers)/(Gross earned premiums + Expenses from ceded reinsurance)	See 3.7.3 – Breakdown of the calculation of ratios at December 31	
Loss ratio (before/after reinsurance) + Cost ratio (before/after reinsurance)	See 3.7.3 – Breakdown of the calculation of ratios at December 31	
Combined ratio after reinsurance +/- Restatements/ Additions of extraordinary items	<b>[A] = [B]+[C]</b> <b>77.7%</b> = 45.0% + 32.7%	<b>[A] = [B]+[C]</b> <b>79.6%</b> = 45.1% + 34.5%
Loss ratio after reinsurance +/- Restatements/Additions of extraordinary items	<b>45.0%</b> = 45.0 % +/- 0.0 pt	<b>45.1%</b> = 45.1 % +/- 0.0 pt
Cost ratio after reinsurance +/- Restatements/Additions of extraordinary items	<b>32.7%</b> = 32.7 % +/- 0.0 pt	<b>34.5%</b> = 34.5 % +/- 0.0 pt

Definition	Justification
<b>Current year gross loss ratio - before reinsurance excluding claims handling expenses [D]</b>	
Ultimate claims expense (after recoveries) over earned premiums (after premium refunds) for the current year. The insurance period is exclusively the current year N.	Indicator used to calculate the loss ratio before reinsurance excluding claims handling expenses.
<b>Prior year gross loss ratio - before reinsurance excluding claims handling expenses [E]</b>	
Corresponds to gains/losses for insurance periods prior to current year N excluded. A gain or loss corresponds to an excess or deficit of claims provisions compared with the loss ratio actually recorded.	Indicator used to calculate the loss ratio before reinsurance excluding claims handling expenses.
<b>Comprehensive gross loss ratio - before reinsurance excluding claims handling expenses [F]</b>	
Corresponds to the accounting loss ratio for all insurance periods (current year N and its prior years). This concerns the loss ratio before reinsurance excluding claims handling expenses.	Key indicator in loss monitoring.

\* *Operating expenses include overheads linked to the execution of additional services (business information and debt collection) inherent to the credit insurance business. These also include overheads for service businesses carried out by the Group, such as factoring. In order for the cost ratio calculated by the Group to be comparable to the cost ratio calculated by other main market players, "Other revenue", namely the revenue generated by the additional businesses (non-insurance), is deducted from overheads.*

## e) Alternative Performance Measures related to equity

Definition	Justification
<b>RoATE - Return on average tangible equity</b>	
Net income (attributable to owners of the parent) over average tangible equity (average equity for the period (attributable to owners of the parent) restated for intangible assets).	The return on equity ratio is used to measure the return on the Coface Group's invested capital.
<b>RoATE excluding non-recurring items</b>	
The calculation of RoATE (see definition of RoATE above) is based on net income excluding non-recurring items and Average Tangible Equity (see RoATE definition above) excluding non-recurring items. For this calculation, interests or commissions linked to capital management instruments (such as hybrid debt, contingent equity) are not considered as non-recurring items.	The calculation of return on equity ratio excluding non-recurring items is used to monitor the Group's profitability between two reporting periods.

Reconciliation with the financial statements	€m - N/N-1 comparison	
	2019	2018
Claims reported in the current year/Earned premiums for the current year See ultimate loss ratios development triangle	<b>73.1%</b> = see ultimate loss ratios development triangle	<b>75.7%</b> = see ultimate loss ratios development triangle
[E] = [F-D]	<b>-32.2%</b> = 40.9% - 73.1%	<b>-34.0%</b> = 41.7% - 75.7%
- (Claims paid net of recourse + Change in claims provisions)/Earned premiums	<b>40.9%</b> = - (-505.0/1,235.6)	<b>41.7%</b> = - (-476.5/1,142.6)

Reconciliation with the financial statements	€m - N/N-1 comparison	
	2019	2018
Net income (attributable to owners of the parent) for year N/[Equity attributable to owners of the parent N-1, restated for intangible assets N-1 + Equity attributable to owners of the parent restated for intangible assets N)/2]	<b>8.9%</b> = 146.7/[(1,704 + 1,586)/2]	<b>7.7%</b> = 122.3/[(1,586 + 1,585)/2]
Net income (attributable to owners of the parent) for year N excluding non-recurring items/[Equity attributable to owners of the parent excluding non-recurring items N-1, restated for intangible assets N-1 + Equity attributable to owners of the parent excluding non-recurring items N restated for intangible assets N)/2]	<b>9.1%</b> = 149.3/[(1,706 + 1,586)/2]	<b>8.0%</b> = 126.2/[(1,589 + 1,585)/2]

## f) Alternative Performance Measures related to the investment portfolio

Definition	Justification
<b>Accounting rate of return of financial assets</b>	
Investment income before income from equity securities, foreign exchange income and financial expenses compared with the balance sheet total of financial assets excluding equity securities.	Indicator used to monitor the accounting performance of the financial assets portfolio.
<b>Accounting rate of return of financial assets excluding income from disposals</b>	
Investment income before income from equity securities, foreign exchange income and financial expense excluding capital gains or losses on disposals compared with the balance sheet total of financial assets excluding equity securities.	Indicator used to monitor the recurring accounting performance of the financial assets portfolio.
<b>Economic rate of return of financial assets</b>	
Economic performance of the asset portfolio. Thus, the change in revaluation reserves for the year over the balance sheet total of financial assets is added to the accounting rate of return.	Indicator used to monitor the economic performance of the financial assets portfolio.
<b>Investment portfolio income</b>	
Investment portfolio income (shares/fixed-income instruments and real estate).	Used to monitor the income from the only investment portfolio.
<b>Other</b>	
Income from derivatives excluding exchange rate, equity securities and investment fees.	Used to monitor income from equity securities, derivatives excluding exchange rate and fees relating to investments.

## g) Alternative Performance Measures linked to reinsurance

Definition	Justification
<b>Ceded premiums/Gross earned premiums (rate of ceded premiums)</b>	
Weight of Ceded premiums compared with earned premiums. Ceded premiums correspond to the share of earned premiums that Coface cedes to its reinsurers under reinsurance treaties signed with them. Earned premiums correspond to the sum of written premiums and provisions on earned premiums not yet written.	Indicator used to monitor changes in reinsurance income.
<b>Ceded claims/total claims (rate of ceded claims)</b>	
Weight of ceded claims compared with total claims. Ceded claims correspond to the share of Coface claims ceded to its reinsurers under reinsurance treaties signed with them.	Indicator used to monitor changes in reinsurance income.
<b>Underwriting income before/after reinsurance (underwriting income gross/net of reinsurance)</b>	
See definition above (financial indicators). Underwriting income before and after reinsurance is now reported directly in the income statement due to the change in the latter's presentation structure.	

Reconciliation with the financial statements	€m - N/N-1 comparison	
	2019	2018
Investment portfolio income/((market value of financial assets (shares excluding equity securities, real estate, fixed-income instruments) year N + market value of financial assets (shares excluding equity securities, real estate, fixed-income instruments) year N-1)/2)	<b>2.0%</b> = 54.8/(((2,991 - 142) + (2,834 - 129))/2)	<b>1.7%</b> = 45.4/(((2,834 - 129) + (2,877 - 116))/2)
Investment portfolio income excluding capital gains or losses/((market value of financial assets (shares excluding equity securities, real estate, fixed-income instruments) year N + market value of financial assets (shares excluding equity securities, real estate, fixed-income instruments) year N-1)/2).	<b>1.6%</b> = (54.8 - 10.1)/(((2,991 - 142) + (2,834 - 129))/2)	<b>1.5%</b> = (45.4 - 4.7)/(((2,834 - 129) + (2,877 - 116))/2)
Accounting rate of return on financial assets + (revaluation reserves of financial assets (shares excluding equity securities, real estate, fixed-income instruments) year N- revaluation reserves of financial assets (shares excluding equity securities, real estate, fixed-income instruments) year N-1)/((market value of financial assets (shares excluding equity securities, real estate, fixed-income instruments) year N + market value of financial assets (shares excluding equity securities, real estate, fixed-income instruments) year N-1)/2)	<b>5.0%</b> = (54.8 + (206.1 - 119.1 - 1.8) - (108.6 - 103.9 - 2.4))/(((2,991 - 142) + (2,834 - 129))/2)	<b>-0.2%</b> = (45.4 + (108.6 - 103.9 - 2.3) - (152.6 - 90.7 - 9.4))/(((2,834 - 129) + (2,877 - 116))/2)
Income from shares excluding equity securities + income from fixed-income instruments + real estate income	<b>€54.8m</b> = 6.6 + 39.8 + 8.4	<b>€45.4m</b> = 5.5 + 30.9 + 9
Income from derivatives excluding exchange rate + income from equity securities + investment fees	<b>-€19.6m</b> = (-5.3 - 1.8) + (-4.7) + (-7.8)	<b>-€2.5m</b> = (7.8 - 8.2) + 3.1 + (-5.2)

Reconciliation with the financial statements	€m - N/N-1 comparison	
	2019	2018
- (Ceded premiums (of which, change in premiums provisions)/Earned premiums)	<b>28.6%</b> = - (-353.6/1,235.6)	<b>28.7%</b> = - (-327.5/1,142.6)
- Ceded claims (including change in claims provisions after recourse)/Total claims (including claims handling expenses)	<b>26.0%</b> = -139.5/[(-505.0) + (-31.2)]	<b>27.1%</b> = -136.7/[(-476.5) + (-28.0)]

## 3.8 INVESTMENTS OUTSIDE THE INVESTMENT PORTFOLIO

Information can be found in Note 6 “Buildings used in the business and other property, plant and equipment” of the Group’s consolidated financial statements.

# 4 FINANCIAL ITEMS

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## 4.1 CONSOLIDATED FINANCIAL STATEMENTS

### 4.1.1 Consolidated balance sheet

#### Assets

*(in thousands of euros)*

	Notes	Dec. 31, 2019	Jan. 1, 2019*	Dec. 31, 2018
<b>Intangible assets</b>		<b>220,844</b>	<b>220,675</b>	<b>220,675</b>
Goodwill	1	155,833	155,058	155,058
Other intangible assets	2	65,011	65,617	65,617
<b>Insurance business investments</b>	3	<b>2,990,686</b>	<b>2,833,613</b>	<b>2,833,613</b>
Investment property	3	288	288	288
Held-to-maturity securities	3	1,842	1,848	1,848
Available-for-sale securities	3	2,911,034	2,742,533	2,742,533
Trading securities	3	43	9,527	9,527
Derivatives	3	1,809	2,354	2,354
Loans and receivables	3	75,670	77,063	77,063
<b>Receivables arising from banking activities</b>	4	<b>2,346,710</b>	<b>2,509,047</b>	<b>2,509,047</b>
<b>Reinsurers' share of insurance liabilities</b>	17	<b>450,367</b>	<b>425,398</b>	<b>425,398</b>
<b>Other assets</b>		<b>1,053,538</b>	<b>1,013,283</b>	<b>927,888</b>
Buildings used for operations purposes and other property, plant and equipment	6	123,776	134,367	48,972
Deferred acquisition costs	8	40,384	42,176	42,176
Deferred tax assets	19	64,042	52,809	52,809
Receivables arising from insurance and reinsurance operations	7	532,362	498,826	498,826
Trade receivables arising from service activities	8	62,112	48,553	48,553
Current tax receivables	8	49,675	57,267	57,267
Other receivables	8	181,187	179,285	179,285
Cash and cash equivalents	9	320,777	302,419	302,419
<b>TOTAL ASSETS</b>		<b>7,382,922</b>	<b>7,304,435</b>	<b>7,219,040</b>

\* Effects related to the first application of IFRS 16.



## Liabilities

(in thousands of euros)

	Notes	Dec. 31, 2019	Jan. 1, 2019 *	Dec. 31, 2018
<b>Equity attributable to owners of the parent</b>		<b>1,924,472</b>	<b>1,806,452</b>	<b>1,806,249</b>
Share capital	10	304,064	307,799	307,799
Additional paid-in capital		810,420	810,420	810,420
Retained earnings		512,438	509,128	508,925
Other comprehensive income		150,821	56,772	56,772
Consolidated net income of the year		146,729	122,333	122,333
<b>Non-controlling interests</b>		<b>269</b>	<b>148</b>	<b>148</b>
<b>Total equity</b>		<b>1,924,741</b>	<b>1,806,600</b>	<b>1,806,397</b>
<b>Provisions for liabilities and charges</b>	13	<b>100,932</b>	<b>94,344</b>	<b>94,344</b>
<b>Financing liabilities</b>	15	<b>389,261</b>	<b>388,729</b>	<b>388,729</b>
<b>Lease liabilities</b>	16	<b>92,990</b>	<b>85,395</b>	<b>0</b>
<b>Liabilities relating to insurance contracts</b>	17	<b>1,827,219</b>	<b>1,746,379</b>	<b>1,746,379</b>
<b>Payables arising from banking activities</b>	18	<b>2,362,805</b>	<b>2,544,716</b>	<b>2,544,716</b>
Amounts due to banking sector companies	18	523,020	660,204	660,204
Amounts due to customers of banking sector companies	18	301,058	346,932	346,932
Debt securities	18	1,538,727	1,537,580	1,537,580
<b>Other liabilities</b>		<b>684,974</b>	<b>638,272</b>	<b>638,475</b>
Deferred tax liabilities	19	107,357	96,058	95,962
Payables arising from insurance and reinsurance operations	20	219,863	195,653	195,653
Current taxes payables	21	66,295	41,580	41,580
Derivatives	21	889	1,666	1,666
Other payables	21	290,570	303,315	303,614
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>7,382,922</b>	<b>7,304,435</b>	<b>7,219,040</b>

\* Effects related to the first application of IFRS 16.

## ► Effects of the first application of IFRS 16 “Leases” on the balance sheet

## Assets

<i>(in thousands of euros)</i>	Dec. 31, 2018	Effect of the first application of the standard IFRS 16	Jan. 1, 2019*
<b>Intangible assets</b>	<b>220,675</b>		<b>220,675</b>
Goodwill	155,058		155,058
Other intangible assets	65,617		65,617
<b>Insurance business investments</b>	<b>2,833,613</b>		<b>2,833,613</b>
Investment property	288		288
Held-to-maturity securities	1,848		1,848
Available-for-sale securities	2,742,533		2,742,533
Trading securities	9,527		9,527
Derivatives	2,354		2,354
Loans and receivables	77,063		77,063
<b>Receivables arising from banking activities</b>	<b>2,509,047</b>		<b>2,509,047</b>
<b>Reinsurers' share of insurance liabilities</b>	<b>425,398</b>		<b>425,398</b>
<b>Other assets</b>	<b>927,888</b>	<b>85,395</b>	<b>1,013,283</b>
Buildings used in the business and other property, plant and equipment	48,972	85,395	134,367
Deferred acquisition costs	42,176		42,176
Deferred tax assets	52,809		52,809
Receivables arising from insurance and reinsurance operations	498,826		498,826
Trade receivables arising from service activities	48,553		48,553
Current tax receivables	57,267		57,267
Other receivables	179,285		179,285
<b>Cash and cash equivalents</b>	<b>302,419</b>		<b>302,419</b>
<b>TOTAL ASSETS</b>	<b>7,219,040</b>	<b>85,395</b>	<b>7,304,435</b>

\* Effects related to the first application of IFRS 16.

## Liabilities

<i>(in thousands of euros)</i>	Dec. 31, 2018	Effect of the first application of the standard IFRS 16	Jan. 1, 2019*
<b>Equity attributable to owners of the parent</b>	<b>1,806,249</b>	<b>203</b>	<b>1,806,452</b>
Share capital	307,799		307,799
Additional paid-in capital	810,420		810,420
Retained earnings	508,925	203	509,128
Other comprehensive income	56,772		56,772
Consolidated net income for the year	122,333		122,333
<b>Non-controlling interests</b>	<b>148</b>		<b>148</b>
<b>Total equity</b>	<b>1,806,397</b>	<b>203</b>	<b>1,806,600</b>
<b>Provisions for liabilities and charges</b>	<b>94,344</b>		<b>94,344</b>
<b>Financing liabilities</b>	<b>388,729</b>		<b>388,729</b>
<b>Lease liabilities</b>	<b>0</b>	<b>85,395</b>	<b>85,395</b>
<b>Liabilities relating to insurance contracts</b>	<b>1,746,379</b>		<b>1,746,379</b>
<b>Payables arising from banking activities</b>	<b>2,544,716</b>		<b>2,544,716</b>
Amounts due to banking sector companies	660,204		660,204
Amounts due to customers of banking sector companies	346,932		346,932
Debt securities	1,537,580		1,537,580
<b>Other liabilities</b>	<b>638,475</b>	<b>(203)</b>	<b>638,272</b>
Deferred tax liabilities	95,962	96	96,058
Payables arising from insurance and reinsurance operations	195,653		195,653
Current taxes payable	41,580		41,580
Derivatives	1,666		1,666
Other payables	303,614	(298)	303,315
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>7,219,040</b>	<b>85,395</b>	<b>7,304,435</b>

\* Effects related to the first application of IFRS 16.

## 4.1.2 Consolidated income statement

<i>(in thousands of euros)</i>	Notes	Dec. 31, 2019	Dec. 31, 2018
Gross written premiums		1,327,635	1,263,364
Premium refunds		(95,079)	(106,516)
Net change in unearned premium provisions		3,041	(14,240)
<b>Earned premiums</b>	22	<b>1,235,597</b>	<b>1,142,608</b>
Fee and commission income		140,115	132,418
Net income from banking activities		64,106	66,713
Income from services activities		41,270	42,995
<b>Other revenue</b>	22	<b>245,491</b>	<b>242,127</b>
<b>Revenue</b>		<b>1,481,088</b>	<b>1,384,735</b>
<b>Claims expenses</b>	23	<b>(536,247)</b>	<b>(504,509)</b>
Policy acquisition costs	24	(242,675)	(243,236)
Administrative costs	24	(274,784)	(241,136)
Other insurance activity expenses	24	(70,739)	(82,556)
Expenses from banking activities, excluding cost of risk	24/25	(13,742)	(13,552)
Expenses from services activities	24	(75,198)	(77,739)
<b>Operating expenses</b>	24	<b>(677,138)</b>	<b>(658,219)</b>
<b>Risk cost</b>	25	<b>(1,804)</b>	<b>(2,122)</b>
<b>UNDERWRITING INCOME BEFORE REINSURANCE</b>		<b>265,899</b>	<b>219,885</b>
Income and expenses from ceded reinsurance	26	(77,963)	(62,128)
<b>UNDERWRITING INCOME AFTER REINSURANCE</b>		<b>187,936</b>	<b>157,757</b>
Investment income, net of management expenses (excluding finance costs)	27	36,940	51,124
<b>CURRENT OPERATING INCOME</b>		<b>224,876</b>	<b>208,881</b>
Other operating income and expenses	28	(6,000)	(4,974)
<b>OPERATING INCOME</b>		<b>218,876</b>	<b>203,907</b>
Finance costs		(21,385)	(17,681)
Share in net income of associates		0	592
Badwill		4,662	0
Income tax expense	29	(55,434)	(64,132)
<b>CONSOLIDATED NET INCOME BEFORE NON-CONTROLLING INTERESTS</b>		<b>146,719</b>	<b>122,686</b>
Non-controlling interests		10	(353)
<b>NET INCOME FOR THE YEAR</b>		<b>146,729</b>	<b>122,333</b>
Earnings per share ( <i>in</i> €)	31	0.97	0.79
Diluted earnings per share ( <i>in</i> €)	31	0.97	0.79

### 4.1.3 Consolidated statement of comprehensive income

<i>(in thousands of euros)</i>	Notes	Dec. 31, 2019	Dec. 31, 2018
<b>Net income of the period</b>		<b>146,729</b>	<b>122,333</b>
Non-controlling interests		(10)	353
<b>Other comprehensive income</b>			
<b>Currency translation differences reclassifiable to income</b>		<b>19,163</b>	<b>(2,870)</b>
<i>Reclassified to income</i>		0	0
<i>Recognised in equity</i>		19,163	(2,870)
<b>Fair value adjustments on available-for-sale financial assets</b>	3;12;19	<b>78,024</b>	<b>(17,985)</b>
<i>Recognised in equity - reclassifiable to income - gross</i>		107,140	(39,298)
<i>Recognised in equity - reclassifiable to income - tax effect</i>		(21,795)	20,627
<i>Reclassified to income - gross</i>		(8,927)	1,913
<i>Reclassified to income - tax effect</i>		1,606	(1,227)
<b>Fair value adjustments on employee benefit obligations</b>	3;12;19	<b>(3,229)</b>	<b>1,395</b>
<i>Recognised in equity - not reclassifiable to income - gross</i>		(4,386)	1,823
<i>Recognised in equity - not reclassifiable to income - tax effect</i>		1,157	(428)
<b>Other comprehensive income of the period, net of tax</b>		<b>93,958</b>	<b>(19,460)</b>
<b>TOTAL COMPREHENSIVE INCOME OF THE PERIOD</b>		<b>240,677</b>	<b>103,226</b>
◆ attributable to owners of the parent		240,679	102,979
◆ attributable to non-controlling interests		(2)	247

#### 4.1.4 Consolidated statement of changes in equity

<i>(in thousands of euros)</i>	Notes	Share capital	Premiums	Consolidated reserves	Treasury shares
<b>Equity at December 31, 2017</b>		<b>314,496</b>	<b>810,420</b>	<b>523,027</b>	<b>(4,666)</b>
<b>Effect of the first application of the standard IFRS 9</b>				<b>(198)</b>	
2017 net income to be appropriated				83,213	
Payment of 2017 dividends in 2018				(52,895)	
<b>Total transactions with owners</b>		<b>0</b>	<b>0</b>	<b>30,318</b>	<b>0</b>
December 31, 2018 net income					
Fair value adjustments on available-for-sale financial assets recognized in equity					
Fair value adjustments on available-for-sale financial assets reclassified to income					
Change in actuarial gains and losses (IAS 19R)					
Currency translation differences					
Cancellation of COFACE SA shares		(6,697)		(23,303)	30,000
Treasury shares elimination					(46,786)
Free share plans expenses				515	
Transactions with shareholders				18	
<b>Equity at December 31, 2018</b>		<b>307,799</b>	<b>810,420</b>	<b>530,377</b>	<b>(21,452)</b>
<b>Effect of the first application of the standard IFRS 16</b>				<b>202</b>	
2018 net income to be appropriated				122,333	
Payment of 2018 dividends in 2019				(119,424)	
<b>Total transactions with owners</b>		<b>0</b>	<b>0</b>	<b>2,909</b>	<b>0</b>
December 31, 2019 net income					
Fair value adjustments on available-for-sale financial assets recognized in equity	<i>3; 12; 14; 19</i>				
Fair value adjustments on available-for-sale financial assets reclassified to income statement	<i>3; 12; 14; 19</i>				
Change in actuarial gains and losses (IAS 19R)					
Currency translation differences					
Cancellation of COFACE SA shares		(3,735)		(11,265)	15,000
Treasury shares elimination					(4,738)
Free share plans expenses				1,277	
Transactions with shareholders				128	
<b>EQUITY AT DECEMBER 31, 2019</b>		<b>304,064</b>	<b>810,420</b>	<b>523,628</b>	<b>(11,190)</b>

Other comprehensive income			Net income for the period	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Foreign currency translation reserve	Reclassifiable revaluation reserves	Non-reclassifiable revaluation reserves				
<b>(24,913)</b>	<b>124,623</b>	<b>(23,579)</b>	<b>83,213</b>	<b>1,802,621</b>	<b>160</b>	<b>1,802,781</b>
				<b>(198)</b>		<b>(198)</b>
			(83,213)	0		0
				(52,895)	(6)	(52,901)
<b>0</b>	<b>0</b>	<b>0</b>	<b>(83,213)</b>	<b>(52,895)</b>	<b>(6)</b>	<b>(52,901)</b>
			122,333	122,333	353	122,686
	(18,668)			(18,668)	(3)	(18,671)
	686			686	0	686
		1,395		1,395	0	1,395
(2,767)				(2,767)	(103)	(2,870)
				0	0	0
				(46,786)	0	(46,786)
				515	0	515
(5)	0			13	(253)	(240)
<b>(27,685)</b>	<b>106,641</b>	<b>(22,184)</b>	<b>122,333</b>	<b>1,806,249</b>	<b>148</b>	<b>1,806,397</b>
				<b>202</b>		<b>202</b>
			(122,333)	0		0
				(119,424)	(6)	(119,430)
<b>0</b>	<b>0</b>	<b>0</b>	<b>(122,333)</b>	<b>(119,424)</b>	<b>(6)</b>	<b>(119,430)</b>
			146,729	146,729	(10)	146,719
	85,338			85,338	7	85,345
	(7,320)			(7,320)	(1)	(7,321)
		(3,229)		(3,229)	0	(3,229)
19,161				19,161	2	19,163
				0		0
				(4,738)	0	(4,738)
				1,277	0	1,277
99	0			227	129	356
<b>(8,425)</b>	<b>184,659</b>	<b>(25,413)</b>	<b>146,729</b>	<b>1,924,472</b>	<b>269</b>	<b>1,924,741</b>

## 4.1.5 Consolidated statement of cash flows

<i>(in thousands of euros)</i>	<b>Dec. 31, 2019</b>	<b>Dec. 31, 2018</b>
<b>Net income for the period</b>	<b>146,729</b>	<b>122,333</b>
Non-controlling interests	(10)	353
Income tax expense	55,434	64,132
+/- Share in net income of associates		(592)
Finance costs	21,385	17,681
<b>Operating income (A)</b>	<b>223,538</b>	<b>203,907</b>
+/- Depreciation, amortization and impairment losses	43,499	(5,282)
+/- Net additions to/reversals from technical provisions	26,210	57,428
+/- Unrealized foreign exchange income/loss	(4,845)	(6,958)
+/- Non-cash items	26,181	(15,051)
<b>Total non-cash items (B)</b>	<b>91,045</b>	<b>30,137</b>
<b>Gross cash flows from operations (C) = (A) + (B)</b>	<b>314,583</b>	<b>234,044</b>
Change in operating receivables and payables	(8,074)	(74,892)
Net taxes paid	(39,389)	(64,772)
<b>Net cash related to operating activities (D)</b>	<b>(47,463)</b>	<b>(139,664)</b>
Increase (decrease) in receivables arising from factoring operations	167,125	2,612
Increase (decrease) in payables arising from factoring operations	(44,727)	(74,491)
Increase (decrease) in factoring liabilities	(141,814)	102,295
<b>Net cash generated from banking and factoring operations (E)</b>	<b>(19,416)</b>	<b>30,416</b>
<b>Net cash generated from operating activities (F) = (C+D+E)</b>	<b>247,704</b>	<b>124,796</b>
Acquisitions of investments	(773,793)	(341,747)
Disposals of investments	(708,711)	375,163
<b>Net cash used in movements in investments (G)</b>	<b>(65,082)</b>	<b>33,416</b>
Acquisitions of consolidated subsidiaries, net of cash acquired	(11,186)	
Disposals of consolidated companies, net of cash transferred		14,202
<b>Net cash used in changes in scope of consolidation (H)</b>	<b>(11,186)</b>	<b>14,202</b>
Acquisitions of property, plant and equipment and intangible assets	(14,299)	(20,541)
Disposals of property, plant and equipment and intangible assets	(12,942)	4,196
<b>Net cash generated from (used in) acquisitions and disposals of property, plant and equipment and intangible assets (I)</b>	<b>(1,357)</b>	<b>(16,345)</b>
<b>Net cash used in investing activities (J) = (G+H+I)</b>	<b>(77,625)</b>	<b>31,273</b>
Proceeds from the issue of equity instruments	-	-
Treasury share transactions	(4,122)	(46,786)
Dividends paid to owners of the parent	(119,424)	(52,895)
Dividends paid to non-controlling interests	(6)	(6)
<b>Cash flows related to transactions with owners</b>	<b>(123,552)</b>	<b>(99,687)</b>
Proceeds from the issue of debt instruments	-	-
Cash used in the redemption of debt instruments	-	-
Lease liabilities variations	(10,902)	
Interests paid	(20,854)	(16,276)
<b>Cash flows related to the financing of Group operations</b>	<b>(31,756)</b>	<b>(16,276)</b>
<b>Net cash generated from (used in) financing activities (K)</b>	<b>(155,308)</b>	<b>(115,963)</b>
<b>Impact of changes in exchange rates on cash and cash equivalents (L)</b>	<b>3,587</b>	<b>2,012</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS (F+J+K+L)</b>	<b>18,358</b>	<b>38,094</b>
Net cash generated from operating activities (F)	247,704	124,796
Net cash used in investing activities (J)	(77,625)	31,273
Net cash generated from (used in) financing activities (K)	(155,308)	(115,963)
Impact of changes in exchange rates on cash and cash equivalents (L)	3,587	(2,012)
<b>Cash and cash equivalents at beginning of period</b>	<b>302,419</b>	<b>264,325</b>
<b>Cash and cash equivalents at end of period</b>	<b>320,777</b>	<b>302,419</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>18,358</b>	<b>38,094</b>



## 4.2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## BASIS OF PREPARATION

These IFRS consolidated financial statements of the Coface Group as at December 31, 2019 are established in accordance with the International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB) and as adopted by the European Union <sup>(1)</sup>. They are detailed in the “Accounting principles” section.

The balance sheet is presented with comparative financial information at January 1, 2019 and December 31, 2018. The income statement is presented with comparative financial information at December 31, 2018.

The comparison on January 1, 2019 following the application of IFRS 16 is provided for detailed information on balance sheet notes.

These IFRS consolidated financial statements for the year ended December 31, 2019 were reviewed by the Coface Group’s Board of Directors on February 5, 2020.

## SIGNIFICANT EVENTS

### Acquisition of SID – PKZ (Slovenia)

On April 15, 2019, Coface announced the acquisition of 100% of the capital of SID – PKZ, the market leader in credit insurance in Slovenia. The business operates under the new brand name Coface PKZ. Founded by SID Bank in 2005, SID – PKZ recorded €14.3 million of gross written premium in 2018. The transaction had a neutral impact on Coface’s solvency ratio. The initial recognition of assets and liabilities is finalised and negative goodwill of €4.7 million has been recognised in the income statement. The contribution of Coface PKZ (excluding the impact of negative goodwill) in the Group’s net income as at December 31, 2019 is not significant.

### Coface launches credit insurance offer in Greece

The country has undertaken reforms which pave the way for a promising credit insurance market. This opening of an entity in the country extends Coface’s historically strong presence in the Mediterranean & Africa region, which represented 27% of the Group’s revenues in 2019. The impact of the new entity on the Groups’ financial statements for the year 2019 is not significant.

### Coface South Africa new partnership

Following the strategic partnership signed on November 16, 2018, approved by the South African regulatory authorities during the second quarter 2019, Coface South Africa, the South African subsidiary of Compagnie française d’assurance pour le commerce extérieur, opened its capital up to 2.5% to the South African investment fund – B-BBEE Investment Holding Company, Identity Capital Partners (Pty) Ltd.

Through this operation Coface South Africa strengthens its local footprint and also marks its desire to strengthen its consideration of B-BBEE (Broad-Based Black Economic Empowerment) legislation. The opening of Coface South Africa’s capital could be increased by up to 25% over a 10-year horizon. In addition, Coface has a call option for the shares of these minority shareholders. The impacts of this transaction on the financial statements for the year is not significant.

### Takeover of minority shareholders of Brazilian subsidiary SBCE (Seguradora Brasileira C.E.)

Compagnie française d’assurance pour le commerce extérieur has acquired the minority shareholders in its Brazilian subsidiary SBCE (Seguradora Brasileira C.E.). This acquisition of 24.2% of the capital was made through two local banks, each owning 12.1%. This operation is part of the Group’s desire to rationalise its presence in Brazil. The purchase of minority interests without any change in the integration method has no impact on the net income and no significant impact on the equity.

### Integration into the SBF 120 index

The Expert Indices Committee of Euronext has decided to include COFACE SA in the SBF 120 index and this decision was effective on June 26, 2019. The SBF 120 is one of the leading Paris stock market indices. It tracks the top 120 companies in terms of market capitalisation and liquidity. This entry follows the increased market capitalisation and share liquidity of Coface, which reflect the strengthening of its fundamentals since the launch of its Fit to Win strategic plan.

### Fitch affirms Coface AA- rating, with “stable” outlook

Fitch Ratings affirmed, on July 10, 2019, Coface’s AA- Insurer Financial Strength (IFS) rating. The outlook remains stable. The AA- IFS ratings of Coface North America Insurance Company and Coface Re, two other major insurance entities of the Group, have also been affirmed with a stable outlook.

In Fitch’s press release, the rating agency highlights that these affirmations “are primarily driven by Coface’s very strong business profile, very strong “capitalisation and leverage”, and strong profitability”.

Fitch views Coface’s financial performance and earnings as “strong, underpinned by underwriting profitability and effective risk management, across the cycle”.

(1) The standards adopted by the European Union can be consulted on the website of the European Commission at: [https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting\\_en#ifrs-financial-statements](https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_en#ifrs-financial-statements).

## Capital reduction by cancellation of treasury shares

The Board of Directors of COFACE SA, in its meeting of April 24, 2019, decided to cancel the 1,867,312 shares bought under the share buyback programme, as announced on October 25, 2018; and correlatively, to reduce the share capital of the Company.

Therefore, the share capital of COFACE SA now stands at €304,063,898 divided into 152,031,949 shares with a nominal value of €2 each.

## SCOPE OF CONSOLIDATION

### Change in the scope of consolidation in 2019

#### First-time consolidation

Coface PKZ was fully acquired in 2019. Coface Greece and the Lausanne 5 mutual fund (FCP), held by Coface Re, were created in 2019.

#### Exit from consolidation scope

No company left the Group in 2019.

#### Capital opening

Coface South Africa has opened up 2.5% of its capital in 2019. Coface Group now holds 97.5% of the capital.

#### Buyout of minority interests

In 2019, Coface Group acquired 24.2% of SBCE (Seguradora Brasileira C.E) minority interests. Coface Group now holds 100% of the SBCE capital.

### Special purpose entities (SPE)

#### SPEs used for the credit insurance business

Coface Group's credit enhancement operations consist of insuring, *via* a special purpose entity (SPE), receivables securitised by a third party through investors, for losses in excess of a predefined amount. In this type of operation, Coface Group has no role whatsoever in determining the SPE's activity or its operational management. The premium received on the insurance policy represents a small sum compared to all the benefits generated by the SPE, the bulk of which flow to the investors.

Coface does not sponsor securitisation arrangements. It plays the role of a mere service provider to the special purpose entity by signing a contract with the SPE. In fact, Coface holds no power over the relevant activities of the SPEs involved in these arrangements (selection of receivables in the portfolio, receivables management, etc.). No credit insurance SPEs were consolidated within the Group's financial statements.

### Approval for partial internal model

On July 25, 2019, Coface submitted to the ACPR, the French Prudential Supervision and Resolution Authority, its partial internal model. On December 4, 2019, COFACE SA received authorisation from the ACPR to use the Group's partial internal model for calculating its regulatory capital requirement under the Solvency II Directive from December 31, 2019. Coface's partial internal model has been the subject of extensive discussion and review by the Group's supervisory authority since the launch of the pre-application phase in 2016. This model covers the insurance underwriting risk module. The other modules (market risk, counterparty risk, operational risk) still use the parameters of the standard formula.

#### SPEs used for financing operations

Since 2012, Coface has put in place an alternative refinancing solution to the liquidity line granted by Natixis for the Group's factoring business in Germany and Poland (SPEs used for financing operations).

Under this solution, every month, Coface Finanz – a Group factoring company – sells its factored receivables to a French special purpose vehicle (SPV), the Vega securitisation fund (fonds commun de titrisation – FCT). The sold receivables are covered by credit insurance.

The securitisation fund acquires the receivables at their nominal value less a discount (determined on the basis of the portfolio's past losses and refinancing costs). To obtain refinancing, the fund issues (i) senior units to the conduits (one conduit per bank) which in turn issue asset-backed commercial paper (ABCP) on the market, and (ii) subordinated units to Coface Factoring Poland. The Coface Group holds control over the relevant activities of the securitisation fund.

The Vega securitisation fund is consolidated in the Group financial statements.

#### SPEs used for investing operations

The Colombes mutual funds were set up in 2013 to centralise the management of the Coface Group's investments. The administrative management of these funds has been entrusted to Amundi, and Caceis has been selected as custodian and asset servicing provider.

The European branches of Compagnie française d'assurance pour le commerce extérieur, which do not have any specific local regulatory requirements, participate in the centralised management of their assets, set up by Compagnie française d'assurance pour le commerce extérieur. They receive a share of the global income resulting from the application of an allocation key representing the risks subscribed by each branch and determined by the technical accruals.

Fonds Lausanne were created in 2015 in order to allow Coface Re to subscribe to parts in investment funds. The management is delegated to Amundi, the custodian is Caceis Switzerland and the asset servicing provider is Caceis.

The three criteria established by IFRS 10 for consolidation of the FCP Colombes and FCP Lausanne funds are met. Units in dedicated mutual funds (UCITS) have been included in the scope of consolidation and are fully consolidated. They are fully controlled by the Group.

All Coface entities are consolidated using the full integration method.

Country	Entity	Consolidation Method	Percentage			
			Control		Interest	
			Dec. 31, 2019	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2018
<b>Northern Europe</b>						
Germany	Coface, Niederlassung in Deutschland (ex Coface Kreditversicherung)	-	Branch*		Branch*	
Germany	Coface Finanz GMBH	Full	100.00%	100.00%	100.00%	100.00%
Germany	Coface Debitorenmanagement GMBH	Full	100.00%	100.00%	100.00%	100.00%
Germany	Coface Rating Holding GMBH	Full	100.00%	100.00%	100.00%	100.00%
Germany	Coface Rating GMBH	Full	100.00%	100.00%	100.00%	100.00%
Germany	Kisselberg KG	Full	100.00%	100.00%	100.00%	100.00%
Germany	Fct Vega (Fonds de titrisation)	Full	100.00%	100.00%	100.00%	100.00%
Netherlands	Coface Nederland Services	Full	100.00%	100.00%	100.00%	100.00%
Netherlands	Coface Nederland	-	Branch*		Branch*	
Denmark	Coface Denmark	-	Branch*		Branch*	
Sweden	Coface Sverige	-	Branch*		Branch*	
<b>Western Europe</b>						
France	COFACE SA	Parent company	100.00%	100.00%	100.00%	100.00%
France	Compagnie française d'assurance pour le commerce extérieur	Full	100.00%	100.00%	100.00%	100.00%
France	Cofinpar	Full	100.00%	100.00%	100.00%	100.00%
France	Cogeri	Full	100.00%	100.00%	100.00%	100.00%
France	Fimipar	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 2	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 2 bis	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 3	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 3 bis	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 3 ter	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 3 quater	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 4	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 5 bis	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 6	Full	100.00%	100.00%	100.00%	100.00%
Belgium	Coface Belgium Services	Full	100.00%	100.00%	100.00%	100.00%
Belgium	Coface Belgium	-	Branch*		Branch*	
Switzerland	Coface Suisse	-	Branch*		Branch*	
Switzerland	Coface Re	Full	100.00%	100.00%	100.00%	100.00%
Switzerland	Fonds Lausanne 2	Full	100.00%	100.00%	100.00%	100.00%
Switzerland	Fonds Lausanne 2 bis	Full	100.00%	100.00%	100.00%	100.00%
Switzerland	Fonds Lausanne 3	Full	100.00%	100.00%	100.00%	100.00%
Switzerland	Fonds Lausanne 3 bis	Full	100.00%	100.00%	100.00%	100.00%
Switzerland	Fonds Lausanne 5	Full	100.00%	100.00%	-	-
Switzerland	Fonds Lausanne 6	Full	100.00%	100.00%	100.00%	100.00%
Switzerland	Fonds Lausanne 6	Full	100.00%	100.00%	100.00%	100.00%
UK	Coface UK Holdings	Full	100.00%	100.00%	100.00%	100.00%
UK	Coface UK Services	Full	100.00%	100.00%	100.00%	100.00%
UK	Coface UK	-	Branch*		Branch*	
Ireland	Coface Ireland	-	Branch*		Branch*	

Country	Entity	Consolidation Method	Percentage			
			Control		Interest	
			Dec. 31, 2019	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2018
<b>Central Europe</b>						
Austria	Coface Austria Kreditversicherung Service GmbH	Full	100.00%	100.00%	100.00%	100.00%
Austria	Coface Central Europe Holding AG	Full	100.00%	100.00%	100.00%	100.00%
Austria	Compagnie française d'assurance pour le Commerce Extérieur SA Niederlassung Austria	-	Branch*		Branch*	
Hungary	Compagnie française d'assurance pour le commerce extérieur Hungarian Branch Office	-	Branch*		Branch*	
Poland	Coface Poland Credit Management Services Sp. z o.o.	Full	100.00%	100.00%	100.00%	100.00%
Poland	Coface Poland Factoring Sp. z o.o.	Full	100.00%	100.00%	100.00%	100.00%
Poland	Compagnie française d'assurance pour le commerce extérieur Spółka Akcyjna Oddział w Polsce	-	Branch*		Branch*	
Czech Republic	Compagnie française d'assurance pour le commerce extérieur organizační složka Česko	-	Branch*		Branch*	
Romania	Coface Romania CMS	Full	100.00%	100.00%	100.00%	100.00%
Romania	Compagnie française d'assurance pour le commerce extérieur S.A. Bois - Colombes - Sucursala Bucuresti	-	Branch*		Branch*	
Romania	Coface Technologie - Roumanie	-	Branch*		Branch*	
Slovakia	Compagnie française d'assurance pour le commerce extérieur, pobočka poisťovne z iného členského štátu	-	Branch*		Branch*	
Slovenia	Coface PKZ	Full	100.00%	100.00%	-	-
Lithuania	Compagnie Française d'Assurance pour le Commerce Extérieur Lietuvos filialas	-	Branch*		Branch*	
Bulgaria	Compagnie Française d'Assurance pour le Commerce Extérieur SA - Branch Bulgaria	-	Branch*		Branch*	
Russia	CJSC Coface Rus Insurance Company	Full	100.00%	100.00%	100.00%	100.00%
<b>Mediterranean &amp; Africa</b>						
Italy	Coface Italy (Succursale)	-	Branch*		Branch*	
Italy	Coface Italia	Full	100.00%	100.00%	100.00%	100.00%
Israel	Coface Israel	-	Branch*		Branch*	
Israel	Coface Holding Israel	Full	100.00%	100.00%	100.00%	100.00%
Israel	BDI - Coface (business data Israel)	Full	100.00%	100.00%	100.00%	100.00%
South Africa	Coface South Africa	Full	97.50%	97.50%	100.00%	100.00%
South Africa	Coface South Africa Services	Full	100.00%	100.00%	100.00%	100.00%
Spain	Coface Servicios España	Full	100.00%	100.00%	100.00%	100.00%
Spain	Coface Iberica	-	Branch*		Branch*	
Portugal	Coface Portugal	-	Branch*		Branch*	
Greece	Coface Greece	-	Branch*		Branch*	
Turkey	Coface Sigorta	Full	100.00%	100.00%	100.00%	100.00%

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## FINANCIAL ITEMS

Notes to the consolidated financial statements

Country	Entity	Consolidation Method	Percentage				
			Control		Interest		
			Dec. 31, 2019	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2018	
<b>North America</b>							
United States	Coface North America Holding Company	Full	100.00%	100.00%	100.00%	100.00%	
United States	Coface North America	Full	100.00%	100.00%	100.00%	100.00%	
United States	Coface Services North America	Full	100.00%	100.00%	100.00%	100.00%	
United States	Coface North America Insurance company	Full	100.00%	100.00%	100.00%	100.00%	
Canada	Coface Canada	-	Branch*		Branch*		
<b>Latin America</b>							
Mexico	Coface Seguro De Credito Mexico SA de CV	Full	100.00%	100.00%	100.00%	100.00%	
Mexico	Coface Holding America Latina SA de CV	Full	100.00%	100.00%	100.00%	100.00%	
Brazil	Coface Do Brasil Seguros de Credito SA	Full	100.00%	100.00%	100.00%	100.00%	
Brazil	Seguradora Brasileira De Credito Interno SA (SBCE)	Full	100.00%	100.00%	75.82%	75.82%	
Chile	Coface Chile SA	Full	100.00%	100.00%	100.00%	100.00%	
Chile	Coface Chile	-	Branch*		Branch*		
Argentina	Coface Argentina	-	Branch*		Branch*		
Ecuador	Coface Ecuador	-	Branch*		Branch*		
<b>Asia-Pacific</b>							
Australia	Coface Australia	-	Branch*		Branch*		
Hong Kong	Coface Hong Kong	-	Branch*		Branch*		
Japan	Coface Japon	-	Branch*		Branch*		
Singapore	Coface Singapore	-	Branch*		Branch*		
Taiwan	Coface Taiwan	-	Branch*		Branch*		

\* Branch of Compagnie française d'assurance pour le commerce extérieur.

## ACCOUNTING PRINCIPLES

### Applicable accounting standards

Pursuant to European Regulation 1606/2002 of July 19, 2002, the consolidated financial statements of Coface as at December 31, 2019 are prepared in accordance with IAS/IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted in the European Union and applicable at that date.

Standards applied since January 1, 2019

#### IFRS 16

IFRS 16 "Leases", adopted by the European Commission on October 31, 2017, will replace IAS 17 "Leases" and interpretations relating to the accounting of such contracts. It is applicable since January 1, 2019 retrospectively following specific transitional arrangements.

According to IFRS 16, the definition of leasing contracts implies, on the one hand, the identification of an asset and, on the other hand, the control by the lessee of the right to use this asset. From the lessors' point of view, the expected impact should be limited, the measures remaining substantially unchanged from the present IAS 17 standard. For the lessee, the standard will impose the accounting on the balance sheet of all leases as right of use, registered in the tangible and intangible assets and in the liabilities, the accounting of a financial debt for rents and other payments to be made during the rental period.

Note 6 regarding buildings used for operational purposes and Note 16 on lease liabilities indicate the impacts of the first application of IFRS16.

Furthermore, IFRIC issued amendments to clarify some aspects of the standard in 2019. These relate in particular to the unlimited enforceable period for some contracts and the impact of non-movable adjustments on assessing the enforceable period of contracts. IFRIC published its final decision about this topic on November 26, 2019. This amendment is under investigation by Coface to measure impacts on its accounting.

#### IFRIC 23 Interpretation

The IFRIC 23 "Uncertainty over income tax treatments" was adopted by the European Commission on October 23, 2018 and is mandatorily applicable from January 1, 2019. This interpretation clarifies the accounting and valuation procedures for current and deferred tax where there are uncertainties over tax treatment. If there are some doubts about tax treatment validation by tax authorities in accordance with tax legislation, tax treatment is classified as "uncertain". If there is a likelihood that the tax authorities might not accept the tax treatment applied, IFRIC 23 indicates that the uncertainty value to use in financial statements should be estimated using the method that can best project the outcome of the uncertainty. To determine this amount, there are two approaches: the most probable number procedure or the expected value procedure (weighted average of all possible scenarios). IFRIC 23 also requires that the assessment method selected be monitored.

Tax uncertainties should be booked according to their interpretation and type of tax (income tax or deferred tax) under "Deferred Tax Assets", "Current Tax receivable", "Deferred Tax Liabilities" and "Current Tax liabilities".

The first application of IFRIC 23 interpretation on January 1, 2019 had no impact on shareholders' equity at opening, or on the presentation of Coface's financial statements as regards uncertainties over tax treatment. The collection, analysis and monitoring procedure has been updated to allow better documentation of compliance between the accounting methods applied by Coface and IFRIC 23 requirements.

#### IAS 28

The IAS 28 "Investments in associates and joint ventures" amendment, adopted by the European Commission on February 8, 2019 is mandatory from January 1, 2019. Long-term interests corresponds to items where payment is neither foreseeable nor planned in the foreseeable future and which belong to net investment in the associated firm or joint venture. This amendment specifies that IFRS 9 "Financial Instruments" (including requirements regarding depreciation) applies to financial instruments representing long-term interests in associated firms or joint ventures when these financial instruments are not valued using the equity method. This amendment has no impact on Coface's accounts.

#### IAS 19

The amendment to the IAS 19 "Plan amendment, curtailment or settlement" standard, adopted by the European Commission on March 13, 2019, is mandatory from January 1, 2019. This amendment specifies that in case of an event which amends, curtails or settles a plan, the cost of the services provided and the amount of net interests subsequent to this event must be determined using the actuarial assumptions selected at the date of the change. This amendment had no impact on Coface's accounts.

#### Annual improvements to IFRS 2015-2017 Cycle

On March 14, 2019, the European Commission adopted the amendment "Annual improvements to IFRS 2015-2017 Cycle". This amendment stems from the annual improvement process aimed at simplifying and clarifying international accounting standards. The following standards have been amended: IFRS 3 "Business combinations", IFRS 11 "Joint arrangements", IAS 12 "Income taxes", and IAS 23 "Borrowing costs".

The amendment of the standard IAS 12 (Section 57A) specifies whether the tax effects on distributions related to instruments and paid coupons recorded through equity according to IAS 32 should be recorded in the income statement, among Other Comprehensive Income, depending on the origin of the amounts distributed. Hence, if the amounts are treated as dividends (according to IFRS 9), the tax effects should be recorded in the income statement, when the liability that constitutes the obligation to pay dividends is recognised. If they are not treated as dividends, the tax effects should be recognised in equity. This amendment had no impact on Coface's accounts.

### Amendments to IFRS 9, IAS 39 and IFRS 7

Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest rate benchmark reform” were published by IASB on September 26, 2019. These amendments aim to define exceptions to the application criteria of hedge accounting provided by IFRS 9 and IAS 39 and to specify the information to disclose related to the effects of the Interest Rate Benchmark Reform. The European Commission adopted these amendments on January 15, 2020. Their application date has been set for January 1, 2020 with possible early application. Coface has not applied these amendments in advance.

The following standards, adopted by the European Union on December 31, 2019, but not yet in force, have not been applied in advance by Coface.

### Amendments to IAS 1 and IAS 8

The amendment to IAS 1 and IAS 8 “Definition of material” adopted by the European Commission on November 29, 2019 is mandatory from January 1, 2020. These amendments clarify the definition of the term “significant” in order to facilitate judging whether or not information is significant and to improve the relevance of the information presented in notes to financial statements.

### Amendments to the IFRS Conceptual Framework

The amendment to the Conceptual Framework, adopted by the European Commission on November 29, 2019, is mandatory from January 1, 2020. The purpose of this amendment is to replace, in several standards and interpretations, existing references to previous frameworks with references to the revised conceptual framework.

### IFRS 17

IFRS 17 “Insurance contracts” published by the IASB on May 18, 2017 will replace IFRS 4 “Insurance contracts” from January 1, 2022. A draft amendment “Exposure Draft ED/2019/4 Amendments to IFRS 17” was published on June 26, 2019.

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and investment contracts with discretionary participation.

At present, insurance contracts are recorded at historical costs and will be recorded at current value after the application of IFRS 17. Therefore, insurance contract values will be based on future cash flows generated, including a risk margin in order to take into account the uncertainty regarding these flows. IFRS 17 introduces the concept of contractual service margin. This margin represents the benefit not earned by the insurer and will be released over time, depending on the service provided by the insurer to the policyholder.

The standard requires a higher level of granularity regarding details of calculations than before as it requires estimation by group of contracts.

These accounting changes will modify the profile of the insurance income statement.

Given the importance of the changes made and despite the uncertainties still affecting the standard, Coface has set up a project structure that will enable it, within various themes, to analyse all aspects of the standard: modelling, adaptation of systems and organisations, production of accounts and scales strategy, financial communication and change management.

### IFRS 9

The new IFRS 9 “Financial instruments” was adopted by the European Commission on November 22, 2016 and has been applicable retrospectively since January 1, 2018.

IFRS 9 replaces IAS 39 and defines the new rules for the classification and measurement of financial assets and liabilities, the new methodology for credit risk impairment of financial assets, and the treatment of hedging transactions, with the exception of macro-hedging transactions for which a separate draft standard is under study by the IASB.

#### Exemption

The amendment to IFRS 4 relating to the joint application of IFRS 9 “Financial instruments” with IFRS 17 “Insurance contracts” with specific measures for financial conglomerates was adopted on November 3, 2017 and has been applicable since January 1, 2018. This European regulation allows European financial conglomerates to opt to postpone the application of IFRS 9 for their insurance sector until January 1, 2022 (date of application of the new IFRS 17 Insurance Contracts standard) provided that:

- ◆ they do not transfer financial instruments between the insurance sector and the other sectors of the conglomerate (other than instruments measured at fair value through the profit or loss account);
- ◆ they state which insurance entities are applying the IAS 39 standard;
- ◆ they provide additional specific information in the attached notes.

Coface, meeting the eligibility criteria of a financial conglomerate, applies this provision for its insurance entities, which will therefore remain under IAS 39 until December 31, 2021. The entities concerned by this measure are all insurance entities and entities whose activity is directly related to insurance (service entities, consolidated funds).

#### Scope of application

Consequently, the entities concerned by the application of IFRS 9 are exclusively entities in the factoring business, an activity operated by Coface in Germany and in Poland.

Pursuant to the option opened by IFRS 9, Coface has chosen not to restate prior years published as comparative information for its financial statements.



## Consolidation methods used

In accordance with IAS 1 “Presentation of financial statements”, IFRS 10 and IFRS 3 on “Business combinations”, certain interests that are not material in relation to the Coface Group’s consolidated financial statements were excluded from the scope of consolidation.

Materiality is determined based on specific thresholds and on a qualitative assessment of the relevance of each entity’s contribution to Coface’s consolidated financial statements. The main thresholds applicable are as follows:

- ◆ total balance sheet: €40 millions;
- ◆ technical result: €5 millions;
- ◆ net income+/-: €2 millions.

Moreover, the sum of the net income of entities excluded from the consolidation scope must not exceed 2% of consolidated net income.

The consolidation methods applied are as follows:

- ◆ companies over which Coface exercises exclusive control are fully consolidated;
- ◆ companies over which Coface exercises significant influence are accounted for by the equity method.

All the entities of the Coface Group scope are fully consolidated.

IFRS 10 supersedes IAS 27 “Consolidated and Separate Financial Statements” in relation to consolidated financial statements as well as SIC-12 on special purpose entities. The control of an entity must now be analysed through three aggregate criteria: the power over the relevant activities of the entity, exposure to the variable returns of the entity, and the investor’s ability to affect the variable returns through its power over the entity. The analysis of special purpose entities in Coface Group is presented in the notes under “Scope of consolidation”.

## Intercompany transactions

Material intercompany transactions are eliminated on the balance sheet and on the income statement.

## Non-current assets held for sale and discontinued operations

In accordance with IFRS 5, a non-current asset (or disposal group) is classified as held for sale if its carrying amount will be recovered principally through a sale transaction. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition and it must be highly probable that the sale will take place within 12 months.

A sale is deemed to be highly probable if:

- ◆ management is committed to a plan to sell the asset (or disposal group);
- ◆ a non-binding offer has been submitted by at least one potential buyer;
- ◆ it is unlikely that significant changes will be made to the plan or that it will be withdrawn.

Once assets meet these criteria, they are classified under “Non-current assets held for sale” in the balance sheet at the subsequent reporting date, and cease to be depreciated/amortised as from the date of this classification. An impairment loss is recognised if their carrying amount exceeds their fair value less costs to sell. Liabilities related to assets held for sale are presented in a separate line on the liabilities side of the balance sheet.

If the disposal does not take place within 12 months of an asset being classified under “Non-current assets held for sale”, the asset ceases to be classified as held for sale, except in specific circumstances that are beyond Coface’s control.

A discontinued operation is a clearly identifiable component of an entity that either has been disposed of, or is classified as held for sale, and:

- ◆ the component represents a separate major line of business or geographical area of operations;
- ◆ the component is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations without representing a separate major line of business or geographical area of business; or
- ◆ the component is a subsidiary acquired exclusively with a view to resale.

The income from these operations is presented on a separate line of the income statement for the period during which the criteria are met and for all comparative periods presented. The amount recorded in this income statement line includes the net income from discontinued operations until they are sold, and the post-tax net income recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation.

## Year end and accounting period

All consolidated companies have a December 31 year end and an accounting period of 12 months.

## Foreign currency translation

### Translation of foreign currency transactions

In accordance with IAS 21, transactions carried out in foreign currencies (*i.e.* currencies other than the functional currency) are translated into the functional currency of the entity concerned using the exchange rates prevailing at the dates of the transactions. The Group’s entities generally use the closing rate for the month preceding the transaction date, which is considered as approximating the transaction-date exchange rate provided there are no significant fluctuations in rates.

### Translation of the financial statements of subsidiaries and foreign branches

Coface’s consolidated financial statements are presented in euros.

The balance sheets of foreign subsidiaries whose functional currency is not the euro are translated into euros at the year-end exchange rate, except for capital and reserves, which are translated at the historical exchange rate. All resulting foreign currency translation differences are recognised in the consolidated statement of comprehensive income.

Income statement items are translated using the average exchange rate for the year, which is considered as approximating the transaction-date exchange rate provided there are no significant fluctuations in rates (see IAS 21.40). All exchange differences arising on translation of these items are also recognised in other comprehensive income.

### Hyperinflationary economies

The application of IAS 29 “Financial reporting in hyperinflationary economies” is required as of July 1, 2018, for entities whose functional currency is the Argentine peso.

The Group has activities in Argentina whose contribution to the total consolidated balance sheet and net income is not significant as of December 31, 2019 and as of December 31, 2018.

Thus, the impact of the application of this standard is likewise not significant at Group level and was not taken into account in the financial statements as of December 31, 2019 and as of December 31, 2018.

### General principles

#### The insurance business

An analysis of all of Coface’s credit insurance policies shows that they fall within the scope of IFRS 4, which permits insurers to continue to use the recognition and measurement rules applicable under local GAAP when accounting for insurance contracts.

Coface has therefore used French GAAP for the recognition of its insurance contracts.

However, IFRS 4:

- ◆ prohibits the use of equalisation and natural disaster provisions; and
- ◆ requires insurers to carry out liability adequacy tests.

#### The services business

Companies engaged in the sale of business information and debt collection services fall within the scope of IFRS 15 “Revenue from contracts with customers”.

Revenue is recognised when: (i) the entity has transferred to the buyer the significant risks and rewards of ownership of the goods; (ii) it is probable that the economic benefits associated with the transaction will flow to the entity; and (iii) the amount of revenue and costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### The factoring business

Companies engaged in the factoring business apply IFRS 9 “Financial instruments”. A financial instrument is a contract that gives rise to a financial asset of one entity (contractual right to receive cash or another financial asset from another entity) and a financial liability or equity instrument of another entity (contractual obligation to deliver cash or another financial asset to another entity).

Trade receivables are classified within the “Loans and receivables” category. After initial recognition at fair value, these receivables are measured at amortised cost using the effective interest method (EIM). The financing fee is recorded over the term of the factoring transactions, which is equivalent to it being included in the EIM in view of the short-term nature of the transactions concerned.

IFRS 15 “Revenue from contracts with customers” standard is also applies to the factoring business according to the same rules as for the service business.

### Classification of income and expenses for the Group’s different businesses

#### Breakdown by function of insurance company expenses

The expenses of French and international insurance subsidiaries are initially accounted for by nature and are then analysed by function in income statement items using appropriate cost allocation keys. Investment management expenses are included under investment expenses. Claims handling expenses are included under claims expenses. Policy acquisition costs, administrative costs and other current operating expenses are shown separately in the income statement.

#### Factoring companies

Operating income and expenses of companies involved in the factoring business are reported as “Income from banking activities” and “Expenses from banking activities” respectively.

#### Other companies outside the insurance business and factoring business

Operating income and expenses of companies not involved in the insurance or factoring businesses are reported under “Income from other activities” and “Expenses from other activities”, respectively.

### Revenue

Consolidated revenue includes:

- ◆ premiums, corresponding to the compensation of the Group’s commitment to cover the risks planned in the following insurance policies: credit insurance (short term), Single Risk (medium term) and surety bond (medium term). The bond is not a credit insurance product because it represents a different risk type (in terms of the underlying and the duration of the risk), but its remuneration takes the form of a premium; it responds to the definitions of insurance contracts given in IFRS 4;
- ◆ other revenues which include:
  - revenue from services related to credit insurance contracts (“fee and commission income” and “other insurance-related services”), corresponding to debtor information services, credit limit monitoring, management and debt recovery. They are included in the calculation of the turnover of the credit insurance activity,
  - revenue from services which consist of providing customer access to information on the creditworthiness of companies and on marketing and debt collection services to clients without credit insurance contracts,
  - net income from banking activities, which are revenues from factoring entities. They consist mainly of factoring fees (collected for the management of factored receivables) and net financing fees (financing margin, corresponding to the amount of financial interest received from factoring customers, less interest paid on refinancing of the factoring debt). Premiums paid by factoring companies to insurance companies (in respect of debtor and ceding risk) are deducted from net banking income.

Consolidated revenue is analysed by country of invoicing (in the case of direct business, the country of invoicing is that in which the issuer of the invoice is located and for inward reinsurance, the country of invoicing is that in which the ceding insurer is located) and by business line (credit insurance, bonding, factoring, and information and other services).

## Insurance operations

### Gross earned premiums

#### Gross written premiums

Gross premiums correspond to written premiums, excluding tax and net of premium cancellations. They include an estimate of pipeline premiums and premiums to be cancelled after the reporting date.

The estimate of pipeline premiums includes premiums negotiated but not yet invoiced as well as premium adjustments corresponding to the difference between minimum and final premiums. It also includes a provision for future economic risks that may impact end-of-year premiums.

Premiums invoiced are primarily based on policyholders' revenue or trade receivables balances, which vary according to changes in revenue. Premium income therefore depends directly on the volume of sales made in the countries where the Group is present, especially French exports and German domestic and export sales.

#### Premium refunds

Premium refunds include policyholders' bonuses and rebates, gains and no claims bonus, mechanisms designed to return a part of the premium to a policyholder according to contract profitability. They also include the penalties, taking the form of an additional premium invoiced to policyholders with the loss attributed to the policy.

The "premium refunds" item includes provisions established through an estimation of rebates to be paid.

#### Reserves for unearned premiums

Reserves for unearned premiums are calculated separately for each policy, on an accruals basis. The amount charged to the provision corresponds to the fraction of written premiums relating to the period between the year end and the end of the coverage period of the premium.

#### Gross earned premiums

Gross earned premiums consist of gross premiums issued, net of premium refunds, and variation in reserves for unearned premiums.

### Deferred acquisition costs

Policy acquisition costs, including commissions are deferred over the life of the contracts concerned according to the same rules as unearned premium provisions.

The amount deferred corresponds to policy acquisition costs related to the period between the year end and the next premium payment date. Deferred acquisition costs are included in the balance sheet under "Other assets".

Changes in deferred acquisition costs are included under "Policy acquisition costs" in the income statement.

### Contract service expenses

#### Paid claims

Paid claims correspond to insurance settlements net of recoveries, plus claims handling expenses.

#### Claims provisions

Claims provisions include provisions to cover the estimated total cost of reported claims not settled at year end. Claims provisions also include provisions for claims incurred but not yet reported, determined by reference to the final amount of paid claims.

The provisions also include a provision for collection costs and claims handling expenses.

Specific provisions are also recorded for major claims based on the probability of default and level of risk exposure, estimated on a case-by-case basis and validated by a committee (special reserves committee).

In the guarantee business, local methods are applied. Provisions are only recorded for claims of which the Company concerned has been notified by year end. However, an additional provision is recorded when the risk that the guarantee will be called on is higher due to the principal (guaranteed party) becoming insolvent, even if no related bonds have been called on. This additional provision is calculated based on the probability of default and the level of risk exposure.

#### Subrogation and salvage

Subrogation and salvage represent estimated recoveries determined on the basis of the total amount expected to be recovered in respect of all open underwriting periods.

Subrogation and salvage includes a provision for debt collection costs.

In accordance with the applicable French regulations, separate provisions are set aside for claims and recoveries.

### Reinsurance operations

All of the Group's inward and ceded reinsurance operations involve transfers of risks.

### Inward reinsurance

Inward reinsurance is accounted for on a contract-by-contract basis using data provided by the ceding insurers.

Technical provisions are determined based on amounts reported by ceding insurers, adjusted upwards by Coface where appropriate.

Commissions paid to ceding insurers are deferred and recognised in the income statement on the same basis as reserves for unearned premiums. Where these commissions vary depending on the level of losses accepted, they are estimated at each period end.

### Ceded reinsurance

Ceded reinsurance is accounted for in accordance with the terms and conditions of the related treaties.

Reinsurers' share of technical provisions is determined on the basis of technical provisions recorded under liabilities.

Funds received from reinsurers are reported under liabilities.

Commissions received from reinsurers are calculated by reference to written premiums. They are deferred and recognised in the income statement on the same basis as ceded reserves for unearned premiums (which are unearned premiums multiplied by reinsurance rate).

### Other operating income and expenses

In accordance with Recommendation no. 2013-03 issued by the ANC (the French accounting standards body), "Other operating income" and "Other operating expenses" should only be used to reflect a major event arising during the reporting period that could distort the understanding of the Company's performance. Accordingly, limited use is made of these headings for unusual, abnormal and infrequent income and expenses of a material amount which Coface has decided to present separately in the income statement so that readers can better understand its recurring operating performance and make a meaningful comparison between accounting periods, in accordance with the relevance principle set out in the IFRS Conceptual Framework.

Other operating income and expenses are therefore limited, clearly identified, non-recurring items which are material to the performance of the Group as a whole.

### Goodwill

In accordance with the revised version of IFRS 3, the Group measures goodwill at the acquisition date as:

- ◆ the fair value of the consideration transferred;
- ◆ to which we add the amount of any non-controlling interest in the acquiree;
- ◆ plus, in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree;
- ◆ less the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed (generally measured at fair value).

In the case of a bargain purchase, the resulting gain is recognised in net income on the acquisition date.

If new information comes to light within the 12 months following the initial consolidation of a newly-acquired company and that new information affects the initial fair values attributed to the assets acquired and liabilities assumed at the acquisition date, the fair values are adjusted with a corresponding increase or decrease in the gross value of goodwill.

Goodwill is allocated, at the acquisition date, to the cash-generating unit (CGU) or group of CGUs that is expected to derive benefits from the acquisition. In accordance with paragraph 10 of IAS 36, goodwill is not amortised but is

tested for impairment at least once a year or whenever events or circumstances indicate that impairment losses may occur. Impairment testing consists of comparing the carrying amount of the CGU or group of CGUs (including allocated goodwill) with its recoverable amount, which corresponds to the higher of value in use and fair value less costs to sell. Value in use is determined using the discounted cash flow method.

### Impairment tests on goodwill and intangible assets

In accordance with IAS 36, for the purpose of impairment testing the strategic entities included in the Group's scope of consolidation are allocated to groups of CGUs.

A group of CGUs is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other groups of assets (other CGUs). Paragraph 80 of IAS 36 stipulates that goodwill acquired in a business combination must, from the acquisition date, be allocated to each of the acquirer's groups of CGUs that is expected to benefit from the synergies of the combination.

Coface has identified groups of CGUs based on its internal organisation, as used by management for making operating decisions.

The seven groups of CGUs are as follows:

- ◆ Northern Europe;
- ◆ Western Europe;
- ◆ Central Europe;
- ◆ Mediterranean & Africa;
- ◆ North America;
- ◆ Latin America;
- ◆ Asia-Pacific.

### Measuring groups of CGUs and performing goodwill impairment tests

Existing goodwill is allocated to a group of CGUs for the purpose of impairment testing. Goodwill is tested for impairment at least once a year or whenever there is an objective indication that it may be impaired.

Goodwill impairment tests are performed by testing the group of CGUs to which the goodwill has been allocated.

If the recoverable amount of the group of CGUs is less than its carrying amount, an impairment loss is recognised and allocated to reduce the carrying amount of the assets of the group of CGUs, as follows:

- ◆ first, by reducing the carrying amount of any goodwill allocated to the group of CGUs (which may not be subsequently reversed); and
- ◆ then, the other assets of the group of CGUs pro rata to the carrying amount of each asset in the group.

The recoverable amount represents the higher of value in use (determined using the discounted cash flow method) and fair value less costs to sell (determined using multiples data from comparable listed companies as well as comparable recent transactions).

## Method used for measuring the value of Coface entities

### Value in use: discounted cash flow method

Cash flow projections were derived from the three-year business plans drawn up by the Group's operating entities as part of the budget process and approved by Coface Group management.

These projections are based on the past performance of each entity and take into account assumptions relating to Coface's business line development. Coface draws up cash flow projections beyond the period covered in its business plans by extrapolating the cash flows over two additional years.

The assumptions used for growth rates, margins, cost ratios and claims ratios are based on the entity's maturity, business history, market prospects, and geographic region.

Under the discounted cash flow method, Coface applies a discount rate to insurance companies and a perpetuity growth rate to measure the value of its companies.

### Fair value

Under this approach, Coface values its companies by applying multiples of (i) revenue (for services companies), revalued net assets (for insurance companies) or net banking income (for factoring companies), and (ii) net income. The benchmark multiples are based on stock market comparables or recent transactions in order to correctly reflect the market values of the assets concerned.

The multiples-based valuation of an entity is determined by calculating the average valuation obtained using net income multiples and that obtained using multiples of revenue (in the case of services companies), revalued net assets (insurance companies) or net banking income (factoring companies).

## Intangible assets: IT development costs

Coface capitalises IT development costs and amortises them over their estimated useful lives when it can demonstrate:

- ◆ the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- ◆ its intention to complete the intangible asset and use or sell it;
- ◆ its ability to use or sell the intangible asset;
- ◆ how the intangible asset will generate probable future economic benefits;
- ◆ the current and future availability of adequate resources to complete the development; and
- ◆ its ability to reliably measure the expenditure attributable to the intangible asset during its development.

Internally generated software is amortised over its useful life, which is capped at 15 years.

## Property, plant and equipment

Property, plant and equipment are measured using the amortised cost model. Coface applies this model to measure its property, plant and equipment, including buildings used in the business. IFRS requires the breakdown of these buildings into components where the economic benefits provided by one or more components of a building reflect a pattern that differs from that of the building as a whole. These components are depreciated on a straight-line basis over their useful life.

Coface has identified the following components of property assets:

Land	Not depreciated
Enclosed/covered structure	Depreciated over 30 years
Technical equipment	Depreciated over 15 years
Interior fixtures and fittings	Depreciated over 10 years

Properties acquired under finance leases are included in assets and an obligation in the same amount is recorded under liabilities.

A lease is classified as a finance lease if it transfers to the lessee substantially all the risks and rewards incidental to ownership.

An impairment loss is recognised if the carrying amount of a building exceeds its market value.

## Financial assets

The Group classifies its financial assets into the following five categories: available-for-sale financial assets, financial assets held for trading, held-to-maturity investments, financial assets at fair value through income, and loans and receivables.

The date used by Coface for initially recognising a financial asset in its balance sheet corresponds to the asset's trade date.

### Available-for-sale financial assets (AFS)

Available-for-sale financial assets are carried at fair value plus transaction costs that are directly attributable to the acquisition (hereafter referred to as the purchase price). The difference between the fair value of the securities at year end and their purchase price (less actuarial amortisation for debt instruments) is recorded under "Available-for-sale financial assets" with a corresponding adjustment to revaluation reserves (no impact on net income). Equity securities are included in this category.

### Financial assets held for trading

Financial assets held for trading are recorded at the fair value of the securities at year end. Changes in fair value of securities held for trading during the accounting period are taken to the income statement.

### Held-to-maturity investments (HTM)

Held-to-maturity investments are carried at amortised cost. Premiums and discounts are included in the calculation of amortised cost and are recognised over the useful life of the financial asset using the yield-to-maturity method.

### Financial assets at fair value through profit or loss

Financial assets at fair value through income are accounted for in the same way as securities held for trading.

### Loans and receivables

The “Loans and receivables” category includes cash deposits held by ceding insurers lodged as collateral for underwriting commitments. The amounts recognised in relation to these deposits correspond to the cash amount actually deposited.

Non-derivative financial assets with fixed or determinable payments that are not quoted on an active market are also included under this heading. These assets are recognised at amortised cost using the effective interest method.

Loans and receivables also include short-term deposits whose maturity at the date of purchase or deposit is more than three months but less than 12 months.

### Fair value

The fair value of listed securities is their market price at the measurement date. For unlisted securities fair value is determined using the discounted cash flow method.

### Impairment test

Available-for-sale financial assets are tested for impairment at each period end. When there is objective evidence that such an asset is impaired and a decline in the fair value of that asset has previously been recognised directly in equity, the cumulative loss is reclassified from equity to income through “Investment income, net of management expenses”.

A multi-criteria analysis is used to assess whether there is any objective indication of impairment. An independent expert is used for these analyses, particularly in the case of debt instruments.

Impairment indicators include the following:

- ◆ for debt instruments: default on the payment of interest or principal, the existence of a mediation, alert or insolvency procedure, bankruptcy of a counterparty or any other indicator that reveals a significant decline in the counterparty’s financial position (such as evidence of losses to completion based on stress tests or projections of recoverable amounts using the discounted cash flow method);
- ◆ for equity instruments (excluding investments in unlisted companies): indicators showing that the entity will be unable to recover all or part of its initial investment. In addition, an impairment test is systematically performed on securities that represent unrealised losses of over 30% or which have represented unrealised losses for a period of more than six consecutive months. This test consists of carrying out a qualitative analysis based on various factors such as an analysis of the equity instrument’s market price over a given period, or information relating to the issuer’s financial position. Where appropriate, an impairment loss is recognised based on the instrument’s market price at the period end. Independently of this analysis, an impairment loss is systematically recognised when an instrument represents an unrealised loss of over 50% at the period end, or has represented an unrealised loss for more than 24 months;

- ◆ for investments in unlisted companies: an unrealised loss of over 20% over a period of more than 18 months, or the occurrence of significant changes in the technological, market, economic or legal environment that have an adverse effect on the issuer and indicate that the amount of the investment in the equity instrument will not be recovered.

If the fair value of an instrument classified as available for sale increases in a subsequent period, and the increase can be objectively related to an event occurring after the impairment loss was recognised in income, the impairment loss is reversed, with the amount of the reversal recognised in:

- ◆ equity, for equity instruments;
- ◆ income, for debt instruments, in an amount corresponding to the previously recognised impairment loss.

In accordance with IFRIC 10, impairment losses recognised on equity instruments in an interim reporting period are not reversed from income until the securities concerned are divested.

### Derivatives and hedging transactions

A derivative is a financial instrument (IAS 39):

- ◆ whose value changes in response to the change in the interest rate or price of a product (known as the “underlying”);
- ◆ that requires no or a very low initial net investment; and
- ◆ that is settled at a future date.

A derivative is a contract between two parties – a buyer and a seller – under which future cash flows between the parties are based on the changes in the value of the underlying asset.

In accordance with IAS 39, derivatives are measured at fair value through income, except in the case of effective hedges, for which gains and losses are recognised depending on the underlying hedging relationship.

Derivatives that qualify for hedge accounting are derivatives which, from their inception and throughout the hedging relationship, meet the criteria set out in IAS 39. These notably include a requirement for entities to formally document and designate the hedging relationship, including information demonstrating that the hedging relationship is effective, based on prospective and retrospective tests. A hedge is deemed to be effective when changes in the actual value of the hedge fall within a range of 80% and 125% of the change in value of the hedged item.

- ◆ For fair value hedges, gains or losses from remeasuring the hedging instrument at fair value are systematically recognised in income. These amounts are partially offset by symmetrical gains or losses on changes in the fair value of the hedged items, which are also recognised in income. The net impact on the income statement therefore solely corresponds to the ineffective portion of the hedge.
- ◆ For cash flow hedges, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion of the gain or loss on the hedging instrument is recognised in income.

Coface's derivatives are used for hedging purposes, notably to hedge currency risks, interest rate risks and changes in fair value of equities in the portfolios of the Colombes funds. Coface does not carry out any hedging transactions within the meaning of IAS 39. The financial instruments that it does use are recognised at fair value through income.

### Financing liabilities

This item mainly includes subordinated debt.

Borrowings are initially recognised at fair value after taking account of directly attributable transaction costs.

They are subsequently measured at amortised cost using the effective interest method. Amortised cost corresponds to:

- ◆ the measurement of the financial liability on initial recognition; minus
- ◆ minus repayments of principal; plus or minus
- ◆ cumulative amortisation (calculated using the effective interest rate) and any discounts or premiums between the initial amount and the maturity amount.

Premiums and discounts are not included in the initial cost of the financial liability. However, they are included in the calculation of amortised cost and are recognised over the life of the financial liability using the yield-to-maturity method. As and when they are amortised, premiums and discounts impact the amortised cost of the financial liability.

### Accounting treatment of debt issuance costs

Transaction costs directly attributable to the issuance of financial liabilities are included in the initial fair value of the liability. Transaction costs are defined as incremental costs directly attributable to the issuance of the financial liability, *i.e.* that would not have been incurred if the Group had not acquired, issued or disposed of the financial instrument.

Transaction costs include:

- ◆ fees and commissions paid to agents, advisers, brokers and other intermediaries;
- ◆ levies by regulatory agencies and securities exchanges;
- ◆ transfer taxes and duties.

Transaction costs do not include:

- ◆ debt premiums or discounts;
- ◆ financing costs;
- ◆ internal administrative or holding costs.

### Payables arising from banking sector activities

This item includes:

- ◆ amounts due to banking sector companies: this corresponds to bank credit lines. They represent the refinancing of the credit extended to factoring clients;
- ◆ amounts due to customers of banking sector companies, corresponding to payables arising from factoring operations. They include:
  - amounts credited to factoring clients' current accounts that have not been paid out in advance by the factor, and
  - factoring contract guarantee deposits;

- ◆ debt securities. This item includes subordinated borrowings and non-subordinated bond issues. These borrowings are classified as "Payables arising from banking sector activities" as they are used for financing the factoring business line.

All borrowings are initially recognised at fair value less any directly attributable transaction costs. After initial recognition, they are measured at amortised cost using the effective interest method.

### Factoring receivables

Receivables arising from factoring operations represent total receivables not recovered at the reporting date. They are stated at nominal value, corresponding to the amount of factored invoices, including tax.

Two categories of provisions are recorded and are shown in deduction of the receivables:

- ◆ provisions booked by way of a charge to the income statement (under "Cost of risk") when it appears probable that all or part of the amount receivable will not be collected;
- ◆ provisions evaluated through expected credit loss calculation also recorded as an expense in the income statement (under "Cost of risk").

The expected credit loss (ECL) calculation, introduced by IFRS 9, relies on calculation models using the internal ratings of debtors (Debtor Risk Assessment - DRA). The ECL methodology for calculating depreciation is based on three main parameters: the probability of default (PD), the loss given default (LGD), and the amount of exposure in case of default, or exposure at default (EAD). The depreciation will be the product of PD x LGD x EAD, over the lifetime of the receivables. Specific adjustments are made to take into account the current conditions and the prospective (forward-looking) macroeconomic projections.

The net carrying amount of receivables arising from factoring operations is included in the consolidated balance sheet under "Receivables arising from banking and other activities".

### Cash and cash equivalents

Cash includes all bank accounts and demand deposits. Cash equivalents include units in money market funds (SICAV) with maturities of less than three months.

### Provisions for liabilities and charges

In accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", a provision is recorded at the reporting date if a present obligation towards a third party resulting from a past event exists at that date and it is probable or certain, on the date when the financial statements are drawn up, that an outflow of resources embodying economic benefits to that third party will be required to settle the obligation and that a reliable estimate can be made of the amount of the obligation.

Provisions are discounted when the effect of the time value of money is material.

The provisions for liabilities and charges include the provisions for tax risks (except income tax risk), for litigations with third-parties and on the vacant premises. These provisions are reviewed at each closing.

The provision for vacant premises is calculated taking into account the future rents that the Company committed to pay until the end of the lease, from which are deducted the future income expected from potential subleases.

### Employee benefits

In some countries in which Coface operates, employees are awarded short-term benefits (such as paid leave), long-term benefits (including long-service awards) and post-employment benefits, such as statutory retirement benefits.

Short-term benefits are recognised as a liability in the accounts of the Coface companies that grant such benefits.

Other benefits, including long-term and post-employment benefits are subject to different coverage and are classified as follows:

- ◆ defined contribution plans: the Company's legal or constructive obligation is limited to the amount that it agrees to pay to the fund, which will pay the due amounts to the employees. These plans are generally state pension plans, which is the case in France;
- ◆ defined benefit plans, under which the employer has a legal or constructive obligation to provide agreed benefits to employees.

In accordance with IAS 19, Coface records a provision to cover its liability, regarding primarily:

- ◆ statutory retirement benefits and termination benefits;
- ◆ early retirement and supplementary pension payments;
- ◆ employer contributions to post-employment health insurance schemes;
- ◆ long-service awards.

Based on the regulations specific to the plan and country concerned, independent actuaries calculate:

- ◆ the actuarial value of future benefits, corresponding to the present value of all benefits to be paid. The measurement of this present value is essentially based on:
  - demographic assumptions,
  - future benefit levels (statutory retirement benefits, long-service awards, etc.),
  - the probability that the specified event will occur,
  - an evaluation of each of the factors included in the calculation of the benefits, such as future salary increases,
  - the interest rate used to discount future benefits at the measurement date;
- ◆ the actuarial value of benefits related to service cost (including the impact of future salary increases), determined using the projected unit credit method which spreads the actuarial value of benefits evenly over the expected average remaining working lives of the employees participating in the plan.

### Stock options

In accordance with IFRS 2 "Share-based Payment", which defines the recognition and measurement rules concerning stock options, the options are measured at the grant date. The Group uses the Black and Scholes option pricing model for measuring stock options. Changes in fair value subsequent to the grant date do not impact their initial measurement.

The fair value of options takes into account their expected life, which the Group considers as corresponding to their compulsory holding period for tax purposes. This value is recorded in personnel costs on a straight-line basis from the grant date and over the vesting period of the options, with a corresponding adjustment directly in equity.

In connection with its stock market listing, the Coface Group awarded certain beneficiaries (employees of COFACE SA subsidiaries) bonus shares (see Note 11).

In accordance with the IFRS 2 rules, only stock options granted under plans set up after November 7, 2002 and which had not vested at January 1, 2005 have been measured at fair value and recognised in personnel costs.

### Operating leases

According to IFRS 16 "Leases", applied since January 1, 2019, the definition of leasing contracts implies, on one hand, the identification of an asset and, on the other hand, the control by the lessee of the right to use this asset. Control is established when the lessee has both of the following rights throughout the period of use:

- ◆ the right to have almost all economical benefits coming from the asset use;
- ◆ the right to decide the use of the asset.

For the lessee, the standard imposes the accounting on the balance sheet of all leases as a right of use, registered as tangible and intangible assets, and as liabilities, the accounting of a financial debt for rents and other payments to be made during the rental period. Coface uses the exemptions provided by the standard by not modifying the accounting treatment of short-term leases (less than 12 months) or leases relating to low-value underlying assets (less than USD 5,000).

The right of use is amortised on a straight-line basis and the financial debt is amortised actuarially over the duration of the lease. The interest expenses on the financial debt and the amortisation expenses of the right to use will be made separately on the income statement.

### Income tax

Income tax expense includes both current taxes and deferred taxes.

The tax expense is calculated on the basis of the latest known tax rules in force in each country where income is taxable.

On January 1, 2015, COFACE SA opted for the tax integration regime by integrating French subsidiaries held directly or indirectly at more than 95% (Compagnie française d'assurance pour le commerce extérieur, Cofinpar, Cogeri and Fimipar).

Temporal differences between the values of assets and liabilities in the consolidated accounts and those used to determine the taxable income give rise to the recording of deferred taxes.

Deferred tax assets and liabilities are calculated for all temporary differences, based on the tax rate that will be in force when the differences are expected to reverse, if this is known, or, failing that, at the tax rate in force at the period end.

Deferred tax assets are recorded only when it is probable that sufficient taxable profits against which the asset can be utilised will be available within a reasonable time frame.



## Receivables and payables denominated in foreign currencies

Receivables and payables denominated in foreign currencies are translated into euros at the year-end exchange rate.

Unrealised exchange gains and losses on receivables and payables denominated in foreign currencies are recorded in the consolidated income statement, except for those related to the technical provisions carried in the accounts of the subsidiaries of Compagnie française d'assurance pour le commerce extérieur and those concerning consolidated companies' long-term receivables and payables whose settlement is neither planned nor likely to occur in the foreseeable future.

Exchange differences concerning receivables and payables denominated in a foreign currency and relating to a consolidated company are treated as part of Coface's net investment in that company. In accordance with IAS 21, these exchange differences are recorded in other comprehensive income until the disposal of the net investment.

## Segment information

Coface applies IFRS 8 for segment information reporting, which requires an entity's operating segments to be based on its internal organisation as used by management for the allocation of resources and the measurement of performance.

## Estimates

The main balance sheet items for which management is required to make estimates are presented in the table below:

Estimates	Notes	Type of information required
Goodwill impairment	1	Impairment is recognised when the recoverable amount of goodwill, defined as the higher of value in use and fair value, is below its carrying amount. The value in use of CGUs is calculated based on cost of capital, long-term growth rate and loss ratio assumptions.
Depreciation of receivables on banking activity	4	Depreciation of receivables on banking activity includes a provision calculated using the ECL methodology introduced by IFRS 9.
Provision for earned premiums not yet written	17	This provision is calculated based on the estimated amount of premiums expected in the period less premiums recognised.
Provision for premium refunds	17; 22	This provision is calculated based on the estimated amount of rebates and bonuses payable to policyholders in accordance with the terms and conditions of the policies written.
Provision for subrogation and salvage	17; 23	This provision is calculated based on the estimated amount potentially recovered on settled claims.
Claims reserves	17; 23; 42	It includes an estimate of the total cost of claims reported but not settled at year end.
IBNR provision	17; 23; 42	The IBNR provision is calculated on a statistical basis using an estimate of the final amount of claims that will be settled after the risk has been extinguished and after any action taken to recover amounts paid out.
Pension benefit obligations	14	Pension benefit obligations are measured in accordance with IAS 19 and annually reviewed by actuaries according to the Group's actuarial assumptions.

The policies managed by the Coface Group's insurance subsidiaries meet the definition of insurance contracts set out in IFRS 4. In accordance with this standard, these contracts give rise to the recognition of technical provisions on the liabilities side of the balance sheet, which are measured based on Group accounting principles pending the publication of an IFRS that deals with insurance liabilities.

The recognition of technical provisions requires the Group to carry out estimates, which are primarily based on assumptions concerning changes in events and

The segment information used by management corresponds to the following geographic regions:

- ◆ Northern Europe;
- ◆ Western Europe;
- ◆ Central Europe;
- ◆ Mediterranean & Africa;
- ◆ North America;
- ◆ Latin America;
- ◆ Asia-Pacific.

No operating segments have been aggregated for the purposes of published segment information.

The Group's geographic industry sector segmentation is based on the country of invoicing.

## Related parties

A related party is a person or entity that is related to the entity preparing its financial statements (referred to in IAS 24 as "The reporting entity").

circumstances related to the insured and their debtors as well as to their economic, financial, social, regulatory and political environment. These assumptions may differ from actual events and circumstances, particularly if they simultaneously affect the Group's main portfolios. The use of assumptions requires a high degree of judgement on the part of the Group, which may affect the level of provisions recognised and therefore have a material adverse effect on the Group's financial position, results, and solvency margin.

For certain financial assets held by the Group there is no active market, there are no observable inputs, or the observable inputs available are not representative. In such cases the assets' fair value is measured using valuation techniques which include methods or models that are based on assumptions or assessments requiring a high degree of judgement. The Group cannot guarantee that the fair value estimates obtained using these valuation techniques represent the price at which a security will ultimately be sold, or at which it could be sold at a given moment. The valuations and estimates are revised when circumstances change or when new information becomes

available. Using this information, and respecting the objective principles and methods described in the consolidated and combined financial statements, the Group's management bodies regularly analyse, assess and discuss the reasons for any decline in the estimated fair value of securities, the likelihood of their value recovering in the short term, and the amount of any ensuing impairment losses that should be recognised. It cannot be guaranteed that any impairment losses or additional provisions recognised will not have a material adverse effect on the Group's results, financial position and solvency margin.

## NOTES TO THE CONSOLIDATED BALANCE SHEET

All amounts are stated in thousands of euros in the following notes, unless specified otherwise.

### NOTE 1. GOODWILL

In accordance with IAS 36, goodwill is not amortised but is systematically tested for impairment at year end or whenever there is an impairment indicator.

Breakdown of goodwill by region:

<i>(in thousands of euros)</i>	<b>Dec. 31, 2019</b>	<b>Dec. 31, 2018</b>
Northern Europe	112,603	112,603
Western Europe	5,068	5,068
Central Europe	8,394	8,396
Mediterranean & Africa	22,672	21,993
North America	6,201	6,087
Latin America	895	911
<b>TOTAL</b>	<b>155,833</b>	<b>155,058</b>

The carrying amount of goodwill increased by €775 thousand in 2019 due to the fluctuation of the currency translation variation.

## Impairment testing methods

Goodwill and other non-financial assets were tested for impairment losses at December 31, 2019. Coface performed the tests by comparing the value in use of the groups of CGUs to which goodwill was allocated with their carrying amounts.

Value in use is the present value of future cash flows that may result from an asset or CGU. This value is determined using the discounted cash flow method, based on the three-year business plan drawn up by the subsidiaries and

validated by management. The cash flows are extrapolated for an additional two years using normalised loss ratios and target cost ratios. Beyond this five-year period, the terminal value is calculated by projecting to infinity the cash flows for the last year.

The main assumptions used to determine the value in use of the groups of CGUs were a long-term growth rate of 1.5% for all entities and the weighted average cost of capital.

The assumptions used for goodwill impairment testing were as follows by group of CGUs at December 31, 2019:

<i>(in millions of euros)</i>	<b>Northern Europe</b>	<b>Western Europe</b>	<b>Central Europe</b>	<b>Mediterranean &amp; Africa</b>	<b>North America</b>	<b>Latin America</b>
Cost of capital	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%
Perpetual growth rate	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Contribution to consolidated net assets	528.8	472.1	199.5	262.6	59.6	57.2

The assumptions used in 2018 were as follows:

<i>(in millions of euros)</i>	<b>Northern Europe</b>	<b>Western Europe</b>	<b>Central Europe</b>	<b>Mediterranean &amp; Africa</b>	<b>North America</b>	<b>Latin America</b>
Cost of capital	9.3%	9.3%	9.3%	9.3%	9.3%	9.3%
Perpetual growth rate	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Contribution to consolidated net assets	615.3	406.5	182.1	218.1	58.5	54.0

## Sensitivity of impairment tests

Sensitivity analyses were performed for the impairment tests, based on the following sensitivity factors:

- ◆ long-term growth rate sensitivity: the impairment tests were tested for sensitivity based on a 0.5-point decrease in the perpetual growth rate applied. The analysis showed that such a 0.5-point decrease would not have an impact on the outcome of the impairment tests or therefore on the Group's consolidated financial statements for the year ended December 31, 2019;
- ◆ cost of capital sensitivity: the impairment tests were tested for sensitivity based on a 0.5-point increase in the cost of capital applied. The analysis showed that such a 0.5-point increase would not have an impact on the outcome of the impairment tests or therefore on the Group's consolidated financial statements for the year ended December 31, 2019;

- ◆ loss ratio and cost ratio sensitivity for the last two years of the business plan (2022 and 2023): additional impairment tests were performed based on a 2-point increase in the loss ratio and a 1-point increase in the cost ratio. It appears that an increase of 1 point and 2 points in the assumptions used would not have an impact on the outcome of the original impairment tests or therefore on the Group's consolidated financial statements for the year ended December 31, 2019.

For the Group's main goodwill items, the sensitivity of enterprise values to the assumptions used is shown in the following table. It verifies that the value of the CGU remains greater than the contribution to the Group's net assets for each one of the CGU.

## Outcome of impairment tests

<i>(in millions of euros)</i>	Northern Europe	Western Europe	Central Europe	Mediterranean and Africa	North America	Latin America
Contribution to consolidated net assets <sup>(1)</sup>	528.8	472.1	199.5	262.6	59.6	57.2
Value in use of CGU	859.4	525.6	439.1	708.9	97.1	58.5
Sensitivity: Long-term growth rate -0.5 point <sup>(2)</sup>	830.8	503.3	424.6	681.6	89.3	55.6
Sensitivity: WACC +0.5 point	821.4	495.0	419.9	672.6	87.9	53.4
Sensitivity: Loss Ratio 2024 +1 point <sup>(2)</sup>	849.9	312.6	433.7	694.1	88.3	54.0
Sensitivity: Loss Ratio 2024 +2 points <sup>(2)</sup>	840.4	244.0	428.2	679.2	83.0	49.5
Sensitivity: Cost Ratio 2024 +1 point <sup>(2)</sup>	844.8	309.6	429.3	686.2	84.6	53.8
Sensitivity: Cost Ratio 2024 +2 points <sup>(2)</sup>	830.1	237.8	419.5	663.6	75.5	49.2

<sup>(1)</sup>The Contribution to consolidated net assets corresponds to the difference between the value in use of the CGUs and their book value.

<sup>(2)</sup>The sensitivity analyses were carried out on the Contribution to consolidated net assets.

## NOTE 2. OTHER INTANGIBLE ASSETS

<i>(in thousands of euros)</i>	Dec. 31, 2019	Dec. 31, 2018
	Net value	Net value
Development costs and software	62,359	62,955
Purchased goodwill	2,212	2,194
Other intangible assets	440	468
<b>TOTAL</b>	<b>65,011</b>	<b>65,617</b>

<i>(in thousands of euros)</i>	Dec. 31, 2019		
	Gross amount	Amortisation and impairment	Net value
Development costs and software	210,814	(148,455)	62,359
Purchased goodwill	3,873	(1,661)	2,212
Other intangible assets	2,928	(2,488)	440
<b>TOTAL</b>	<b>217,615</b>	<b>(152,604)</b>	<b>65,011</b>

<i>(in thousands of euros)</i>	Dec. 31, 2018		
	Gross amount	Amortisation and impairment	Net value
Development costs and software	197,670	(134,716)	62,954
Purchased goodwill	6,748	(4,553)	2,195
Other	2,820	(2,352)	468
<b>TOTAL</b>	<b>207,238</b>	<b>(141,621)</b>	<b>65,617</b>

Group mainly makes investments in hardware and IT licences.

These investments amounted to €12.1 million in the 2019 financial year compared to €15.7 million in the 2018 financial year.

## Change in the gross amount of intangible assets

<i>(in thousands of euros)</i>	Dec. 31, 2018	Scope entry	Increases	Decreases	Currency translation variation	Dec. 31, 2019
Development costs and software	197,670	1,099	12,027	(2,159)	2,177	210,814
Purchased goodwill	6,747	0	0	(3,089)	215	3,873
Other intangible assets	2,821	0	70	(14)	51	2,928
<b>TOTAL</b>	<b>207,238</b>	<b>1,099</b>	<b>12,097</b>	<b>(5,262)</b>	<b>2,443</b>	<b>217,615</b>

In 2019, PKZ integrated the scope of consolidation.

<i>(in thousands of euros)</i>	Dec. 31, 2017	Increases	Decreases	Currency translation variation	Dec. 31, 2018
Development costs and software	187,178	15,369	(4,292)	(585)	197,670
Purchased goodwill	7,831	0	(1,266)	182	6,747
Other intangible assets	2,722	300	(152)	(49)	2,821
<b>TOTAL</b>	<b>197,731</b>	<b>15,669</b>	<b>(5,710)</b>	<b>(452)</b>	<b>207,238</b>

## Change in accumulated amortisation and impairment of intangible assets

<i>(in thousands of euros)</i>	Dec. 31, 2018	Scope entry	Additions	Reversals	Currency translation variation and other	Dec. 31, 2019
Accumulated amortisation - development costs and software	(132,455)	(803)	(13,187)	2,135	(2,308)	(146,618)
Accumulated impairment - development costs and software	(2,260)	0	0	0	423	(1,837)
<b>Total amortisation and impairment - development costs and software</b>	<b>(134,715)</b>	<b>(803)</b>	<b>(13,187)</b>	<b>2,135</b>	<b>(1,885)</b>	<b>(148,455)</b>
Accumulated amortisation - purchased goodwill	(4,554)	-	(104)	3,089	(92)	(1,661)
Accumulated impairment - purchased goodwill	0	-	0	0	0	0
<b>Total amortisation and impairment - purchased goodwill</b>	<b>(4,554)</b>	<b>0</b>	<b>(104)</b>	<b>3,089</b>	<b>(92)</b>	<b>(1,661)</b>
Accumulated amortisation - other intangible assets	(2,352)	-	(128)	14	(22)	(2,488)
Accumulated impairment - other intangible assets	0	-	0	0	0	0
<b>Total amortisation and impairment - other intangible assets</b>	<b>(2,352)</b>	<b>0</b>	<b>(128)</b>	<b>14</b>	<b>(22)</b>	<b>(2,488)</b>
<b>TOTAL</b>	<b>(141,621)</b>	<b>(803)</b>	<b>(13,419)</b>	<b>5,238</b>	<b>(1,999)</b>	<b>(152,604)</b>

## NOTE 3. INSURANCE BUSINESS INVESTMENTS

### 3.1. Analysis by category

As at December 31, 2019, the carrying amount of available-for-sale (AFS) securities amounted to €2,911,034 thousand, securities held for trading ("trading securities") came to €43 thousand and held-to-maturity (HTM) securities was €1,842 thousand.

As an insurance group, Coface's investment allocation is heavily weighted towards fixed-income instruments.

The distribution of the bonds portfolio by rating at December 31, 2019 was as follows:

- ◆ bonds rated "AAA": 11.6%;
- ◆ bonds rated "AA" and "A": 43.8%;
- ◆ bonds rated "BBB": 36.6%;
- ◆ bonds rated "BB" and lower: 8.0%.

<i>(in thousands of euros)</i>	Dec 31, 2019					Dec. 31, 2018				
	Amortized cost	Revaluation	Net value	Fair value	Unrealized gains and losses	Amortized cost	Revaluation	Net value	Fair value	Unrealized gains and losses
<b>AFS securities</b>	<b>2,706,300</b>	<b>204,734</b>	<b>2,911,034</b>	<b>2,911,034</b>		<b>2,635,835</b>	<b>106,698</b>	<b>2,742,533</b>	<b>2,742,533</b>	
Equities and other variable-income securities	171,089	145,867	316,956	316,956		207,560	99,425	306,985	306,985	
Bonds and government securities	2,314,927	43,680	2,358,607	2,358,607		2,211,474	(2,144)	2,209,330	2,209,330	
<i>o/w direct investments in securities</i>	2,075,248	42,097	2,117,346	2,117,346		1,774,405	(1,061)	1,773,344	1,773,344	
<i>o/w investments in UCITS</i>	239,679	1,582	241,261	241,261		437,069	(1,083)	435,986	435,986	
Shares in non-trading property companies	220,284	15,190	235,473	235,473		216,801	9,417	226,218	226,218	
<b>HTM securities</b>										
Bonds	1,842		1,842	1,842	0	1,848		1,848	1,848	0
<b>Fair value through income - trading securities</b>										
Money market funds (UCITS)	43	0	43	43		9,527		9,527	9,527	
<b>Derivatives (positive fair value)</b>		<b>1,809</b>	<b>1,809</b>	<b>1,809</b>			<b>2,354</b>	<b>2,354</b>	<b>2,354</b>	
<i>(derivatives negative fair value for information)</i>		<i>(889)</i>	<i>(889)</i>	<i>(889)</i>			<i>(1,666)</i>	<i>(1,666)</i>	<i>(1,666)</i>	
<b>Loans and receivables</b>	<b>75,670</b>		<b>75,670</b>	<b>75,670</b>		<b>77,063</b>		<b>77,063</b>	<b>77,063</b>	
<b>Investment property</b>	<b>695</b>	<b>(407)</b>	<b>288</b>	<b>288</b>		<b>695</b>	<b>(407)</b>	<b>288</b>	<b>288</b>	
<b>TOTAL</b>	<b>2,784,550</b>	<b>206,137</b>	<b>2,990,687</b>	<b>2,990,687</b>	<b>0</b>	<b>2,724,968</b>	<b>108,645</b>	<b>2,833,613</b>	<b>2,833,613</b>	<b>0</b>

<i>(in thousands of euros)</i>	<b>Gross Dec 31, 2019</b>	<b>Impairment</b>	<b>Net Dec 31, 2019</b>	<b>Net Dec. 31, 2018</b>
<b>AFS securities</b>	<b>2,948,645</b>	<b>(37,609)</b>	<b>2,911,034</b>	<b>2,742,533</b>
Equities and other variable-income securities	354,557	(37,601)	316,956	306,985
Bonds and government securities	2,358,607		2,358,607	2,209,330
<i>o/w direct investments in securities</i>	<i>2,117,346</i>		<i>2,117,346</i>	<i>1,773,344</i>
<i>o/w investments in UCITS</i>	<i>241,261</i>		<i>241,261</i>	<i>435,986</i>
Shares in non-trading property companies	235,482	(8)	235,473	226,218
<b>HTM securities</b>				
Bond	1,842		1,842	1,848
<b>Fair value through income – trading securities</b>				
Money market funds (UCITS)	43		43	9,527
<b>Derivatives (positive fair value)</b>	<b>1,809</b>		<b>1,809</b>	<b>2,354</b>
<i>(for information, derivatives with a negative fair value)</i>	<i>(889)</i>		<i>(889)</i>	<i>(1,666)</i>
<b>Loans and receivables</b>	<b>75,765</b>	<b>(95)</b>	<b>75,670</b>	<b>77,063</b>
<b>Investment property</b>	<b>288</b>		<b>288</b>	<b>288</b>
<b>TOTAL</b>	<b>3,028,392</b>	<b>(37,704)</b>	<b>2,990,687</b>	<b>2,833,613</b>

## Impairments

<i>(in thousands of euros)</i>	<b>Dec. 31, 2018</b>	<b>Additions</b>	<b>Reversals</b>	<b>Exchange rate effects and other</b>	<b>Dec 31, 2019</b>
<b>AFS securities</b>	<b>33,493</b>	<b>8,702</b>	<b>(4,603)</b>	<b>17</b>	<b>37,609</b>
Equities and other variable-income securities	31,492	8,702	(2,610)	17	37,601
<i>Bonds and government securities</i>	<i>1,993</i>	<i>0</i>	<i>(1,993)</i>	<i>0</i>	<i>0</i>
Shares in non-trading property companies	8	0	0		8
<b>Loans and receivables</b>	<b>94</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>95</b>
<b>TOTAL</b>	<b>33,587</b>	<b>8,703</b>	<b>(4,603)</b>	<b>17</b>	<b>37,704</b>

Reversals are related to the disposal of AFS securities.

## Change in investments by category

(in thousands of euros)	Dec. 31, 2018	Dec 31, 2019					Carrying amount
	Carrying amount	Increases	Decreases	Revaluation	Impairment	Other movements	
<b>AFS securities</b>	<b>2,742,533</b>	<b>746,089</b>	<b>(705,791)</b>	<b>97,823</b>	<b>(4,097)</b>	<b>34,477</b>	<b>2,911,034</b>
Equities and other variable-income securities	306,985	19,617	(52,214)	45,634	(6,090)	3,025	316,956
Bonds and government securities	2,209,330	720,232	(651,385)	46,417	1993	32,019	2,358,607
Shares in non-trading property companies	226,218	6,241	(2,192)	5,772		(567)	235,473
<b>HTM securities</b>							
Bonds	1,848	(5)	(1)			0	1,842
<b>Fair value through income - trading securities</b>	<b>9,527</b>	<b>0</b>	<b>(9,481)</b>	<b>0</b>		<b>(3)</b>	<b>43</b>
<b>Loans, receivables and other financial investments</b>	<b>79,705</b>	<b>27,248</b>	<b>(20,452)</b>	<b>(1,339)</b>	<b>1</b>	<b>(7,394)</b>	<b>77,767</b>
<b>TOTAL</b>	<b>2,833,613</b>	<b>773,331</b>	<b>(735,725)</b>	<b>96,484</b>	<b>(4,097)</b>	<b>27,081</b>	<b>2,990,687</b>

## Derivatives

The structural use of derivatives is strictly limited to hedging. The notional amounts of the hedges therefore do not exceed the amounts of the underlying assets in the portfolio.

During 2019, the majority of the derivative transactions carried out by the Group concerned the systematic hedging of currency risks *via* swaps or currency futures for primarily USD-denominated bonds held in the investment portfolio.

Investments in equities were subject to systematic partial hedging through purchases of put options. The hedging

strategy applied by the Group is aimed at protecting the portfolio against a sharp drop in the equities market in the eurozone.

Regarding the bond portfolio, some of our exposure to European sovereign debt, which was hedged through future rates, was released during the first half of 2019. Coface may put this back in place. Some one-off interest rate hedging transactions were also set up on negotiable debt securities.

None of these transactions qualified for hedge accounting under IFRS as they were mainly currency transactions and partial market hedges.

### 3.2. Financial instruments recognised at fair value

The fair values of financial instruments recorded in the balance sheet are measured according to a hierarchy that categorises the inputs used to measure fair value into three levels. These levels are as follows:

**Level 1:** Quoted prices in active markets for an identical financial instrument.

Securities classified as level 1 represent 84% of the Group's portfolio. They correspond to:

- ◆ equities, bonds and government securities listed on organised markets, as well as units in dedicated mutual funds whose net asset value is calculated and published on a very regular basis and is readily available (AFS securities);
- ◆ government bonds and bonds indexed to variable interest rates (HTM securities);
- ◆ units in French money market funds, SICAV (trading securities).

**Level 2:** Use of inputs, other than quoted prices for an identical instrument that are directly or indirectly observable in the market (inputs corroborated by the market such as yield curves, swap rates, multiples method, etc.).

Securities classified as level 2 represent 3% of the Group's portfolio. This level is used for the following instruments:

- ◆ unlisted equities;
- ◆ loans and receivables due from banks or clients and whose fair value is determined using the historical cost method.

**Level 3:** Valuation techniques based on unobservable inputs such as projections or internal data.

Securities classified as level 3 represent 13% of the Group's portfolio. This level corresponds to unlisted equities, investment securities and units in dedicated mutual funds, as well as investment property.

Value in use is the present value of future cash flows that may result from an asset or CGU. The valuation, using the discounted cash flow method, is based on the three-year projected budget prepared by the subsidiaries and validated by management with two further years based on standardised management ratios (loss ratios and target cost ratios). Beyond this five-year period, the terminal value is calculated by projecting to infinity the cash flows for the last year.



## Breakdown of financial instrument fair value measurements as at December 31, 2019 by level in the fair value hierarchy

<i>(in thousands of euros)</i>	Carrying amount	Fair value	Level 1	Level 2	Level 3
			Fair value determined based on quoted prices in active markets	Fair value determined based on valuation techniques that use observable inputs	Fair value determined based on valuation techniques that use unobservable inputs
<b>AFS securities</b>	<b>2,911,034</b>	<b>2,911,034</b>	<b>2,520,706</b>	<b>23</b>	<b>390,308</b>
Equities and other variable-income securities	316,956	316,956	162,097	23	154,835
Bonds and government securities	2,358,607	2,358,607	2,358,607	0	0
Shares in non-trading property companies	235,473	235,473			235,473
<b>HTM securities</b>					
Bonds	1,842	1,842	1,842		
<b>Fair value through income - trading securities</b>					
Money market funds (UCITS)	43	43	43		
<b>Derivatives</b>	<b>1,809</b>	<b>1,809</b>	<b>682</b>	<b>1,018</b>	<b>109</b>
<b>Loans and receivables</b>	<b>75,670</b>	<b>75,670</b>		<b>75,670</b>	
<b>Investment property</b>	<b>288</b>	<b>288</b>			<b>288</b>
<b>TOTAL</b>	<b>2,990,687</b>	<b>2,990,687</b>	<b>2,523,272</b>	<b>76,711</b>	<b>390,705</b>

## Movements in Level 3 securities as at December 31, 2019

<i>(in thousands of euros)</i>	At Dec. 31, 2018	Gains and losses recognized in the period		Transactions for the period		Exchange rate effects	At Dec. 31, 2019
		In income	Directly in equity	Purchases/Issues	Sales/Redemptions		
<b>AFS securities</b>	<b>367,453</b>	<b>(8,701)</b>	<b>20,393</b>	<b>13,000</b>	<b>(2,192)</b>	<b>354</b>	<b>390,308</b>
Equities and other variable-income securities	141,234	(8,701)	14,620	6,760	0	921	154,835
Shares in non-trading property companies	226,219		5,772	6,241	(2,192)	(568)	235,473
<b>Derivatives</b>	<b>109</b>		<b>0</b>			<b>0</b>	<b>109</b>
<b>Investment property</b>	<b>288</b>			<b>0</b>			<b>288</b>
<b>TOTAL</b>	<b>367,850</b>	<b>(8,701)</b>	<b>20,393</b>	<b>13,000</b>	<b>(2,192)</b>	<b>354</b>	<b>390,705</b>

## Breakdown of financial instrument fair value measurements as at December 31, 2018 by level in the fair value hierarchy

<i>(in thousands of euros)</i>	Carrying amount	Fair value	Level 1	Level 2	Level 3
			Fair value determined based on quoted prices in active markets	Fair value determined based on valuation techniques that use observable inputs	Fair value determined based on valuation techniques that use unobservable inputs
<b>AFS securities</b>	<b>2,742,533</b>	<b>2,742,533</b>	<b>2,375,057</b>	<b>23</b>	<b>367,453</b>
Equities and other variable-income securities	306,985	306,985	165,728	23	141,234
Bonds and government securities	2,209,330	2,209,330	2,209,330	0	
Shares in non-trading property companies	226,218	226,218			226,219
<b>HTM securities</b>					
Bonds	1,848	1,848	1,848		
<b>Fair value through income - trading securities</b>					
Money market funds (UCITS)	9,527	9,527	9,527		
<b>Derivatives</b>	<b>2,354</b>	<b>2,354</b>	<b>858</b>	<b>1,387</b>	<b>109</b>
<b>Loans and receivables</b>	<b>77,063</b>	<b>77,063</b>		<b>77,063</b>	
<b>Investment property</b>	<b>288</b>	<b>288</b>			<b>288</b>
<b>TOTAL</b>	<b>2,833,613</b>	<b>2,833,613</b>	<b>2,387,291</b>	<b>78,473</b>	<b>367,850</b>

## Movements in Level 3 securities in 2018

<i>(in thousands of euros)</i>	At Dec. 31, 2017	Gains and losses recognized in the period		Transactions for the period		Exchange rate effects	At Dec. 31, 2018
		In income	Directly in equity	Purchases/Issues	Sales/Redemptions		
<b>AFS securities</b>	<b>347,367</b>	<b>(1,314)</b>	<b>16,012</b>	<b>9,073</b>	<b>(8,097)</b>	<b>4,411</b>	<b>367,453</b>
Equities and other variable-income securities	128,521	(1,314)	12,357	680	(35)	1,025	141,234
Shares in non-trading property companies	218,846		3,655	8,393	(8,062)	3,387	226,219
<b>Derivatives</b>	<b>609</b>			<b>2,751</b>		<b>(3,251)</b>	<b>109</b>
<b>Investment property</b>	<b>288</b>				<b>0</b>		<b>288</b>
<b>TOTAL</b>	<b>348,264</b>	<b>(1,314)</b>	<b>16,012</b>	<b>11,824</b>	<b>(8,097)</b>	<b>1,160</b>	<b>367,850</b>

## SPPI Financial assets as at December 31, 2019 (IFRS 9)

<i>(in thousands of euros)</i>	Fair value	Fair value variation
Direct investments in securities – SPPI financial assets	2,094,788	41,791
Direct investments in securities – No SPPI financial assets	22,558	472
<b>Direct investments in securities</b>	<b>2,117,346</b>	<b>42,263</b>
Loans and receivables – SPPI financial assets	75,670	
<b>Loans and receivables</b>	<b>75,670</b>	<b>0</b>
Cash and cash equivalents – SPPI financial assets	287,136	
<b>Cash and cash equivalents</b>	<b>287,136</b>	<b>0</b>
<b>SPPI financial assets</b>	<b>2,457,593</b>	<b>41,791</b>
<b>No SPPI financial assets</b>	<b>22,558</b>	<b>472</b>
<b>TOTAL</b>	<b>2,480,151</b>	<b>42,263</b>

<i>(in thousands of euros)</i>	Gross value	Fair value
<b>SPPI financial assets without a low credit risk</b>	<b>149,358</b>	<b>153,251</b>

## NOTE 4. RECEIVABLES ARISING FROM BANKING ACTIVITIES

### Breakdown by nature

<i>(in thousands of euros)</i>	Dec. 31, 2019	Dec. 31, 2018
Receivables arising from banking sector	2,346,710	2,509,047
Non-performing receivables arising from banking sector	55,777	61,354
Allowances for receivables arising from banking sector	(55,777)	(61,354)
<b>TOTAL</b>	<b>2,346,710</b>	<b>2,509,047</b>

### Breakdown by age

Receivables arising from banking and other activities represent receivables acquired within the scope of factoring agreements.

They are recognised at cost within assets in the balance sheet and they are classified as level 2. Factoring receivables include both receivables whose future recovery is guaranteed by Coface and receivables for which the risk of future recovery is borne by the customer.

When applicable, the Group recognises a valuation allowance against receivables to take account of any potential difficulties in their future recovery, being specified the receivables are also covered by a credit insurance agreement. Accordingly, the related risks are covered by claims provisions.

<i>(in thousands of euros)</i>	Dec. 31, 2019					
	Not due	Due				Total
		- 3 months	3 months to 1 year	1 to 5 years	+ 5 years	
Receivables arising from banking and other activities	1,655,909	690,801				2,346,710
Non-performing receivables arising from banking and other activities			1,402	30,459	23,915	55,777
Allowances for receivables arising from banking and other activities	0	0	(1,402)	(30,459)	(23,915)	(55,777)
<b>Total receivables arising from banking and other activities</b>	<b>1,655,909</b>	<b>690,801</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,346,710</b>
Claims reserve as hedge for factoring receivables						
<b>TOTAL RECEIVABLES ARISING FROM BANKING AND OTHER ACTIVITIES AFTER CLAIMS RESERVES</b>	<b>1,655,909</b>	<b>690,801</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,346,710</b>

<i>(in thousands of euros)</i>	Dec. 31, 2018					
	Not due	Due				Total
		- 3 months	3 months to 1 year	1 to 5 years	+ 5 years	
Receivables arising from banking and other activities	1,856,362	652,686	0	0	0	2,509,047
Non-performing receivables arising from banking and other activities	0	0	6,008	30,753	24,593	61,354
Allowances for receivables arising from banking and other activities	99	(99)	(6,008)	(30,753)	(24,593)	(61,354)
<b>Total receivables arising from banking and other activities</b>	<b>1,856,461</b>	<b>652,586</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,509,047</b>
Claims reserve as hedge for factoring receivables	0	0	0	0	0	0
<b>TOTAL RECEIVABLES ARISING FROM BANKING AND OTHER ACTIVITIES AFTER CLAIMS RESERVES</b>	<b>1,856,461</b>	<b>652,586</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,509,047</b>

## NOTE 5. INVESTMENTS IN ASSOCIATES

<i>(in thousands of euros)</i>	Dec. 31, 2019	Dec. 31, 2018
Investments in associates at January 1	0	15,780
Share in net income of associates	0	592
Dividends paid	0	0
Change in scope	0	(16,372)
<b>TOTAL INVESTMENTS IN ASSOCIATES</b>	<b>0</b>	<b>0</b>

Investments in associates were related to investment in Cofacredit; it was ceded at the end of June 2018.

## NOTE 6. TANGIBLE ASSETS

<i>(in thousands of euros)</i>	Dec. 31, 2019	Dec. 31, 2018
	Net value	Net value
Buildings used for operational purposes	22,363	33,114
Other property, plant and equipment	15,800	15,858
Right-of-use assets for lessees	85,613	-
<b>TOTAL</b>	<b>123,776</b>	<b>48,972</b>

<i>(in thousands of euros)</i>	Dec. 31, 2019		
	Gross amount	Amortisation and impairment	Net value
Buildings used for operational purposes	85,281	(62,919)	22,362
Other property, plant and equipment	56,195	(40,395)	15,800
Right-of-use assets for lessees	103,919	(18,305)	85,614
<b>TOTAL</b>	<b>245,395</b>	<b>(121,619)</b>	<b>123,776</b>

<i>(in thousands of euros)</i>	Dec. 31, 2018		
	Gross amount	Amortisation and impairment	Net value
Buildings used for operational purposes	107,794	(74,680)	33,114
Other property, plant and equipment	54,599	(38,741)	15,858
<b>TOTAL</b>	<b>162,393</b>	<b>(113,421)</b>	<b>48,972</b>

### Change in the gross amount of property, plant and equipment

<i>(in thousands of euros)</i>	Dec. 31, 2018	Impact FTA IFRS 16	Jan. 01, 2019	Scope entry	Increases	Decreases	Currency translation variation	Dec. 31, 2019
Land used for operational purposes	14,010	0	14,010	0	0	(6,870)	0	7,140
Buildings used for operational purposes	93,784	0	93,784	2,296	0	(17,939)	0	78,141
Right-of-use assets for lessees - Buildings leasing	0	73,632	73,632	0	14,270	0	107	88,009
<b>Total buildings used for operational purposes</b>	<b>107,794</b>	<b>73,632</b>	<b>181,426</b>	<b>2,296</b>	<b>14,270</b>	<b>(24,809)</b>	<b>107</b>	<b>173,290</b>
Operating guarantees and deposits	3,412	0	3,412	0	305	(25)	(152)	3,540
Other property, plant and equipment	51,187	0	51,187	1,364	1,897	(1,493)	(299)	52,656
Right-of-use assets for lessees - Equipment leasing	0	11,763	11,763	0	4,122	0	24	15,909
<b>Total other property, plant and equipment</b>	<b>54,599</b>	<b>11,763</b>	<b>66,362</b>	<b>1,364</b>	<b>6,324</b>	<b>(1,518)</b>	<b>(427)</b>	<b>72,105</b>
<b>TOTAL</b>	<b>162,393</b>	<b>85,395</b>	<b>247,788</b>	<b>3,660</b>	<b>20,594</b>	<b>(26,327)</b>	<b>(320)</b>	<b>245,395</b>

IFRS 16 application generates accounting of all lease contracts in balance sheet as right of use. Therefore, the property, plant and equipment increased by € 85.4 million.

Decrease of land value and operating buildings is linked with the disposal of a building which belonged to Coface Italy.

The increase of the right of use in the year comes from the accounting a new building lease contract by Coface Italy. Other rises are investments in tangible assets related to office arrangement.

<i>(in thousands of euros)</i>	Dec. 31, 2017	Increases	Decreases	Currency translation variation	Dec. 31, 2018
Land used for operational purposes	14,010	0	0	0	14,010
Buildings used for operational purposes	93,785	1	0	(1)	93,785
<b>Total buildings used for operational purposes</b>	<b>107,795</b>	<b>1</b>	<b>0</b>	<b>(1)</b>	<b>107,795</b>
Operating guarantees and deposits	5,257	1,846	(3,859)	169	3,413
Other property, plant and equipment	50,575	3,027	(2,022)	(395)	51,185
<b>Total other property, plant and equipment</b>	<b>55,832</b>	<b>4,873</b>	<b>(5,881)</b>	<b>(226)</b>	<b>54,598</b>
<b>TOTAL</b>	<b>163,627</b>	<b>4,874</b>	<b>(5,881)</b>	<b>(227)</b>	<b>162,393</b>

## Change in accumulated depreciation and impairment of property, plant and equipment

<i>(in thousands of euros)</i>	31 Dec. 31, 2018	Scope entry	Additions	Reversals	Currency translation variation and other	Dec. 31, 2019
Accumulated depreciation – Building used for operational purposes	(74,680)	0	(1,643)	13,404	0	(62,919)
Accumulated impairment – Buildings used for operational purposes	0	0	0	0	0	0
Accumulated depreciation – Right-of-use assets for lessees – Buildings leasing		0	(12,653)	(213)	214	(12,652)
Accumulated impairment – Right-of-use assets for lessees – Buildings leasing		0	0	0	0	0
<b>Buildings used for operational purposes</b>	<b>(74,680)</b>		<b>(14,296)</b>	<b>13,191</b>	<b>214</b>	<b>(75,571)</b>
Accumulated depreciation other property, plant & equipment	(36,194)	(961)	(3,596)	2,610	(239)	(38,380)
Accumulated impairment other property, plant & equipment	(2,547)	0	(14)	0	546	(2,015)
Accumulated depreciation – Right-of-use assets for lessees – Equipment leasing	0	0	(5,643)	0	(10)	(5,653)
Accumulated impairment – Right-of-use assets for lessees – Equipment leasing	0	0	0	0	0	0
<b>Other property, plant and equipment</b>	<b>(38,741)</b>	<b>(961)</b>	<b>(9,253)</b>	<b>2,610</b>	<b>297</b>	<b>(46,048)</b>
<b>TOTAL</b>	<b>(113,421)</b>	<b>(961)</b>	<b>(23,549)</b>	<b>15,801</b>	<b>511</b>	<b>(121,619)</b>

<i>(in thousands of euros)</i>	Dec. 31, 2017	Additions	Reversals	Currency translation variation and other	Dec. 31, 2018
Accumulated depreciation – Building used for operational purposes	(72,451)	(2,228)	0	(1)	(74,680)
Accumulated impairment – Buildings used for operational purposes	0	0	0	0	0
<b>Buildings used for operational purposes</b>	<b>(72,451)</b>	<b>(2,228)</b>	<b>0</b>	<b>(1)</b>	<b>(74,680)</b>
Accumulated depreciation other property, plant & equipment	(34,397)	(3,762)	1,717	248	(36,194)
Accumulated impairment other property, plant & equipment	(2,099)	(471)	0	23	(2,547)
<b>Other property, plant and equipment</b>	<b>(36,496)</b>	<b>(4,233)</b>	<b>1,717</b>	<b>271</b>	<b>(38,741)</b>
<b>TOTAL</b>	<b>(108,947)</b>	<b>(6,461)</b>	<b>1,717</b>	<b>270</b>	<b>(113,421)</b>

## Market value of buildings used in the business

<i>(in thousands of euros)</i>	Dec. 31, 2019	Dec. 31, 2018
Carrying amount	22,363	33,114
Market value	43,995	61,933
<b>UNREALISED GAINS</b>	<b>21,632</b>	<b>28,819</b>

Buildings held by Coface Group do not represent any unrealised losses; no impairment is therefore recorded as at December 31, 2019.

## NOTE 7. RECEIVABLES ARISING FROM INSURANCE AND REINSURANCE OPERATIONS

### Breakdown by nature

<i>(in thousands of euros)</i>	Dec. 31, 2019			Dec. 31, 2018		
	Gross	Provision	Net	Gross	Provision	Net
Receivables from policyholders and agents	302,755	(36,864)	265,891	304,247	(35,149)	269,098
Earned premiums not written	123,755		123,755	115,355		115,355
Receivables arising from reinsurance operations, net	142,937	(221)	142,716	114,655	(282)	114,373
<b>TOTAL</b>	<b>569,447</b>	<b>(37,085)</b>	<b>532,362</b>	<b>534,257</b>	<b>(35,431)</b>	<b>498,826</b>

### Breakdown by age

<i>(in thousands of euros)</i>	Dec. 31, 2019					
	Due					Total
	Not due	-3 months	3 months to 1 year	1 to 5 years	+5 years	
<b>TOTAL RECEIVABLES ARISING FROM INSURANCE AND REINSURANCE OPERATIONS</b>	<b>393,216</b>	<b>83,053</b>	<b>42,816</b>	<b>12,257</b>	<b>1,020</b>	<b>532,362</b>

<i>(in thousands of euros)</i>	Dec. 31, 2018					
	Due					Total
	Not due	-3 months	3 months to 1 year	1 to 5 years	+5 years	
<b>TOTAL RECEIVABLES ARISING FROM INSURANCE AND REINSURANCE OPERATIONS</b>	<b>358,857</b>	<b>93,211</b>	<b>34,444</b>	<b>7,829</b>	<b>4,485</b>	<b>498,826</b>

The risk of liquidity linked to insurance receivables is considered to be marginal as:

- ◆ the insurance business operates on a reverse production cycle: premiums are earned before claims are paid out;

- ◆ furthermore, Coface primarily bills its clients on a monthly or quarterly basis, which allows it to recognise its receivables with a short-term maturity of less than or equal to three months.

## NOTE 8. OTHER ASSETS

<i>(in thousands of euros)</i>	Dec. 31, 2019	Dec. 31, 2018
Deferred acquisition costs	40,384	42,176
Trade receivables arising from other activities	62,112	48,553
Current tax receivables	49,675	57,267
Other receivables	181,187	179,285
<b>TOTAL</b>	<b>333,358</b>	<b>327,281</b>

The line "Other receivables" mainly includes:

- ◆ receivables in factoring entities towards credit insurance entities for €52 million;

- ◆ loans granted to non-consolidated Coface entities for €33 million.

## NOTE 9. CASH AND CASH EQUIVALENTS

<i>(in thousands of euros)</i>	Dec. 31, 2019	Dec. 31, 2018
Cash at bank and available	296,121	275,567
Cash equivalents	24,656	26,852
<b>TOTAL</b>	<b>320,777</b>	<b>302,419</b>

As at December 31, 2019, operating cash rose by €18.4 million mainly due to the expectation of payment on Coface Re and the French entity. Operating cash without these two pending transactions decreased slightly during 2019 compared to December 31, 2018.

Cash and cash equivalents are all available; no amount is placed on escrow type accounts.

## NOTE 10. SHARE CAPITAL

Ordinary shares	Number of shares	Per value	Share capital <i>(in €)</i>
At December 31, 2018	153,899,261	2	307,798,522
Cancellation of shares	(1,867,312)	2	(3,734,624)
<b>At December 31, 2019</b>	<b>152,031,949</b>	<b>2</b>	<b>304,063,898</b>
Treasury shares deducted	(1,000,752)	2	(2,001,504)
<b>AT DECEMBER 31, 2019 (EXCLUDING TREASURY SHARES)</b>	<b>151,031,197</b>	<b>2</b>	<b>302,062,394</b>

Shareholders	Dec. 31, 2019		Dec. 31, 2018	
	Number of shares	%	Number of shares	%
Natixis	64,153,881	42.48%	64,853,881	42.86%
Public	86,877,316	57.52%	86,445,140	57.14%
<b>TOTAL EXCLUDING TREASURY SHARES</b>	<b>151,031,197</b>	<b>100%</b>	<b>151,299,021</b>	<b>100%</b>

The parent company of Coface Group is Natixis, which in turn is owned by BPCE, the central body of Banques Populaires and Caisses d'Épargne.

Natixis holds, at the end of December 2019, 42.48% of the COFACE Group's shares excluding treasury shares, and 42.20% including treasury shares.



## NOTE 11. SHARE-BASED PAYMENTS

### Ongoing free share plans

Coface Group awarded, since its stock market listing in 2014, free shares to certain beneficiaries (corporate officers and employees of COFACE SA subsidiaries).

Plan	Allocation date	Number of shares granted	Acquisition period	Acquisition date	Availability date	Fair value of the share at the allocation date	Net expense for the year (in thousands of euros)
Long-term Incentive Plan 2016	Nov. 03, 2016	268,602	3 years	Nov. 04, 2019	Nov. 04, 2019	5.5	214
Long-term Incentive Plan 2017	Feb. 08, 2017	333,197	3 years	Feb. 09, 2020	Feb. 09, 2020	6.2	350
Long-term Incentive Plan 2018	Feb. 12, 2018	289,132	3 years	Feb. 15, 2021	Feb. 15, 2021	8.5	614
Long-term Incentive Plan 2019	Feb. 11, 2019	368,548	3 years	Feb. 14, 2022	Feb. 14, 2022	7,9	701

### Change in the number of free shares

Plan	Number of free shares at Dec. 31, 2018	Number of new free share grants in 2019	Number of free shares cancelled in 2019	Number of free shares acquired in 2019	Number of shares to be acquired at Dec. 31, 2019
Long-term Incentive Plan 2016	298,997		(30,395)	(268,602)	0
Long-term Incentive Plan 2017	366,146		(32,949)		333,197
Long-term Incentive Plan 2018	298,132		(9,000)		289,132
Long-term Incentive Plan 2019		372,268	(3,720)		368,548

The total number of shares allocated to the *Long-term Incentive Plan 2019* amounts to 434,055 shares; only 400,788 shares were affected nominatively to beneficiaries including 372,268 shares and 28,520 performance units.

Performance units are awarded instead of free shares as soon as the free shares implementation appears complex or irrelevant in terms of the number of beneficiaries. These

units are indexed on the share price and subject to the same conditions of presence and performance that shares free but are valued and paid in cash at the end of the vesting period.

Free shares under the *Long-term Incentive Plan* are definitely granted based upon presence in the group and performance achievement.

### Measurement of free shares

In accordance with IFRS 2 relating to "Share-based payments", the award of free shares to employees results in the recognition of an expense corresponding to the fair value of shares granted on the award date adjusted for unpaid dividends during the rights vesting period and transfer restrictions during the holding period, as well as the probability of the materialisation of the performance conditions.

The plans were measured on the assumptions below:

- ◆ discount rate corresponding to a risk-free rate over the plans' duration;
- ◆ income distribution rate set at 60%;
- ◆ the lock-in value, which is calculated in consideration of a risk-free interest rate and a two-year borrowing rate.

Based on these assumptions, a total of €1,879 thousand was expensed under the implemented plans at December 31, 2019.

## NOTE 12. REVALUATION RESERVES

<i>(in thousands of euros)</i>	Investment instruments	Reserves – gains and losses not reclassifiable to income statement	Income tax	Revaluation reserves attributable to owners of the parent	Non-controlling interests	Revaluation reserves
<b>At January 1, 2019</b>	<b>116,607</b>	<b>(30,314)</b>	<b>(1,836)</b>	<b>84,457</b>	<b>(122)</b>	<b>84,335</b>
Fair value adjustments on available-for-sale financial assets reclassified to income	(8,926)		1,606	(7,320)	(1)	(7,321)
Fair value adjustments on available-for-sale financial assets recognised in equity	107,131		(21,793)	85,338	6	85,344
Change in reserves – gains and losses not reclassifiable to income statement (IAS 19R)		(4,386)	1,157	(3,229)	0	(3,229)
Transactions with shareholders	0		0	0	0	0
<b>AT DECEMBER 31, 2019</b>	<b>214,812</b>	<b>(34,700)</b>	<b>(20,866)</b>	<b>159,246</b>	<b>(117)</b>	<b>159,129</b>

<i>(in thousands of euros)</i>	Investment instruments	Reserves – gains and losses not reclassifiable to income statement	Income tax	Revaluation reserves attributable to owners of the parent	Non-controlling interests	Revaluation reserves
<b>At January 1, 2018</b>	<b>153,988</b>	<b>(32,137)</b>	<b>(20,808)</b>	<b>101,043</b>	<b>(121)</b>	<b>100,922</b>
Fair value adjustments on available-for-sale financial assets reclassified to income	1,913		(1,227)	686	0	686
Fair value adjustments on available-for-sale financial assets recognised in equity	(39,294)		20,627	(18,667)	(1)	(18,668)
Change in reserves – gains and losses not reclassifiable to income statement (IAS 19R)		1,823	(428)	1,395	0	1,395
Transactions with shareholders	0		0	0	0	0
<b>AT DECEMBER 31, 2018</b>	<b>116,607</b>	<b>(30,314)</b>	<b>(1,836)</b>	<b>84,457</b>	<b>(122)</b>	<b>84,335</b>

## NOTE 13. PROVISIONS FOR LIABILITIES AND CHARGES

<i>(in thousands of euros)</i>	Dec. 31, 2019	Dec. 31, 2018
Provisions for disputes	2,769	3,441
Provisions for pension and other post-employment benefit obligations	66,447	62,564
Other provisions for liabilities and charges	31,716	28,339
<b>TOTAL</b>	<b>100,932</b>	<b>94,344</b>

<i>(in thousands of euros)</i>	Dec. 31, 2018	Scope entry	Additions	Reversals (utilised)	Reversals (surplus)	Reclas-sifications	Changes in OCI	Currency translation variation	Dec. 31, 2019
Provisions for employee	2,893	0	872	(850)	(360)	0	0	(2)	2,553
Provisions for other disputes	548	0	185	0	(492)	(19)	0	(6)	216
<b>Provisions for disputes</b>	<b>3,441</b>	<b>0</b>	<b>1,057</b>	<b>(850)</b>	<b>(852)</b>	<b>(19)</b>	<b>0</b>	<b>(8)</b>	<b>2,769</b>
<b>Provisions for pension</b>	<b>62,564</b>	<b>127</b>	<b>5,201</b>	<b>(4,995)</b>	<b>(973)</b>	<b>0</b>	<b>4,386</b>	<b>137</b>	<b>66,447</b>
Provisions for liabilities	15,138	0	3,166	(1,038)	0	0	0	678	17,946
Provisions for restructuring	11,426	0	7,014	(7,652)	(259)	0	0	0	10,529
Provisions for taxes (excl. income taxes)	695	0	0	0	0	19	0	(9)	577
Other provisions for liabilities	1,080	0	919	(48)	(128)	713	0	0	2,664
<b>Other provisions for liabilities and charges</b>	<b>28,338</b>	<b>0</b>	<b>11,099</b>	<b>(8,738)</b>	<b>(385)</b>	<b>732</b>	<b>0</b>	<b>669</b>	<b>31,715</b>
<b>TOTAL</b>	<b>94,344</b>	<b>127</b>	<b>17,357</b>	<b>(14,583)</b>	<b>(2,210)</b>	<b>713</b>	<b>4,386</b>	<b>798</b>	<b>100,932</b>

<i>(in thousands of euros)</i>	Dec. 31, 2017	Additions	Reversals (utilised)	Reversals (surplus)	Reclas-sifications	Changes in OCI	Currency translation variation	Dec 31, 2018
Provisions for employee	3,094	350	(308)	(232)	0	0	(11)	2,893
Provisions for other disputes	2,558	707	0	(2,513)	(12)	0	(192)	548
<b>Provisions for disputes</b>	<b>5,652</b>	<b>1,057</b>	<b>(308)</b>	<b>(2,745)</b>	<b>(12)</b>	<b>0</b>	<b>(203)</b>	<b>3,441</b>
<b>Provisions for pension</b>	<b>66,141</b>	<b>3,294</b>	<b>(4,907)</b>	<b>(239)</b>	<b>0</b>	<b>(1,823)</b>	<b>98</b>	<b>62,564</b>
Provisions for liabilities	14,151	1,310	(135)	0	0	0	(188)	15,138
Provisions for restructuring	30,838	2,095	(10,466)	(11,041)	0	0	0	11,426
Provisions for taxes (excl. income taxes)	2,045	0	(1,334)	0	12	0	(28)	695
Other provisions for liabilities	2,889	527	(271)	(2,065)	0	0	0	1,080
<b>Other provisions for liabilities and charges</b>	<b>49,923</b>	<b>3,932</b>	<b>(12,206)</b>	<b>(13,106)</b>	<b>12</b>	<b>0</b>	<b>(216)</b>	<b>28,339</b>
<b>TOTAL</b>	<b>121,716</b>	<b>8,283</b>	<b>(17,421)</b>	<b>(16,090)</b>	<b>0</b>	<b>(1,823)</b>	<b>(321)</b>	<b>94,344</b>

Provisions for liabilities and charges mainly include provisions for pensions and other post-employment benefit obligations and provisions for restructuring.

Provisions for liabilities on non-consolidated entities show a net increase of €2.1 million. This is mainly related to Coface Emirates Services (€2 million) and Coface West Africa (€0.5 million).

The provisions linked to the strategic plan Fit to Win (classified in provision for restructuring) amount to €3.8 million at December 31, 2019. A significative part booked in the past years has been removed this year by German entities (€2 million), French entities (€ 3.8 million) and Italian entities (€1.4 million).

## NOTE 14. EMPLOYEE BENEFITS

<i>(in thousands of euros)</i>	<b>Dec. 31, 2019</b>	<b>Dec. 31, 2018</b>
<b>Present value of benefit obligation at January 1</b>	<b>64,585</b>	<b>68,203</b>
Current service cost	1,455	2,241
Interest cost	2,803	619
Actuarial (gains)/losses	4,506	(1,672)
Benefits paid	(4,934)	(4,688)
Acquisitions/mergers/deconsolidations	127	0
Other	142	(118)
<b>Present value of benefit obligation at December 31</b>	<b>68,684</b>	<b>64,585</b>
<b>Change in plan assets</b>		
<b>Fair value of plan assets at January 1</b>	<b>2,021</b>	<b>2,062</b>
Revaluation adjustments - Return on plan assets	156	52
Employee contributions	0	0
Employer contributions	83	64
Benefits paid	(23)	(158)
Other	0	1
<b>Fair value of plan assets at December 31</b>	<b>2,237</b>	<b>2,021</b>
<b>Reconciliation</b>		
<b>Present value of benefit obligation at December 31</b>	<b>68,684</b>	<b>64,585</b>
Fair value of plan assets	2,237	2,021
<b>(Liability)/Asset recognised in the balance sheet at December</b>	<b>(66,447)</b>	<b>(62,564)</b>
<b>Income statement</b>		
Current service cost	1,474	2,279
Past service cost	(19)	0
Benefits paid including amounts paid in respect of settlements	0	(4,789)
Interest cost	965	978
Interest income	0	0
Revaluation adjustments on other long-term benefits	1,804	0
Other	141	(320)
<b>(Income)/Expenses recorded in the income statement</b>	<b>4,365</b>	<b>(1,852)</b>
<b>Changes recognised directly in equity not reclassifiable to income</b>		
Revaluation adjustments arising in the year	4,386	(1,823)
<b>Revaluation adjustments recognised in equity not reclassifiable to income</b>	<b>4,386</b>	<b>(1,823)</b>

(in thousands of euros)	Dec. 31, 2019					
	France	Germany	Austria	Italy	Other	TOTAL
<b>Present value of benefit obligation at January 1</b>	<b>16,267</b>	<b>24,666</b>	<b>16,578</b>	<b>3,312</b>	<b>3,762</b>	<b>64,585</b>
Acquisitions/mergers/deconsolidations	0	0	0	0	127	127
Current service cost	678	403	201	296	(123)	1,455
Interest cost	103	2,255	317	128	0	2,803
Actuarial (gains)/losses	(1,383)	2,470	3,206	213	0	4,506
Benefits paid	(1,241)	(2,567)	(1,067)	(59)	0	(4,934)
Other	0	0	0	0	142	142
<b>Present value of benefit obligation at December 31</b>	<b>14,424</b>	<b>27,227</b>	<b>19,235</b>	<b>3,890</b>	<b>3,908</b>	<b>68,684</b>
<b>Change in plan assets</b>						
<b>Fair value of plan assets at January 1</b>	<b>0</b>	<b>1,248</b>	<b>773</b>	<b>0</b>	<b>0</b>	<b>2,021</b>
Revaluation adjustments - Return on plan assets	0	63	93	0	0	156
Employer contributions	0	8	75	0	0	83
Benefits paid	0	(6)	(17)	0	0	(23)
Other	0	0	0	0	0	0
<b>Fair value of plan assets at December 31</b>	<b>0</b>	<b>1,313</b>	<b>924</b>	<b>0</b>	<b>0</b>	<b>2,237</b>
<b>Reconciliation</b>						
<b>Present value of benefit obligation at December 31</b>	<b>14,424</b>	<b>27,227</b>	<b>19,235</b>	<b>3,890</b>	<b>3,908</b>	<b>68,684</b>
Fair value of plan assets	0	1,313	924	0	0	2,237
<b>(Liability)/Asset recognised in the balance sheet at December 31</b>	<b>(14,424)</b>	<b>(25,914)</b>	<b>(18,311)</b>	<b>(3,890)</b>	<b>(3,908)</b>	<b>(66,447)</b>
<b>Income statement</b>						
Current service cost	678	403	201	315	(123)	1,474
Past service cost	0	0	0	(19)	0	(19)
Benefits paid including amounts paid in respect of settlements	0	0	0	0	0	0
Interest cost	234	407	283	41	0	965
Interest income	0	0	0	0	0	0
Revaluation adjustments on other long-term benefits	(131)	1,827	20	88	0	1,804
Other	0	0	0	0	141	141
<b>(Income)/Expenses recorded in the income statement</b>	<b>781</b>	<b>2,637</b>	<b>504</b>	<b>425</b>	<b>18</b>	<b>4,365</b>
<b>Changes recognised directly in equity not reclassifiable to income</b>						
Revaluation adjustments arising in the year	(1,383)	2,429	3,127	213	0	4,386
<b>Revaluation adjustments recognised in equity not reclassifiable to income</b>	<b>(1,383)</b>	<b>2,429</b>	<b>3,127</b>	<b>213</b>	<b>0</b>	<b>4,386</b>

Dec. 31, 2018

<i>(in thousands of euros)</i>	France	Germany	Austria	Italy	Other	TOTAL
<b>Present value of benefit obligation at January 1</b>	<b>17,070</b>	<b>26,330</b>	<b>18,159</b>	<b>3,213</b>	<b>3,431</b>	<b>68,203</b>
Current service cost	696	839	202	116	388	2,241
Interest cost	194	98	290	37	0	619
Actuarial (gains)/losses	(569)	173	(1,273)	(3)	0	(1,672)
Benefits paid	(1,123)	(2,764)	(748)	(53)	0	(4,688)
Other	(1)	(10)	(52)	2	(57)	(118)
<b>Present value of benefit obligation at December 31</b>	<b>16,267</b>	<b>24,666</b>	<b>16,578</b>	<b>3,312</b>	<b>3,762</b>	<b>64,585</b>
<b>Change in plan assets</b>						
<b>Fair value of plan assets at January 1</b>	<b>0</b>	<b>1,221</b>	<b>841</b>	<b>0</b>	<b>0</b>	<b>2,062</b>
Revaluation adjustments - Return on plan assets	0	52	0	0	0	52
Employer contributions	0	10	54	0	0	64
Benefits paid	0	(37)	(121)	0	0	(158)
Other	0	1	0	0	0	1
<b>Fair value of plan assets at December 31</b>	<b>0</b>	<b>1,247</b>	<b>774</b>	<b>0</b>	<b>0</b>	<b>2,021</b>
<b>Reconciliation</b>						
<b>Present value of benefit obligation at December 31</b>	<b>16,267</b>	<b>24,666</b>	<b>16,578</b>	<b>3,312</b>	<b>3,762</b>	<b>64,585</b>
Fair value of plan assets	0	1,247	774	0	0	2,021
<b>(Liability)/Asset recognised in the balance sheet at December 31</b>	<b>(16,267)</b>	<b>(23,419)</b>	<b>(15,804)</b>	<b>(3,312)</b>	<b>(3,762)</b>	<b>(62,564)</b>
<b>Income statement</b>						
Current service cost	696	810	269	116	388	2,279
Past service cost	0	0	0	0	0	0
Benefits paid including amounts paid in respect of settlements	(1,123)	(2,811)	(802)	(53)	0	(4,789)
Interest cost	205	431	305	37	0	978
Interest income	0	0	0	0	0	0
Revaluation adjustments on other long-term benefits	0	0	0	0	0	0
Other	(13)	(292)	(15)	0	0	(320)
<b>(Income)/Expenses recorded in the income statement</b>	<b>(235)</b>	<b>(1,862)</b>	<b>(243)</b>	<b>100</b>	<b>388</b>	<b>(1,852)</b>
<b>Changes recognised directly in equity not reclassifiable to income</b>						
Revaluation adjustments arising in the year	(569)	173	(1,273)	(3)	(150)	(1,823)
<b>Revaluation adjustments recognised in equity not reclassifiable to income</b>	<b>(569)</b>	<b>173</b>	<b>(1,273)</b>	<b>(3)</b>	<b>(150)</b>	<b>(1,823)</b>

## Actuarial assumptions

The discount rate applied to the Group's employee benefit obligations is based on the Bloomberg Corporate AA curve for French entities and on a basket of international AA-rated corporate bonds for foreign entities.

	Dec. 31, 2019			
	France	Germany	Austria	Italy
Inflation rate	1.70%	1.70%	1.70%	1.70%
Discount rate				
<i>Supplementary retirement and other plans</i>	0.00%	0.80%	0.80%	N/A
<i>Statutory retirement benefits</i>	0.40%	N/A	0.80%	0.80%
<i>Long-service awards</i>	0.00%	0.80%	0.80%	0.80%
<i>Other benefits</i>	0.50%	0.80%	N/A	0.80%
Rate of salary increases (including inflation)	2.00%	2.20%	3.00%	1.70%
Rate of increase in medical costs (including inflation)	2.50%	N/A	N/A	4.20%
Average remaining working life until retirement				
<i>Supplementary retirement and other plans</i>	0.00	1.26	4.39	8.40
<i>Statutory retirement benefits</i>	16.83	N/A	10.04	12.10
<i>Long-service awards</i>	16.83	14.88	19.38	8.50
<i>Other benefits</i>	0.00	3.78	N/A	0.00
Term (years)				
<i>Supplementary retirement and other plans</i>	3.76	13.55	18.24	22.10
<i>Statutory retirement benefits</i>	14.57	0.00	10.04	9.63
<i>Long-service awards</i>	8.93	10.57	9.31	10.80
<i>Other benefits</i>	14.18	1.66	N/A	N/A

	Dec. 31, 2018			
	France	Germany	Austria	Italy
Inflation rate	1.70%	1.70%	1.70%	1.70%
Discount rate				
<i>Supplementary retirement and other plans</i>	0.30%	1.85%	1.85%	N/A
<i>Statutory retirement benefits</i>	1.40%	N/A	1.85%	1.85%
<i>Long-service awards</i>	1.00%	1.85%	1.85%	1.85%
<i>Other benefits</i>	1.70%	1.85%	N/A	1.85%
Rate of salary increases (including inflation)	2.00%	2.20%	3.00%	1.70%
Rate of increase in medical costs (including inflation)	4.20%	N/A	N/A	4.20%
Average remaining working life until retirement				
<i>Supplementary retirement and other plans</i>	0.00	1.28	3.82	7.30
<i>Statutory retirement benefits</i>	14.92	N/A	10.51	12.20
<i>Long-service awards</i>	14.92	14.92	19.26	8.80
<i>Other benefits</i>	0.00	1.46	N/A	0.00
Term (years)				
<i>Supplementary retirement and other plans</i>	4.09	12.26	16.75	17.50
<i>Statutory retirement benefits</i>	11.46	0.00	9.31	10.03
<i>Long-service awards</i>	7.90	10.31	10.06	10.69
<i>Other benefits</i>	14.46	1.14	N/A	N/A

## Sensitivity tests on the defined benefit obligation

	Dec. 31, 2019			
	Post-employment defined benefit obligations		Other long-term benefits	
	Supplementary retirement and other plans	Statutory retirement benefits	Long-service awards	Other benefits
1% increase in the discount rate	(12.83%)	(11.26%)	(8.11%)	(1.64%)
-1% increase in the discount rate	16.27%	13.54%	9.70%	1.70%
1% increase in the inflation rate	8.12%	9.70%	0.96%	1.66%
-1% increase in the inflation rate	(6.73%)	(8.26%)	(1.20%)	(1.64%)
1% increase in rate of increase in medical costs	15.90%	0.00%	0.00%	0.00%
-1% increase in rate of increase in medical costs	(12.97%)	0.00%	0.00%	0.00%
1% decrease in rate of salary increase (including inflation)	11.85%	11.85%	2.04%	1.66%
-1% decrease in rate of salary increase (including inflation)	(9.83%)	(10.15%)	(2.15%)	(1.64%)



	Dec. 31, 2018			
	Post-employment defined benefit obligations		Other long-term benefits	
	Supplementary retirement and other plans	Statutory retirement benefits	Long-service awards	Other benefits
1% increase in the discount rate	(11.95%)	(9.97%)	(8.92%)	(1.06%)
-1% increase in the discount rate	14.91%	11.82%	10.40%	1.09%
1% increase in the inflation rate	7.84%	10.12%	0.95%	1.08%
-1% increase in the inflation rate	(6.58%)	(8.62%)	(1.13%)	(1.07%)
1% increase in rate of increase in medical costs	15.28%	0.00%	0.00%	0.00%
-1% increase in rate of increase in medical costs	(12.78%)	0.00%	0.00%	0.00%
1% decrease in rate of salary increase (including inflation)	10.61%	11.93%	1.97%	1.08%
-1% decrease in rate of salary increase (including inflation)	(8.87%)	(10.20%)	(2.05%)	(1.07%)

## NOTE 15. FINANCING LIABILITIES

(in thousands of euros)

	Dec. 31, 2019	Dec. 31, 2018
<b>Due within one year</b>		
◆ Interest	11,756	11,756
◆ Amortization of expenses	(547)	(524)
<b>Total</b>	<b>11,209</b>	<b>11,232</b>
<b>Due between one and five years</b>		
◆ Amortization of expenses	(1,948)	(2,343)
◆ Nominal	380,000	
<b>Total</b>	<b>378,052</b>	<b>(2,343)</b>
<b>Due beyond five years</b>		
◆ Amortization of expenses	-	(160)
◆ Nominal	-	380,000
<b>Total</b>	<b>-</b>	<b>379,840</b>
<b>TOTAL</b>	<b>389,261</b>	<b>388,729</b>

On March 27, 2014, COFACE SA issued a subordinated debt in the form of bonds for a nominal amount of €380 million (corresponding to 3,800 bonds with a nominal unit value of €100,000), maturing on March 27, 2024 (10 years), with an annual interest rate of 4.125%.

The per-unit bond issue price was €99,493.80, and the net amount received by COFACE SA was €376.7 million, net of placement fees and directly attributable transaction costs.

These securities are irrevocably and unconditionally guaranteed on a subordinated basis by Compagnie française d'assurance pour le commerce extérieur, the Coface Group's main operating entity.

On March 25, 2014, a joint guarantee was issued by Compagnie française d'assurance pour le commerce extérieur for €380 million, in favour of the investors in

COFACE SA's subordinated bonds, applicable until the extinction of all liabilities in respect of said investors.

As at December 31, 2019, the debt presented on the line "Subordinated borrowings" of the balance sheet, amounted to €389,261 thousand, and is composed of:

- ◆ nominal amount of bonds: €380,000 thousand;
- ◆ less the debt issuance costs and the issue premium for €2,495 thousand;
- ◆ plus accrued interest of €11,756 thousand.

The impact on consolidated income statement income as at December 31, 2019 mainly includes interest related to the period for €16,208 thousand.

## NOTE 16. LEASE LIABILITIES

### Lease liabilities ageing

<i>(in thousands of euros)</i>	Dec. 31, 2019							TOTAL
	Less than 1 month	1 month to 3 months	3 months to 6 months	6 months to 1 year	1 to 2 years	2 to 5 years	More than 5 years	
Lease liabilities not discounted (before interest deduction)	93	4,122	5,061	10,173	13,702	28,583	44,092	105,827

### Leases as lessee – Reconciliation table between minimum future payments as at December 31, 2018 and lease liabilities amounts recorded as at January, 1 2019

<i>(in thousands of euros)</i>	
<b>Future minimum lease payments on operating leases as of December 31, 2018</b>	<b>109,306</b>
Commitments on leases that have not yet started	(6,937)
Exemption for short term or low-value contracts	(607)
<b>Gross value of lease liabilities as at January 1, 2019</b>	<b>101,763</b>
Discounting effect	(14,170)
<b>Lease liabilities recognised in the balance sheet as at January 1, 2019</b>	<b>85,395</b>

The weighted average marginal rate applied to lease liabilities on the date of first application is 3.02%.

## NOTE 17. LIABILITIES RELATING TO INSURANCE CONTRACTS

<i>(in thousands of euros)</i>	Dec. 31, 2019	Dec. 31, 2018
Provisions for unearned premiums	281,465	280,584
Claims reserves	1,361,352	1,290,857
Provisions for premium refunds	184,402	174,938
<b>Liabilities relating to insurance contracts</b>	<b>1,827,219</b>	<b>1,746,379</b>
Provisions for unearned premiums	(59,130)	(60,752)
Claims reserves	(341,936)	(321,289)
Provisions for premium refunds	(49,301)	(43,357)
<b>Reinsurers' share insurance liabilities</b>	<b>(450,367)</b>	<b>(425,398)</b>
<b>NET TECHNICAL PROVISIONS</b>	<b>1,376,852</b>	<b>1,320,981</b>

Provisions for claims include provisions to cover claims incurred but not reported and shortfalls in estimated provisions for claims reported. These amounted to €737 million at December 31, 2019.

## NOTE 18. PAYABLES ARISING FROM BANKING SECTOR ACTIVITIES

<i>(in thousands of euros)</i>	Dec. 31, 2019	Dec. 31, 2018
Amounts due to banking sector companies	523,020	660,204
Amounts due to customers of banking sector companies	301,058	346,932
Debt securities	1,538,727	1,537,580
<b>TOTAL</b>	<b>2,362,805</b>	<b>2,544,716</b>

The lines "Amounts due to banking sector companies" and "Debt securities" correspond to sources of refinancing for the Group's factoring entities - Coface Finanz (Germany) and Coface Factoring Poland.

## NOTE 19. DEFERRED TAX

<i>(in thousands of euros)</i>	Dec. 31, 2019	Dec. 31, 2018
Deferred tax assets	(64,042)	(52,809)
Deferred tax liabilities	107,357	95,962
<b>NET DEFERRED TAX - LIABILITIES</b>	<b>43,315</b>	<b>43,153</b>
Timing differences	(16,705)	(19,128)
Provisions for pensions and other employment benefit obligations	(9,951)	(9,397)
Tax loss carry forwards	(7,290)	(6,619)
Cancellation of the claims equalization provision	77,261	78,298
<b>NET DEFERRED TAX - LIABILITIES</b>	<b>43,315</b>	<b>43,153</b>

Deferred tax assets and liabilities are assessed at the rate applicable on the date on which the asset will be realised or the liabilities will be settled.

The French finance law for 2020 planned a gradual decrease in corporate income tax rate from 33.33% to 25% for companies with more than €250 million in turnover.

This future rate change has been taken into account in the valuation of deferred taxes of the French entities of Coface Group.

Each entity is compensating deferred tax assets and liabilities whenever it is legally authorised to compensate due tax assets and liabilities.

## Changes in deferred tax balances by region

Deferred tax with positive signs are deferred tax liabilities. On the other hand, those with negative signs are deferred tax assets.

<i>(in thousands of euros)</i>	Dec. 31, 2018	Jan. 1, 2019*	Change through income	Revaluation adjustment on AFS investments	Currency translation variation	Other movements	Dec. 31, 2019
Northern Europe	58,943	58,943	(9,113)	58	0	(761)	49,127
Western Europe	15,618	15,714	(7,353)	19,834	(15)	909	29,089
Central Europe	(1,069)	(1,069)	(796)	38	109	(409)	(2,127)
Mediterranean & Africa	(17,233)	(17,233)	(7,244)	0	97	0	(24,380)
North America	1,404	1,404	427	537	34	0	2,402
Latin America	(2,902)	(2,902)	(3,449)	(487)	812	0	(6,026)
Asia-Pacific	(11,608)	(11,608)	6,786	209	(157)	0	(4,770)
<b>TOTAL</b>	<b>43,153</b>	<b>43,249</b>	<b>(20,742)</b>	<b>20,189</b>	<b>880</b>	<b>(261)</b>	<b>43,315</b>

\*Effects related to the first application of IFRS 16.

<i>(in thousands of euros)</i>	Jan. 1, 2019	Dec. 31, 2018	Effect of the first application of IFRS 16
Northern Europe	58,943	58,943	
Western Europe	15,714	15,618	96
Central Europe	(1,069)	(1,069)	
Mediterranean & Africa	(17,233)	(17,233)	
North America	1,404	1,404	
Latin America	(2,902)	(2,902)	
Asia-Pacific	(11,608)	(11,608)	
<b>TOTAL</b>	<b>43,249</b>	<b>43,153</b>	<b>96</b>

<i>(in thousands of euros)</i>	Dec. 31, 2017	Jan. 1, 2018*	Change through income statement	Revaluation adjustment on AFS investments	Currency translation variation	Other movements	Dec. 31, 2018
Northern Europe	55,548	55,498	3,420	79	0	(54)	58,943
Western Europe	10,562	10,562	20,242	(15,671)	67	418	15,618
Central Europe	(386)	(406)	(823)	(51)	(107)	318	(1,069)
Mediterranean & Africa	(14,930)	(14,930)	(2,073)	0	(231)	1	(17,233)
North America	(221)	(221)	1,639	(206)	192	0	1,404
Latin America	(3,241)	(3,241)	2,020	(3,486)	1,760	45	(2,902)
Asia-Pacific	(13,253)	(13,253)	2,141	(65)	(431)	0	(11,608)
<b>TOTAL</b>	<b>34,079</b>	<b>34,009</b>	<b>26,566</b>	<b>(19,400)</b>	<b>1,250</b>	<b>728</b>	<b>43,153</b>

\*Effects related to the first application of IFRS 9.

The "Other movements" column mainly includes deferred taxes on changes in retirement benefits recognised as equity not reclassifiable to income.

## Deferred taxes related to tax losses

The breakdown by region of deferred tax assets linked to tax deficits is as follows:

<i>(in thousands of euros)</i>	Dec. 31, 2019	Dec. 31, 2018
Northern Europe	986	0
Western Europe	1,422	136
Central Europe	609	542
Mediterranean & Africa	717	271
North America	0	854
Latin America	1,083	1,097
Asia-Pacific	2,472	3,719
<b>NET DEFERRED TAX - LIABILITIES</b>	<b>7,290</b>	<b>6,619</b>

The recognition of deferred tax assets on loss carry is subject to a case-by-case recoverability analysis, taking into account the forecasts of the results of each entity. Deferred tax assets on losses are recognised at the level of entity's income tax results estimated for the period from 2020 to 2024, i.e. a recoverability horizon of five years.

This recognition results from a Business Tax Plan prepared by each entity on the basis of the Business Plan approved by the management.

## NOTE 20. PAYABLES ARISING FROM INSURANCE AND REINSURANCE OPERATIONS

<i>(in thousands of euros)</i>	Dec. 31, 2019	Dec. 31, 2018
Guarantee deposits received from policyholders	2,630	2,472
Amounts due to policyholders and agents	78,446	67,981
<b>Payables arising from insurance and inward reinsurance operations</b>	<b>81,076</b>	<b>70,453</b>
Amounts due to reinsurers	135,454	121,321
Deposits received from reinsurers	3,333	3,879
<b>Payable arising from ceded reinsurance operations</b>	<b>138,787</b>	<b>125,200</b>
<b>TOTAL</b>	<b>219,863</b>	<b>195,653</b>

## NOTE 21. OTHER LIABILITIES

<i>(in thousands of euros)</i>	Dec. 31, 2019	Dec. 31, 2018
<b>Current tax payables</b>	<b>66,295</b>	<b>41,580</b>
<b>Derivatives and related liabilities</b>	<b>888</b>	<b>1,666</b>
Accrued personnel costs	56,621	54,873
Sundry payables	206,781	215,872
Deferred income	9,340	8,224
Other accruals	17,828	24,645
<b>Other payables</b>	<b>290,570</b>	<b>303,614</b>
<b>TOTAL</b>	<b>357,754</b>	<b>346,860</b>

## NOTES TO THE INCOME STATEMENT

### NOTE 22. REVENUE

#### Breakdown of consolidated revenue

<i>(in thousands of euros)</i>	Dec. 31, 2019	Dec. 31, 2018
Premiums - direct business	1,224,651	1,169,260
Premiums - inward reinsurance	102,984	94,102
<b>Gross written premiums</b>	<b>1,327,635</b>	<b>1,263,364</b>
<b>Premium refunds</b>	<b>(95,079)</b>	<b>(106,516)</b>
<b>Change of provisions for unearned premiums</b>	<b>3,041</b>	<b>(14,240)</b>
<b>Earned premiums</b>	<b>1,235,597</b>	<b>1,142,608</b>
<b>Fees and commission income</b>	<b>140,114</b>	<b>132,418</b>
<b>Net income from banking activities</b>	<b>64,106</b>	<b>66,713</b>
Other insurance-related services	94	3,637
Business information and other services	31,108	28,550
Receivables management	10,069	10,809
<b>Income from other activities</b>	<b>41,271</b>	<b>42,995</b>
<b>Revenue or income from other activities</b>	<b>245,491</b>	<b>242,127</b>
<b>CONSOLIDATED REVENUE</b>	<b>1,481,088</b>	<b>1,384,735</b>

## Consolidated revenue by country of invoicing

<i>(in thousands of euros)</i>	Dec. 31, 2019	Dec. 31, 2018
Northern Europe	307,464	303,081
Western Europe	294,650	283,965
Central Europe	148,078	133,843
Mediterranean & Africa	394,175	370,370
North America	138,475	126,502
Latin America	80,653	71,528
Asia-Pacific	117,593	95,447
<b>CONSOLIDATED REVENUE</b>	<b>1,481,088</b>	<b>1,384,735</b>

## Consolidated revenue by business line

<i>(in thousands of euros)</i>	Dec. 31, 2019	Dec. 31, 2018
<i>Earned premiums - Credit</i>	1,164,752	1,068,404
<i>Earned premiums - Single risk</i>	21,193	26,779
<b>Earned premiums - Credit insurance</b>	<b>1,185,945</b>	<b>1,095,183</b>
<b>Fees and commission income</b>	<b>140,114</b>	<b>132,418</b>
<b>Other insurance-related services</b>	<b>94</b>	<b>3,637</b>
<b>Revenue of credit insurance activity</b>	<b>1,326,153</b>	<b>1,231,238</b>
<b>Earned premiums - Guarantees</b>	<b>49,652</b>	<b>47,425</b>
Financing fees	35,226	35,295
Factoring fees	30,304	32,416
Other	(1,424)	(998)
<b>Net income from banking activities (factoring)</b>	<b>64,106</b>	<b>66,713</b>
Business information and other services	31,108	28,550
Receivables management	10,069	10,809
<b>Revenue of business information and other services activity</b>	<b>41,177</b>	<b>39,359</b>
<b>CONSOLIDATED REVENUE</b>	<b>1,481,088</b>	<b>1,384,735</b>

## NOTE 23. CLAIMS EXPENSES

<i>(in thousands of euros)</i>	Dec. 31, 2019	Dec. 31, 2018
Paid claims, net of recoveries	(456,416)	(444,072)
Claims handling expenses	(31,212)	(28,020)
Change in claims reserves	(48,619)	(32,417)
<b>TOTAL</b>	<b>(536,247)</b>	<b>(504,509)</b>

### Claims expenses by period of occurrence

<i>(in thousands of euros)</i>	Dec. 31, 2019			Dec. 31, 2018		
	Gross	Outward reinsurance and retrocessions	Net	Gross	Outward reinsurance and retrocessions	Net
Claims expenses – current year	(866,463)	219,596	(646,867)	(828,774)	208,960	(619,814)
Claims expenses – prior years	330,216	(80,145)	250,071	324,265	(72,213)	252,052
<b>TOTAL</b>	<b>(536,247)</b>	<b>(139,451)</b>	<b>(396,796)</b>	<b>(504,509)</b>	<b>136,747</b>	<b>(367,762)</b>

## NOTE 24. OVERHEADS BY FUNCTION

<i>(in thousands of euros)</i>	Dec. 31, 2019	Dec. 31, 2018
Policy acquisition costs	(242,675)	(243,236)
Administrative costs	(274,784)	(241,136)
Other insurance activity expenses	(70,739)	(82,556)
Expenses from banking activities, excluding cost of risk	(13,742)	(13,552)
Expenses from services activities	(75,198)	(77,739)
<b>Operating expenses</b>	<b>(677,138)</b>	<b>(658,219)</b>
<b>Investment management expenses</b>	<b>(4,037)</b>	<b>(4,006)</b>
<b>Claims handling expenses</b>	<b>(31,212)</b>	<b>(28,020)</b>
<b>TOTAL</b>	<b>(712,387)</b>	<b>(690,245)</b>
<i>of which employee profit-sharing</i>	<i>(7,038)</i>	<i>(6,219)</i>

Total overheads include general insurance expenses (by function), expenses from services activities and expenses from banking activities. This amounted to €712,387 thousand at December 31, 2019 *versus* €690,245 thousand at December 31, 2018.

In the income statement, claims handling expenses are included in "Claims expenses" and investment management expenses are shown under "Investment income, net of management expenses (excluding finance costs)".

## NOTE 25. EXPENSES FROM BANKING ACTIVITIES

<i>(in thousands of euros)</i>	Dec. 31, 2019	Dec. 31, 2018
Charges to allowances for receivables	(138)	(5,858)
Reversal of allowances for receivables	6,559	6,763
Losses on receivables	(8,225)	(3,027)
<b>Cost of risk</b>	<b>(1,804)</b>	<b>(2,122)</b>
<b>Operating expenses</b>	<b>(13,742)</b>	<b>(13,552)</b>
<b>TOTAL</b>	<b>(15,546)</b>	<b>(15,674)</b>

"Cost of risk" corresponds to the risk-related expense on credit insurance operations conducted by factoring companies, which includes net additions to provisions,

receivables written off during the year, and recoveries of amortised receivables.



## NOTE 26. INCOME/(LOSS) FROM CEDED REINSURANCE

<i>(in thousands of euros)</i>	Dec. 31, 2019	Dec. 31, 2018
Ceded claims	126,829	124,536
Change in claims provisions net of recoveries	12,622	12,211
Commissions paid by reinsurers	136,171	128,666
<b>Income from ceded reinsurance</b>	<b>275,622</b>	<b>265,413</b>
Ceded premiums	(350,573)	(326,730)
Change in unearned premiums provisions	(3,012)	(811)
<b>Expenses from ceded reinsurance</b>	<b>(353,585)</b>	<b>(327,541)</b>
<b>TOTAL</b>	<b>(77,963)</b>	<b>(62,128)</b>

## NOTE 27. INVESTMENT INCOME, NET OF MANAGEMENT EXPENSES (EXCLUDING FINANCE COSTS)

<i>(in thousands of euros)</i>	Dec. 31, 2019	Dec. 31, 2018
Investment income	50,635	46,272
Change in financial instruments at fair value through income	1,287	(1,976)
<i>o/w hedged by currency derivatives on "Colombes" and "Lausanne" mutual funds</i>	0	0
Net gains on disposals	(299)	6,621
<i>o/w hedged by currency derivatives on "Colombes" and "Lausanne" mutual funds</i>	(15)	22
Additions to/(reversals from) impairment	(6,148)	(4,581)
Net foreign exchange gains/losses	(695)	9,976
<i>o/w hedged by currency derivatives on "Colombes" and "Lausanne" mutual funds<sup>(1)</sup></i>	(4,291)	(4,043)
Investment management expenses	(7,840)	(5,188)
<b>TOTAL</b>	<b>36,940</b>	<b>51,124</b>

*(1) The Colombes and Lausanne funds exchange rate difference covered by derivatives amounts to €(4,291) thousand. This amount is broken down into €(7,724) thousand in realised profit and €3,433 thousand in unrealised losses.*

### Investment income by class

<i>(in thousands of euros)</i>	Dec. 31, 2019	Dec. 31, 2018
Equities	6,591	5,473
Fixed income	39,771	30,914
Investment properties	8,411	8,985
<b>Sub-total</b>	<b>54,773</b>	<b>45,372</b>
Associated and non consolidated companies	(4,734)	3,133
Exchange rate – change profit/loss	(5,259)	7,807
Financial and investment charges	(7,840)	(5,188)
<b>TOTAL</b>	<b>36,940</b>	<b>51,124</b>

## NOTE 28. OTHER OPERATING INCOME AND EXPENSES

<i>(in thousands of euros)</i>	<b>Dec. 31, 2019</b>	<b>Dec. 31, 2018</b>
Fit to Win restructuring charges	(1,308)	(10,607)
Restructuring provisions	(5,300)	
Loss on Cofacredit disposal		(2,170)
Other operating expenses	(2,829)	(719)
<b>Total other operating expenses</b>	<b>(9,437)</b>	<b>(13,496)</b>
Gain on sale of Italian operational building	2,312	
Renegotiation of Bois-Colombes lease contract		5,179
Other operating income	1,125	3,343
<b>Total other operating income</b>	<b>3,437</b>	<b>8,522</b>
<b>TOTAL</b>	<b>(6,000)</b>	<b>(4,974)</b>

Other operating income and expenses amounted to €(6.0) million as at December 31, 2019.

Other operating income includes the gain on disposal of the office building in Milan (Italy) for €2.3 million (classified as business premises).

Other operating expenses mainly include:

- ◆ €1.3 million of expenses net of reversals of provisions related to Fit to Win strategic plan;
- ◆ €5.3 million of restructuring provisions.

## NOTE 29. INCOME TAX EXPENSE

<i>(in thousands of euros)</i>	Dec. 31, 2019	Dec. 31, 2018
Income tax	(76,177)	(37,566)
Deferred tax	20,743	(26,566)
<b>TOTAL</b>	<b>(55,434)</b>	<b>(64,132)</b>

### Tax proof

<i>(in thousands of euros)</i>	Dec. 31, 2019		Dec. 31, 2018	
<b>Net income</b>	<b>146,729</b>		<b>122,333</b>	
Non-controlling interests	10		(353)	
Income tax expense	(55,434)		(64,132)	
Badwill	4,662			
Share in net income of associates	0		592	
<b>Pre-tax income before share in net income of associates and badwill</b>	<b>197,490</b>		<b>186,226</b>	
Tax rate		34.43%		34.43%
Theoretical tax	(67,996)		(64,118)	
Tax expense presented in the consolidation income statement	(55,434)	28.07%	(64,132)	34.44%
<b>Difference</b>	<b>(12,562)</b>	<b>(6.36%)</b>	<b>14</b>	<b>0.01%</b>
Impact of differences between Group tax rates and local tax rates	24,547	12.43%	16,423	8.82%
Specific local taxes	(3,118)	(1.58%)	(750)	(0.40%)
<i>o/w French corporate value added tax (CVAE)</i>	(1,375)	(0.70%)	(1,023)	(0.55%)
Tax losses for which no deferred tax assets have been recognised	(4,934)	(2.50%)	(14,769)	(7.93%)
Utilisation of previously unrecognised tax loss carryforwards	1,266	0.64%	1,183	0.64%
Dividends paid in France non deductible for tax purposes (1%)	-	0.00%	(580)	(0.31%)
Liability method impact	(6,175)	(3.13%)	1,388	0.75%
Other differences	976	0.49%	(2,909)	(1.56%)

The effective income tax rate decreased by 6 points from 34.44% at December 31, 2018 to 28.07% at December 31, 2019.

The difference between theoretical tax and actual tax expense presented in the consolidated income statement comes from a positive impact of differences between Group

tax rates and local tax rates. This is offset by the negative impact of tax losses for which no deferred tax assets have been recognised and the liability method impact (mainly in France).

## OTHER INFORMATION

### NOTE 30. BREAKDOWN OF NET INCOME BY SEGMENT

Premiums, claims and commissions are monitored by country of invoicing. In the case of direct business, the country of invoicing is that in which the issuer of the invoice is located and for inward reinsurance, the country of invoicing is that in which the ceding insurer is located. Geographic segmentation by billing location does not necessarily correspond to the debtor's location.

Reinsurance income, which is calculated and recognised for the whole Group at the level of Compagnie française d'assurance pour le commerce extérieur and Coface Re, has been reallocated at the level of each region.

Income taxes by segment have been calculated based on this monitoring framework.

### Analysis of net income by segment as at December 31, 2019

<i>(in thousands of euros)</i>	Northern Europe	Western Europe	Central Europe	Mediterranean & Africa
<b>Revenue</b>	<b>309,295</b>	<b>290,567</b>	<b>149,538</b>	<b>396,060</b>
<i>o/w Earned Premium</i>	208,165	255,701	120,842	334,348
<i>o/w Factoring</i>	53,931	(705)	10,880	
<i>o/w Other insurance-related, services</i>	47,199	35,571	17,816	61,712
Claims-related expenses (including claims handling costs)	(85,109)	(88,467)	(51,340)	(154,749)
Cost of risk	(2,353)		549	
Commissions	(20,997)	(39,093)	(9,549)	(42,259)
Other internal general expenses	(114,141)	(98,847)	(54,412)	(113,335)
<b>Underwriting income before reinsurance*</b>	<b>86,695</b>	<b>64,160</b>	<b>34,786</b>	<b>85,717</b>
Income/(loss) on ceded reinsurance	(9,115)	(37,432)	(9,596)	(15,235)
Other operating income and expenses	(5,231)	(1,618)	(27)	1,626
Net financial income excluding finance costs	2,239	8,998	5,855	7,737
Finance costs	(258)	(2,851)	(612)	(862)
<b>Operating income including finance costs</b>	<b>74,330</b>	<b>31,257</b>	<b>30,406</b>	<b>78,983</b>
Badwill			4,662	
<b>Net income before tax</b>	<b>74,330</b>	<b>31,257</b>	<b>35,068</b>	<b>78,983</b>
Income tax expense	(20,383)	(8,571)	(9,616)	(21,659)
<b>Consolidated net income before non-controlling interests</b>	<b>53,947</b>	<b>22,686</b>	<b>25,452</b>	<b>57,324</b>
Non-controlling interests	(2)	(1)	(2)	15
<b>NET INCOME FOR THE PERIOD</b>	<b>53,945</b>	<b>22,685</b>	<b>25,450</b>	<b>57,339</b>

\* Underwriting income before reinsurance is a key financial indicator used by the Coface Group to analyse the performance of its businesses. Underwriting income before reinsurance corresponds to the sum of revenue, claims expenses, expenses from banking activities, cost of risk, policy acquisition costs, administrative costs and other current operating expenses, and expenses from other activities.

North America	Latin America	Asia-Pacific	Group reinsurance	Cogeri	Holding company costs	Inter-zone	Group total
<b>138,474</b>	<b>80,653</b>	<b>117,593</b>	<b>978,189</b>	<b>26,567</b>		<b>(1,005,848)</b>	<b>1,481,088</b>
124,784	77,881	113,875	978,189			(978,188)	1,235,597
							64,106
13,690	2,772	3,718		26,567		(27,660)	181,385
(57,103)	(46,796)	(40,893)	(408,105)		(5,698)	402,013	(536,247)
							(1,804)
(20,412)	(10,412)	(22,629)	(373,998)			374,001	(165,348)
(42,940)	(28,618)	(38,555)		(26,535)	(29,174)	34,767	(511,790)
<b>18,019</b>	<b>(5,173)</b>	<b>15,516</b>	<b>196,086</b>	<b>32</b>	<b>(34,872)</b>	<b>(195,067)</b>	<b>265,899</b>
(2,869)	(2,873)	4,037	(200,966)			196,086	(77,963)
(994)	244						(6,000)
3,669	10,394	2,850		237	(1,057)	(3,982)	36,940
(1,498)	(312)	(996)		(94)	(16,207)	2,305	(21,385)
<b>16,327</b>	<b>2,280</b>	<b>21,407</b>	<b>(4,880)</b>	<b>175</b>	<b>(52,136)</b>	<b>(658)</b>	<b>197,491</b>
							4,662
<b>16,327</b>	<b>2,280</b>	<b>21,407</b>	<b>(4,880)</b>	<b>175</b>	<b>(52,136)</b>	<b>(658)</b>	<b>202,153</b>
(4,477)	(625)	(5,870)	1,338	(48)	14,297	180	(55,434)
<b>11,850</b>	<b>1,655</b>	<b>15,537</b>	<b>(3,542)</b>	<b>127</b>	<b>(37,839)</b>	<b>(478)</b>	<b>146,719</b>
							10
<b>11,850</b>	<b>1,655</b>	<b>15,537</b>	<b>(3,542)</b>	<b>127</b>	<b>(37,839)</b>	<b>(478)</b>	<b>146,729</b>

## Analysis of net income by segment as at December 31, 2018

<i>(in thousands of euros)</i>	Northern Europe	Western Europe	Central Europe	Mediterranean & Africa
<b>Revenue</b>	<b>299,979</b>	<b>274,376</b>	<b>136,856</b>	<b>371,880</b>
o/w Earned Premium	201,397	241,693	106,463	313,738
o/w Factoring	57,083	(894)	10,524	
o/w Other insurance-related services	41,498	33,577	19,869	58,142
Claims-related expenses (including claims handling costs)	(98,411)	(83,673)	(52,951)	(153,197)
Cost of risk	(2,233)		111	
Commissions	(22,666)	(40,212)	(9,232)	(37,626)
Other internal general expenses	(117,417)	(106,223)	(47,457)	(112,634)
<b>Underwriting income before reinsurance*</b>	<b>59,253</b>	<b>44,267</b>	<b>27,327</b>	<b>68,422</b>
Income/(loss) on ceded reinsurance	(10,310)	(25,716)	(2,937)	(6,133)
Other operating income and expenses		(370)	67	(1,613)
Net financial income excluding finance costs	4,220	16,052	5,239	10,965
Finance costs	(177)	692	(968)	(383)
<b>Operating income including finance costs</b>	<b>52,986</b>	<b>34,925</b>	<b>28,729</b>	<b>71,259</b>
Share in net income of associates		592		
<b>Net income before tax</b>	<b>52,986</b>	<b>35,517</b>	<b>28,729</b>	<b>71,259</b>
Income tax expense	(17,262)	(18,772)	(6,317)	(17,000)
<b>Consolidated net income before non-controlling interests</b>	<b>35,724</b>	<b>16,745</b>	<b>22,412</b>	<b>54,259</b>
Non-controlling interests	(1)	(2)	(1)	(2)
<b>NET INCOME FOR THE PERIOD</b>	<b>35,723</b>	<b>16,743</b>	<b>22,411</b>	<b>54,257</b>

\* Underwriting income before reinsurance is a key financial indicator used by the Coface Group to analyse the performance of its businesses. Underwriting income before reinsurance corresponds to the sum of revenue, claims expenses, expenses from banking activities, cost of risk, policy acquisition costs, administrative costs and other current operating expenses, and expenses from other activities.

North America	Latin America	Asia-Pacific	Group reinsurance	Cogeri	Holding company costs	Inter-zone	Group total
<b>129,665</b>	<b>71,584</b>	<b>96,850</b>	<b>962,581</b>	<b>26,890</b>		<b>(985,926)</b>	<b>1,384,735</b>
117,252	68,757	93,308	962,581			(962,581)	1,142,608
							66,714
12,412	2,826	3,543		26,890		(23,345)	175,413
(45,856)	(39,783)	(22,038)	(411,501)		(4,914)	407,814	(504,509)
							(2,122)
(24,175)	(7,694)	(18,267)	(361,531)			358,202	(163,203)
(35,058)	(25,625)	(35,482)		(26,220)	(20,817)	31,919	(495,015)
<b>24,575</b>	<b>(1,519)</b>	<b>21,063</b>	<b>189,549</b>	<b>671</b>	<b>(25,731)</b>	<b>(187,992)</b>	<b>219,886</b>
(6,610)	(5,170)	2,572	(197,374)			189,549	(62,128)
(5,441)	2,382						(4,974)
1,826	14,196	3,700		(49)	(1,057)	(3,968)	51,124
(1,382)	(204)	(1,264)		(238)	(16,169)	2,411	(17,681)
<b>12,969</b>	<b>9,685</b>	<b>26,071</b>	<b>(7,825)</b>	<b>383</b>	<b>(42,957)</b>		<b>186,225</b>
							592
<b>12,969</b>	<b>9,685</b>	<b>26,071</b>	<b>(7,825)</b>	<b>383</b>	<b>(42,957)</b>		<b>186,818</b>
(2,422)	(5,717)	(9,351)	2,694	(132)	14,790	(4,644)	(64,132)
<b>10,547</b>	<b>3,969</b>	<b>16,720</b>	<b>(5,131)</b>	<b>251</b>	<b>(28,167)</b>	<b>(4,644)</b>	<b>122,685</b>
	(347)	2					(353)
<b>10,547</b>	<b>3,621</b>	<b>16,721</b>	<b>(5,131)</b>	<b>251</b>	<b>(28,167)</b>	<b>(4,644)</b>	<b>122,333</b>

## NOTE 31. EARNINGS PER SHARE

	Dec. 31, 2019		
	Average number of shares	Net income for the period (in €k)	Earnings per share (in €)
Basic earnings per share	151,165,109	146,729	0.97
Dilutive instruments	0		
<b>DILUTED EARNINGS PER SHARE</b>	<b>151,165,109</b>	<b>146,729</b>	<b>0.97</b>

	Dec. 31, 2018		
	Average number of shares	Net income for the period (in €k)	Earnings per share (in €)
Basic earnings per share	154,018,359	122,332	0.79
Dilutive instruments	0		
<b>DILUTED EARNINGS PER SHARE</b>	<b>154,018,359</b>	<b>122,332</b>	<b>0.79</b>

## NOTE 32. GROUP HEADCOUNT

<i>(in full time equivalent)</i>	Dec. 31, 2019	Dec. 31, 2018
Northern Europe	598	625
Western Europe	906	884
Central Europe	622	529
Mediterranean & Africa	596	597
North America	192	162
Latin America	201	225
Asia-Pacific	132	134
<b>TOTAL</b>	<b>3,248</b>	<b>3,156</b>

At December 31, 2019, the number of employees of fully consolidated companies was 3,248 full-time equivalents (FTE) *versus* 3,156 at December 31, 2018, up by 92 FTEs.



## NOTE 33. RELATED PARTIES

As at the end of December 2019, Natixis holds 42.48% of the Coface Group's shares excluding treasury shares, and 42.2% including treasury shares.

	Number of shares	%
Natixis	64,153,881	42.48%
Public	86,877,316	57.52%
<b>TOTAL</b>	<b>151,031,197</b>	<b>100.00%</b>

### Relations between the Group's consolidated entities and related parties

The Coface Group's main transactions with related parties concern Natixis and its subsidiaries.

The main related-party transactions are as follows:

- ◆ financing of a portion of the factoring activity by Natixis SA;
- ◆ financial investments with the BPCE and Natixis groups;

- ◆ Coface's credit insurance coverage made available to entities related to Coface;

- ◆ recovery of insurance receivables carried out by entities related to Coface on behalf of Coface;

- ◆ rebilling of general and administrative expenses, including overheads, personnel expenses, etc.

These transactions are broken down below:

Income statement (in thousands of euros)	Dec. 31, 2019		
	Natixis SA	Natixis Factor	Ellisphere
Net income from banking activities	(2,297)	0	0
Claims expenses	0	4	0
Expenses from services activities	0	0	0
Policy acquisition costs	0	7	0
Administrative costs	0	15	0
Other insurance activity expenses	0	9	0
<b>OPERATING INCOME</b>	<b>(2,297)</b>	<b>35</b>	<b>0</b>

Related-party receivables and payables (in thousands of euros)	Dec. 31, 2019			
	BPCE group	Natixis SA	Natixis Factor	Ellisphere
<b>Financial investments</b>	<b>53,109</b>	<b>0</b>		
<b>Other assets</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>Cash and cash equivalents</b>		<b>6,613</b>	<b>0</b>	<b>0</b>
<b>Liabilities relating to insurance contracts</b>				<b>0</b>
Amounts due to banking sector companies		97,226		0
<b>OTHER LIABILITIES</b>		<b>0</b>		<b>15</b>

The €97,226 thousand in financing liabilities due to banking sector companies at the end of December 2019 correspond to borrowings taken out with Natixis to finance the factoring activity.

Income statement (in thousands of euros)	Dec. 31, 2018		
	Natixis SA	Natixis Factor	Ellisphere
Net income from banking activities	(3,573)	0	0
Claims expenses	0	0	0
Expenses from services activities	0	0	(34)
Policy acquisition costs	0	1	0
Administrative costs	(46)	1	0
Other insurance activity expenses	0	1	0
<b>OPERATING INCOME/(LOSS)</b>	<b>(3,619)</b>	<b>3</b>	<b>(34)</b>

Related-party receivables and payables (in thousands of euros)	Dec. 31, 2018			
	BPCE group	Natixis SA	Natixis Factor	Ellisphere
<b>Financial investments</b>	<b>34,554</b>	<b>9</b>		
<b>Other assets</b>		<b>1,631</b>	<b>0</b>	<b>0</b>
<b>Cash and cash equivalents</b>		<b>1,849</b>	<b>0</b>	<b>0</b>
<b>Liabilities relating to insurance contracts</b>				<b>0</b>
Amounts due to banking sector companies		135,235		0
<b>Other liabilities</b>		<b>0</b>		<b>11</b>

## NOTE 34. KEY MANAGEMENT COMPENSATION

(in thousands of euros)	Dec. 31, 2019	Dec. 31, 2018
Short-term benefits (gross salaries and wages, incentives, benefits in kind and annual bonus)	4,185	3,618
Other long-term benefits	1,017	1,164
Statutory termination benefits	0	88
Share-based payment	642	0
<b>TOTAL</b>	<b>5,844</b>	<b>4,870</b>

The Group Management Committee is composed of eight members on December 31, 2019 and of the Coface CEO.

The line "Other long-term benefits" corresponds to the free performance shares allocation (fair value).

The line "Share-based payment" corresponds to the free performance shares delivered in 2019 and allocated under the 2016 Long-Term Incentive Plan (fair value).

A total of €348 thousand was paid out in directors' fees to the members of the Board of Directors and the Audit, the Risk and the Compensation Committees in 2019.

## NOTE 35. BREAKDOWN OF AUDIT FEES

<i>(in thousands of euros)</i>	KPMG				Deloitte				Total			
	2019	%	2018	%	2019	%	2018	%	2019	%	2018	%
<b>Statutory and IFRS Audit</b>												
COFACE SA	(337)	24%	(451)	28%	(310)	15%	(447)	20%	(647)	18%	(898)	23%
Subsidiaries	(973)	69%	(941)	59%	(1,792)	85%	(1,735)	78%	(2,765)	79%	(2,676)	70%
<b>Sub-total</b>	<b>(1,310)</b>	<b>93%</b>	<b>(1,392)</b>	<b>87%</b>	<b>(2,102)</b>	<b>100%</b>	<b>(2,182)</b>	<b>98%</b>	<b>(3,412)</b>	<b>97%</b>	<b>(3,574)</b>	<b>93%</b>
<b>Other fees than Statutory and IFRS Audit</b>												
COFACE SA	(56)	4%	(59)	4%	30	(1%)	(30)	1%	(26)	1%	(89)	2%
Subsidiaries	(37)	3%	(153)	10%	(28)	1%	(21)	1%	(65)	2%	(174)	5%
<b>Sub-total</b>	<b>(93)</b>	<b>7%</b>	<b>(212)</b>	<b>13%</b>	<b>2</b>	<b>0%</b>	<b>(51)</b>	<b>2%</b>	<b>(91)</b>	<b>3%</b>	<b>(263)</b>	<b>7%</b>
<b>TOTAL</b>	<b>(1,403)</b>	<b>100%</b>	<b>(1,604)</b>	<b>100%</b>	<b>(2,100)</b>	<b>100%</b>	<b>(2,233)</b>	<b>100%</b>	<b>(3,503)</b>	<b>100%</b>	<b>(3,837)</b>	<b>100%</b>

## NOTE 36. OFF-BALANCE SHEET COMMITMENTS

<i>(in thousands of euros)</i>	Dec. 31, 2019		
	Total	Related to financing	Related to activity
<b>Commitments given</b>	<b>1,055,215</b>	<b>1,037,195</b>	<b>18,021</b>
Endorsements and letters of credit	1,037,195	1,037,195	
Property guarantees	7,500		7,500
Financial commitments in respect of equity interests	10,521		10,521
<b>Commitments received</b>	<b>1,503,862</b>	<b>1,018,308</b>	<b>485,554</b>
Endorsements and letters of credit	140,575		140,575
Guarantees	342,478		342,478
Credit lines linked to commercial paper	700,000	700,000	
Credit lines linked to factoring	318,308	318,308	
Financial commitments in respect of equity interests	2,500		2,500
<b>Guarantees received</b>	<b>382,200</b>		<b>382,200</b>
Securities lodged as collateral by reinsurers	382,200		382,200
<b>Financial market transactions</b>	<b>281,096</b>		<b>281,096</b>

Endorsements and letters of credit correspond mainly to:

- ◆ a joint guarantee of €380,000 thousand in favour of investors in COFACE SA subordinated bonds (10-year maturity);
- ◆ a guarantee from Cofinpar of €7,000 thousand;

- ◆ a joint guarantee of €650,195 thousand euros given to banks financing the factoring business.

The securities lodged as collateral by reinsurers concern Coface Re for €346,600 thousand and Compagnie française pour le commerce extérieur for €35,600 thousand.

(in thousands of euros)	Dec. 31, 2018		
	Total	Related to financing	Related to activity
<b>Commitments given</b>	<b>1,098,565</b>	<b>1,075,637</b>	<b>22,928</b>
Endorsements and letters of credit	1,075,637	1,075,637	
Property guarantees	7,500		7,500
Financial commitments in respect of equity interests	15,428		15,428
<b>Commitments received</b>	<b>1,443,393</b>	<b>1,026,777</b>	<b>416,616</b>
Endorsements and letters of credit	140,063		140,063
Guarantees	174,052		174,052
Credit lines linked to commercial paper	700,000	700,000	
Credit lines linked to factoring	326,777	326,777	
Contingent capital	100,000		100,000
Financial commitments in respect of equity interests	2,500		2,500
<b>Guarantees received</b>	<b>356,927</b>		<b>356,927</b>
Securities lodged as collateral by reinsurers	356,927		356,927
<b>Financial market transactions</b>	<b>250,081</b>		<b>250,081</b>

## NOTE 37. OPERATING LEASES

Lease commitments given consist of non-cancellable lease agreements. They are broken down below. These off-balance sheet amounts have sharply decreased due to the application of IFRS 16 on January 1, 2019.

(in thousands of euros)	Dec. 31, 2019	Dec. 31, 2018
Less than 1 year	2,413	12,341
Between 1 and 5 years	311	49,084
More than 5 years	0	47,882
<b>TOTAL</b>	<b>2,724</b>	<b>109,306</b>

## NOTE 38. RELATIONSHIP BETWEEN PARENT COMPANY AND SUBSIDIARIES

The main operational subsidiary of the Coface Group is the *Compagnie française d'assurance pour le commerce extérieur* ("la Compagnie"). This subsidiary, which is wholly owned by the Company, is a public limited company (*société anonyme*) under French law, with share capital of €137,052,417.05, registered in the Nanterre Trade and Companies Registry under number 552 069 791.

The main flows between COFACE SA, the listed parent company, and la Compagnie are as follows:

- ◆ financing:
  - COFACE SA and la Compagnie have granted each other one 10-year loan,
  - in net terms, COFACE SA finances la Compagnie,
- la Compagnie stands as surety for the bond issue floated by COFACE SA,
- a two-way cash flow agreement exists between COFACE SA and la Compagnie,
- COFACE SA delegates to la Compagnie management of its commercial paper programme and of its cash management;
- ◆ dividends:
  - la Compagnie pays dividends to COFACE SA;
- ◆ tax consolidation:
  - la Compagnie forms part of the tax consolidation group headed by COFACE SA.

The table below summarises the interim balance of la Compagnie française d'assurance pour le commerce extérieur and its principal financial flows as at December 31, 2019:

<i>(in thousands of euros)</i>	<b>Listed company</b>	<b>Compagnie française pour le commerce extérieur (including branches)</b>	<b>Other entities</b>	<b>Eliminations</b>	<b>Total</b>
Revenue	2,966	1,471,977	1,026,051	(1,019,906)	1,481,088
Current operating income	12,119	145,961	103,555	(36,759)	224,876
Net income	(6,905)	67,829	85,805		146,729
Fixed assets	1,828,575	5,246,791	1,299,083	(5,039,143)	3,335,306
Indebtedness outside the Group	389,261	0	0		389,261
Cash and cash equivalent	6,330	165,236	149,211		320,777
Net cash generated from operating activities	4,361	132,880	110,463		247,704
Dividends paid to the quoted company		125,135	15,721		140,856

### NOTE 39. INITIAL CONSOLIDATION OF COFACE PKZ

Coface PKZ is part of the Coface Group's consolidation scope since April 1, 2019.

In accordance with IFRS 3 "Business combinations", initial recognition of assets, liabilities and minority interests shall be adjusted up to 12 months after the acquisition date, to reflect new information obtained about facts and circumstances that existed as of the acquisition date.

The review ended and the initial recognition of assets and liabilities was finalized in the consolidation financial statement at December 31, 2019.

The main balance sheet aggregates at April 1, 2019 are summarized in the chart below:

<i>(in thousands of euros)</i>	<b>Opening balance</b>
<b>Asset aggregates</b>	
Insurance business investment	21,016
Reinsurers' share of insurance liabilities	11,051
Building used in the business and other property, plant and equipment	2,700
Receivables arising from insurance and reinsurance operations	2,471
Trade receivables	215
Cash	8,934
<b>Liability aggregates</b>	
Liabilities relating to insurance contracts	20,343
Payables arising from insurance and reinsurance operations	1,182
Other payables	1,345

The contribution of Coface PKZ to the 2019 net income of Coface Group is summarized in the chart below:

<i>(in thousands of euros)</i>	<b>Income statement</b>
Revenue	11,606
Net income before badwill	170
Badwill	4,662

## NOTE 40. BREXIT

The UK's exit from the European Union under Brexit will lead to a loss of the European passport (freedom to provide services).

The Coface Group has started discussions with its customers in order to adapt the insurance policies affected by this matter.

## NOTE 41. EVENTS AFTER THE REPORTING PERIOD

On February 5, 2020, Coface signed a binding agreement with the Norwegian Ministry of Trade, Industry and Fisheries to acquire GIEK Kredittforsikring in full.

Created in 2001, GIEK Kredittforsikring underwrites and manages the short-term export credit insurance portfolio previously underwritten by the Norwegian export credit guarantee agency, GIEK. In 2018, the company recorded a total of around €9 million (NOK 92 million) of gross written

premiums on a portfolio mostly consisting of export policies. The company is well known in the market for the quality of its customer service and for the relevance of its pricing model. It also benefits from a solid market presence with Norwegian exporters.

The acquisition of GIEK Kredittforsikring by Coface is subject to the usual regulatory approvals.

## NOTE 42. RISK MANAGEMENT

The sections forming an integral part of the Group's financial statements related to risk management are

presented in Chapter 5, Section 5.1 "Risk Management and Internal Control" and Section 5.2 "Risk Factors".

## 4.3 FINANCIAL STATEMENTS

### 4.3.1 Balance sheet

#### Assets<sup>(1)</sup>

<i>(in thousands of euros)</i>	Notes	Dec. 31, 2019	Dec. 31, 2018
<b>Fixed assets</b>			
Intangible assets	4.11	-	569
Financial assets		-	13,736
Interests in related companies	4.12	1,502,744	1,502,744
Loans to affiliates and subsidiaries	4.13	324,074	324,074
		<b>1,826,819</b>	<b>1,841,124</b>
<b>Current assets</b>			
French government and other authorities		4,157	2,037
Current account Compagnie Française		14,962	-
Current account Coface Finanz		433,610	447,911
Miscellaneous receivables		7,401	9,249
	4.14	<b>460,130</b>	<b>459,198</b>
<b>Investment securities</b>			
Treasury shares	4.15	8,700	7,567
Cash at bank and in hand	4.16	6,330	349
Prepaid expenses	4.17	2,155	1,240
		<b>477,315</b>	<b>468,354</b>
Deferred charge	4.18	1,321	1,651
Loan reimbursement premiums	4.19	769	962
<b>Foreign exchange asset</b>		<b>503</b>	<b>324</b>
<b>TOTAL ASSETS</b>		<b>2,306,727</b>	<b>2,312,414</b>

(1) Unlike 2018, current accounts receivable are all classified as assets, and current accounts payable to liabilities, no compensation has been made in 2019.

Equity and liabilities<sup>(1)</sup>

<i>(in thousands of euros)</i>	Notes	Dec. 31, 2019	Dec. 31, 2018
<b>Equity</b>			
Capital		304,064	307,799
Share capital premiums		810,436	810,436
Other reserves		65,872	73,957
Income for the year		132,677	122,605
	4.2.1-4.2.2	<b>1,313,049</b>	<b>1,314,796</b>
<b>Provisions for liabilities and charges</b>	4.2.3		
Provision for risks		503	324
Provision for charges		5,263	5,931
		<b>5,766</b>	<b>6,255</b>
<b>Debts</b>			
Bank borrowings and debts		438,728	448,357
Other bond issues		391,756	391,756
Sundry borrowings and debts		151,123	147,566
Trade notes and accounts payables		1,718	1,754
Tax and social liabilities		4,081	1,608
Other payables			
	4.2.4	<b>987,408</b>	<b>991,041</b>
<b>Passive conversion gap</b>		<b>504</b>	<b>322</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,306,727</b>	<b>2,312,414</b>

(1) Unlike 2018, current accounts receivable are all classified as assets, and current accounts payable to liabilities, no compensation has been made in 2019.



## 4.3.2 Income statement

<i>(in thousands of euros)</i>	Notes	Dec. 31, 2019	Dec. 31, 2018
<b>Operating income (I)</b>		<b>2,478</b>	<b>359</b>
Recharged expenses and other income		2,478	359
Reversals of provisions and expense transfers		-	-
<b>Operating expenses (II)</b>		<b>6,480</b>	<b>5,706</b>
Other purchases and external expenses		3,391	3,783
Income tax, taxes and similar payments		25	140
Employee-related expenses		143	66
Other expenses		2,022	250
Depreciations and amortisations		899	1,467
<b>Operating results (I- II)</b>	5,1	<b>(4,002)</b>	<b>(5,347)</b>
<b>Financial income (III)</b>		<b>156,676</b>	<b>148,116</b>
Investments income		140,857	133,406
Other financial income		15,819	14,710
Income from SICAV sales		-	-
Financial expenses (IV)		20,976	21,288
Interest and similar expenses		20,605	20,771
Depreciations and amortisations		371	517
<b>Financial result (III- IV)</b>	5,2	<b>135,701</b>	<b>126,828</b>
<b>Non-recurring income (V)</b>		<b>-</b>	<b>9</b>
On capital transactions		-	-
On management transactions		-	9
<b>Non-recurring expenses (VI)</b>	5,3	<b>-</b>	<b>-</b>
On capital transactions		-	-
On management transactions		-	-
<b>Non-recurring income (V-VI)</b>		<b>0</b>	<b>9</b>
Income tax (income)	5,4	(979)	(1,116)
<b>Net income for the year</b>		<b>132,677</b>	<b>122,605</b>

## 4.4 NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

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## NOTE 1. SIGNIFICANT EVENTS

### Changes in governance

Appointments to the Board of Directors of Coface

François RIAHI, Chief Executive Officer of Natixis, as director, then appointed him Chairman of the Board of Directors since 15 June 2018. The Annual General Shareholders' Assembly on May 16, 2019 ratified his co-optation as a director.

Mrs. Nathalie Bricker and Mr. Nicolas Moreau were appointed directors during the ordinary general meeting of May 16, 2019.

At its meeting on July 25, the Board of Directors of COFACE SA took note of the resignation of Mr. Nicolas Moreau, as director.

At its meeting on October 23, 2019, the Board of Directors of COFACE SA co-opted Marie Pic-Pâris, as a non-independent director. She replaces Jean-Paul Dumortier who resigned on July 25, 2019

### Implementation of two share buy-back programmes

In line with the second pillar of Fit to Win which aims to improve the capital efficiency of its business model, Coface completed in 2019 the buyback program launched in October 2018 and launched a new share buyback program for a total amount of €3.5 million. The description of these programmes is as follows:

- ◆ A first programme of €15 million maximum was launched on October 25, 2018 and runs until February 10, 2019. In 2019, Coface bought 158,577 shares for an amount of €1,263,503.28. The Board of Directors of COFACE SA, in its meeting of 24 April 2019, decided to cancel these shares bought and correlatively, to reduce the share capital of the company.
- ◆ A second programme for a targeted amount of €3.5 million, launched on May 7, 2019 and runs until June 12, 2019. Coface has purchased 400,000 shares for an amount of € 3,474,280.78. This purchase was made for the Long Term Incentive Plan.

## NOTE 2. ACCOUNTING PRINCIPLES

### Accounting principles and policies

The financial statements for the year ended have been prepared in accordance with generally accepted accounting principles and the French General Chart of Accounts (Regulation ANC no. 2014-03 of the Accounting Regulation Committee in accordance with the principles of prudence and business continuity).

#### Financial assets

Equity securities are reported in the balance sheet at cost. A depreciation is recorded when the realisable value (determined according to the restated equity, income, future outlook and value in use for the Company) is less than the acquisition value.

The value in use is determined using the discounted cash flow method. Cash flow projections were derived from the three-year business plans drawn up by the Group's operating entities as part of the budget process and approved by Coface Group management.

These projections are based on the past performance of each entity and take into account assumptions relating to Coface's business line development. Coface draws up cash flow projections beyond the period covered in its business plans by extrapolating the cash flows over two additional years.

The assumptions used for growth rates, margins, cost ratios and claims ratios are based on the entity's maturity, business history, market prospects, and geographic region.

Under the discounted cash flow method, Coface applies a discount rate to insurance companies and a perpetuity growth rate to measure the value of its companies.

### Receivables and payables

Receivables and payables are valued at their face value. They are depreciated through a provision so as to account for potential collection difficulties.

### Investment securities

Units in money-market funds (SICAV) are recorded according to the FIFO (first in, first out) method. Unrealised losses or gains resulting from an evaluation of the portfolio at the close of the financial year are reintegrated (or deducted) for calculating the tax income.

### Start-up costs

According to Article 432-1 of the French General Chart of Accounts, the stock market listing costs incurred by the Company may be recorded as start-up costs.

These costs are amortised over five years, with the first and last year amortised pro rata temporis in accordance with the French General Chart of Accounts instructions (Article 361-3).

### Issuing charges

According to the French General Chart of Accounts (Article 361-2), the costs linked to the hybrid debt issued must be in principle distributed according to the characteristics of the loan. These costs were recorded in deferred charges and amortised on a straight-line basis for the term of the loan, *i.e.* 10 years.

## Consistency of methods

The financial statements for the year are comparable to those of the previous year (consistency of accounting methods and time period principle).

The balance sheet, income statement and notes are expressed in euros.

## NOTE 3. OTHER DISCLOSURES

### a) Consolidating entity

COFACE SA has been fully consolidated since 2007 by Natixis whose head office is located at 30, avenue Pierre-Mendès-France 75013 Paris, France.

### b) Tax consolidation group

On January 1, 2015, COFACE SA opted for the tax integration regime by integrating French subsidiaries held directly or indirectly at more than 95% (Compagnie française d'assurance pour le commerce extérieur, Cofinpar, Cogeri and Fimipar).

The tax consolidation agreements binding the parent company to its subsidiaries are all strictly identical and stipulate that:

- ◆ each company shall calculate its tax as if there were no tax consolidation, and the parent company alone shall be liable for the payment of corporate income tax;
- ◆ the parent company shall recognise tax savings in income and shall not reallocate them to subsidiaries unless the subsidiary leaves the Group.

The option is valid for five years starting from January 1, 2015.

### c) Staff and managers

COFACE SA has no staff on its payroll and has no pension commitment.

### d) Off-balance sheet commitments

- ◆ Commitments received: €700 million

This is a line of credit with Société Générale, unused as at December 31, 2019, for an amount of €700 million which replaced on July 28, 2017 the six credit lines of €600 million from Société Générale, Natixis, CACIB, BNP Paribas, HSBC and BRED.

On January 1, 2016, COFACE SA received a share subscription commitment of up to €100 million from BNP Paribas Arbitrage, relating to the contingent capital.

- ◆ Commitments given: €1,150 million

On March 19, 2012, COFACE SA issued a joint surety bond in favour of Coface Finanz, a company held indirectly by COFACE SA, for the sums that will be due by Coface Factoring Poland as reimbursement for the loan granted to the latter, for a maximum amount that changed from €350 million to €500 million in April 2015 (due date January 2021).

This joint surety bond has not been exercised since 2012.

In April 2015, COFACE SA issued a joint surety bond to hedge the commitments of Coface Finanz and Coface Factoring Poland for the bilateral credit lines taken out from eight banks and amounting to €650 million (€684 million in 2018 and 625 million in 2017).

## NOTE 4. ANALYSES ON THE MAIN BALANCE SHEET ITEMS (IN EUROS)

### 4.1. Assets

#### 4.1.1 Intangible assets

<i>(in thousands of euros)</i>	Gross 2019	Amortisation	Net 2019
Set-up costs	5,696	5,696	0

Set-up costs include initial public offering (IPO) costs amortised over five years.

#### 4.1.2 Interests in related companies and companies with capital ties

Related companies <i>(in thousands of euros)</i>	Dec. 31, 2018	Acquisitions	Disposals	Dec. 31, 2019
Compagnie française d'assurance pour le commerce extérieur	1,337,719			1,337,719
Coface Re	165,025			165,025
	<b>1,502,744</b>			<b>1,502,744</b>

#### 4.1.3 Loans to affiliates and subsidiaries

Related companies <i>(in thousands of euros)</i>	Amount	Interests	Total
Compagnie française d'assurance pour le commerce extérieur	314,000	10,075	324,075

On March 27, 2014, COFACE SA granted a subordinated intragroup loan to Compagnie française d'assurance pour le commerce extérieur in the amount of €314 million,

maturing on March 26, 2024 (10 years) and bearing annual interest at 4.125%, payable at the anniversary date each year.

#### 4.1.4 Other receivables

<i>(in thousands of euros)</i>	Dec. 31, 2019	Up to one year	1-5 years	Dec. 31, 2018
French government and other authorities	4,157	4,157		2,037
Current account Coface Finanz EUR	362,119	362,119		418,384
Current account Coface Finanz USD	71,491	71,491		29,527
Miscellaneous receivables	22,363	18,306	4,057	9,249
<i>Group and Subsidiary in tax consolidation</i>	14,962	14,962		
<i>Coface Factoring Poland</i>	397	397		207
<i>Natixis liquidity agreement</i>	1,647	1,647		9
<i>Kepler Mandate Sharebuyback</i>				3,008
<i>Other receivables</i>	5,357	1,300	4,057	6,024
<b>OTHER RECEIVABLES</b>	<b>460,130</b>	<b>456,073</b>	<b>4,057</b>	<b>459,198</b>

The "Other receivables" item in miscellaneous receivables primarily consists of:

- ◆ expenses to be rebilled in connection with the award of bonus shares for €5,301,518;
- ◆ costs of €1,647,123 related to the ODDO mandate share buy-back.

### 4.1.5 Treasury shares

Number of shares held	Dec. 31, 2018	Acquisitions	Disposals	Dec. 31, 2019
Liquidity agreement	126,637	1,316,013	1,338,164	104,486
Bonus share awards	764,868	400,000	268,602	896,266
Buy-back plan	1,708,735	158,577	1,867,312	0
	<b>2,600,240</b>			<b>1,000,752</b>

#### Liquidity agreement

With effect from July 7, 2014, Coface appointed Natixis to implement a liquidity agreement for COFACE SA shares traded on Euronext Paris, in accordance with the Charter of Ethics of the French financial markets association (*Association française des marchés financiers* - AMAFI) dated March 8, 2011, and approved by the AMF on March 21, 2011.

The Group had allocated €5 million (reduced by €2 million in 2017) to the liquidity account for the purposes of the agreement, which is for a period of 12 months and has been renewed by tacit agreement annually in July since 2015 (see Note 4.1.4).

#### Bonus share award

Since its IPO in 2014, the Coface Group has granted bonus shares to certain corporate officers or employees of COFACE SA subsidiaries.

In 2018, the Board of Directors decided to allot 298,132 bonus shares. This award completes the 2016 and 2017 plans allocating 289,997 and 366,146 shares respectively.

As a condition of and subject to acceptance by the General Meeting, COFACE SA will acquire the shares necessary for the allocation of these shares.

On May 16, 2018, at the General Meeting of Shareholders, the call option was once again granted to acquire 358,702 new shares in addition to the 406,166 shares previously acquired.

Under French standards, the acquisition of shares under a bonus share award constitutes an element of remuneration. The provision should be recognised in staff costs by

The liquidity agreement is part of the share buy-back programme decided by the Board of Directors' meeting of June 26, 2014. The liquidity agreement dated July 2, 2014, originally concluded with Natixis, was transferred as of July 2, 2018 to the company ODDO BHF for a term of twelve (12) months, automatically renewable.

crediting the line item "Provisions for expenses" and be spread, where delivery of the shares is conditional upon the beneficiaries' working for the Company at the end of a future period set by the plan.

Accordingly, this charge will be recognised in the accounts using the acquisition price spread over the vesting period, namely three years. As COFACE SA did not acquire sufficient shares, it must also take into consideration the number of missing shares multiplied by the share price on the last day of the financial year to calculate the amount of this charge. At the end of 2019, the stock of "Provision for charges" amounted to €5,263,218.

At December 31, 2019, the Groups own shares held in treasury had a gross and net value of €8,699,963, broken down as follows:

- ◆ liquidity agreement: €1,142,337;
- ◆ bonus share award: €7,557,626.

### 4.1.6 Cash at bank and in hand

(in thousands of euros)	Dec. 31, 2019	Dec. 31, 2018
Natixis	6,330	349

The amount does not take into consideration a transfer of €5 million issued on December 31, 2019.

### 4.1.7 Prepaid expenses

(in thousands of euros)	Dec. 31, 2019	Dec. 31, 2018
Natixis: liquidity agreement	0	24
Expenses related to the syndicated loan	188	721
Fees related to the strategy	1,862	391
Moody's: issuer rating and programme	104	104
	<b>2,155</b>	<b>1,240</b>

### 4.1.8 Deferred charges

<i>(in thousands of euros)</i>	Gross 2019	Amortisation	Net 2019
Expenses linked to subordinated debt	3,301	1,981	1,321

Deferred charges include costs linked to the issuance of the subordinated debt amortised over a period of 10 years.

### 4.1.9 Loan reimbursement premiums

<i>(in thousands of euros)</i>	Gross 2019	Amortisation	Net 2019
Premium linked to subordinated debt	1,924	1,154	769

The premium linked to the subordinated debt is amortised over 10 years.

## 4.2. Liabilities

### 4.2.1 Changes in equity

<i>(in euros)</i>	Dec. 31, 2018	Appropriation of earnings	Transactions for the year	Distribution	Income for the year	Dec. 31, 2019
Share capital (NV*€5 -> €2)	307,798,522		(3,734,624)			304,063,898
Number of shares	153,899,261		(1,867,312)			152,031,949
Share premium	810,435,517					810,435,517
Legal reserve	31,449,646					31,449,646
Other reserves	19,603,808	2,909,040	(12,265,366)			11,247,482
Retained earnings	22,903,107	119,695,944		(119,423,806)		23,175,245
Income for the year	122,604,984	(122,604,984)			132,677,046	132,677,046
<b>TOTAL</b>	<b>1,314,795,585</b>	<b>0</b>	<b>(14,999,990)</b>	<b>(119,423,806)</b>	<b>132,677,046</b>	<b>1,313,048,834</b>

COFACE SA's total equity amounted to €1,313,048,834.

Share premiums include share premiums, issue premiums (of which €471,744,696 are unavailable premiums) and share issue warrants for €15,725.

In accordance with the decision of the Ordinary Shareholders' Meeting of May 16, 2019, the 2018 result has been allocated as retained earnings (€23,175,245). A dividend of €0.79 per share (excluding treasury shares) was paid on May 22, 2019 representing a total amount of €119,423,806.

The Board of Directors decided on April 24, 2019 to cancel 1,867,312 shares under the buy-back plan started in October 2018. After this cancellation, the new balance in other reserves is €11,247,482, due to the difference between the nominal value of the shares and the average repurchase value of the shares.

### 4.2.2 Composition of capital

	Dec. 31, 2019		Dec. 31, 2018	
<b>Shareholders</b>				
Financial market and other	56.7%	86,315,510	55.9%	86,062,884
Natixis	42.2%	64,153,881	42.1%	64,853,981
Group Employee funds	0.4%	561,806	0.2%	382,256
Treasury shares	0.7%	1,000,752	1.7%	2,600,240
<b>NUMBER OF SHARES</b>		<b>152,031,949</b>		<b>153,899,261</b>
<i>Nominal value (in euros)</i>		2		2

### 4.2.3 Provisions for liabilities and charges

(in thousands of euros)	Dec. 31, 2018	Additions	Reversals	Dec. 31, 2019
Provision for FX losses	324	179	0	503
Provision for bonus share award	5,931	0	667	5,263
<b>TOTAL</b>	<b>6,255</b>	<b>179</b>	<b>667</b>	<b>5,766</b>

### 4.2.4 Debts

(in thousands of euros)	Up to 1 year	from 1 to 5 years	More than 5 years	Dec. 31, 2019	Dec. 31, 2018
<b>Bank borrowings and debts</b>	<b>438,728</b>			<b>438,728</b>	<b>448,357</b>
Commercial paper: discounted fixed rate	438,600			438,600	448,567
CP accrued interests	128			128	(210)
<b>Other bond issues</b>	<b>11,756</b>		<b>380,000</b>	<b>391,756</b>	<b>391,756</b>
Subordinated bonds	0		380,000	380,000	380,000
Accrued interests	11,756			11,756	11,756
<b>Sundry borrowings and debts</b>	<b>1,123</b>		<b>150,000</b>	<b>151,123</b>	<b>147,566</b>
Coface (Compagnie française d'assurance pour le commerce extérieur) borrowing	0		150,000	150,000	150,000
Accrued interests on Coface borrowing	201			201	201
Group creditor account	922			922	0
Cash advance Coface and accrued interest	0			0	(2,635)
<b>Trade notes and accounts payable</b>	<b>1,718</b>			<b>1,718</b>	<b>1,754</b>
<b>Tax and social liabilities</b>	<b>4,081</b>			<b>4,081</b>	<b>2,008</b>
<b>Other debts</b>	<b>0</b>			<b>0</b>	<b>0</b>
<b>TOTAL DES DETTES</b>	<b>457,408</b>		<b>530,000</b>	<b>987,408</b>	<b>991,442</b>

Unlike 2018, current accounts receivable are all classified as assets, and current accounts payable to liabilities, no compensation has been made in 2019.

After approval by Banque de France on November 6, 2012, on November 13, 2012, COFACE SA issued commercial papers for €250 million (with a maturity of one to three months). This programme, intended to refinance the factoring portfolio in Germany, was rated F1 and P2 by the Fitch and Moody's rating agencies.

The amount raised was fully loaned to Coface Finanz through a cash agreement and all fees incurred were recharged.

Since July 28, 2017, this programme, managed by Société Générale, totalled €650 million under commercial paper and €100 million under an emergency credit line via six intermediary banks. During 2018, commercial paper was issued in USD. At end 2019, the EUR and USD portions were €362 million and €71 million respectively, equivalent to €433 million in total.

Since February 2016, the issuance rates on commercial paper are negative.

On March 27, 2014, COFACE SA completed the issue of subordinated debt in the form of bonds for a nominal amount of €380 million (corresponding to 3,800 bonds

with a nominal unit value of €100,000), maturing on March 27, 2024 (10 years), with an annual interest rate of 4.125%.

Moody's and Fitch reaffirmed the Group's Insurer Financial Strength Ratings (IFS) of A2 on 31 October 2019 and AA- on 10 July 2019 (respectively with an outlook "stable" in both cases).

In December 2014, COFACE SA borrowed €110 million at a rate of 2.30% over a period of 10 years from Compagnie française d'assurance pour le commerce extérieur for the acquisition of Coface Re, followed in June 2015 by a second tranche of €40 million for sending additional funds to Coface Re (see Note 4.1.2).

The "Trade notes and accounts payable" item mainly consists of expenses payable for unused credit lines of €403,000, for Statutory Auditors' fees of €843,000, and directors' fees of €104,000.

Tax and social liabilities comprise current accounts for entities under tax consolidation (Compagnie française d'assurance pour le commerce extérieur, Coger and Fimipar and Cofinpar).



## NOTE 5. ANALYSES OF MAIN BALANCE SHEET ITEMS

### Operating income

<i>(in thousands of euros)</i>	<b>Dec. 31, 2019</b>	<b>Dec. 31, 2018</b>
<b>Operating income</b>	<b>2,478</b>	<b>359</b>
Commercial paper structuring costs	804	359
Other income	1,674	0
<b>Operating expenses</b>	<b>(6,480)</b>	<b>(5,706)</b>
<b>Other purchases and external expenses</b>	<b>(3,391)</b>	<b>(3,783)</b>
Statutory Auditors' fees	(672)	(987)
Insurance Policy	(102)	0
Other Fees	(1,080)	(861)
Financial Information	(24)	(49)
Rebilling Group payroll costs and related expenses	0	0
Legal advertising costs	(5)	(10)
Bank fees	(1)	(1)
Fees and Commissions on services	(1,424)	(1,799)
Expenses related to the issuance of subordinated debt	(1,689)	(2)
Reception fees	(183)	0
Royalty fee	(79)	(75)
<b>Income tax, taxes and similar payments</b>	<b>(25)</b>	<b>(140)</b>
<b>Employee-related expenses</b>	<b>(143)</b>	<b>(66)</b>
Social charges on directors' fees	(143)	(66)
<b>Other expenses</b>	<b>(2,022)</b>	<b>(250)</b>
Directors' fees	(348)	(250)
Expenses linked to the bonus share award	(1,674)	0
<b>Depreciations and amortisations</b>	<b>(899)</b>	<b>(1,467)</b>
Amortisation of set-up costs	(569)	(1,137)
Amortisation of costs linked to subordinated debt	(330)	(330)
<b>OPERATING INCOME</b>	<b>(4,002)</b>	<b>(5,347)</b>

The entry "Statutory Auditors' fees" of €672,369 includes €647 thousand in statutory audit fees and €26 thousand for other audits underway.

The entry "Other fees" mainly includes legal fees, services from rating agencies and fees relating to the management of commercial paper.

The entry "Fees and Commissions on services" of €1,424,462 corresponds to expenses relating to contingent equity and strategic projects.

## Financial income

<i>(in thousands of euros)</i>	Dec. 31, 2019	Dec. 31, 2018
<b>Financial income</b>	<b>156,676</b>	<b>148,116</b>
<b>Equity securities income</b>	<b>140,857</b>	<b>133,406</b>
Dividend	140,857	133,406
<b>Other financial income</b>	<b>15,819</b>	<b>14,710</b>
Interests linked to the CP programme and syndicated loan	1,462	99
Income on guarantees	1,405	1,658
Loan interests	12,953	12,953
<b>Financial expenses</b>	<b>(20,976)</b>	<b>(21,288)</b>
<b>Interest and similar expenses</b>	<b>(20,605)</b>	<b>(20,771)</b>
Fees and commissions linked to the CP programme	(705)	(869)
Interests on bond loan	(15,675)	(15,675)
Interests on borrowings	(3,450)	(3,450)
Interests on cash advance	(16)	(15)
Perte de change	1	(2)
Guarantees expenses	(760)	(760)
<b>Depreciations and amortisations</b>	<b>(371)</b>	<b>(517)</b>
Reimbursement premium amortisation	(371)	(517)
<b>FINANCIAL INCOME</b>	<b>135,700</b>	<b>126,828</b>

Financial income primarily consists of the €140.9 million dividend received from Compagnie française d'assurance pour le commerce extérieur and €13 million in interest on the €314 million loan granted to Compagnie française d'assurance pour le commerce extérieur.

Financial expenses primarily consist of €380 million in interest on the bond loan and the €150 million loan taken out at the end of 2014 from Compagnie française d'assurance pour le commerce extérieur.

## Non-recurring income

<i>(in thousands of euros)</i>	Dec. 31, 2019	Dec. 31, 2018
<b>NON-RECURRING INCOME</b>	<b>0</b>	<b>9</b>
Gains on treasury share sales	0	0
On prior years	0	9
<b>NON-RECURRING EXPENSES</b>	<b>0</b>	<b>0</b>
Various	0	0
	<b>0</b>	<b>9</b>

## Income tax

(in thousands of euros)

	Dec. 31, 2019	Dec. 31, 2018
<b>Accounting income before CT</b>	<b>131,698</b>	<b>121,489</b>
Deductions:	(141,036)	(133,730)
◆ Dividend Compagnie française d'assurance pour le commerce extérieur (mother/daughter regime)	(140,857)	(133,406)
◆ Bonus Share Awards to be rebilled	0	0
◆ Default interest	0	0
◆ Foreign exchange asset	(179)	(324)
Reintegrations:	2,397	1,981
◆ Share of costs 1% on Group dividend	2,037	1,334
◆ Bonus Share Award expenses	0	0
◆ Provision FX losses	179	324
◆ Passive conversion gap	181	322
<b>Taxable income</b>	<b>(6,940)</b>	<b>(10,260)</b>
◆ Corporate tax (rates 33 1/3%)	0	0
◆ 3% tax on dividends paid to external (outside the tax consolidation group)	0	0
<b>Corporate tax before tax consolidation</b>	<b>0</b>	<b>0</b>
<b>Net income from consolidated companies</b>	<b>979</b>	<b>1,116</b>
<b>Corporate income tax (income)</b>	<b>979</b>	<b>1,116</b>

The application of the tax consolidation agreement resulted in a consolidation gain of €978,886 for financial year 2019, compared to a gain of €1,115,937 in 2018.

COFACE SA's tax loss carry-forward prior to the tax consolidation was €2,788,100 for 2014.

## Statutory Auditors' fees

This information is available in the Coface Group consolidated financial statements as at December 31, 2019, in Note 35.

## NOTE 6. INFORMATION REGARDING RELATED COMPANIES

The table below presents all items regarding related companies:

<i>(in thousands of euros)</i>	Dec. 31, 2019	Dec. 31, 2018
<b>Balance Sheet – Assets</b>	<b>2,283,573</b>	<b>2,277,412</b>
Interests in related companies	1,502,744	1,502,744
Loans to affiliates and subsidiaries	324,074	324,074
Current account Tax Consolidation	0	401
Current account Compagnie Française	14,182	
Current account Coface Finanz	433,610	447,911
Current account Coface Poland Factoring	397	207
Miscellaneous receivables	2,235	1,724
Cash at bank and in hand	6,330	351
Prepaid expenses	0	0
<b>Balance Sheet – Equity &amp; Liabilities</b>	<b>155,283</b>	<b>152,374</b>
Sundry borrowings and debts	151,119	150,481
Trade notes and accounts payables	0	0
Other payables	4,164	1,893
<b>Income statement</b>	<b>155,489</b>	<b>142,498</b>
Operating income	0	0
Operating expenses	2,235	(157)
Financial income	157,480	148,475
Financial expenses	(4,226)	(5,820)

## NOTE 7. SUBSIDIARIES AND INTERESTS

	As of Dec. 31, 2019						
	Currency	Share capital	Reserves and retained earnings	Share of capital held	Value of securities held		Outstanding loans and advances granted by the Company
					Gross	Net	
		(in €)		(reported)		(in €)	
<b>Compagnie française d'assurance pour le commerce extérieur</b> 1, place Costes et Bellonte 92270 Bois-Colombes	EUR	137,052,417	844,563,000	99.995%	1,337,719,300	1,337,719,300	151,118,843
<b>Coface Ré SA</b> Rue Bellefontaine 18 1003 Lausanne – SWITZERLAND	CHF	8,320,542	244,338,623	100%	165,025,157	165,025,157	-

	Year 2019			
	Turnover	Net earnings or loss	Dividends received or recognised by the Company	Exchange rate Dec. 31, 2019
<b>Compagnie française d'assurance pour le commerce extérieur</b> 1, place Costes et Bellonte 92270 Bois-Colombes	1,136,176,000	19,351,134	125,135,493	
<b>Coface Ré SA</b> Rue Bellefontaine 18 1003 Lausanne – SWITZERLAND	555,232,414	12,001,122	15,721,328	1.0986

## 4.5 FIVE-YEAR SUMMARY OF COMPANY RESULTS

Details (in euros)	Year 2015	Year 2016	Year 2017	Year 2018	Year 2019
<b>I - Year-end Capital</b>					
a) Share capital	786,241,160	314,496,464	314,496,464	307,798,522	304,063,898
b) Number of issued shares	157,248,232	157,248,232	157,248,232	153,899,261	152,031,949
c) Number of bonds convertible into shares	-	-	-	-	-
<b>II - Operations and income for the year</b>					
a) Revenue excluding tax	992,028	2,269,291	2,844,892	358,946	2,477,628
b) Income before tax, depreciation, amortisation and provisions	72,977,514 <sup>(1)</sup>	77,558,666	20,478,344	123,473,002	132,968,042
c) Income tax	(1,730,821)	517,871 <sup>(2)</sup>	(1,996,620)	(1,115,937)	(978,886)
d) Income after tax, depreciation, amortisation and provisions	73,048,606	75,381,066	20,815,235	122,604,984	132,677,046
e) Distributed profits of which interim dividends	66,617,140 <sup>(1)</sup>	20,397,756 <sup>(3)</sup>	53,290,817 <sup>(4)</sup>	122,332,846 <sup>(5)</sup>	151,031,197 <sup>(6)</sup>
<b>III - Earnings per share</b>					
a) Income after tax, but before depreciation, amortisation and provisions	0.48	0.49	0.14	0.81	0.88
b) Income after tax, depreciation, amortisation and provisions	0.46	0.48	0.13	0.80	0.87
c) Dividend paid to each share	0.42	0.13	0.34	0.79	1.00
<b>IV - Personnel</b>					
a) Average number of employees in the year	-	-	-	-	-
b) Payroll amount	-	-	-	-	-
c) Amount of sums paid in employee benefits	-	-	-	-	-

(1) For 2015, an dividend of €0.48 per share taken from the share premium, i.e., €75,312,210 (excluding treasury shares), corresponding to the distributable profit of €66,617,140 increased by the €8,695,070 withholding on the issue premium, was distributed as voted by the Annual Shareholders' Meeting of May 19, 2016.

(2) In 2016, the tax income comes from the income from tax-consolidated companies.

(3) For 2016, a distribution of €0.13 per share, i.e., €20,397,756 (excluding treasury shares), was distributed as voted by the Annual Shareholders' Meeting of May 17, 2017.

(4) For 2017, a distribution of €0.34 per share, i.e., €52,895,439 (excluding treasury shares), was distributed as voted by the Annual Shareholders' Meeting of May 16, 2018.

(5) For 2018, a distribution of €0.79 per share, i.e., €122,332,846 (excluding treasury shares), was distributed as voted by the Annual Shareholders' Meeting of May 16, 2019.

(6) For 2019, a distribution of €1.00 per share (€151,031,197) will be submitted to the Shareholders' Meeting of May 14, 2020.

## 4.6 OTHER DISCLOSURES

Pursuant to Article D.441-4 of the French Commercial Code, the table below sets out the payment terms of COFACE SA's suppliers showing bills received and not paid at the end of the financial year for which payment is in arrears:

	Suppliers payment terms				
	1 to 30 days	31 to 60 days	61 to 90 days	91 days or more	Total (1 day or more)
<b>(A) Late payment tranches</b>					
Number of bills affected (in thousands of euros)	1	3	2	4	
Total amount of bills affected including VAT	0.5	12.8	166.0	142.0	321.3
<b>Percentage of total amount of purchases during the financial year</b>	<b>0.00%</b>	<b>-0.05%</b>	<b>-0.65%</b>	<b>-0.56%</b>	<b>-1.26%</b>
<b>(B) Bills excluded from (A) relating to disputed or unrecognised liabilities and receivables</b>					
No bills excluded from these tables relating to disputed or unrecognised liabilities and receivables.					
<b>(C) Reference payment terms used (contractual or legal term – Article L.441-6 or Article L.443-1 of the French Commercial Code)</b>					

At the closing date of COFACE SA's financial year, no bills issued remain unpaid.

## 4.7 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

*This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.*

*This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

### For the year ended December 31, 2019

To the Annual General Meeting of COFACE SA,

#### Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of COFACE SA for the year ended December 31, 2019. These financial statements were approved by the Board of Directors on February 5, 2020 on the basis of the information available at that date in the evolving context of the Covid-19 health crisis.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2019 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

#### Basis for Opinion

##### Audit Framework

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

Our responsibilities under those standards are further described in the Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

#### Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2019 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of ethics (*code de déontologie*) for statutory auditors.

#### Emphasis of Matter

We draw attention to the following matter described in the "Accounting principles and Methods" chapter of the consolidated financial statements relating to the impacts of the first-time application of IFRS 16 "Leases" and IFRIC 23 "Uncertainty over Income Tax Treatments ». Our opinion is not modified in respect of this matter.

#### Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (*code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, approved in the conditions mentioned above, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

**Estimation of provisions for unknown claims**

Identified Risk	Our response
<p>Provisions for unknown claims represent an estimate of the claims expense incurred during the year but not yet reported at the balance sheet date. They also include specific provisions recorded for claims that have not yet been proven but whose probability of occurrence is high and for which the compensation that would potentially be paid would be significant.</p> <p>At December 31, 2019, the amount of these provisions amounted to € 737 million in the consolidated financial statements. As indicated in the chapter "Accounting principles and Methods", section "Insurance operations" of the notes to the consolidated financial statements, these provisions are determined, on the one hand, by the application of deterministic statistical methods on the basis of historical data and, on the other hand, by the use of assumptions using expert judgment to estimate the ultimate load (this ultimate load corresponds to the load borne until the complete disaster). Thus, as the provision for unknown claims includes accounting estimates with a high degree of uncertainty, we considered this aggregate as a key audit matter.</p>	<p><b>To cover the risk associated with estimating provisions for claims, we implemented the following approach:</b></p> <p><b>Works carried out at the level of the central team:</b></p> <ul style="list-style-type: none"> <li>◆ We assessed the relevance of the method used to determine the ultimate claims charge, in conjunction with our actuaries;</li> <li>◆ We identified the risk relating to the evaluation of provisions for late claims as a significant risk in the instructions communicated to the auditors of the entities included in the scope of work on the consolidated accounts and review the conclusions of the auditors;</li> <li>◆ We analyzed the retrospective review of technical provision by comparing provisions opening balance with actual claims carried out by the group at the consolidated level.</li> </ul> <p><b>Work carried out at the level of each entity included in the audit scope:</b></p> <ul style="list-style-type: none"> <li>◆ We reviewed the internal control mechanism implemented to estimate provisions for claims and the expected ultimate cost of claims, and tested the design and the implementation;</li> <li>◆ We assessed the relevance of the method, used to determine the expected ultimate cost of claims;</li> <li>◆ We assessed any changes in claim payment processes and procedures that could affect the assumption of reproducibility of the past in the future and draw the consequences on the assumptions to be used for calculating the ultimate;</li> <li>◆ We tested the reliability of the underlying claims data used in the actuarial calculations;</li> <li>◆ We performed an independent recalculation of the credit insurance provisions on a portion of the portfolio and verified that the company's methods had been correctly applied;</li> <li>◆ We analyzed the retrospective review of technical provision by comparing provisions opening balance with actual claims.</li> </ul>

**Measurement of Insurance business investments**

Identified Risk	Our response
<p>Insurance business investments amounted to € 2.991 million at December 31, 2019.</p> <p>As indicated in the chapter "Accounting principles and Methods", section "Financial assets" of the notes to the consolidated financial statements, the insurance business investments are determined at the end of the financial year, based on their classification associated with the management intention selected for each line of security by the Group.</p> <p>A level of judgment is required to determine this measurement:</p> <ul style="list-style-type: none"> <li>◆ Impairment testing realized by the Management and</li> <li>◆ The valuation of unlisted securities, in particular non-consolidated equity investments and shares in SCI / SCPI. (Real Estate Investment trust)</li> </ul> <p>Given the amount involved and the judgment made by the Management to detect the impairment of the securities in the portfolio, we deemed this to be a key audit matter at December 31<sup>st</sup>, 2019.</p>	<p><b>To assess the measurement of the insurance business investment, our audit work consisted mainly in verifying that the valuation used by the Management were based on an appropriate valuation method and quantified elements used, according to the type of security:</b></p> <p><b>For valuations based on market elements:</b></p> <ul style="list-style-type: none"> <li>◆ We verified the stock prices used;</li> </ul> <p><b>For valuations based on forecasting elements:</b></p> <ul style="list-style-type: none"> <li>◆ We obtained the business plans established by the Management and assessed the relevance and the justification of the assumptions made;</li> <li>◆ We verified the consistency of the main assumptions used with the economic environment;</li> <li>◆ We compared the consistency of the forecasts retained for the previous periods with the corresponding outcomes on a sample of securities;</li> <li>◆ We compared the underlying documentation to the impairment indices, and we validated the numbers in the aforementioned document in relation to external sources.</li> </ul>

### Estimation of provisions for unwritten earned premiums

Identified Risk	Our response
<p>Unwritten earned premiums amounted to € 123 million in the financial statements at December 31, 2019.</p> <p>As indicated in the chapter "Accounting principles and Methods", section "Insurance operations" of the notes to the financial statements, unwritten earned premiums are determined based on an estimate of expected premiums for the period. The provision is the difference between this estimate, and the premiums recorded.</p> <p>This provision presents a significant risk of material misstatement given to the uncertainties inherent in certain items taken into account in making the estimates. The risk lies in particular in the factors used to determine the ultimate (i.e. once premiums have been written for their final amount) which relies on statistical methods.</p> <p>Thus, we consider this to be a key audit matter even though the change in the provision from one year to the next is very limited.</p>	<p><b>In order to assess whether the estimation of unwritten earned premiums amount was reasonable, we implemented the following audit approach:</b></p> <p><b>Works carried out at the level of the central team:</b></p> <ul style="list-style-type: none"> <li>◆ Assess the relevance of the method used to determine the ultimate premiums (EPNW method);</li> <li>◆ Identify the risk relating to the assessment of earned premiums not issued as a significant risk in the instructions communicated to the auditors of the entities included in the scope of work on the consolidated accounts and review the conclusions of the auditors.</li> </ul> <p><b>Work carried out at the level of each entity included in the audit scope:</b></p> <ul style="list-style-type: none"> <li>◆ We reviewed the internal control system relating to the premium estimation process and we tested the design and the implementation;</li> <li>◆ We assessed any changes in the billing processes and procedures that could affect the assumption of reproducibility of the past in the future and draw the consequences on the assumptions to be used for calculating the ultimate;</li> <li>◆ We verified the consistency of the assumptions used to determine the forecasts;</li> <li>◆ We reconciled the bases of the calculation with data from the financial statements;</li> <li>◆ We compared the estimates of unwritten earned premiums recognized at the opening of the financial year with actual results to assess the relevance of the method implemented.</li> </ul>

### Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of the information given in the Group's management report of the Board of Directors approved on February 5, 2020.

We precise that it is not our role to report the matters related to the sincerity and the concordance with the consolidated financial statements of Solvency II information extracted from the report required under the article L.356-23 of the insurance code (*code des assurances*).

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements. With regard to the events which occurred and the facts known after the date the financial statements were approved by Board of Directors relating to the impact of the Covid-19 crisis, the management indicated to us that they will be communicated to the Annual General Meeting called to approve the financial statements.

We attest that the consolidated declaration of extra-financial performance, required by Article L.225-102-1 of the French Commercial Code (*code de commerce*), is included in the Group's management report, it being specified that, in accordance with the provisions of Article L.823-10 of this code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information contained therein and this information must be reported by an independent third party.

### Report on Other Legal and Regulatory Requirements

#### Appointment of the Statutory Auditors

We were appointed as statutory auditors of COFACE SA by the sole shareholder held on February 28, 2008 for KPMG S.A. and by the Annual General Meeting held on

May 3, 2007 for Deloitte & Associés. The previous auditors were Deloitte & Associés or another entity of the Deloitte network, whose original appointment details could not be determined.

As at December 31, 2019, KPMG was in the 12<sup>th</sup> year of total uninterrupted engagement and Deloitte & Associés was in the 13<sup>th</sup> year and 6<sup>th</sup> year since securities of the Company were admitted to trading on a regulated market.

### Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.



## Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

### Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (*code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- ◆ Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ◆ Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- ◆ Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.
- ◆ Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty

exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.

- ◆ Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ◆ Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

### Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters, that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (*code de commerce*) and in the French Code of Ethics (*code de déontologie*) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris La Défense, on April 8, 2020

The statutory auditors

#### French original signed by

KPMG S.A.  
Régis Tribout  
Partner

Deloitte & Associés  
Jérôme Lemierre  
Partner

## 4.8 STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

*This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.*

*This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.*

*This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

### For the year ended December 31, 2019

To the Annual General Meeting of COFACE SA,

#### Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying financial statements of COFACE SA for the year ended December 31, 2019. These financial statements were approved by the Board of Directors on February 5, 2020 on the basis of the information available at that date in the evolving context of the Covid-19 health crisis.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2019 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

#### Basis for Opinion

##### Audit Framework

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

Our responsibilities under those standards are further described in the Statutory Auditors' Responsibilities for the Audit of the Financial Statements section of our report.

#### Valuation of equity securities

#### Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2019 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of ethics (*code de déontologie*) for statutory auditors.

#### Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (*code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, approved in the conditions mentioned above, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Identified Risk	Our response
<p>The amount of participations in affiliated companies with a participating interest amounted to € 1,502.7 million euros. As mentioned in note 2.1 "Accounting principles and Methods" of the financial statements, the equity securities appearing in the balance sheet are recognized at their acquisition date and subsequently depreciated based on their value in use. The latter is estimated by management on the basis of estimates based on forecasts.</p> <p>The estimate of the value in use of these securities requires the judgment of the management in its choice of items to consider, including the profitability prospects of the entities whose securities are held by COFACE SA.</p> <p>We considered the depreciation of equity securities constitutes a key audit matter due to the part of management judgment involved in assessing the realizable value, which uses assumptions of future results taking into account the maturity of the entity, the history of the activity and the market prospects and the country in which the entity is established. The potential impact on the financial statements concerns the existence of a provision for depreciation of equity securities not recognized at the closing.</p>	<p><b>Our audit consisted mainly in verifying that the estimate of value in use determined by management is based on an appropriate justification of the valuation method and the quantified elements used.</b></p> <p><b>In order to do this:</b></p> <ul style="list-style-type: none"> <li>◆ We obtained and analysed business plans and discussed with the management on its forecasts;</li> <li>◆ We analysed the consistency of the main assumptions used with the economic environment;</li> <li>◆ We compared the consistency of the forecasts used in the prior periods with the actual outcomes;</li> <li>◆ We assessed the need to depreciate and, if applicable, we verified the calculation of this depreciation.</li> </ul>

## Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations.

### *Information given in the management report and in the other documents with respect to the financial position and the financial statements provided to Shareholders*

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors approved on February 5, 2020 and in the other documents with respect to the financial position and the financial statements provided to shareholders. With regard to the events which occurred and the facts known after the date the financial statements were approved by Board of Directors relating to the impact of the Covid-19 crisis, the management indicated to us that they will be communicated to the Annual General Meeting called to approve the financial statements.

We attest the fair presentation and the consistency with the financial statements of the information relating to payment deadlines mentioned in Article D.441-4 of the French Commercial Code (*code de commerce*).

### *Report on corporate governance*

We attest that the Board of Directors' report on corporate governance sets out the information required by Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code (*code de commerce*).

Concerning the information given in accordance with the requirements of Article L. 225-37-3 of the French Commercial Code (*code de commerce*) relating to remunerations and benefits received by or awarded to the directors and any other commitments made in their favour, we have verified the consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from controlled companies included in the scope of consolidation. Based on these procedures, we attest the accuracy and fair presentation of this information.

With respect to the information relating to items that your company considered likely to have an impact in the event of a takeover bid or exchange offer, provided pursuant to Article L. 225-37-5 of the French Commercial Code (*code de commerce*), we have agreed this information to the source documents communicated to us. Based on these procedures, we have no observations to make on this information.

### *Other Information*

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

## Report on Other Legal and Regulatory Requirements

### *Appointment of the Statutory Auditors*

We were appointed as statutory auditors of COFACE SA by the sole shareholder held on February 28, 2008 for KPMG S.A. and by the Annual General Meeting held on May 3, 2007 for Deloitte & Associés. The previous auditors were Deloitte & Associés or another entity of the Deloitte network, whose original appointment details could not be determined.

As at December 31, 2019, KPMG was in the 12th year of total uninterrupted engagement and Deloitte & Associés was in the 13th year and 6th year since securities of the Company were admitted to trading on a regulated market.

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

## Statutory Auditors' Responsibilities for the Audit of the Financial Statements

### *Objectives and audit approach*

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (*code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- ◆ Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ◆ Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- ◆ Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements.
- ◆ Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- ◆ Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

### **Report to the Audit Committee**

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code (*code de commerce*) and in the French Code of Ethics (*code de déontologie*) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris La Défense, April 8, 2020  
The statutory auditors

#### ***French original signed by***

KPMG S.A.  
Régis Tribout  
*Partner*

Deloitte & Associés  
Jérôme Lemierre  
*Partner*

# 5

## MAIN RISK FACTORS AND THEIR MANAGEMENT WITHIN THE GROUP

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## 5.1 RISK MANAGEMENT AND INTERNAL CONTROL

Within the framework of the Group's activity, risk-taking translates the search for business opportunities and the will to develop the Company in an environment intrinsically subject to numerous hazards. The essential goal of the risk management function is to identify the risks to which the Group is exposed and to set up an efficient internal control system to create value.

To address these risks, the Group has established a risk management structure which aims to ensure i) the proper functioning of all of its internal processes, ii) compliance with the laws and regulations in all of the countries where it operates, and iii) control of compliance by all operating entities with the Group rules enacted with a view to managing the risks associated with operations and optimising the effectiveness of this control.

The Group defines the internal control system as a set of mechanisms intended to ensure control of its development, profitability, risks and business operations. These mechanisms seek to ensure that i) risks of any kind are identified, assessed and controlled; ii) operations and behaviours are in accordance with the decisions made by the corporate bodies, and comply with the laws, regulations, values and internal rules of the Group; as concerns financial information and management more specifically, they aim to ensure that they accurately reflect the Group's position and business; and that iii) these operations are carried out to ensure effectiveness and efficient use of resources.

Lastly, this system provides managers with access to the information and tools required for the proper analysis and management of these risks. It also ensures the accuracy and relevance of the Group's financial statements as well as the information disclosed to financial markets.

### 5.1.1 Structure of the mechanism

The internal control and risk management mechanism consists of:

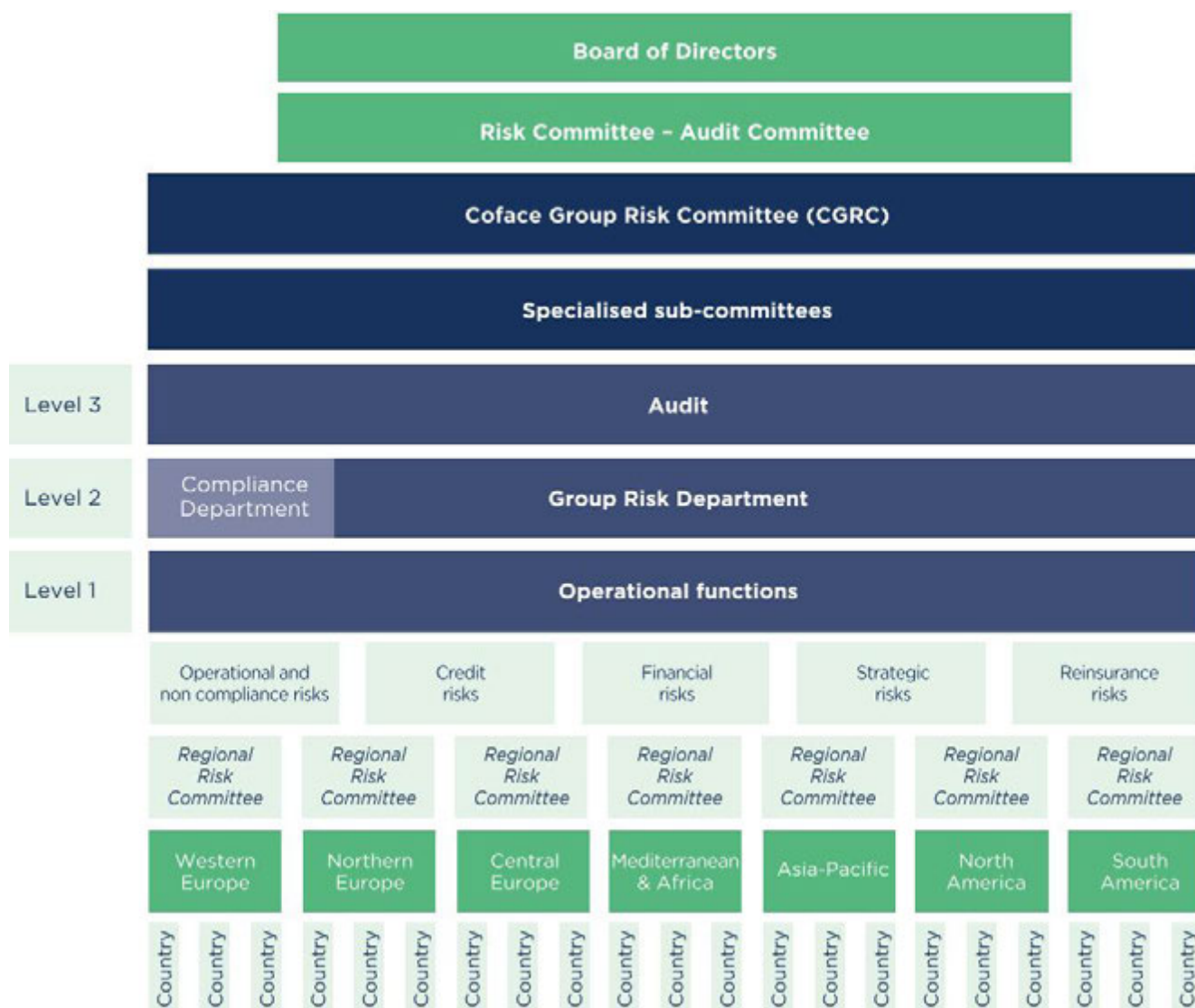
- ◆ a governance structure, designed to allow supervision and appropriate management of the Group's activities; and
- ◆ management structures and control mechanisms, designed to enable the Group's managers to separately apprehend the main risks to which the Group is exposed, and to have the necessary tools for their analysis and prevention.

#### Governance structure

The Group has implemented a risk management and control system that revolves around clear governance supported by a dedicated organisation based on key functions. Since 2018, it has introduced a change in its governance by

creating a Risk Committee reporting to the Board of Directors and whose duties are described in paragraph 2.1.8. The risk management and control system is now based on the Board of Directors, a Risk Committee, an Audit Committee, an Appointment and Compensation Committee, the Coface Group Risk Committee (CGRC) and specialized committees that define the Group's strategy, review and approve risk policies, and identify, measure and manage the risks identified according to the limits and indicators for risk appetite.

Governance also revolves around level one operational committees and level two control committees. The Coface Group Risk Committee (CGRC) is the level two lead committee which relies on specialised sub-committees covering different risk scopes or categories as described in the diagram below.



Similar to the CGRC, regional Risk Committees are held quarterly and involve the Group Risk Department and the Group Compliance Department.

### Management structures and control mechanisms

The management structures and control mechanisms are based on the CGRC. The committee is chaired by the Chief Executive Officer and meets at least every quarter with the members of the Group Management Committee, the Group's strategic and operational management body, the Director of Group Risks, the Group Compliance Director, the Group Director of Audit and the Director of the Actuarial Department and, if necessary, the representatives of the operational or functional departments concerned, who are likewise represented according to the matters at hand.

The CGRC is tasked with:

- ◆ reviewing the main risk management policies and procedures;
- ◆ proposing and monitoring risk appetite limits which are submitted to the Board of Directors for approval;
- ◆ monitoring the Group's risk exposure, in all its forms (credit, finance, operational and compliance, reinsurance, strategic policies);

- ◆ reviewing the main conclusions drawn from sub-committee meetings;
- ◆ reviewing the work performed by the compliance function;
- ◆ finding out about audits performed within the Group;
- ◆ with regard to the partial internal model, the committee must validate the certification request file, be informed of any minor changes and validate the major changes. It regularly validates the results of the model and its performance, is informed of observations from the validation and monitors the action plans implemented. Lastly, it ensures that the model is actually used;
- ◆ organising reporting to the Audit Committee, the Risk Committee or other bodies as appropriate;
- ◆ reviewing ORSA assumptions and results for the purpose of their approval by the Board of Directors;
- ◆ ensuring that the internal control mechanism is effective;
- ◆ communicating its decisions to the staff involved.

CGRC sub-committees have a clearly defined scope of responsibility as regards one or more types of risk, and have decision-making authority over elements of risk, in line with their charters.

## 5.1.2 Organisation

The Group risk management system seeks to ensure the proper functioning of all the Group's activities and processes, by controlling and monitoring identified risks. This system is based on the CGRC.

In order to manage and prevent risks, and in accordance with the Solvency II Regulation, the Group has introduced a system of governance to ensure sound and prudent management of the business. This system of governance is built on a clear separation of responsibilities and is proportional to the nature, magnitude and complexity of the Group's operations.

### The four key functions

The Solvency II Regulation grants the Chief Executive Officer and, if necessary, the Deputy Chief Executive Officer, the status of effective directors of a group. It authorises the appointment by the Board of Directors of one or more other effective directors.

Each key function is controlled by the Chief Executive Officer or the effective director and operates under the ultimate responsibility of the Board of Directors. It has direct access to the Board for reporting any major problem in its area of responsibility. This right is enshrined in the Board of Directors' Charter.

The professional qualifications, knowledge and experience of the heads of key functions should be adequate to enable sound and prudent management, and they must be of good repute and integrity.

Key functions are free of influences that may compromise their capacity to carry out the tasks assigned to them in an objective, loyal and independent manner.

Since 2017, regional audit, risk and compliance functions report to managers in charge of these functions at Group level. Similarly, subject to compliance with local regulations, the same reporting line by function has been established between country and regional managers.

### Risk management function

Under the responsibility of the Director of Risks, the risk management function, including the internal control function, is designed to cover all the Group's risks and reports to the CGRC.

It is tasked with assessing the relevance and effectiveness of the internal control system. Regarding Solvency II, it works closely with the actuarial function and is responsible for drafting reports and for prudential oversight. To perform its duties, the risk management function has direct access to Board meetings.

It ensures that risk policies are defined in accordance with regulatory requirements and monitors their application; these are reviewed annually by general management, then approved by the Board of Directors. These policies are then communicated to all the Group's entities, thereby helping to forge a common risk culture.

The risk management function, including the internal control function:

- ◆ implements and monitors the risk management system;
- ◆ monitors the Group's overall risk profile and identifies and assesses emerging risks;

- ◆ reports on risk exposure and advises the Board of Directors on risk management matters;
- ◆ defines and monitors the Group's appetite<sup>(1)</sup> for such risks: risk appetite takes five dimensions into account through 14 indicators;
- ◆ validates the partial internal model and other operational models;
- ◆ updates the mapping of risks to which Coface is exposed, working closely with the operational functions;
- ◆ contributes to improving and formalising level one control activities implemented by operational staff;
- ◆ performs level two checks on operational risks, with the exception of non-compliance risks;
- ◆ ensures that continuity plans are regularly tested in all entities;
- ◆ collects incidents and losses from the various entities.

The Group's Risk Management Department leads a network of seven regional risk managers for each region. The latter also leads a network of correspondents in the countries within their geographic scope. Specifically, these correspondents are responsible for performing the centrally established level two controls at local level, verifying compliance with Group rules and monitoring the progress of the action plans decided upon.

### Compliance function

The compliance function consists of verifying operational compliance with the rules and of ensuring the control of operational activities. The function is performed by the Group Compliance Department, which reports to the General Secretary.

The compliance function is in charge of implementing procedures to ensure that the Company complies at all times with the legislation applicable to it and to check that this legislation is applied effectively. In this respect, it ensures that the level one controls relating to compliance are properly implemented by the businesses, defines and performs level two controls, and issues recommendations intended to correct any shortcomings highlighted during such controls.

It provides advice on all issues relating to compliance with legislative, regulatory and administrative provisions associated with access to insurance activities and the practice thereof.

### Internal audit function

The Group's Internal Audit Department is placed under the responsibility of the Group Audit Director, who is also in charge of the key internal audit function. He attends the Group General Executive Committee meetings in an advisory capacity. He has a hierarchical reporting line to the Group Chief Executive Officer (CEO) and a functional reporting line to the Natixis General Inspection Department, as the internal audit function forms part of the periodic control mechanism of the reference shareholder, Natixis, and that of BPCE group.

The structure of the internal audit function is based on a reporting line to the Group Audit Director.

(1) Risk appetite represents the risk levels which the Group wants to and can accept, with the purpose of reaching its strategic objectives and achieving its business plan.



An internal audit policy defines the purview of the function. The key objectives of this function include evaluating all or a selection of the points below, according to the scope of each mission, and reporting on them:

- ◆ the quality of the financial position;
- ◆ the level of risks effectively incurred;
- ◆ the quality of organisation and management;
- ◆ the consistency, adequacy and proper functioning of risk assessment and control systems, and their compliance with regulatory requirements;
- ◆ the reliability and integrity of accounting information and management information, including information linked to Solvency II issues;
- ◆ compliance with laws, regulations and the Group's rules (compliance). Auditing checks the quality and relevance of the procedures implemented to ensure compliance with laws, regulations and professional standards applicable to the audited activities in France and abroad, and the Group's policies, decisions by its corporate bodies, and its internal rules;
- ◆ the quality, effectiveness and smooth operation of the permanent control mechanism in place and other components of the governance system;
- ◆ the quality and level of security offered by the information systems; and
- ◆ the effective implementation of the recommendations of prior audit missions, whether they derive from the proceedings of the Group's audit segment, BPCE and Natixis General Inspections, in addition to the external controls of supervisory authorities.

The missions are defined in an audit plan approved by the Board of Directors and cover the entire Group scope over a limited number of financial years. An audit mission ends with a written report and recommendations which are implemented under the supervision of the audit function.

The independence of the audit function is inherent in its mission. There should be no interference in the definition of its field of action, in the fulfilment of its proceedings or in the disclosure of the results of those proceedings.

The Group Audit Director has full authority to refer matters to the Chairman of the Audit Committee and has free access to the Audit Committee. If necessary, and after consulting the Chief Executive Officer and/or the Chairman of the Audit Committee, the Group Audit Director may inform the ACPR (French Prudential Supervision and Resolution Authority) of any breach that he might notice.

The Group Audit Department has no operational activity. It neither defines nor manages the mechanisms that it controls. The internal auditors have no other responsibility under any other function. Lastly, the Group Audit Department has access to all the information required to carry out its missions.

### The actuarial function

The actuarial function is performed by the Director of the Actuarial Department, who reports to the Chief Financial Officer since 1<sup>st</sup> July 2016. It is tasked with advising general management and supporting its efforts to guarantee the Group's long-term solvency and profitability and with overseeing compliance with Solvency II requirements, such as reserving. To perform its missions, the actuarial function has direct access to Board meetings.

The actuarial function is the contact for numerous Group departments (Finance, Information, Commercial and Debt Collection), for all Group entities on actuarial subjects, and informs, in particular, the Board of Directors on the appropriateness of the calculation of technical provisions.

In accordance with the requirements of the European Solvency II Directive, the actuarial function is in charge of the following tasks:

- ◆ coordinating the calculation of technical provisions;
- ◆ guaranteeing the appropriateness of methodologies, underlying models and assumptions used for the calculation of technical provisions;
- ◆ assessing the adequacy and quality of data used in the calculation of technical provisions;
- ◆ comparing the best estimates with empirical observations;
- ◆ informing the administrative, management or control bodies of the reliability and suitability of the calculation of technical provisions;
- ◆ supervising the calculation of technical provisions in the cases specified in Article 82 (approximations related to data quality issues in the estimation of technical provisions);
- ◆ issuing an opinion on the global commercial underwriting policy;
- ◆ issuing an opinion on the appropriateness of measures taken in terms of reinsurance;
- ◆ contributing to the effective implementation of the risk management system under Article 44. In particular, it ensures compliance with reserving and commercial underwriting policies and the correct implementation of reinsurance.

### Internal control system

The internal control system relies on the same functions as the risk management system and is used to verify the application of the rules and principles defined under the risk management system.

As an insurance company with a banking Group as its reference shareholder, the Company operates an internal control system compliant with the provisions of the Solvency II Directive and the decree of 3 November 2014 on the internal control of banking sector companies, payment services and investment services subject to the oversight of the ACPR.

The risk management and internal control mechanism consists of three lines of defence with well-identified players for each level. The first line of defence is represented by the businesses, which are responsible for the processes, systems and products they each use, as well as for the resulting risks.

The second line of defence is represented by dedicated risk and compliance functions, which are responsible for supporting the first line of defence and for defining tools and methods to assess, manage, control and report risks.

The third line of defence is represented by the internal audit function, which provides independent assessment of the efficiency of the risk management mechanism and more broadly, of all the Group's activities and processes, according to a multi-year audit plan.



Each line of defence applies the controls adopted within the Group:

1. Level 1 operational controls managed by the businesses;
2. permanent Level 2 controls managed by the Group Risk Department and Group Compliance Department; and
3. periodic Level 3 controls managed by the Group Audit Department.

These controls are applicable to all of the Group's entities, in particular with respect to:

- ◆ integration into the organisation: internal control procedures are integrated into the organisation, either as a result of the distribution of the functions itself, or through the control actions specified in the different processes; and
- ◆ universality: no field is excluded. All processes, activities and structures are involved.

Coface has implemented a new centralised management system to manage level one and two controls. This system provides an instant overview of control completion rates, results and corresponding remediation plans across the whole scope.

It was rolled out across all Group entities and is used both by the businesses and by the Risk Management and Compliance Management departments.

### Accounting control system

The accounting control system assigns a portion of the responsibility for controls to the Chief Financial Officer (CFO) of each region.

Local CFOs are responsible, for their scope: i) for the local accounting system (compliance with local regulations and with the Group's rules); ii) for the IFRS accounts as reported in the Group's consolidation tool (compliance with IFRS and Group rules); iii) for financial risks, specifically compliance with the principle of matching between assets and liabilities in order to limit the financial risks on their balance sheet.

The Group CFO is responsible, at Group level, for i) the quality of financial reporting; ii) the definition and monitoring of the investment policy; iii) management of financial risks and the implementation of control rules for other risks, with the support of the Risk Department; and iv) the management of solvency, with regard to Solvency II in particular.

The Group's Accounting and Tax Department provides regions with a control and reporting tool that enables proper oversight of reconciliations between management applications and the accounting tool.

Since the closing of Q1 2018, quarterly level 1 controls have been formalised within the Enablon tool:

- ◆ list of controls to be carried out each quarter as well as instructions on the details and supporting documents requested;
- ◆ results of controls carried out by the entities;
- ◆ proof of control.

This tool helps to improve the tracking and formalisation of level 1 controls carried out in each country on accounting processes. An assessment of the controls is carried out every quarter.

This process allows a complete audit trail to be obtained, and produces data quality that is standardised and reliable within the Group and the Company.

### Processing of accounting and financial information

The Group's Accounting and Tax Department, reporting to the financial department, guarantees the quality of the financial information and is responsible for the control of the Group's accounting and tax information. It is also responsible for the production of the consolidated financial statements and production of the company financial statements and tax declarations of French entities (COFACE SA, parent company, Compagnie française d'assurance pour le commerce extérieur, Cofinpar, Fimipar and Cogéri).

Its detailed tasks are broken down into:

- ◆ maintaining the general and ancillary accounts of entities located in France;
- ◆ recognition of operations, control and justification of operations;
- ◆ closing the quarterly accounts;
- ◆ producing consolidated financial statements;
- ◆ producing reports and presentation of accounts: producing financial statements, internal reports and tax declarations;
- ◆ relations with the Statutory Auditors;
- ◆ preparing Group standards, regulatory oversight and strategic projects;
- ◆ definition of rules and writing of Group accounting rules;
- ◆ writing and follow-up of accounting procedures in conjunction with Natixis' Finance Department in the case of IFRS;
- ◆ overseeing the development of the accounting and tax regulations;
- ◆ assisting, training and providing technical support to subsidiaries and branches;
- ◆ analyses and impact studies on modifications in scope for the consolidated financial statements;
- ◆ the accounting control system: tracking the proper application of the standards and procedures in the Group;
- ◆ Group taxation.

The structure with the various entities of the Group relies on the Group's functional matrix principles, delegating certain responsibilities to entities in the various countries with regard to their scope. Accordingly, the consolidated entities are responsible for producing, according to their local standards and IFRS: i) accounting information;

ii) tax information; iii) regulatory information; and iv) corporate information.

They also monitor the production of consolidation bundles according to the Group's standards and procedures.

### Common tool for general accounting, consolidation and management control

The monthly reporting of management control and quarterly bundles under French standards and IFRS are entered in the same tool. The quality of the information received is improved through automatic reconciliation statements.

Furthermore, since June 2018, the procedure for preparing company financial statements under French standards has been simplified with elimination of the double entry of bundles under French standards and IFRS by all branches. The company financial statements are now prepared from IFRS bundles.

Additional controls are carried out during quarterly inventory operations especially from the analysis of accounts and comparisons with the management data. Consistency checks are carried out with the data received from management control reporting.

In the context of consolidation operations, overall controls are carried out: analytical review of the balance sheet and income statement, closure of the Company's equity, consistency check on the most significant items and entities, closure of the net position across all branches,

checking of intra-group transactions and their correct reconciliation, specific verification of earnings from reinsurance and specific checking on the breakdown of expenses by destination, with the analytical review allowing for an overall consistency check.

### Disclosure requirements for financial and accounting information

The Financial Communications Department, which reports to the Group Financial Department, produces, with the support of other departments, the financial information released to the financial markets, analysts and investors. The departments concerned provide the Financial Communications Department with contributions and reviews that help it control the risks of material error or release of erroneous information, delays to release and breach of confidentiality or equality between shareholders. This department is the special correspondent of the French Financial Markets Authority (AMF).

### Outlook for change

Work to improve the risk management system will continue in 2020, using the same centralised system as the one used in 2019, including in particular the deployment of a new risk mapping. The mechanism for identifying operational and compliance incidents and losses was also incorporated into the Enablon tracking tool, as was the overhaul of business continuity plans.

## 5.1.3 Definition and measurement of risks

### Strategic risks

#### Definition

Strategic risk stems from the Group's businesses and business lines worldwide. It can be defined as the risk affecting our results and our solvency due to changes in market conditions, poor strategic decisions or poor application of these decisions aimed at responding to the changes in market conditions. Changes in market conditions may, for example, be linked to regulatory or prudential developments or to the brokerage model adopted within the Group.

Apart from changes in the economic environment that may be reflected by an increase in credit risk, Coface considers that strategic risks in its business are low.

#### Measures

The Group's Strategy and Development Department, created in 2016, manages the strategic planning process by working with the General Management Committee. They meet on a regular basis in order to assess the effectiveness of the plan and determine any modifications that might be necessary. The Board of Directors is ultimately responsible for the oversight of strategic risk.

### Credit risks

#### Definition

Credit risk is defined as the risk of loss, due to non-payment by a debtor, of a receivable owed to a policyholder insured by the Group.

The credit risk may be worsened by the concentration of our exposures (countries, sectors, debtors, etc.). Traditionally, there is a distinction between frequency risk and catastrophe risk:

- ◆ frequency risk represents the risk of a sudden and significant increase in unpaid receivables for a multitude of debtors;
- ◆ catastrophe risk represents the risk of abnormally high losses being recorded for a single debtor or group of debtors, or of an accumulation of losses for a given country.

The Group manages credit risk through numerous procedures described below, which cover the validation of the terms of the policy relating to the products, pricing, follow-up on credit risk coverage and portfolio diversification.

### Control and follow-up of products

- ◆ Approval of new products: the Group relies on a Group Product Committee to ensure that the product offering is consistent with the business strategy. It validates the introduction of new products into the portfolio and oversees the product offering in each region. It combines the marketing, sales, organization, compliance, actuarial and risk functions, and any other function on a project-by-project basis.
- ◆ Validation of product developments: any product development, whether in terms of the policy, pricing method, retail method, target (policyholder, country), must be conveyed to the Group's Marketing Department and to the Legal Department.
- ◆ Sales delegations: in order to ensure the profitability of the policies, the contractual parameters thereof that have a strong influence on the policy's performance or on risk management are covered by a delegation system with seven levels of responsibility.
- ◆ Pricing: the Group uses a common pricing tool (PEPS), allowing its users to create pricing projects with the help of simulation tools and to formulate pricing proposals that are consistent with the Group's profitability objectives.

### Centralised credit risk management

Frequency and catastrophe risks are monitored locally and regionally, and are likewise centralised and analysed by the head office.

This frequency risk is measured for each region and country by tracking the instantaneous loss ratio<sup>(1)</sup>. With respect to the monitoring of exposures and portfolios, the Group has developed a more refined system of management of its risks through 38 sectors and five country risk levels (190 risk levels in total). Therefore, unpaid receivables are analysed weekly by the Group Management Committee, and monthly by the Group Risk Underwriting Committee. The loss ratios of the various commercial underwriting regions are likewise monitored at consolidated Group level.

Catastrophe risk is covered via the Group's reinsurance company, Coface Re. In addition to the weekly and monthly monitoring by individual region and country, a mechanism is established at the Group level, which relies on:

- ◆ centralisation of the provisions for claims exceeding a certain amount per debtor (currently, €0.5 million for all Group risk underwriting centres) which is then included in a *post mortem* analysis which enables the performance of the information, risk underwriting and recovery activity to be improved;
- ◆ at the risk underwriting level, monitoring beyond an amount of outstandings according to the debtor risk assessment (DRA) generates a budget to be set and validated by the Group Underwriting Department; and
- ◆ a system to assess risks by the DRA, which covers all debtors.

### Diversification of the credit risk portfolio

The Group maintains a diversified credit risk portfolio, to minimize the risks of debtor default, the slowdown of a specific business sector, or an unfavourable event in a given country, such that the impact is not disproportionate for the Group's total loss experience. The insurance policies furthermore include clauses of contractual limits on outstanding amounts.

### Common interests with policyholders

The purpose of credit insurance is to prevent losses as far as possible, in the common interests of policyholders and the insurer. The service offered to the policyholder, before any indemnification of the losses suffered, is claims prevention and assistance in developing a client base. These common interests contribute to maintaining prudent management of credit risks, and are found in various aspects of the Group's management policy, as described below.

### Decision-making

The principle for the insurer is to approve, for each new debtor that is presented by the policyholder, the maximum amount of risks that the insurer is ready to accept for that debtor. The insurer likewise determines the maximum amount that he is ready to accept for a given debtor, for all of its policyholders.

Credit risks are primarily underwritten based on global policies under which the policyholders entrust all of their revenue to the insurer in order to avoid the risks of adverse selection. The credit insurer may reduce or cancel its credit insurance coverage for new sales to the debtor concerned at any time. As an exception to this rule, and according to the policyholder's expertise, the Group may grant certain policyholders a degree of autonomy in setting the credit limits for receivables not exceeding an amount as established in the contract.

### Consideration of risk quality for establishing the premium

The amount of premiums is set according to, on the one hand, the loss experience that is statistically noted for a population of policyholders with similar characteristics and, on the other hand, the actual loss experience of the policyholder in question. The amount of the premium is revised when the policy is renewed, generally annually. It is calculated according to its effective loss experience and the quality of the risk associated with this policy at the time of renewal. Furthermore, certain policies provide for mechanisms to share benefits, in order to encourage insured companies to monitor the quality of their clients.

### Sharing of risk between the Group and the policyholder

In general, 10% to 15% of the risk is the responsibility of the policyholder. Policies can provide for deductibles per claim, and sometimes for an overall annual deductible. An overall principle is likewise applied: most often the total revenue for a given business line is covered, and it is not possible for the policyholder to choose the individual risks to be covered.

### Recovery management by the Group

The Group also asks the majority of its policyholders to put it in charge of recovering unpaid receivables. As soon as the policyholder declares an unpaid receivable, the Group starts recovery action in an effort to limit the loss and allow the policyholder, to the extent possible, to maintain its commercial relationship with the debtor. Negotiations and, if necessary, litigation, are conducted by the world recovery network, which relies on the Group's internal resources and those of its partners in the Coface Partners network, along with collection agencies and a network of lawyers.

(1) The instantaneous loss ratio is a weekly indicator which allows the change in the loss ratio to be reconstituted. It is monitored for each region and each country and is the subject of a weekly report within the Group.

## A fine-tuned risk underwriting system: ATLAS

Commercial underwriting decisions are made by groups of risk underwriters in various underwriting centers, who work in real time and as a network thanks to ATLAS. These commercial underwriting decisions meet the underwriting rules that are defined for the Group as a whole.

The Group Risk Underwriting Department is responsible for establishing a global risk underwriting policy. Moreover, the Group Risk Underwriting Committee has the goal of defining the risk policy by country, setting budgets and following up on global risk underwriting activity within the context of the objectives set.

Inward reinsurance (in other words the reinsurance of policies sold by the Coface Partners network which have been accepted for reinsurance) is underwritten according to the same procedures as those used for direct insurance. The Group provides reinsurance which is contingent upon prior approval in ATLAS for each type of risk ceded.

## Measures

### Evaluation of provisions

The Group establishes claims provisions which are designed to cover probable losses for its credit insurance operations. The claims that have arisen but not yet been declared/settled at year-end are included in specific provisions.

The claims provisions recorded at a given moment consist of:

- ◆ provisions for claims declared, which rely on a file-by-file analysis that is performed according to the characteristics of the policy and claims considered. These provisions are assessed on the amount of unpaid receivables declared which are covered by a claim;
- ◆ IBNR (incurred but not reported) provisions, which simultaneously cover the uncertainties in estimating provisions for declared and undeclared claims (in other words, claims that have occurred but which have not been declared at year-end); and
- ◆ forecasts of recoveries to take place on claims paid out.

The technical provisions for credit insurance are not updated.

The estimated IBNR provisions are based on an estimate of final loss experience through periodic actuarial analyses which are performed by the entities and controlled by the Group Actuarial Department.

The Group Actuarial Department also has the role of ensuring that the overall level of Group provisions is sufficient to cover future claims, and of ensuring and verifying the correct implementation of actuarial principles, which the calculations of estimated reserves must respect.

To date, the actuarial methods used by the Group and its entities are methods based on claims triangles (Chain Ladder and Bornhuetter-Ferguson actuarial methods). These methods are supplemented by an estimation of the variability of the technical provisions at one year by the Merz and Wüthrich method, which aims to determine a reasonable estimate range in which the Group Actuarial Department issues an opinion regarding an adequate ultimate loss ratio.

On the basis of the opinions issued by the Group Actuarial Department and other analyses, during the Loss Reserving Committee meeting management determines the level of final reserves to be established for each quarterly closing. This committee is formed for each region and at the Group level. It meets at least quarterly, but may be convened in case of a major event which requires a significant revision of the level of reserves (in particular in the event of a significant claim). The estimates are likewise refined based on economic information, risk underwriting information, and information on the recovery of receivables, evaluated at a quarterly committee meeting on "economic expectations".

### Loss ratio

The Group measures the loss experience, notably according to the loss ratio (total of claims expenses compared to the total gross earned premiums). This ratio, which was determined using figures from the consolidated financial statements, was 43.4% in 2019.

The table below shows the progression of the average loss ratio for a given year between 2017 and 2019:

Year	2019	2018	2017
Loss ratio	43.4%	44.2%	51.4%

The Group manages its risk management policy thanks to its capacity to reduce or cancel its credit insurance coverage, a corrective measure aimed at reducing its exposure in certain countries in response to a deterioration in the economic situation.

A variation of +/- one percentage point <sup>(1)</sup> in the gross accounting loss ratio at 31 December 2019 would have had

an impact of €12 million on claims expenses, of +/-€9 million on claims expenses net of reinsurance, of +/-€6 million on net income, and of +/-€6 million on equity.

The Group believes that a variation of one percentage point in the gross accounting loss ratio is reasonable in light of the loss ratio recorded in previous years. This sensitivity analysis is calculated on a straight line basis.

(1) In other words, a variation of n% to (n+1)%.

**Claims expenses recorded at the Group level**

In the table below, gross operations represent the claims expenses recorded in the Group's financial statements for

direct business and inward reinsurance. Outward reinsurance and retrocessions represent the portion ceded for external reinsurance.

(in millions of euros)	Dec. 31, 2019			Dec. 31, 2018			Dec. 31, 2017		
	Gross	Outward reinsurance and retrocessions	Net	Gross	Outward reinsurance and retrocessions	Net	Gross	Outward reinsurance and retrocessions	Net
Claims expenses - current year	(866)	219	(647)	(829)	209	(620)	(798)	197	(601)
Claims expenses - prior years	330	(80)	250	324	(72)	252	227	(41)	186
<b>TOTAL</b>	<b>(536)</b>	<b>139</b>	<b>(397)</b>	<b>(505)</b>	<b>137</b>	<b>(368)</b>	<b>(571)</b>	<b>156</b>	<b>(415)</b>

**Status of technical provisions established at the Group level**

In the table below, the unearned premiums reserves correspond to the portion of written premiums relating to the period between the year-end and the next premium payment date. They are calculated *pro rata temporis* for each insurance contract. The provisions for profit-sharing

correspond to an estimate of the cost of the profit-sharing not paid at the closing date. Profit-sharing is a contractual stipulation which consists of paying a portion of the benefit that might be generated on the contract based on its loss experience to the policyholder at the end of a defined period.

(in millions of euros)	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
Provisions for unwritten earned premiums	282	280	271
Claims reserves	1,361	1,291	1,266
Provisions for premium refunds	184	175	145
<b>Liabilities relating to insurance contracts</b>	<b>1,827</b>	<b>1,746</b>	<b>1,682</b>
Provisions for unwritten earned premiums	(59)	(61)	(62)
Claims reserves	(342)	(321)	(309)
Provisions for premium refunds	(49)	(43)	(34)
<b>Reinsurers' share of liabilities relating to insurance contracts</b>	<b>(450)</b>	<b>(425)</b>	<b>(405)</b>
<b>NET TECHNICAL PROVISIONS</b>	<b>1,377</b>	<b>1,321</b>	<b>1,277</b>

**Development of claims provisions**

The development of claims provisions shows how claims provisions have progressed over the last decade.

The following triangle shows the development of the ultimate loss ratios and sets out, for a given line N, the

outlook for each of the subsequent year-ends (N+1, N+2, etc.). The estimated final loss ratio varies according to the increasing reliability of information relating to claims still pending. The discrepancy between the initial loss ratio and the final loss ratio measures the excess or insufficiency of the provisions originally recorded.

► **Triangle of development of ultimate loss ratios (before reinsurance and excluding claims handling expenses)**

Year of occurrence (N)/year of development (as a %)	N	N+1	N+2	N+3	N+4	N+5	N+6	N+7	N+8	N+9
2010	58.2	44.3	37.9	35.5	34.9	34.9	34.7	34.3	34.2	33.8
2011	73.6	61.1	55.0	54.4	53.2	52.3	51.2	50.6	50.0	
2012	77.1	67.4	60.8	58.5	59.7	59.8	58.9	58.0		
2013	72.7	56.9	51.1	49.2	49.4	48.4	47.5			
2014	72.6	61.8	62.9	59.7	57.2	55.9				
2015	70.2	65.5	55.6	51.7	50.4					
2016	70.0	63.1	52.8	51.2						
2017	74.1	61.4	50.6							
2018	75.7	61.8								
2019	73.1									

The claims provisions estimate model used by the Group relies on conventional approaches to reserving based on claims triangles. The Group's reserving guidelines transmitted to entities ensure uniform reserving practices throughout the Group and aim to maintain the level of prudence historically used in claims provisions. In particular, the loss ratios used are higher than those recorded

historically. Consequently, given the Group's good control of its loss experience, liquidation profits from claims provisions have been recognised since 2009 (excess of claims provisions compared to the loss ratio actually recorded).

The table below illustrates the change in these profits over the period 2017-2019:

Period	Ultimate loss ratio before reinsurance and excluding claims handling expenses for each year following the first year of development (as a %)	Accounting loss ratio before reinsurance and excluding claims handling expenses (as a %)	Profits (as a %)
Year 2017	74.1	49.0	(25.1)
Year 2018	75.7	41.7	(34.0)
Year 2019	73.1	40.9	(32.2)

The second table, entitled "Triangle of development of cumulative claims paid, net of recourse (before reinsurance)", sets out, for each year of occurrence, the cumulative amount of payments relating to years of occurrence N and previously which have been made since

December 31 N. The process of declaring claims, indemnifying them and any recourse extends over several years. This requires the claims per insurance period to be tracked.

► Triangle of development of cumulative claims paid, net of recourse (before reinsurance)

Year of occurrence (N)/year of development (in millions of euros)	N	N+1	N+2	N+3	N+4	N+5	N+6	N+7	N+8	N+9
2010	60	274	345	358	365	369	379	389	386	382
2011	67	458	566	597	626	608	596	594	592	
2012	117	446	562	575	580	593	596	601		
2013	83	400	491	523	527	523	516			
2014	74	417	572	613	616	611				
2015	62	370	474	488	480					
2016	55	327	442	474						
2017	58	310	411							
2018	68	346								
2019	73									

### Debtor risk exposure

The Group insures the unpaid receivables risk for over 2 million debtors worldwide. As at 31 December 2019, the average debtor risk was below €250 thousand. More than 81% of the debtors covered by credit insurance policies are located in OECD countries, primarily in Europe, notably in Germany, France, Italy and Spain, and in the United States.

The great majority of debtors, considered individually, constitute an insignificant risk with regard to the Group's total portfolio, since no debtor represents more than 1% of the Group's outstandings. The total outstanding covered by

the Group was €569 billion, up by more than €28 billion against a background of continuing high sensitivity of emerging countries and of specific sectors such as construction, metals and the oil sector. The risk selectivity level was strengthened for increased granularity.

The charts below show the breakdown of debtors<sup>(1)</sup> as at 31 December 2017, 2018 and 2019 according to the outstanding amounts of cumulative credit risk carried by the Group for them. Analysis of the number of debtors by outstandings brackets reveals a weak risk concentration profile.

(1) The debtors referred to above are clients of the Group's policyholders.

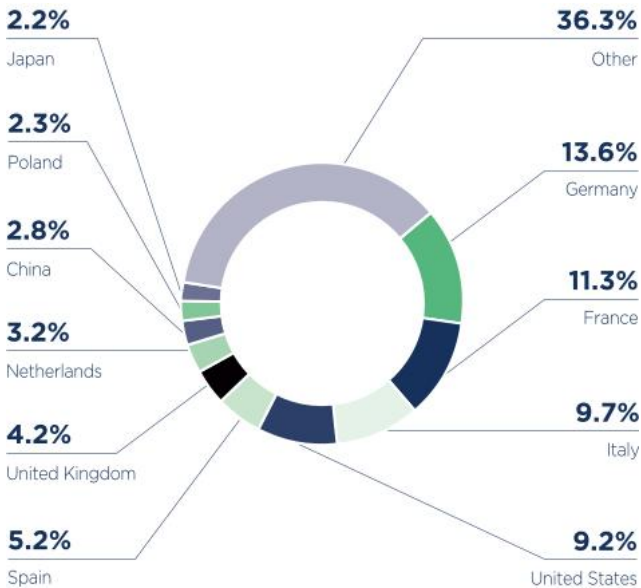
Debtor total outstandings brackets	Outstandings* (in €m)		
	2019	2018	2017
€1 - €100 thousand	41,230	38,996	39,263
€101 thousand - €200 thousand	26,920	26,237	25,989
€201 thousand - €400 thousand	36,529	36,450	35,955
€401 thousand - €800 thousand	46,028	45,912	44,949
€801 thousand - €1,500 thousand	48,675	47,677	46,755
€1,500 thousand - €5 million	105,608	102,380	98,157
€5 million - €50 million	185,421	168,544	155,751
€50 million - €200 million	47,615	47,316	42,168
€200 million and more	31,124	26,980	23,585
<b>TOTAL</b>	<b>569,151</b>	<b>540,492</b>	<b>512,572</b>

\* The outstandings shown are gross of reinsurance (direct business and inward reinsurance) and correspond to the maximum amount of cover granted by the Group to its policyholders. They do not correspond to the effective use thereof by the policyholders.

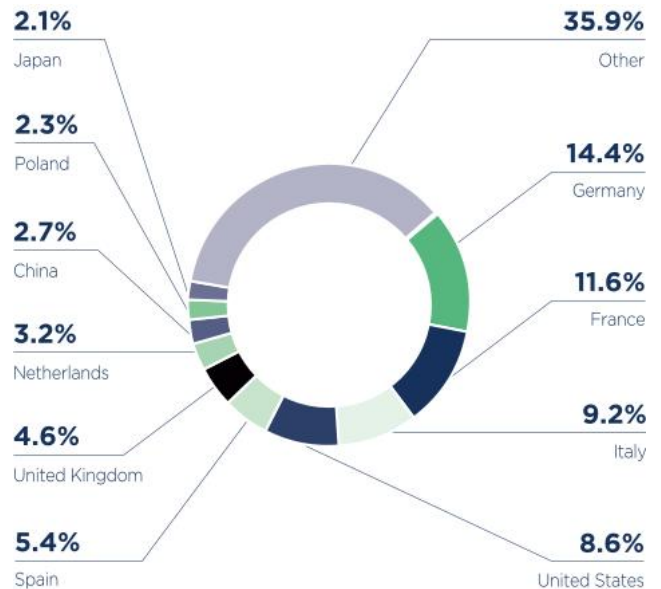
### Geographical distribution of risks

The debtors covered by the Group's credit insurance policies are mainly located in Western Europe. In the medium term, the Group considers that the consequences of Brexit, in particular the negotiation of the trade agreement between the United Kingdom and the European Union, will determine the future evolution of risks; Coface is adjusting its monitoring of risks accordingly. As at 31 December 2017, 2018 and 2019, the top ten countries represented 64.8%, 64.0% and 63.7% respectively of the Group's total exposure (€569,151 million) arising from its credit insurance activities.

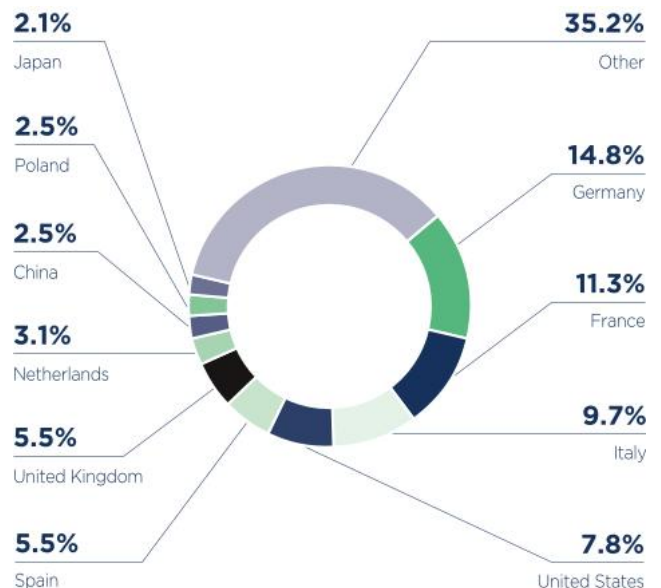
#### ► As at 31 December 2019



#### ► As at 31 December 2018



#### ► As at 31 December 2017





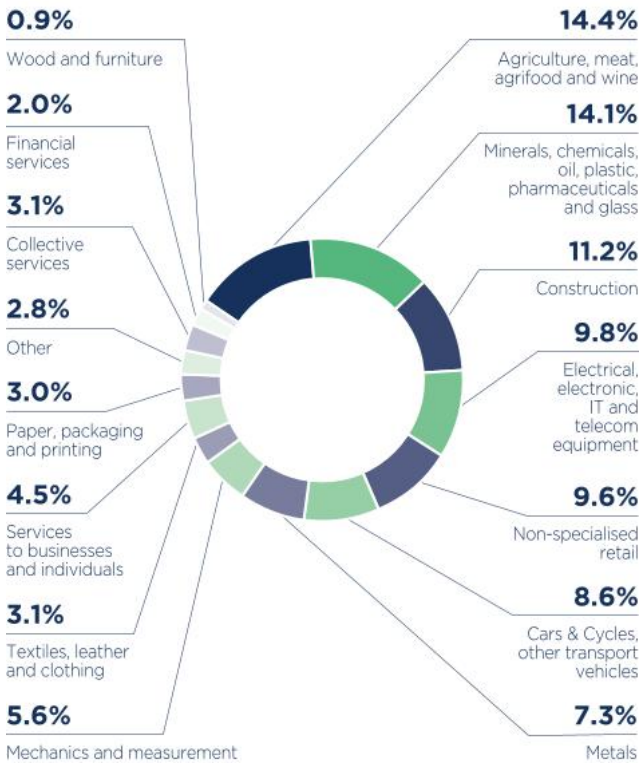
The following table shows the breakdown as at 31 December 2017, 2018 and 2019 of the Group's debtor receivables grouped by geographic region:

Group Regions	Outstandings* (in €m)		
	2019	2018	2017
Western Europe	116,862	115,090	111,110
Northern Europe	112,069	109,821	106,698
Asia-Pacific	75,857	72,561	65,968
Mediterranean & Africa	118,690	108,444	106,189
North America	60,736	54,027	46,861
Latin America	32,293	32,642	29,909
Central Europe	52,645	47,908	45,837
<b>TOTAL</b>	<b>569,151</b>	<b>540,492</b>	<b>512,572</b>

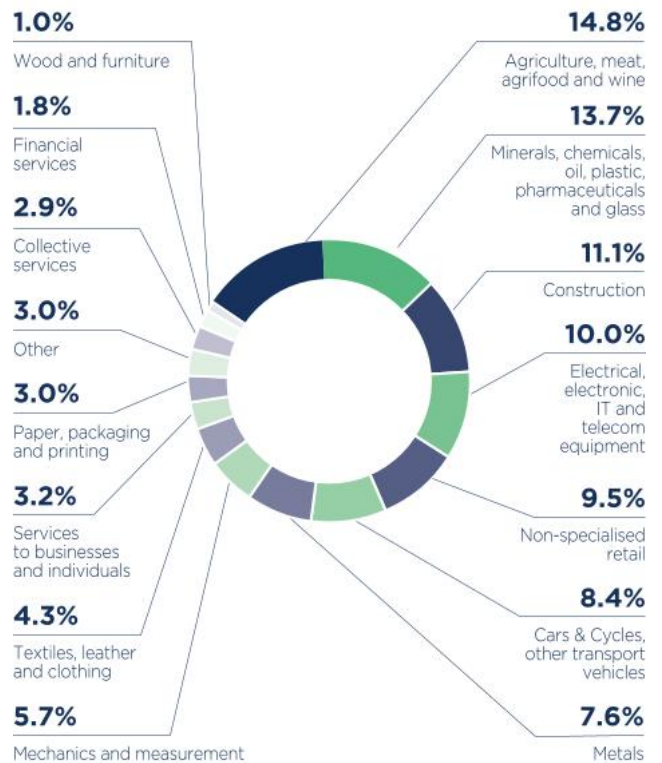
\* The outstandings shown are gross of reinsurance (direct business and inward reinsurance) and correspond to the maximum amount of cover granted by the Group to its policyholders. They do not correspond to the effective use thereof by the policyholders.

Exposure by debtor activity sectors

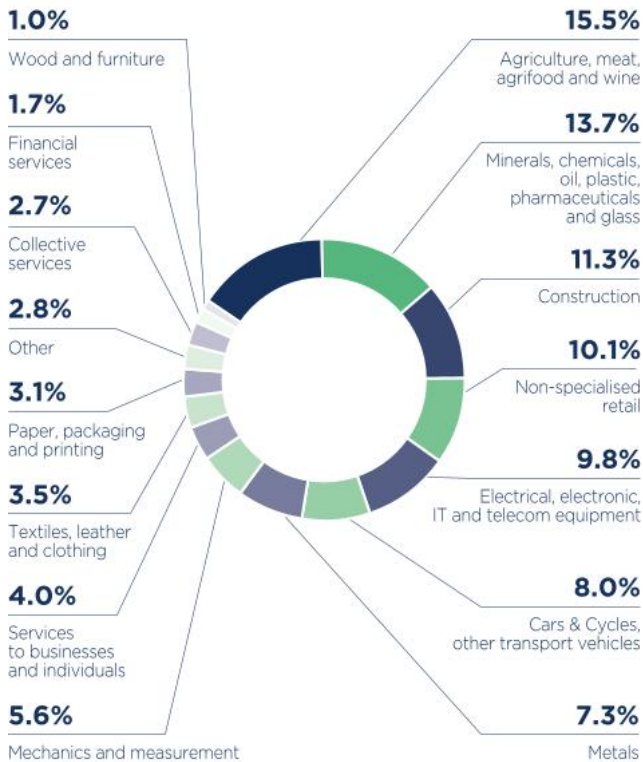
► As at 31 December 2019



► As at 31 December 2018



► As at 31 December 31,2017



### Term of risks

More than 95% of the Group's outstandings consist of short-term risks. The maximum credit term mentioned in its policies rarely exceeds 180 days.

Level two controls ensure that the Group's rules on credit risk are properly observed.

### Measuring risks linked to the factoring business

The Factoring operation is a mean of financing by which a company assigns the receivables due from its clients to a financial organisation, called a factor, under the terms of a contract entered into between the two parties. The Company assigns its rights (subrogation) to the factor in return for rapid financing of its receivables, for a fee (commission on the services and interest on the financing).

The factor thus finances the Company in advance, which enables the Company to optimise its cash flow, and is in turn reimbursed through settlement by the debtors, either by direct collection (recourse factoring) or via a credit insurance policy taken out by the Company (non-recourse factoring), in the event of debtor non-payment or insolvency.

When the contract is negotiated, the type of product, the analysis of the client's creditworthiness, the quality of the receivable and the portfolio of debtors, as well as the terms and pricing applied, influence the risk associated with financing the receivables.

The risks are covered by guarantee funds or reserves (a holdback is applied on the financing portion) on each contract, to which can be added a specific reserve fund based on a prior assessment of:

- ◆ the technical risk: failure to pay in full the invoices financed by the factor, for reasons other than debtor insolvency (dilution risk);
- ◆ the ceding company risk: potential irrecoverable losses in the event of client insolvency or default (Loss Given Default).

The ceding company risk is assessed by:

- ◆ an analysis of clients' financial position using internal rating tools;
- ◆ an on-site audit to check the reliability of internal procedures (tools, receivables, deliveries, payments, recovery, etc.) for any new or existing client;
- ◆ daily checks of invoices and financing.

Debtor risk is managed in two ways, by a recourse or a non-recourse contract:

- ◆ non-recourse: a Group credit insurance policy is taken out by the client to protect it against the risk of unpaid accounts receivable;
- ◆ recourse: the factor alone does not assume the purchaser insolvency risk and has recourse against their Client for the unpaid invoices.

The factoring business is governed by specific Group rules, authorising two Group companies, Coface Finanz (Germany) and Coface Factoring Poland (Poland), to market factoring products.

A single tool (Magellan) provides the framework for the factoring business and brings together all the data relating to the life of the contracts: client data, buyers, invoices, contracts.

The factoring outstandings are recorded in the Group tool (ATLAS) enabling consolidated management of its exposure to a buyer or a group of buyers.

The subsidiaries have adopted a specific organisational structure and internal control procedures for daily monitoring of transactions (financing flows, late payment by debtors).

A new Group-level structure has been in place since April 2017 with the creation of the Group Commercial Underwriting Department and a dedicated team that oversees the factoring business.

In addition to a level two control to ensure compliance with Group rules on the factoring business, delegations are granted to entities that require, in addition, an agreement between the Group Risk Underwriting Department and the Group Subscription Department.

Factoring activities are covered by the Group's reinsurance treaty (buyer risks by the credit insurance section and ceding company risks by a dedicated factoring section).

## Operational and non-compliance risks

### Definitions

#### Operational risk

Operational risk is defined as the risk of direct or indirect losses, due to an inadequacy or failure attributable to procedures and persons in all business areas, to internal systems or to external events, including the risk of internal and external fraud.

Operational risk also includes the notion of legal risk, including the risk of dependency. The Group does not consider that its business or profitability is dependent on any trademarks, patents or licences. Indeed, as part of its business selling credit insurance solutions and additional services, the Group does not hold any patent. The name Coface is protected by trademark registration, including in France. Lastly, the Group has registered a number of trademarks, logos and domain names used in its businesses worldwide.

#### Non-compliance risk

The non-compliance risk is defined as the risk of non-compliance with the laws, regulations or internal policies and rules of the Group that may lead to sanctions, financial losses and damage the Group's reputation (image risk).

This risk constitutes the risk of judicial, administrative or disciplinary sanctions, significant financial loss or damage to reputation, which arises from non-compliance with provisions specific to banking and financial activities, whether legislative or regulatory in nature, whether under national or directly applicable European provisions, or whether it involves professional and ethical standards, or instructions from effective managers taken in particular in accordance with the guidelines of the supervisory body.

### Measures

#### Operational risk mapping

In order to improve the understanding of its operational risks, the Group is carrying out a mapping in accordance with so-called "qualitative" methodology.

For each business or support process, a list is drawn up of the significant risk situations which may affect this business or support.

The risk assessment performed by each entity is based on an assessment of its frequency and intensity of impact, as well as the effectiveness of level one controls. A four-level assessment scale is applied (low, medium, significant, high).

Each risk situation is the subject of a detailed description incorporating an assessment of the inherent risk (i.e. before level one controls), a description and evaluation of the level one controls, and an evaluation of the residual risk and potential action plans.



#### Reporting incidents and losses

An incident is the occurrence of an operational risk that could result in, or could have resulted in, a financial loss, an unjustified profit, or in other non-financial consequences.

An inventory is made of operational incidents and losses. A summary is produced each month and distributed during the Coface Group Risk Committee (CGRC) meeting.

The incidents reported are corrected and are taken into account when updating the operational risk map.

#### Action plans and reporting

The purpose of implementing the measures described above is to fully identify the operational risks. When necessary, preventive or corrective action plans for the reduction or control of operational risks are defined and rolled out.

The Group Risk Department is responsible for reporting to the CGRC and the Group's management bodies.

#### Business continuity

Each Group entity has a business continuity plan (BCP) to deal with any temporary or permanent unavailability of its premises, information systems or staff.

The BCP is prepared based on Group rules, supplemented by rules on mutual assistance between entities and remote working, for which three tests were conducted in 2019. These rules constitute the Group's business continuity policy. Each entity carries out its business continuity plan locally. User needs and resources are identified via a business impact analysis.

The overall approach is in line with the principal standards for business continuity. The main operational components of the BCP are the crisis management plan and the business line continuity plans. Back-up of the main data and IT applications used by the Group is ensured by two separate data processing centers located in the Paris region, remote from each other and operating in "active-active" mode.

### Risks related to cybersecurity

Coface has developed security standards for its information systems which include a set of policies, rules, procedures and standards applicable at the various levels of the organisation.

Several measures have been introduced to minimise the risk of malicious acts, data theft, hacking of the information system, deletion of corporate websites, alteration of information, premature stoppage of services by saturation of networks or websites, specifically:

- ◆ general maintenance of infrastructure at the latest software version level;
- ◆ distribution of security patches according to a recurring procedure;
- ◆ search for weaknesses in our infrastructure with the implementation of an ongoing process of vulnerability management;
- ◆ evaluation of the robustness of our infrastructure with the implementation of simulated attacks carried out by specialised firms;
- ◆ evaluation of the resilience of our internal applications to attacks by specialised firms through the implementation of a code audit;
- ◆ reduction of the human risk through awareness-raising campaigns on IT system security in the form of e-learning, communication by email, or the distribution of posters or brochures;
- ◆ implementation of a control program designed to prevent risks.

Information systems security is managed by a dedicated committee.

### Financial risks

#### Definition

Financial risk covers all risks related to the management of assets and liabilities. They include: interest rate risk, foreign exchange risk, liquidity risk, equity risk, real estate risk, spread risk, and counterparty risk:

- ◆ interest rate risk represents the sensitivity of the value of assets, liabilities and financial instruments to changes in the yield curve or the volatility of interest rates;
- ◆ foreign exchange risk represents the sensitivity of the value of assets, liabilities and financial instruments to changes affecting the level or volatility of exchange rates;

- ◆ liquidity risk represents the inability to meet contractual or contingent payment obligations;
- ◆ equity risk arises from the sensitivity of the value of assets, liabilities and financial instruments to changes affecting the level or volatility of the value of equity markets;
- ◆ real estate risk represents the sensitivity of the value of assets, liabilities and financial instruments to changes affecting the level or volatility of the value of real estate markets;
- ◆ spread risk represents the sensitivity of the value of assets, liabilities and financial instruments to changes affecting the level or volatility of credit spreads compared to the risk-free yield curve;
- ◆ counterparty risk represents the unexpected default, or deterioration in the credit quality, of the Company's counterparties and debtors.

The Group has introduced an investment policy that takes into account the management of financial risks through the definition of its strategic allocation, the regulations applicable to insurance companies, and the investment constraints resulting from the management of its liabilities. The investment strategy applied must enable the Group to honour its commitments to its policyholders, while optimising the investments and their performance within a defined risk framework.

The Group's investment policy is reviewed twice a year and covers, in particular, strategic asset allocations, the asset classes and products eligible for investment, the target maturity of the portfolio, the management of any hedges, and the policy for managing the Group's revenue. The allocations defined twice a year are based on an analysis of the liabilities, on simulations and stress tests of the returns or risks of the various asset classes in the portfolio and on compliance with the defined parameters related to the Group's business and its commitments: target sensitivity, capital consumption, maximum loss depending on the behaviour of financial markets, and on the quality and liquidity of the investment portfolio.

The control of financial risk is based on a rigorous system of standards and controls that are constantly being reviewed.

## Measures

As an insurance company, the Group maintains an allocation that is mainly focused on fixed income products offering it more stable recurring revenue.

Investment portfolio (fair value)*	As at Dec. 31					
	2019		2018		2017	
	(in €m)	(as a %)	(in €m)	(as a %)	(in €m)	(as a %)
Equities	175	6.1%	178	6.6%	207	7.5%
Bonds	2,119	74.4%	1,775	65.6%	1,785	64.7%
Loans, deposits and other business investments	319	11.2%	525	19.3%	549	19.9%
Investment property	236	8.3%	227	8.4%	219	7.9%
<b>TOTAL</b>	<b>2,848</b>	<b>100.0%</b>	<b>2,705</b>	<b>100.0%</b>	<b>2,760</b>	<b>100.0%</b>

\* Excluding unconsolidated subsidiaries.

As at 31 December 2019, bonds accounted for 74.4% of the total investment portfolio.

The Group, as part of the strategic allocation, has reduced its exposure to the sovereign debt of developed markets

and money market products, in favour of investment grade corporate bonds and debts of mainly investment grade emerging countries.

Breakdown by type of debt in the bond portfolio (fair value)	As at Dec. 31					
	2019		2018		2017	
	(in €m)	(as a %)	(in €m)	(as a %)	(in €m)	(as a %)
Sovereign and similar	1,013	47.8%	963	54.2%	882	49.4%
Non-sovereign	1,106	52.2%	812	45.8%	903	50.6%
<b>TOTAL</b>	<b>2,119</b>	<b>100.0%</b>	<b>1,775</b>	<b>100.0%</b>	<b>1,785</b>	<b>100.0%</b>

These investments are all made within a strictly defined risk framework; issuer credit quality, issue sensitivity, and the spread of risk across issuers and geographic regions are covered by clear rules defined in the various management mandates granted to the Group's dedicated asset managers.

Specific limits that apply to the entire investment portfolio are defined in terms of portfolio pricing, and by

counterparty and country limits. Regular monitoring is also conducted on the liquidity of the portfolio, on the changes in spreads and on the Group's aggregate exposure to the main asset/liability risks. Lastly, hedges are made, when appropriate: they are systematic on foreign exchange risk and discretionary on interest rate and spread risk.

As at 31 December 2017, 2018 and 2019, the main features of the bond portfolio were as follows:

Distribution of the bond portfolio by geographical area (fair value)	As at Dec. 31					
	2019		2018		2017	
	(in €m)	(as a %)	(in €m)	(as a %)	(in €m)	(as a %)
Asia – Developed countries	294	13.9%	248	14.0%	230	12.9%
Emerging countries <sup>(1)</sup>	267	12.6%	165	9.3%	171	9.6%
Eurozone	925	43.6%	833	46.9%	779	43.6%
Europe outside the eurozone <sup>(2)</sup>	192	9.0%	132	7.4%	144	8.1%
North America	430	20.3%	397	22.4%	461	25.8%
Supranational	12	0.5%	0	0.0%	0	0.0%
<b>TOTAL</b>	<b>2,119</b>	<b>100.0%</b>	<b>1,775</b>	<b>100.0%</b>	<b>1,785</b>	<b>100.0%</b>

(1) Countries where the Group is present, primarily Brazil and Mexico.

(2) Mainly the United Kingdom and Switzerland.

The investment portfolio is mainly exposed to developed countries in the eurozone and North America. Exposures to Greece's sovereign debt are still zero. In 2019, the Group continued to increase its international diversification, particularly via emerging countries, in order to take

advantage of higher rates of return and to track the various increases in rates, or to reduce the cost of currency hedging.

The bond portfolio remains primarily invested in investment grade<sup>(1)</sup> companies and countries.

Breakdown by rating* of bonds in the bond portfolio (fair value)	As at Dec. 31					
	2019		2018		2017	
	(in €m)	(as a %)	(in €m)	(as a %)	(in €m)	(as a %)
AAA	245	11.6%	284	16.0%	341	19.1%
AA - A	929	43.8%	755	42.5%	663	37.1%
BBB	776	36.6%	588	33.1%	587	32.9%
BB - B	168	7.9%	148	8.4%	193	10.8%
CCC and below	1	0.1%	0	0.0%	1	0.1%
<b>TOTAL</b>	<b>2,119</b>	<b>100.0%</b>	<b>1,775</b>	<b>100.0%</b>	<b>1,785</b>	<b>100.0%</b>

\* Average rating between Fitch, Moody's and Standard & Poor's.

Also, investments in corporate bonds account for 52.2% of the bond portfolio, with more than 90% in investment grade companies. These investments were made within the framework of a strictly defined risk policy, and particular care was taken with regard to issuer quality, issue sensitivity, and the spread of issuers' positions and geographic regions in the various management mandates granted to the Group's dedicated managers.

The Group's interest rate risk on its financial portfolio is limited, since the maximum authorised sensitivity for the bond asset class is deliberately capped at 4<sup>(2)</sup>. The sensitivity of the bond portfolio was 3.9 at 31 December 2019.

Finally, the Risk Committee's semi-annual meetings systematically review the portfolio's spread and liquidity risks.

### Hedging policy

The Group's Investment Department, which is responsible for directing its investments and managing its investment portfolio, may authorise the use of hedges against the risk of interest rate hikes, through forward financial instruments (swaps, futures, options) on regulated markets or over the counter with counterparties rated A- or higher.

These transactions are carried out exclusively for hedging purposes and in strict compliance with the regulations applicable to insurance companies. The nominal amount of the hedge is then strictly limited to the amount of underlying assets held in the portfolio (equities or fixed income products) in order to hedge assets actually held in the portfolio.

The Company and Coface Re were partially hedged against the risk of a rate hike and the risk of a fall in the equity markets. The first hedge was based on exposure to German sovereign rates in the investment portfolio through futures; this hedging was stopped during the first quarter of 2019. As at 31 December 2019, the second aims to hedge the equity exposure of the investment portfolio, particularly using out-of-the-money long-term put options. The level and management of these hedges are defined and reviewed depending on the market conditions and management of the levels of unrealised gains and losses at the monthly Investment Committee meetings between the Group's management and the manager of the Amundi investment platform.

### Foreign exchange risk

As at 31 December 2019, 37.9% of the Group's consolidated revenue was earned outside the eurozone, and thus subject to exchange rate risk.

Subsidiaries or branches whose accounts are drawn up in euros and which underwrite in other currencies must comply with the same matching principles (matching of assets and liabilities denominated in a currency other than that used as a reference for issuing accounting statements). Exceptionally, open positions in other currencies may be hedged. The Group does not make foreign currency investments for speculative purposes.

The great majority of the Group's investment instruments are denominated in euros. Exposure of the investment portfolios to foreign exchange risk is limited: as at December 31, 2019, more than 72% of investments were denominated in euros.

(1) According to Standard & Poor's rating classification, all bonds rated at least BBB- are considered investment grade, and bonds with a rating of BB+ or lower are considered to be high yield.

(2) The sensitivity of a bond measures the loss of value of the bond in the event of a rise in interest rates. Thus, a bond with a sensitivity of 4 will see its market value fall by 4% if interest rates increase by 1%.

Breakdown of the investment portfolio by currency	As at Dec. 31					
	2019		2018		2017	
	(in €m)	(as a %)	(in €m)	(as a %)	(in €m)	(as a %)
EUR	2,058	72.3%	1,989	73.6%	1,942	70.4%
USD	341	12.0%	323	12.0%	423	15.3%
Other*	449	15.8%	392	14.5%	395	14.3%
<b>TOTAL</b>	<b>2,848</b>	<b>100.0%</b>	<b>2,705</b>	<b>100.0%</b>	<b>2,760</b>	<b>100.0%</b>

\* Mainly Singapore dollar, pound sterling, Hong Kong dollar, and Canadian dollar.

Moreover, for the greater part of the portfolio, which includes all of the Group's European entities, foreign exchange risk is systematically hedged for foreign currency investments that do not apply the matching principle. Therefore, as at 31 December 2019, investments in bonds denominated in US dollars, pound sterling, yen, Norwegian krone and Swedish krona in this portfolio were

systematically hedged against the euro by the managers responsible for the portfolios concerned. Foreign currency transactions carried out by subsidiaries are monitored by the Group in order to decide, on a case-by-case basis, on the need to put in place the associated hedges.

► Sensitivity to exchange rate risk of the net income of entities denominated in foreign currencies

	Average exchange rate (Dec. 2019)	Net income (Group share) in €k as at Dec. 31, 2019	Net income (Group share) in thousands of foreign currency as at Dec. 31, 2019	Assumption - 10% variation in the exchange rate	Net income (Group share) in €k after exchange rate changes	Rate difference between actual rate and exchange rate fluctuating by 10%
Brazilian real	0.2266	926	4,088	0.2492	1,019	93
Canadian dollar	0.6732	3,036	4,510	0.7405	3,340	304
Swiss franc	0.8988	5,387	5,994	0.9887	5,926	539
Pound sterling	1.1401	13,322	11,685	1.2541	14,654	1,332
Hong Kong dollar	0.1140	8,923	78,268	0.1254	9,815	(892)
Mexican peso	0.0464	(2,503)	(53,941)	0.0510	(2,753)	(250)
Polish zloty	0.2327	8,907	38,272	0.2560	9,797	891
Romanian leu	0.2107	2,544	12,074	0.2318	2,798	254
Russian rouble	0.0138	3,683	268,796	0.0152	4,051	1,368
Singapore dollar	0.6549	(3,263)	(4,982)	0.7204	(3,589)	(326)
US dollar	0.8932	1,309	1,466	0.9826	1,440	131
Other		(4,102)			(4,513)	(410)
Euro		108,559			108,559	
<b>TOTAL</b>		<b>146,729</b>			<b>150,545</b>	<b>3,817</b>

### Liquidity risk

The Group's bond portfolio has a short duration, in keeping with its liabilities. The breakdown of bond durations is presented below:

Breakdown of the bond portfolio by duration	As at Dec. 31					
	2019		2018		2017	
	(in €m)	(as a %)	(in €m)	(as a %)	(in €m)	(as a %)
< 1 year	443	20.9%	316	17.8%	366	20.5%
1 year < > 3 years	569	26.8%	593	33.4%	562	31.5%
3 years < > 5 years	438	20.7%	418	23.5%	366	20.5%
5 years < > 10 years	572	27.0%	415	23.4%	451	25.3%
> 10 years	97	4.6%	33	1.9%	40	2.2%
<b>TOTAL</b>	<b>2,119</b>	<b>100.0%</b>	<b>1,775</b>	<b>100.0%</b>	<b>1,785</b>	<b>100.0%</b>

As at 31 December 2019, 47.7% of the securities in the bond portfolio have a duration of less than three years.

The liquidity position of an insurance company is valued by standards which measure the Company's ability to meet its financial obligations.

### Equity risk

Equity markets are characterised by volatility which creates a significant risk for an insurer subject to specific rules in terms of reserves (provisions for long-term depreciation) and capital consumption (Solvency II Directive).

In this context, the Group once again reviewed its equity exposure in 2019 through work on the review of its strategic asset allocation. Its potential equity exposure is thus strictly limited to less than 10% of its portfolio and is concentrated in the eurozone, in line with its core business. The Group has no specific concentration of its equity risk on one or more economic sectors. Management is calibrated against the MSCI EMU benchmark <sup>(1)</sup>. These investments are also subject to a discretionary hedge put in place to mitigate any potential extreme shocks. The hedging strategy is dynamic: its level, its scope and its magnitude are defined by the Investment Department working with the manager responsible for the management platform.

As at 31 December 2019, equities accounted for 6.1% of the investment portfolio, of which 5.6% were equities listed on a market in the eurozone. These investments were partially hedged to the Euro Stoxx 50 index. These hedges may be adjusted according to the investments and the amount of the unrealised losses or gains on the shares held.

### Real estate risk

Under the Group's strategic allocation, real estate represents a limited portion of the Group's assets at less than 8%, due to the low liquidity of this asset class. The Group's current portfolio consists of property used within the context of its operating activities, as well as funds with underlying real estate.

The real estate risk is the risk of seeing a reduction in market value, thereby impacting the unrealised gains recorded for this real estate, or even of recording unrealised losses.

As at December 31, 2019, the Group had real estate exposure with a fair value of €279.8 million, consisting of €44.0 million in commercial property and €235.8 million in non-listed real estate.

### Concentration risk/counterparty default risk

The Group has adopted an investment policy that defines a comprehensive counterparty risk management framework. The approach consists in defining limits for bond investments and consolidating all exposures across all financial instruments in order to circumscribe the potential total loss for the Group following default by or bankruptcy of the counterparty concerned.

A maximum limit for exposure to a single counterparty (excluding sovereign instruments) has been set as a percentage of the investment portfolio. This is set at 5% of assets under management, with possible exceptional and temporary derogations for exposures related to short-term investments.

As at 31 December 2019, the 10 main exposures in the bond portfolio to private issuers were €157.2 million, or 7.4% of the fair value of the bond portfolio.

More generally, the Group has implemented management rules within its investment portfolio and for all asset classes that require geographic and sectoral diversification of risks in order to protect against or mitigate a potential default.

The tables below, which enable the sensitivity of the portfolio to be measured using the so-called IFRS 7 benchmark method, show that the portfolio, excluding the impact of equity rate hedges, is, at December 31, 2019, slightly more sensitive to the combined effects of a 100 bps increase in bond rates and a 10% fall in the equity market than it was on December 31, 2018. This is due to the rise in our exposure to the corporate debt and emerging debt markets.

(1) Published by Morgan Stanley Capital International, the MSCI EMU index is an index weighted by the free float-adjusted market capitalisation, designed to measure the performance of equity markets in the eurozone countries.



► Sensitivity of the portfolio to changes in equity and bond markets as at 31 December 2019

(in millions of euros)	Market value as at Dec. 31, 2019	Impact of a 100 bps rise in interest rates <sup>(1) (2)</sup>	Impact of a 10% fall in equity markets <sup>(2)</sup>	Impact of a 20% fall in equity markets <sup>(2)</sup>
Bonds	2,119	(82.6)		
Equities	175		(17.5)	(34.9)
<b>TOTAL</b>	<b>2,294</b>	<b>(82.6)</b>	<b>(17.5)</b>	<b>(34.9)</b>

(1) Average sensitivity of the bond portfolio at end 2019: 3.9.

(2) Excluding any hedging impact.

► Sensitivity of the portfolio to changes in equity and bond markets as at 31 December 2018

(in millions of euros)	Market value as at Dec. 31, 2018	Impact of a 100 bps rise in interest rates <sup>(1) (2)</sup>	Impact of a 10% fall in equity markets <sup>(2)</sup>	Impact of a 20% fall in equity markets <sup>(2)</sup>
Bonds	1,775	(62.5)		
Equities	178		(17.8)	(35.6)
<b>TOTAL</b>	<b>1,953</b>	<b>(62.5)</b>	<b>(17.8)</b>	<b>(35.6)</b>

(1) Average sensitivity of the bond portfolio at end 2018: 3.52.

(2) Excluding any hedging impact.

► Sensitivity of the portfolio to changes in equity and bond markets as at 31 December 2017

(in millions of euros)	Market value as at Dec. 31, 2017	Impact of a 100 bps rise in interest rates <sup>(1)</sup>	Impact of a 10% fall in equity markets <sup>(2)</sup>	Impact of a 20% fall in equity markets <sup>(2)</sup>
Bonds	1,785	(63.5)		
Equities	207		(20.7)	(41.4)
<b>TOTAL</b>	<b>1,992</b>	<b>(63.5)</b>	<b>(20.7)</b>	<b>(41.4)</b>

(1) Average sensitivity of the bond portfolio at end 2017: 3.6.

(2) Excluding any hedging impact.

To the extent that shares and bonds are accounted for in the available-for-sale category, sensitivity would have an impact on "other comprehensive income", to which shareholders' equity is sensitive. Unrealised gains and losses on these financial securities have no impact on net income, except for any impairment recorded. In the event of a sale, the resulting profit or loss would have an effect on the operating income in the income statement.

## Reinsurance risks

### Definition

Given its risk appetite, the Group reinsures itself against the extreme risks that it could suffer.

Reinsurance generates four types of risk:

- ◆ the residual insurance risk that may arise from differences between the requirement for reinsurance and the actual coverage provided for in the treaty;
- ◆ the counterparty risk that results from the potential inability or refusal of the reinsurer or a treaty party to meet its obligations to the ceding insurer;

- ◆ the liquidity risk arising from the possible delay between the payment of the benefit by the insurer to its policyholder and the receipt of the reinsurance benefit;
- ◆ the operational risk related to the execution of the treaty.

### Measures

#### Intra-group risk sharing and reinsurance

In order to optimise its cover against an abnormal deviation of the loss experience, the Group centralises the purchasing of its reinsurance with the use of a sophisticated risk-sharing mechanism.

The lead company, which centralises this purchasing function, negotiates cover on behalf of the Group's insurance entities for frequency and peak risks that best meets their operational needs. The Company held this role until the end of 2014 and was replaced by Coface Re SA as of January 2015.

The objective of setting up Coface Re SA is to isolate the Group's reinsurance flows as part of a special entity, to continue streamlining the coverage plans of the Group's entities and partners, and to increase the range of services available to its international clients.

In 2019, the external reinsurance programme for the subscription year (excluding Stop Loss) was as follows:

- ◆ two quota-share treaties with a total rate of 26%, identical to the 2018 rate;
- ◆ two excess loss treaties, one per risk and the other per country (only on Single Risk), protecting the Group's retention after quota-share transfer such that no one single loss represents, after tax, more than 3% of the Group's equity; and
- ◆ a Stop Loss treaty protecting the Group's accounting year retention, after quota-share and excess loss, against a sharp increase in loss experience.

The Group's 2019 reinsurance treaties were signed with a pool of 24 reinsurance companies. All these reinsurance companies on the 2019 panel are rated between A- and AA by one of the major international rating agencies.

The Group continues to require systematic collateral from its reinsurers (cash, securities, letters of credit) on all proportional treaties including IBNR. This objective was fully achieved as at December 31, 2019 for all counterparties of its master treaty. The collateral requirements apply on a case-by-case basis to excess claims based on the Group's assessment and are updated annually. Under the 2019 reinsurance treaty, the Group's top three reinsurers represent a 39.5% share of the reinsured risks.

Since these treaties were established in 1990, the Group has never had to face a claim that surpassed an excess loss reinsurance treaty.

Coface Re SA has been a reinsurer for Group entities and members of the Coface Partners network since 2015, and transfers the externally purchased coverage through the programs described below. It also ensures that the conditions offered to the entities concerned prompt them to control their loss experience as best as they possibly can.

## 5.2 RISK FACTORS

Prior to making a decision to invest in the shares of the Company, prospective investors should consider carefully all the information set out in this document, including the risks set out below. Such risks are, as of the date of this report, the risks that the Group believes, were they to occur, could have a material adverse effect on the Group, its business, its financial position, its operating results or outlook, and which are material in making an investment decision. Further information relating to risk management is presented in Section 5.1 “Risk Management and Internal Control”. Prospective investors should nonetheless note that the risks described in this chapter may not be comprehensive, and that there may be additional risks that are not currently known or whose occurrence, as of the date of the Universal Registration Document, is not considered likely to have a material adverse effect on the Group, its business, its financial position, its operating results or outlook.

The Group operates in a rapidly evolving environment that leads to numerous external risks, in addition to the risks inherent in the conduct of its businesses. This chapter identifies the significant risk factors to which the Group believes it is exposed and their management.

The Group has assessed its risks based on their likelihood of occurrence and their potential impact.

The table below sets out the main risks to which the Company is exposed. It was established from the risk mapping reviewed in January 2020 for all risk factors, except the risks related to the coronavirus epidemic, evaluated at the end of March 2020.

Risk categories	Risk factors	Frequency	Impact	Changes in these risks
Credit risk	Risk on premiums collected	High	High	↓
	Risks related to the establishment of insurance technical provisions, depreciation and the assumptions used	High	High	↓
Financial risks	Risks related to the investment portfolio	Medium	Medium	↑
	Risks related to exchange rate fluctuations	Medium	Medium	↑
Strategic risks	Risks related to the competitive environment	High	High	→
	Risks related to the regulatory environment (legal and accounting)	High	High	↓
	Risks related to the Group’s international activities	Medium	Medium	→
Operational and non-compliance risks	Non-compliance risk	Medium	High	↓
	Risks related to digital transformation	Medium	High	↑
	Risks related to information systems and cybersecurity	High	High	↑
	Attracting and retaining talent	Medium	Medium	↑
Reinsurance risks	Risks related to relations with reinsurers, the capacity of the reinsurance market and reinsurance costs	Medium	Medium	→

## 5.2.1 Credit risks

### Definition

Credit risk is defined as the risk of loss, owing to non-payment by a debtor, of a receivable owed to a policyholder insured by the Group.

The credit risk may be aggravated owing to the concentration of our exposures (countries, sectors, debtors, etc.). Traditionally, there is a distinction between frequency risk and peak risk:

- ◆ frequency risk represents the risk of a sudden and significant increase in unpaid receivables for a multitude of debtors;
- ◆ peak risk represents the risk of abnormally high losses being recorded for a single debtor or group of debtors, or of an accumulation of losses for a given country.

### Risk on premiums collected

The premium on a credit insurance policy is assessed on the revenue earned by the policyholder during the period covered by the policy, on an insured risk on client receivables or on a capped insured receivable, which are themselves a function of the turnover generated by the policyholder during the period covered by its credit insurance policy. The total volume of premiums collected by the Group thus depends on its policyholders' revenue, namely the volume of sales actually generated by them during the periods covered by their respective credit insurance policies, and covered by these policies.

The Group's credit insurance policies include a minimum lump sum premium, calculated on the basis of an estimate of the volume of sales that will be made by a policyholder over the period covered by these policies. This minimum is generally invoiced according to a quarterly schedule, the first payment being due on the date when the policy comes into effect. The volume of sales actually made by the policyholder, which allows the final premium to be determined, is only known at the end of the period covered by the policy. The amount of the final premium, assessed on the volume of sales made by the policyholder, is generally higher than the amount of the minimum fixed premium already invoiced. An adjustment premium, representing the difference between the lump sum premium already invoiced and the final premium, is then invoiced to the policyholder. However, if the total premium calculated on the basis of the volume of sales made by the policyholder is lower than the amount of the fixed premium, this difference is retained by the Group.

Although a deterioration in the economic environment may lead to an increase in the level of premiums received by the Group, resulting from the signing of new policies (either by new policyholders seeking cover or by existing policyholders extending their cover) or from an increase in the insurance premium rates, an economic slowdown, in particular within the eurozone where a large proportion of the Group's policyholders are located, could also result in a reduction in the volume of insurance premiums, due to a slowdown in business experienced by policyholders.

### Risk management on premiums collected

Risk management on premiums collected relates both to management of the risk of underpricing and to the fact that all premiums might not be collected.

There is a centralised pricing tool within the Group and the actuarial function has conducted preliminary studies on the adequacy of premiums for specific areas of commercial underwriting, using the partial internal model. The results of these studies did not reveal any particular inconsistencies in pricing.

### Risks related to the establishment of insurance technical provisions, depreciation and the assumptions used

The insurance policies managed by the Group's insurance subsidiaries meet the definitions of insurance contracts provided by IFRS 4. These policies give rise to the recognition of technical provisions on the liabilities side of the balance sheet, which are measured based on French GAAP accounting standards. A liability adequacy test is performed to verify that the technical insurance liabilities, as they appear in the consolidated financial statements, are sufficient to cover the future cash flows estimated at that date.

The Group makes estimates when establishing technical provisions which are primarily based on statistics and assumptions about changes in events and circumstances related to the policyholders and their debtors, as well as their economic, financial, social, regulatory and also political environment. These estimates may turn out to be different or insufficient when compared to actual events and circumstances observed subsequently, especially if they simultaneously affect its main portfolios. The use of these assumptions requires a high degree of judgement by the Group's management bodies, which may affect the level of the reserves recognised and therefore may have a material adverse effect on the Group's financial position, operating results and solvency margin.

The Group holds business investments for which there is no active market or the observable values are either limited or unrepresentative. Their fair value is then measured using valuation techniques based on assumptions that require a high degree of judgement. The valuations and estimates are revised when new information becomes available. In light of this information and in accordance with its accounting principles and methods, as described in the Group's consolidated financial statements, its management bodies use their judgement to analyse the causes of any decrease in the estimated fair value of securities, its prospects of short-term recovery and the level of provisions that is considered adequate for the resulting impairments. The impairments or additional provisions could have a material adverse effect on the Group's operating results, financial position and solvency margin.

### **Risk management related to the establishment of insurance technical provisions**

Insurance technical provisions consist of a best estimate, estimated on the basis of local actuarial techniques, and a prudence margin, drawn up in accordance with directives communicated by the Group. The level of provisions ultimately proposed is subject to regional and local validation by a specific committee.

Finally, as part of the work carried out by the actuarial function on technical provisions, the level of prudence used in the IFRS provisions is analysed and is subject to a documented check in the actuarial report, presented to the Group's Board of Directors.

## **5.2.2 Financial risks**

### **Definition**

Financial risk covers all risks related to the management of assets and liabilities. They include: interest rate risk, foreign exchange risk, liquidity risk, equity risk, real estate risk, spread risk and counterparty risk (the details of these risks appear in Section 5.1).

### **Risks related to the investment portfolio**

The Group holds an investment portfolio primarily consisting of financial instruments. The fair value of this investment portfolio as of December 31, 2019 was €2,848.3 million (excluding cash equivalents and investments in unconsolidated subsidiaries). The Group operates a diversification policy for its investment portfolio that aims to comply with the current legal and regulatory provisions, as well as to achieve an optimal balance between risk and return (see also the paragraph on "Financial risks" in Section 5.1.3). The occurrence of any of the risks described below could nevertheless have a material adverse effect on its current and future revenue, net income, cash and financial position.

#### **Interest rate risk**

A significant portion of the Group's investment portfolio is invested in bonds. As at December 31, 2019, bonds accounted for 74.4% of the total fair value of its investment portfolio. The Group is thus subject to interest rate risk, including both interest rate and spread risk, which is particularly relevant to bonds. During a period when rates fall, there is a risk that the average portfolio interest rate will fall (reinvestment occurring at lower rates), or that the duration of the portfolio will increase (making the portfolio more sensitive to a future change in rates). Conversely, during a period when interest rates rise, there is a risk that the market value of the bond portfolio will fall, in which case the Group would have to record unrealised losses. Any significant variation in the value of its bond portfolio as a result of a change in interest rates could have a material adverse effect on its net income, cash, solvency margin and financial position.

#### **Counterparty risk**

As at December 31, 2019, more than 92% of the bonds held by the Group had a median rating of BBB- or above, allocated by at least one internationally recognised rating agency. At the same date, the exposure of its investment portfolio was primarily geared towards countries in the eurozone, with the exception of Greece. Despite this risk selection policy, it cannot be excluded that its investment

portfolio might experience significant changes in value due to persistent current and potential future tensions on the financial markets, in particular with regard to sovereign and corporate debt. These defaults or fears of defaults by public or private issuers or by any other third party, counterparties, financial institutions, clearing houses or stock markets could disrupt the market, cause increased volatility of financial instruments, result in a chain reaction of defaults, or even lead to general illiquidity, and could lead the Group to record losses or impairments on invested assets, or significant unrealised losses, or make it unable to meet future funding needs to honour its commitments. Such losses or impairments could harm the value of its investments and reduce its profitability, having a material adverse effect on its current and future revenue, net income, cash, solvency margin and financial position.

#### **Equity risk**

As at December 31, 2019, 5.6% of the Group's investment portfolio was invested in equity mutual funds and shares, exposing it to upward and downward fluctuations in the stock market which in turn depend on many exogenous factors. In the event of a drop in the securities to which its portfolio is exposed, it could be obliged to record unrealised losses, or even significant asset impairments, which could have a material adverse effect on its current and future revenue, net income, cash and financial position.

### **Interest rate and equity risk management**

To prevent the adverse effects of a variation in interest rates or equity prices, the Group has implemented an asset-liability management policy monitored by the Investment Department. On the asset and financial investment side of the balance sheet, the Strategic and Tactical Allocation work (defined twice a year at Group level) incorporates the constraints of duration and type of exposure of our liabilities by determining a general framework setting limits in terms of asset duration, weighting of cash investments in the portfolio, eligibility of assets to represent regulated commitments and liquidity of financial instruments held.

For the investment portfolio, in the context of financial management, indicators have been defined and are regularly monitored (rate sensitivity, historical volatility, credit risk, VaR, maximum drawdown, etc.) and monthly stress tests have been set up to highlight the main financial risks (interest rate, credit, liquidity, currency, concentration) that may impact the value of this portfolio in terms of financial income and associated revenues, as well from the perspective of the Company's balance sheet in terms of allocation to the Group's equity and thus to its solvency margin and return on equity.

Developing within an insurance context, the use of derivatives by the Group is within this context tightly restricted just to the hedging of risks (interest rate, currency, equity) and strictly prohibited as a speculative position. The setting up of hedges defined as strategic requires the agreement of the ALM Committee. These hedges are intended to protect Coface's balance sheet.

### Risks related to the Group's financing needs

The Group's liquidity requirements correspond, on the one hand, to coverage of its operating expenses, the settlement of claims and financial expenses and, on the other hand, to the liquidity needs of the factoring business in Germany and Poland. The main sources of liquidity for the insurance business are the insurance premiums received and the net income from investments. Liquidity to cover the financing requirements of the factoring business totalled €2,061.7 million at December 31, 2019 and corresponded to drawdowns under bilateral credit lines and overdraft facilities of a maximum amount of €897.5 million, to issuances made under its commercial paper programme for a total maximum amount of €650 million and a factoring receivables securitisation programme in Germany for a total maximum amount of €1,100 million. Any early termination of the securitisation programme or related financing in the event of default or a failure to comply with commitments could have a material adverse effect on its financial position.

As part of its financing policy, the Group accessed and is expected to continue to access the capital and loan markets. In this regard, it cannot guarantee that it will have sufficient financing or that capital or loan market conditions, particularly interest rates, and the perception on these markets of its financial position and outlook, will be favourable enough to access the funding (bank financing or fundraising on financial markets) required to develop its business, in particular to cover its operating expenses, claims settlement and financial expenses. The capital market has suffered, and could continue to suffer, from high volatility or from disruptions limiting the availability of market financing. Such insufficient liquidity and/or prolonged restrictions in accessing these forms of funding could have a material adverse effect on its business, financial position, operating results or outlook.

### Liquidity risk management

Liquidity risk is monitored through analysis by the Treasury Department, Investment Department and Group ALM of the cash flow availability and projections of the various entities across the entire scope. This data is subject to constant analyses allowing cash to be managed for monetary or financial investment purposes in the event of recurring excess liquidity. The Group Treasury supports liquidity within the Group via cash management agreements that may be drawn up between entities to secure cash agreement requirements and provide flexibility in financing needs.

Moreover, the investment policy implemented is geared towards very liquid investments enabling a reduction of fixed-income portfolios at limited cost and with a lower discount on the instruments held regardless of market conditions. The interest rate product investment portfolio (a very large part of the Group's overall asset allocation) is invested almost exclusively in a fixed (more easily

modelled) rate and also has a short duration (less than four years) in relation to the Group's liabilities and its credit insurance business. In addition, the investment portfolio must also retain a significant portion of its assets in highly liquid cash products, allowing full mobilisation of the amounts invested within a period of less than 15 days. The ALM Committee sets this portion on the basis of periodic stress tests conducted.

The liquidity of this portfolio is regularly monitored via market indicators (trends in flows, spreads, purchase and sale ranges), internal Coface indicators and the Amundi asset manager, which carries out regular analyses for Coface on the deadlines and costs of liquidation of all lines in portfolios under current market and stress conditions. Coface ensures that, at any time, its portfolio can be liquidated to a significant extent and in less than one month.

At the ALM Committee, a static and dynamic balance sheet run-off is carried out by maturity in order to monitor any liquidity gaps and the ability to absorb a predefined shock. According to this study, cash levels may be reviewed, as well as the average duration of the investment portfolio.

The ALM Committee must also take into account in its liquidity studies any changes to the scope and any new planned activities impacting the Group's liquidity.

### Risks related to hedging the Group's solvency (SCR ratio)<sup>(1)</sup>

Solvency II, which has been applicable since January 1, 2016, is aimed in particular at a better understanding of insurers' risks. In this respect, these regulations include solvency capital requirements (SCR) that set capital adequacy requirements for insurers for the purpose of absorbing a major shock. These SCR may be calculated based on a standard formula set by the regulations or by a complete or partial internal model developed by the insurer and validated by the prudential regulator.

In preparation for Solvency II, the Group, like the majority of other European insurers, has nevertheless had to make a certain number of strategic choices. The Group used the standard formula as a regulatory calculation method for the financial years 2016 to 2018. Given the financial issues and development priorities associated with its "Fit To Win" strategic plan, Coface Group wished to have a partial internal model to calculate its capital requirements. This partial internal model, which covers the non-life underwriting risk of credit insurance activities, was approved by the ACPR in the fourth quarter of 2019 for implementation as of December 31, 2019. The reasons justifying this choice are as follows:

- ◆ the standard formula does not allow an appropriate model to be used for Coface Group's underwriting risk;
- ◆ the underwriting risk is the most tangible for Coface SA. Given that Solvency II requires adopting a "Risks" vision within Company management, the need to incorporate the specific features of the Group's underwriting into its capital requirements represents the most critical point;
- ◆ Coface Group does not show major specific features on other risk modules of the standard formula that would require the development of an internal model approach (see more detailed justifications on market risk at the end of the section).

(1) Information relating to solvency is not audited.

### **Risk management related to non-compliance with the Group's solvency hedging**

The Group has defined a comfort scale, indicating the target level of the solvency ratio. It is calibrated by estimating the level of equity required to remain solvent following a shock of similar magnitude to the 2008 crisis (combined asset/liability shock). The risk of non-compliance with this solvency target over the timescale of the strategic plan is assessed at least once a year within the framework of the ORSA. Various stress tests are also carried out in this context.

In addition, the Group carries out a biannual estimate of its solvency ratio in order to monitor compliance with the solvency target. The Risk Committee reviews all risk indicators quarterly, including major risks and claims. The various types of risks are closely monitored by the Risk Department.

### **Risks related to rating revision**

Ratings on the ability to settle claims and on financial soundness are important factors when assessing the competitive position of insurance companies. The rating agencies regularly review their ratings and methodologies, and consequently may, at any time, modify the ratings that they have assigned. In the current economic environment, some rating agencies have downgraded their outlook for the insurance sector, and have downgraded the ratings of a growing number of companies. At the date of this registration document, the Group has maintained its ratings of AA- from Fitch and A2 from Moody's, which were confirmed in July and October 2019 respectively, with stable outlooks.

However, a downward revision of the outlook and/or of these ratings could have negative effects for the Group and lead to: a deterioration in its competitive position; difficulties in distributing new credit insurance policies; the termination of certain existing credit insurance policies; an increase in reinsurance costs; significant financing difficulties or increasing financing costs, linked in particular to its securitisation programme and its related financing; the need to grant additional coverage for certain contracts; a negative effect on its relations with its creditors, commercial counterparties and distributor partners, in particular frontiers; and a significant negative effect on public trust and on its reputation.

A downgrading in the outlook and/or ratings could consequently have a negative impact on its business, liquidity level, financial position, net income, solvency margin, market value and outlook.

### **Risk management related to the rating review**

The Group's financial communications unit closely monitors the methodology of rating agencies, to check proper compliance with the quantitative criteria included in agencies' processes. The possibility of using frontiers is also an option for the Group with regard to the downgrading of its rating.

On the date of publication of the Universal Registration Document, the Group also has the AM Best rating (published on 24/02/2020) for monitoring the rating.

In terms of reinsurance costs, the relationship between downgrading the rating and raising the cost of reinsurance is not direct and a change of shareholder, for example, could change the rating without the cost of reinsurance being impacted. If the risk of a fall in the rating is linked to an increase in claims, it is for example possible to increase the level of reinsurance hedging to a certain extent, but not too much because some rating agencies already highlight the dependency of companies to this type of hedging. For example, in 2010, faced with the risk of a fall in Coface's S&P rating, the Group invested two percentage points more of

disposals just to prove to the agency that the reinsurance market believed in the Group's ability to recover in post-crisis situations.

### **Risks related to exchange rate fluctuations**

Due to the international nature of its activities, the Group distributes policies in around 100 countries and in approximately 50 currencies other than those of the accounts of the issuing entities (premiums collected and claims paid). Similarly, its credit insurance policies may cover invoices in various currencies. Consequently, its entities, which carry foreign exchange risks on their balance sheets when they issue policies with premiums collected in a currency different from their accounting currency, record liabilities that are indexed to a currency other than the one used in the rest of their balance sheet.

Furthermore, the Group, which releases its financial statements in euros, could be exposed to foreign exchange risks, mainly due to the activities of certain foreign subsidiaries that operate in foreign currencies. Its capital is therefore subject to fluctuations in these exchange rates when consolidating the net positions of the various entities in the Group.

Finally, financial assets in the Group's investment portfolio that are in a foreign currency may be affected by fluctuations in the exchange rates of the currencies in which they are denominated (see also the paragraph on "Financial risks" in Section 5.1.3). These fluctuations could significantly affect its financial income.

Although it can seek to reduce its exposure to foreign currency fluctuations through hedging activities via the matching principle, fluctuations in exchange rates and any related losses as part of its hedging activities could have a material adverse effect on its financial position, operating results and solvency margin.

### **Risk management related to exchange rate fluctuations**

To prevent the adverse effects of a variation in exchange rates, the Group has implemented an asset-liability management policy monitored by the Investment Department. The primary objective of the foreign exchange risk hedging strategy is to reduce the risk associated with the exchange rate once the acceptable defined threshold has been reached or exceeded. It does not aim to eliminate all foreign exchange risk or to generate additional income by strategies considered speculative. The strategy should thus generally cover existing currency positions within the Group, with an amount hedged to a maximum equal to the underlying asset held in the currency in question. Finally, it should take into account the cost incurred by hedging mechanisms and its expected effects on the income statement in relation to the desired reduction in exchange rate risk.

In addition to the systematic hedging in place on the investment portfolio, the Group's foreign exchange risk hedging strategy therefore focuses primarily and where applicable on establishing "macro hedges" on the main Group exposures and on the most liquid currencies. The default recommended hedging strategy within the Group is natural hedging (hedging of monetary assets in foreign currencies by monetary liabilities in the same currencies, so that exchange rate fluctuations have a limited impact on Group income). In addition to this, financial hedging may then be considered. Any financial hedging implies the use of financial instruments to protect against exchange rate risk, in particular forward foreign currency contracts, foreign exchange swaps and currency derivatives. The various instruments will differ by their term and by whether or not they are optional. All proposals for foreign exchange risk hedging are analysed and validated by the ALM Committee.

### Counterparty and concentration risk management

The concentration risk is also taken into account in the investment policy with an imposed diversification of the portfolio, as well as management of the outstanding assets split between several asset managers. With regard to diversification of the investment portfolio, the investment policy incorporates category and concentration investment limits.

In particular, exclusions are formulated and reviewed annually, during the review of the Group's investment rules, or even half-yearly at the time of the Strategic Investment Committee meeting (which sets investment policies and arbitrates strategic allocations), on the following:

- ◆ certain issuers;
- ◆ certain countries considered to be extremely high risk;

- ◆ certain products: structured products (securities or off-balance sheet items), derivatives used for purposes other than hedging (list defined in the PICIM investment policy).

Counterparty risk is also regulated as a percentage limit of total exposure. This limit, set at 5% of the total amount of assets managed, takes into account investments made on behalf of Coface in the same issuer, all types of short-term financial instruments combined. A limit system based on ratings and the type of investment (short-term, over one year, foreign exchange and OTC market) is also defined and regularly monitored.

Counterparty risk is also monitored on the bank counterparties with which the Group has relationships, all over the world. A monitoring list is established and updated regularly by incorporating ratings from agencies independent of the Group. The Group Treasury also plays a deciding role in local entities' selection of banking partners.

## 5.2.3 Strategic risks

### Definition

Strategic risk stems from the Group's businesses and business lines worldwide. It can be defined as the risk affecting our results and our solvency due to changes in market conditions, poor strategic decisions or poor application of these decisions aimed at responding to the changes in market conditions. Changes in market conditions may, for example, be linked to regulatory or prudential developments or to the brokerage model adopted within the Group.

### Risks related to the competitive environment

The Group operates in a highly competitive credit insurance market with a large number of players of varying sizes and status, including export credit agencies (ECA) created by governments to drive exports. The global market is nevertheless dominated by three major players, including the Group, who are the only ones to have a global network and a significant footprint. In certain markets the Group competes with export credit agencies, leading players in their market, who have very significant or even monopolistic market shares. Although it believes that the credit insurance market has strong entry barriers for new global players, the Group cannot disregard the possibility that new players, including those of significant size, will modify their strategy in order to enter certain markets in which it is present, thereby heightening already intense competition. In some regions, it also faces competition from smaller regional players that have good local presence.

There are also a number of alternative products to credit insurance, such as irrevocable and confirmed documentary credits or stand-by letters of credit, or factoring, in certain markets, offering alternative coverage solutions to policyholders, who could decide to favour them over the services of the Group. Moreover, an important source of competition comes from the companies themselves, which may opt to self-insure their credit risks, and to manage their receivables internally. An increase in credit insurance costs and in the terms on which the Group offers its other services, and more generally unfavourable developments in business practices in the credit insurance sector, could strengthen this trend and worsen the competitive environment.

Factoring, a market where the Group is present in Germany and Poland, is a less concentrated market than credit insurance and is shared among banking players and non-banking players.

In recent years, the Group has experienced strong competitive pressure, particularly in terms of price in all its business segments and a broadening of the scope and nature of insurance coverage delivered mainly in Western Europe. The competitors in its various business sectors could, due to their size, have larger financial, commercial, technical and human resources, or a greater capacity for innovation, than the Group. These competitors could in the future continue to adopt aggressive pricing policies, diversify or expand service offerings or their supply chains, or develop strategic or contractual relationships in markets in which the Group is present or seeks to expand, and thus increase competitive pressure.



### **Risk management related to the competitive environment**

In this regard, the Group may need to adapt its services and tariffs or its risk underwriting policy, which could affect its profitability and/or lead to a loss of market share. Similarly, in the face of such competition the Group may struggle to implement its strategy for sustainable and profitable growth if it fails to offer prices, innovative products, services or a quality of service at least comparable to those of its competitors. The more intense competition could have a material adverse effect on its business, financial position, operating results or outlook.

### **Risks related to the regulatory environment (legal and accounting)**

#### **Risks related to national and international policies and regulations applicable to the Group's activities**

The Group operates in a strongly regulated environment, which differs according to the countries in which it does business. Its insurance business is subject to the control of local regulators, which may sometimes differ depending on the country in which it is established.

The Group is headquartered in France; its activity is to a large extent governed by European directives and by French domestic regulations on non-life insurance. The supervisory and regulatory authority for its activities in France and in the European Union is the French Prudential Supervision and Resolution Authority (ACPR).

Most countries in which the Group operates apply laws and regulations which govern solvency standards, the level of capital and reserves, the multiplicity and diversification of business investment portfolios, the conduct of business (particularly the granting of relevant licences and approvals), distribution practices, the anti-money laundering and anti-terrorism financing rules and the Know Your Customer protection rules.

These various regulations and supervisory measures have been strengthened in the wake of the 2008 financial crisis, both at the European level and outside the European Union. Some countries have adopted or are in the process of adopting measures that constitute significant changes to the current framework, notably to strengthen the solvency of insurance companies. In this context, the amendments to the regulations applicable to the Group's insurance activities since January 1, 2016 have led to new restrictions or conditions on the conduct of its business. They have, particularly by introducing stricter capital and liquidity requirements, increased its financing costs and operating expenses, which could restrict the scope of its activities or, more generally, hamper its development.

The Group also has factoring businesses in Germany, where it is subject to specific regulations, and in Poland. In both these countries, a change in the existing laws and regulations on factoring, particularly in terms of capital and liquidity requirements specific to non-banking factoring activities, could impact the operation of these businesses and the financial position of the Group.

### **Risk management related to the regulatory environment**

A significant portion of the Group's business is subject to obtaining approvals and licences issued by the public authorities in charge of supervising and controlling credit insurance and factoring activities. As part of its strategy of sustained and profitable growth, the Group plans to continue establishing operations in new countries and will be required to obtain all the necessary approvals, licences and authorisations to conduct such business activities. Any major difficulty encountered in obtaining such authorisations could delay or jeopardise its establishment in these new countries. Similarly, the non-renewal, suspension or loss of these authorisations could have a material adverse effect on its business, operating results, financial position and outlook.

Lastly, due to the fast pace of change in the regulatory environment and the strict interpretation and application of the regulations by the regulatory authorities, the Group has become particularly vigilant about compliance. Despite implementing measures to comply with applicable regulations, it may become subject to regulatory investigations and possible sanctions which could affect its business, operating results, financial position, outlook and reputation.

More generally, the Group cannot guarantee that rapid and/or significant changes in current regulations will not, in the future, have a material adverse effect on its business, financial position, solvency margin, dividend policy, operating results or outlook.

### **Risks related to the Group's international activities**

The Group markets its services in 100 countries in Europe, North America, Latin America, Asia and a number of African countries. The diversity of its geographical locations exposes it to various and sometimes unstable economic, financial, regulatory, commercial, social and political environments which could have an influence on the solvency of its policyholders' debtors or, to a lesser extent, on the solvency of its policyholders themselves, its methods of operation and marketing, as well as the management and monitoring of risks related to its credit insurance products.

It could be obliged to face a number of external risk factors, such as: fluctuations in exchange rates and currency devaluations; capital transfer restrictions; restrictions related to embargoes; changes in legal and tax systems, including the regulations regarding transfer pricing and withholding tax on payments made by the entities of the Group; increase in interest rates; inflation, potential recessions and financial market volatility; or even political instability and the risk of terrorism and war.

In this context, the Group may face significant difficulties and its strategy may be affected by the environment in certain countries in which it operates, leading to a material adverse effect on its business, financial position, operating results or outlook. Furthermore, the Group is present in countries where the legal systems are very diverse, and where the legal and dispute resolution systems sometimes present characteristics or levels of maturity that are different from those of its most important markets in Europe. In this context, it could encounter difficulties with regard to taking legal action or enforcing rulings.

### **Risk management related to the Group's international activities**

The management of strategic risks related to international activities and, in particular, the exposure to interest rate, foreign exchange and capital transfer risks, is incorporated

in the management of financial risks to which the Company is exposed. Risk management is regulated by limits set by the risk appetite framework defined by the Board of Directors; governance that ensures regular operational monitoring of these risks is ensured.

## 5.2.4 Operational and non-compliance risks

### Definition

#### Operational risk

Operational risk is defined as the risk of direct or indirect losses, due to an inadequacy or failure attributable to procedures and persons in all business areas, to internal systems or to external events, including the risk of internal and external fraud.

#### Non-compliance risk

The non-compliance risk is defined as the risk of non-compliance with the laws, regulations or internal policies and rules of the Group that may lead to sanctions, financial losses and damage the Group's reputation (image risk).

#### Non-compliance risk

This risk is defined as the risk of non-compliance with laws and regulations: "This risk constitutes the risk of judicial, administrative or disciplinary sanctions, significant financial loss or damage to reputation, which arises from non-compliance with provisions specific to banking and financial activities, whether legislative or regulatory in nature, whether under national or directly applicable European provisions, or whether it involves professional and ethical standards, or instructions from effective managers taken in particular in accordance with the guidelines of the supervisory body".

Compliance requirements are increasingly important but the risk is best controlled at Group level.

#### Non-compliance risk management

The compliance function is responsible for the design of the overall compliance framework and for informing and alerting the persons who actually run the Company. The risk is better controlled for the 2019 financial year, evidenced by satisfactory results of the internal GDPR and anti-corruption audits, level 1 and 2 controls deployed in the risk management tool (Enablon), remedial plan conducted in 2019, and enhanced training and communication on compliance subjects within the Group in 2019.

### Risks related to digital transformation

The digitisation of the economy and of trade in particular presents Coface with certain challenges, particularly in terms of client expectations, distribution, security and modelling. These risks increased in 2019 and are complex.

#### Risk management related to digital processing

Coface is constantly investing in these areas to make its services digital, easy and intuitive to use, integrated into clients' environments and secure, and to ensure its operations are competitive and support the digitisation of its offering. These investments constituted a significant part of the investments for its Fit to Win strategic plan.

### Risks related to information systems and cybersecurity

The Group's business relies very heavily on its information systems. The Group manages complex information systems (in particular for the collection and management of information on the creditworthiness of companies, sales management for products and services, the centralisation of its risks – pricing, invoicing, debt collection, management of claims disputes – and for its bookkeeping and reporting), which are essential for the conduct of its credit insurance business, and additional services related to business information, factoring and debt management.

IT tools and information systems are indeed essential components for all its business, in terms of the development and the quality of its commercial offerings (business information, management and collection of debts, credit insurance offers, in particular pricing and underwriting decisions of the Group risk underwriters), as well as for management, back office, reporting and internal control procedures. Despite a policy to strengthen the back-up of its information systems and infrastructure, particularly in the context of Solvency II, and the availability of back-up systems for all its databases and emergency plans for its activities including priority information systems, it cannot be guaranteed that the tools, systems and databases will not be destroyed or damaged as a result of an incident or failure of IT tools and information systems.

Any failure of IT tools or information systems, including as a result of hacking, could have a material adverse effect on the Group's business, financial position, operating results or outlook.

In addition, in order to manage certain information systems that are essential to its business, the Group depends on a limited number of suppliers, particularly with regard to the databases related to its information systems. The contracts to supply these services are renewed or renegotiated periodically. An unfavourable change in the relationship with one of the suppliers, hardening of required conditions, a failure to comply with commitments specified in the contracts, non-renewal of these contracts, or a renewal under less favourable conditions than those previously applicable, a potential default by one of the suppliers or a potential increased concentration of providers, could result in delays or significant costs, and generally have a material adverse effect on the Group's business, financial position, operating results or outlook.

The risks related to cybersecurity are a concern for the Group, and the management of such risks is essential for its businesses and clients. Techniques used to steal information and data, hack, disrupt, degrade quality or sabotage information systems are constantly evolving. The Group may be subject to targeted attacks on its IT networks. It could be forced to face interruptions to business, losses or damage to its databases, or misappropriations of confidential information for which it could be held liable, particularly involving litigation or in a way that could negatively affect its reputation and image. The Group is therefore implementing a monitored and controlled security policy to make the appropriate changes to its system enabling it to protect itself against such hacking techniques, pre-empt and manage any crises and swiftly set up an effective and appropriate system of response. This risk is part of the non-financial risks mentioned in the context of CSR in Chapter 6 of the Universal Registration Document.

#### **Risk management related to information systems and cybersecurity**

The Information Systems Security Manager (RSSI), within the Group Risks Department, defines the cybersecurity risk management policy based on the NIST CSF (National Institute of Standards and Technology Cyber Security Framework) and on the French Prudential Supervision and Resolution Authority (Autorité de contrôle prudentiel et de résolution - ACPR) publication on IT risk. Four priorities have been set by the Group:

- ◆ Effectiveness of governance (three lines of defence);
- ◆ Management of our most critical assets;
- ◆ Management and reporting of cybersecurity incidents;
- ◆ Cyber resilience.

A comprehensive body of policies, procedures and supporting documents is kept updated to enable the Group policy to be implemented.

IT and cyber risk mapping and an associated control plan are presented at the Group Risk Committee.

The IT Security Manager (RSI) ensures the implementation of technical safety systems and their maintenance in operational conditions.

An independent review of cybersecurity is carried out by the Information Systems Security Manager (intrusion test, Code Review, Red Team, site visit). A phishing campaign associated with specific messages to raise awareness is also conducted at Group level.

#### **Risks related to attracting and retaining talent**

The specific nature of the Group's activities and credit insurance businesses on the one hand, and its extensive geographical presence on the other hand, make it critical to manage its human resources and talents and to improve the well-being of employees. These activities are equally priorities for Coface in the context of its risk management policy.

This risk constitutes a non-financial risk, the description and impact of which are detailed in Chapter 6 of the Universal Registration Document.

#### **Risk management related to attracting and retaining talent**

Coface has put in place action plans to attract and retain talent, as well as training plans for all its employees. Coface is committed to various solidarity measures, maintains ongoing corporate dialogue with its employee representative bodies and has set up a series of initiatives supporting its workplace wellness policy.

This risk constitutes a non-financial risk, the management of which is detailed in Chapter 6 of the Universal Registration Document.

## 5.2.5 Reinsurance risks

### Definition

Given its risk appetite, the Group reinsures itself against the extreme risks that it could suffer. Reinsurance generates four types of risk: residual insurance risk, counterparty risk, liquidity risk and the operational risk related to the execution of the treaty.

### Risks related to relations with reinsurers, the capacity of the reinsurance market and reinsurance costs

The theoretical level of exposure assessed by the Group is incompatible with the Group's available capital alone. This theoretical level of exposure is based primarily on the fact that a certain proportion of claims derived from this exposure will be passed on to reinsurers, bearing in mind that this transfer of risk to reinsurance companies does not exempt the Group from its commitments to pay its policyholders. In terms of its relations with reinsurance companies, the Group is subject to the default risks of its reinsurers and the risk that it might be unable to obtain reinsurance treaties or obtain them on acceptable pricing terms. The Group has also implemented a reinsurance strategy against any potential extreme risks it may incur through non-proportional "excess claim and excess loss" hedging.

### Reinsurance risk management

Although, despite the financial crisis, no defaults have been seen among the Group's reinsurers, one or more reinsurers of the Group might no longer be able to meet their financial obligations, which could lead to increased losses for the Group. However, this risk is deemed to be medium given that Coface requires its reinsurers to pledge all ceded reserves, including IBNRs.

Furthermore, the reinsurance capacities on the market and the prices of reinsurance treaties depend on the general economic situation and on many other factors, and could vary significantly. Therefore, the Group could have difficulties in finding the desired reinsurance capacity or obtaining reinsurance on financially acceptable terms, thereby increasing the risk of potential losses. In turn, this could lead the Group to change its pricing structures or its risk underwriting policy, which could negatively impact its profitability and competitiveness. The occurrence of any of these risks, although infrequent, could have a material adverse effect on the Group's financial position, operating results, solvency margin, business and outlook.

## 5.2.6 Risks related to the coronavirus epidemic

The beginning of the year has been marked by conditions of major uncertainty linked to the coronavirus epidemic. The global nature of this epidemic will affect Coface's business in the vast majority of the countries where it is located.

On the date of filing this document, it is still difficult to assess its tangible effects on the Group. However, it appears that the epidemic, by its magnitude and duration, will impact a number of risk factors described in this document. This list includes, but is not limited to, the following main risks likely to be impacted:

### Credit risk

Although, in the first quarter of 2020, there is no sign of any appreciable increase in unpaid receivables, Coface anticipates that the economic slowdown due to the coronavirus could lead to a very significant rise in corporate failures at various levels, depending on the countries and business sectors, and that it is not possible to quantify this at the moment.

Progressing actions initiated in 2019, Coface has conducted a number of credit limit reduction actions since the beginning of 2020, targeted by country, sector and client.

### Risk on premiums collected

The global economic slowdown will necessarily impact, to an extent that is impossible to estimate at this stage, the business of Coface's clients, based on which the amount of the premium is calculated. It is possible that the level of premiums received for the financial year may very often be reduced to the amount of the minimum lump-sum premium invoiced at the beginning of the financial year, calculated on the basis of the estimated volume of sales made during the year.

This reduction in premiums will only be partially offset by the rate increases due to the risk situation. An increase in terminations is also likely, owing to the failure of a number of clients and / or their inability to pay premiums.

Finally, the confinement measures imposed in many countries where Coface is present have a very negative impact on its commercial activity.

### Risk related to the investment portfolio

On the date of writing this document, the balanced allocation of the asset portfolio combined with the policy of a very significant increase in money market investments (around 22% of the portfolio compared to 7% at the end of 2019) and with the reduction in exposure to risky assets (emerging debt and high-yield equities in particular) increased portfolio liquidity. The investment portfolio unrealized gains stock have significantly decrease during the first quarter of approx 100M€ since 31 December 2019. As of 31 March 2020, the amount of unrealised losses is -12.3 million euros. Market trends in the coming months are not predictable and the financial portfolio is therefore exposed to future deterioration.

### Liquidity risk – Factoring business requirements

For financing its factoring business, Coface has particularly relied on cash derived from an issue of commercial paper for an amount of €650 million, accompanied by back-up lines concluded with a number of banks and a securitisation programme of factoring receivables in Germany for an overall package of €1,100 million. The current crisis has led to the commercial paper market drying up. However, it must be noted that the abrupt contraction of the economy causes a decrease in the need for refinancing. It is also likely that some contracts will not be renewed due to an increase in the number of client failures.

Initiatives have also been taken to reduce the need for refinancing. In the event that a temporary liquidity gap nevertheless appears, Coface would use the back-up structure (bank guarantee).

### Risks related to hedging the Group's solvency (SCR ratio)

To date, Coface has noted that the fall in the amount of unrealised gains in its portfolio has resulted in an eight-point drop in its solvency ratio. The solvency trajectory will also depend in large part on the progress of claims observed, which cannot be anticipated at this stage. At this stage, the scenarios and indicators that support stress tests result in ratios that are in line with the sensitivities previously communicated by Coface.

A deterioration in the economy and claims significantly greater than the shocks observed in 2008, in proportions never seen, could nevertheless lead to greater deterioration of the hedging ratio.

### Rating risk

In the current context, Moody's has confirmed the A2 rating of Coface together with a negative outlook. For its part, Fitch places the AA- rating of Coface on negative watch. The confirmation of the rating reflects the agency's confidence in the resilience of Coface and, more broadly, in that of the sector. Future changes will depend on maintaining this rating.

### Operational risks

The near-general deployment of remote working has been carried out in good conditions and enables sufficient activity to be maintained to meet the needs of our clients. In this context, business continuity could be affected in the event of a temporary failure of IT systems or an increase in the number of employees affected by the pandemic. Business continuity plans focus on maintaining essential activities for our clients, including requests for credit limit management and the indemnification of unpaid receivables. The massive use of telework, if it were to last, would lead to an increase in the risk linked to technological dependence and in particular the cyber technological risk.

## 5.3 INSURANCE POLICY

Since January 2015, the Group has had its own insurance programme with leading insurance companies, offering levels of cover that it considers commensurate with the risks inherent in its business operations, to cover its general and specific risks (professional civil liability, civil operating liability, director civil liability, material damage to operating assets, business travel accidents, cyber risks, etc.). The

Group supplements this insurance cover locally, according to its needs or the specific regulatory requirements of certain countries.



# 6

## NON-FINANCIAL PERFORMANCE REPORT

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The Coface Group has made a commitment to cooperate in the field of corporate, environmental and societal issues for several years now. In 2003, it joined the United Nations Global Compact, through which it supports in its sphere of influence the 10 principles of the Global Compact relating to human rights, international labour standards and the fight against corruption. Coface's human resources (HR) policy reflects its economic and corporate plan. It contributes to and accelerates the Coface Group's strategic transformations, while ensuring the development and engagement of its employees. The activity of Coface, a service-sector company, has a very limited direct impact on the environment. Nonetheless, the Coface Group is committed to environmental protection and sustainable development issues, and works on its indirect impacts, particularly with the management of its assets.

Carrying these principles even further, in 2015, Coface's general management created the role of Group corporate social responsibility (CSR) manager, which is handled by the Corporate Secretary to ensure the monitoring of actions undertaken and those to be undertaken in this field by all Coface entities worldwide. In 2020, the Coface Group is preparing to draw up a medium-term company-wide CSR plan aimed at better integrating social, environmental and societal issues into its operations and businesses.

Since last year, the provisions of Articles L.225-102-1 and R. 225-104 to R.225-105-2 of the French Commercial Code (Code de commerce) have made it possible to look at a company's corporate social responsibility through the non-financial performance report (déclaration de performance extra-financière - DPEF), which now replaces the CSR report.

Certain areas that were covered in detail in previous years under the Grenelle II Law are no longer presented under the new regulations. In fact, the Company's business has a very limited impact in terms of waste in general, as well as food waste and paper consumption. The same is true for noise pollution for third parties and biodiversity protection.

In accordance with requirements for the non-financial performance report, the Company presents its business model this year in the section entitled "Overview of Coface" (Chapter O), as well as the main non-financial risks and challenges relating to its business (see next page).

To further strengthen and integrate its responsibility approach at the heart of operations for its activities, the Coface Group carried out its first mapping of non-financial risks in 2018. Alongside the risk maps already monitored by the Group (strategic risk, credit risk, financial risk, operational and non-compliance risk, and reinsurance risk, see Section 5.1.3 "Definition and measurement of risks"), this process has made it possible to identify the main non-financial risks throughout its value chain.

The risk mapping process has been carried out in three stages:

1. definition of the scope for non-financial risks: identification of risks and challenges with potentially significant impacts on the Group, or which the Group represents for society in general.  
This scope has been defined based on the findings from its CSR reporting for the last few years, consulting with the Risk Department. A restricted scope of risks and challenges was then defined by the Group to ensure the consistency of its mapping with its business sector, geographic locations and core challenges;
2. assessment of the risks: each risk was assessed using an approach consistent with the one deployed by the Group's Risk Department. All risks were rated based on two criteria: the inherent level of the risk occurring and the level of control over this risk;
3. prioritisation of risks: based on the assessments carried out, the Group identified and ranked 10 priority non-financial risks, which were approved by the Group's Corporate Secretary.

These risks, most of which were already identified and monitored by the Group, are presented in the following table. The Group's policies to protect itself against them, and details of the actions and results, are presented throughout this document.



Significant non-financial risks	Description of the risk and impact	Policies and actions to mitigate the risk	Universal registration document reference
<b>Attracting and retaining talent</b>	<ul style="list-style-type: none"> <li>◆ Management of talent and employee well-being</li> <li>◆ Impact on quality of service and loss of value for the business</li> </ul>	Coface has put in place action plans to attract and retain talent, as well as training plans for all its employees. Coface is committed to various solidarity measures, maintains ongoing corporate dialogue with its employee representative bodies and has set up a series of initiatives supporting its workplace wellness policy.	Section 6.1.1
<b>Employees' engagement</b>	<ul style="list-style-type: none"> <li>◆ Employee engagement</li> <li>◆ Need to recruit skills</li> <li>◆ Training to adapt employees' skills in line with the Group's changes</li> <li>◆ Impact on quality of service and loss of value for the business</li> </ul>	In 2017 and 2018, Coface measured its employees' satisfaction and engagement with a survey. This enables it to draw up action plans and work in line with a continuous improvement approach.	Section 6.1.1
<b>Diversity and equal opportunities</b>	<ul style="list-style-type: none"> <li>◆ Diversity and equal opportunities</li> <li>◆ Impact on quality of service and loss of value for the business</li> </ul>	Coface is developing several programmes to ensure gender equality in the workplace.	Section 6.1.1
<b>Extraordinary risks</b>	<ul style="list-style-type: none"> <li>◆ Extraordinary event (acts of terrorism or events)</li> <li>◆ Impact: disruption of Coface's business</li> </ul>	Coface has insurance coverage and business continuity plans.	Section 5.2.3
<b>Risks relating to any failure to respect human rights</b>	<ul style="list-style-type: none"> <li>◆ Respect for human rights among our policyholders</li> <li>◆ Impact on the Company's image and reputation</li> </ul>	Since 2003, Coface has been part of the United Nations Global Compact and does not cover any companies involved in manufacturing cluster bombs and/or anti-personnel mines.	Sections 6.1.1 and 6.3.5
<b>Risks relating to corruption</b>	<ul style="list-style-type: none"> <li>◆ Acts of corruption</li> <li>◆ Impacts: disputes, penalties or withdrawal of the right to operate under licence</li> </ul>	Coface has put in place an anti-corruption code of conduct, supported by a training and awareness programme for all employees, procedures for assessing business partners, and accounting controls.	Section 6.3.5
<b>Risks relating to tax evasion</b>	<ul style="list-style-type: none"> <li>◆ Transfer of assets to a country where the tax burden is lower in order to avoid a tax expense</li> <li>◆ Impacts: penalties against the Company</li> </ul>	The KYC (Know Your Customer) procedure and monitoring approach are strengthened when the local entity is located in a tax haven. Coface complies with the tax laws applicable in the jurisdictions where the Group operates.	Section 6.3.5
<b>Risks relating to data protection and cybersecurity</b>	<ul style="list-style-type: none"> <li>◆ Access to the integrity and confidentiality of data and information</li> <li>◆ Impacts: unauthorised access or cyberattack leading to the disclosure of information or disruption of activities</li> </ul>	Coface has put in place an IT charter, which is included in the internal regulations setting out all the rules comprising Coface's security system.	Section 6.3.5
<b>Risks relating to failure to adapt the activity to environmental challenges</b>	<ul style="list-style-type: none"> <li>◆ Setting up an in-house environmental policy (water, energy, paper)</li> <li>◆ Impacts on the Company's image and reputation</li> </ul>	Coface is committed to reducing its water, energy, paper and fuel consumption.	Section 6.2
<b>Risks relating to the failure to adapt to changes in asset management practices</b>	<ul style="list-style-type: none"> <li>◆ Socially responsible investment policy</li> <li>◆ Impacts on the Company's image and reputation</li> </ul>	Coface has set up reporting systems to measure and reduce its investment portfolio's carbon footprint.	Section 6.3.4



4,273 employees in 57 countries



Coface Trade Aid



Continuity with the global gender equality initiative



500 participants in Lead Together over a two-year period



39 V.I.E (international intern in a company) in 25019



98% of assets covered by SRI

## 6.1 CORPORATE INFORMATION

### 6.1.1 Human Resources and performance development policy

Each year, the Group Human Resources Department reviews and shares with its contacts in the Coface regions and countries all its governance principles; these are presented together with the overall HR strategy. The goal is to adopt a common vision of the organisation of the function, its challenges and the application of its policies, particularly regarding Talent Reviews and succession plans, the compensation policy and HR support for businesses.

#### Introduction

Over this last year of implementing our Fit to Win strategic plan, the Human Resources teams focused on strengthening the plan's key initiatives, particularly its actions on transformation.

The cultural transformation component progressed and strengthened. For example, we finished rolling out the ambitious manager training programme, LEAD together. The original target group—Senior Managers—was mostly covered during the two years of the programme's deployment (2018-2019). In 2019, we finished rolling out the training for all Middle Managers, which means more than 500 managers have been trained as part of this programme when both groups are added together.

We will continue this training effort over the long term, with training more focused on specific managerial skills from 2020.

We continued to integrate Senior Managers from international companies with change experience. Over the course of this plan, 83 new Senior Managers will have been integrated, including more than 30 in 2019.

Our efforts in career development within the Company showed positive results in 2019. Through annual Talent

Reviews we have acquired a much more detailed understanding of our key skills, our best-performing talents, their professional aspirations and their appetite for moving locations. Carrying out these reviews has helped strengthen succession plans (more than half of the Senior Manager vacancies have been filled in-house this year). Thanks to the career committees, organised either generally or by function, we have continued to expand transfers to other functions or locations. As a result, more than a quarter of Senior Managers changed their role or took an enhanced role in 2019, and international transfers have once again more than doubled this year compared to the transfer averages of previous years.

We also achieved positive results on gender balance including a gender equality index ranking among the best for financial services in France. We closed the first annual mentoring programme for female talent organised by the Executive Committee (Mentoring to Win) and are among the leading SBF 120 companies in terms of the number of women on the Executive Committee (ranked 20th). Many women's initiatives and networks were created in 2019 within the Group's international companies.

Human Resources also continued its data protection work with an ambitious programme to educate its teams around the world on the principles of protecting personal and sensitive data held by Coface, either about its clients or its own employees.

The Human Resources function will continue to professionalise and better structure its processes in 2020 by developing the first stage of its future Human Resources Information System, which it wants collaborative on so that the system can be used as a tool to help the Company be more agile.

### A real asset: our diversity

The following data come from the Group's HR reporting tool, available online. The database is updated in real time and receives a steady flow of data from local HR managers in the countries. Consolidation of this information occurs on the last business day of the month, which allows monthly scorecards to be produced. This reporting includes the

individual contract, activity, business and length of service data for each legal entity in the Group and information on the hierarchical links between the various positions.

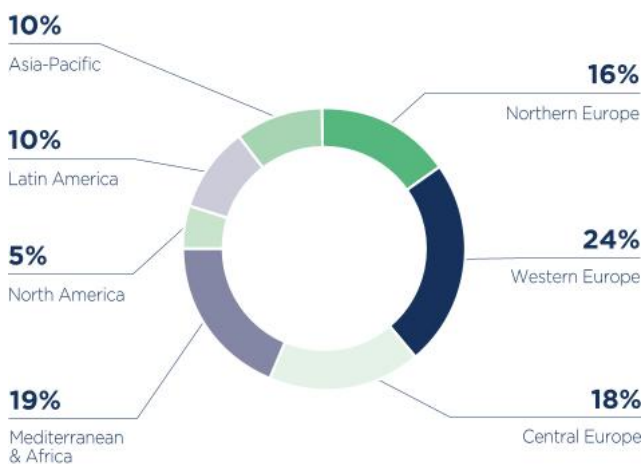
The tool also serves as a strategic planning tool for staff, as it makes it possible to manage recruitment actions and internal transfers within the context of a reference budget. The breakdown of Coface's workforce is presented below:

### Strong international dimension

At December 31, 2019, the Group employed 4,273 people based in 57 countries, compared with 4,131 at December 31, 2018. The following table presents the geographic breakdown of the Group's workforce since December 31, 2017:

Workforce	2019	2018	2017
Northern Europe	678	701	713
Western Europe	1,008	987	974
Central Europe	772	687	715
Mediterranean & Africa	798	768	763
North America	193	192	125
Latin America	410	390	388
Asia-Pacific	414	406	400
<b>TOTAL</b>	<b>4,273</b>	<b>4,131</b>	<b>4,078</b>

#### ► Breakdown of workforce by region



Coface experienced a 3.4% increase in its workforce in 2019. This development is due in part to the acquisition of PKZ (69 employees), the leading provider in credit insurance in Slovenia, which enjoys a strong market share. As a result, the business has become Coface PKZ. This acquisition contributes to Coface's strategy to ensure profitable growth in Central and Eastern Europe. Increased staffing in the Central Europe region is also due to insourcing certain

subcontractors and a change in methodology, with civil contracts now included as part of the in-house Coface workforce (affecting 35 employees). These contracts pertain to a direct subordinate relationship with Coface, while offering flexibility to both parties.

The Mediterranean & Africa region is benefiting from the commercial development of Italy and Spain. In addition, Spain has hired contractors, who were previously external, into the sales teams. In Latin America, significant efforts were made to fill a number of positions in Mexico, including a shared services team dedicated to finance and accounting.

Due to the nature of its activities and their geographic coverage, the Coface Group is multicultural, with a strong international focus. For the financial year ended December 31, 2019, 74 nationalities were represented in the Group; this diversity is strengthened by the frequent integration of employees from other countries into the teams; currently, 260 employees work outside their country of origin, compared to 244 in 2018. This diversity guarantees that the Group reflects the diversity of the business communities and clients that it serves. For example, there are 31 different nationalities among employees based in France.

Young talents are also a priority for Coface. To enhance its ability to attract the new generation to its entities abroad and renew its talent pool, Coface has given added impetus to its V.I.E (international intern in a company) scheme by orienting V.I.E assignments towards key roles in the Company's development. In total, nearly 30 participants in the V.I.E scheme form this unique talent pool each year.

## Activities across diverse sectors

The table below presents the breakdown of the Group's workforce by activity type since December 31, 2017:

Workforce	2019	2018	2017	Change 2019 versus 2018
Sales & Marketing	1,436	1,390	1,315	3.3%
Support	1,510	1,413	1,382	6.9%
Information, litigation, debt collection	988	1,003	1,040	(1.5%)
Risk underwriting	339	325	341	4.3%
<b>TOTAL</b>	<b>4,273</b>	<b>4,131</b>	<b>4,078</b>	<b>3.4%</b>

### ► Breakdown of workforce by activity



In 2019, 1,436 employees were assigned to sales and marketing, 1,510 to support functions, 988 to information, litigation and debt collection and 339 to risk underwriting.

Changes in the workforce for support functions reflect how the compliance, transformation office and finance functions in particular have been strengthened.

The increase in the Sales & Marketing workforce factors in the continued targeted strengthening of sales forces, with the Sales Force Effectiveness programme, as well as the integration of sales representatives who were previously external, in the US. This demonstrates Coface's desire to improve its client relationships.

## Different types of employment contracts and changes in the workforce

In France, Germany, Italy, Spain, Poland and the UK, the total workforce at December 31, 2019 was 2,029 employees and broke down as follows for permanent contracts:

	2019	2018	2017
France	97.8%	97.8%	98.4%
Germany	99.3%	99.5%	99.7%
Italy	99.0%	99.5%	99.5%
Spain	100.0%	100.0%	97.8%
United Kingdom	98.0%	99.0%	
Poland	86.1%		

As we can see, Coface employs people mostly on permanent contracts.

In 2019, the Company had 296 new employees in France, Germany, Italy, Spain, Poland and the UK, with 267 departures, including 138 resignations, 56 contracts

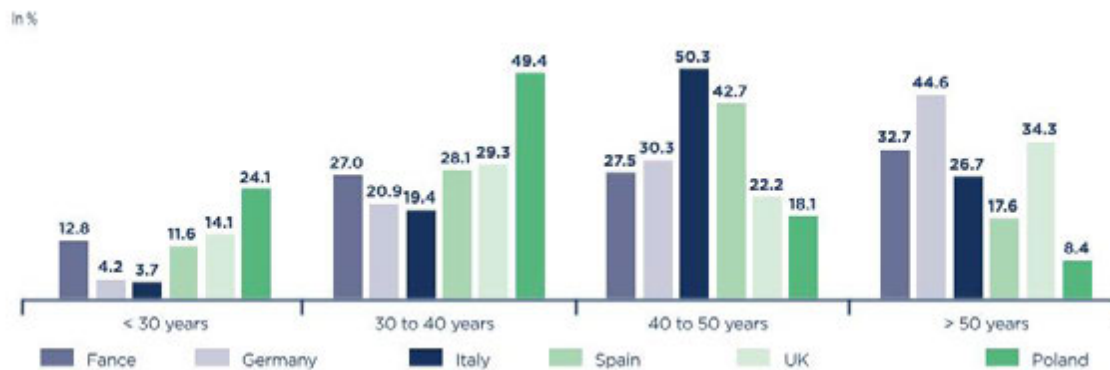
ended due to retirement and 36 dismissals. It is important to note a slight change in the methodology applied as fixed-term contracts have been recorded for arrivals and departures since 2018 and Poland now has civil contracts within its in-house workforce. The latter are therefore in the list of new employees for 2019.

## Different age ranges

At December 31, 2019, the age ranges of employees in France, Germany, Italy, Spain, Poland and the UK were as follows:

Age ranges	France	Germany	Italy	Spain	United Kingdom	Poland
< 30 years	12.8%	4.2%	3.7%	11.6%	14.1%	24.1%
30 to 40 years	27.0%	20.9%	19.4%	28.1%	29.3%	49.4%
40 to 50 years	27.5%	30.3%	50.3%	42.7%	22.2%	18.1%
> 50 years	32.7%	44.6%	26.7%	17.6%	34.3%	8.4%

► Age ranges by country



Historically, France and Germany have had an age pyramid with a large proportion of the workforce over the age of 50 and a limited staff turnover rate, reflecting both team loyalty and the Company’s willingness to recognise and retain the expertise of its employees. However, Coface France decided in 2017 to support employees nearing retirement age by offering them a pre-retirement scheme enabling them to bring forward their departure by a maximum of up to two years prior to their full retirement date. As part of this, Coface undertook significant support and transition work to ensure that skills are transferred as smoothly as possible, in an extension of the provisions under the generation contract adopted in 2013. These departures resulted in a partial renewal of the teams. In 2019, Coface Germany offered this pre-retirement scheme.

It should also be noted that an agreement to support business transformation was signed in 2019 with the European Works Council as part of a project to change client services and shared services.

The table below shows the change in female representation, number of managers and women in management roles in countries within the reporting scope since 2017:

		2019	2018	2017
France	% women	50.4%	50.5%	50.7%
	% of managers	23.0%	23.1%	22.0%
	% women among managers	37.6%	37.4%	37.0%
Germany	% women	53.7%	53.6%	53.0%
	% of managers	15.4%	15.1%	13.9%
	% women among managers	20.0%	18.4%	17.1%
Italy	% women	50.8%	50.8%	48.7%
	% of managers	30.9%	28.6%	25.9%
	% women among managers	42.4%	44.4%	40.8%
Spain	% women	64.3%	64.7%	64.3%
	% of managers	21.6%	26.3%	28.6%
	% women among managers	30.2%	42.0%	40.4%
United Kingdom	% women	40.4%	41.0%	
	% of managers	23.2%	21.0%	
	% women among managers	26.1%	23.8%	
Poland	% women	63.3%		
	% of managers	16.5%		
	% women among managers	51.3%		

To facilitate collaboration, Coface France also organised an “Intergenerational Collaboration” conference at the Bois-Colombes site in September 2018, with very positive feedback from Coface’s employees.

In Poland, we note that around 75% of the workforce is under 40 years old, reversing the trends that we have seen in other countries within the reporting scope.

**Relatively balanced gender breakdown**

The male/female balance (just over 53% women throughout the Group in 2019, and 39% female managers), as with the cultural diversity within the Company and each Coface region, is an asset for the Group, which has for several years taken steps towards promoting internal mobility and access to roles of responsibility for its employees.

Women's representation in management positions is increasing in Germany and the United Kingdom.

The percentage of supervising managers remains very close to the 2018 figure in most countries within the reporting scope. Only Spain has seen a fall in the percentage of managers as a result of the Layers & Span project, which aims to simplify the organisation. This means the percentage of female managers fell too for the same reasons.

Coface strengthened its managerial culture in 2018, more specifically for the functional departments at the Bois-Colombes head office: the strengthening of certain functions, such as compliance, risk or the Finance Department, have proportionally increased the number of supervising managers in France.

At December 31, 2019, female representation within the governance bodies was as follows:

- ◆ Board of Directors: out of 12 directors, seven are women, *i.e.* 58%;
- ◆ Executive Committee: five women, *i.e.* one third of the members of the Executive Committee;
- ◆ Management Committee: two women, *i.e.* one quarter of the members of the Management Committee;
- ◆ Senior Manager category (top 180): 55 women out of 184 (Coface all regions and head office) and 29 out of 94 (for the scope covering the six countries in the report), *i.e.* approximately one third.

In addition to this diversity within our teams, Coface has diverse products and clients. At Coface, our employees' day-to-day work is enhanced by the diversity of the teams they work with and the clients they meet.

Coface's talent management policy aims to promote the diversity of this human capital to support the Company's capacity for innovation and its ability to position itself as a learning company that is constantly striving for more agility. It also aims to enable each individual to develop in line with their aspirations and aptitudes, capitalising on the Group's scale and its presence in more than 57 countries. A certain number of initiatives, detailed below, are contributing to these goals, from gender balance with the Women to Win programme to the international mobility policy making it possible to share skills between the Group's countries and the LEAD together programme to develop leadership, looking to build a shared managerial culture by bringing together managers from various countries for exchange sessions supported by external coaches.

### On track for a cultural transformation

Since launching Fit to Win, Coface has ramped up the opportunities for employees to be visible and to contribute, through their ideas, to improving processes, tools, offices and more generally their day-to-day life within the Company.

In addition to this, the opportunities given to employees to contribute to the agility, client focus or change management objectives have enriched the day-to-day activities of many of them, further strengthened their sense of belonging, and contributed to Coface's purpose.

This has been achieved by the Lean process improvement groups deployed, the exchange workshops organised with the Fit to Win Days and hosted by employees in 2017 and 2018, as well as the My Voice working groups in 2018 and 2019.

### New ways of working

In 2018, Coface carried out extensive work to improve the levels of engagement among its employees, notably setting up the My Voice Action Teams. In total, over 800 employees in more than 40 different countries actively contributed to these working groups. Approximately 550 initiatives have been launched, at every level throughout the organisation. The workplace environment and development opportunities aspects have been reworked in particular. Various initiatives, such as "Coffee with the CEO" or meetings with Country Directors, have been launched in most of Coface's countries, including France, Spain, Italy, Germany, Austria, Serbia, and Peru, as well as Russia, to build stronger links with the management team. In most of its countries, the Central Europe region has set up plenary meetings, which bring all the local employees together, or invites all the region's employees to take part in webinars with the Country Director and management team members. These monthly or quarterly meetings aim to communicate on the Company's results and strategy, while ensuring regular communication with management. These events are also opportunities to get valuable direct feedback from Coface's employees.

One of the challenges highlighted by the My Voice engagement survey was to build better understanding of each individual's role within the organisation and with the deployment of the Fit to Win strategic plan. Employees expressed a need for links between the various functions. A number of initiatives have been launched in response to this issue, including My Job Day in France, for instance, or 'meeting points' in Spain. This initiative, presenting the various professions within a given function, has also made it possible to present the department's vacancies and request applications from internal candidates, with possibilities for functional transfers. Coface Chile and Italy have organised "live my life" role plays enabling participants to understand their colleagues' day-to-day work, as well as their recurring issues and constraints, with a view to improving coordination between the teams. Flash Training sessions were also organised in France, aiming to provide employees with information or training on Coface products and the organisation's key tools and initiatives. For example, the requirement to put in place a KYC process—ensuring knowledge of our clients' identity to prevent money laundering and terrorist financing—was presented with a Flash Training approach. In the US, this same requirement was covered with Lunch and Learn conferences looking at specific topics.

The results from My Voice France also showed that employees felt a need for better knowledge of their clients' requirements. Initiatives have been set up for "double listening" to clients and arranging meetings in the field with prospects, clients or brokers.

A dedicated wall for My Voice communications has also been created in a number of countries.

This way of operating with working groups, set up widely across the Group's various countries, has not only made it possible to find concrete solutions for improvements, built with employees, but has also introduced a new way of working thanks to a more bottom-up and collaborative approach, for instance holding inter-department meetings, organising regular meetings and actively engaging employees in these improvements, and making them accountable for My Voice actions. For its part, the Group HR Department has mapped out a global action plan including work on career development, the definition of Coface's Employer Brand following work on the Company's rationale and the development of an onboarding programme for new employees, ensuring "a minimum experience" for new arrivals within Coface worldwide. Already launched in 2018, this action plan will be deployed more widely in 2020. France has launched this work on

integrating new employees at country level by offering presentations of the various departments for new arrivals.

In September 2018, Coface once again measured the satisfaction and engagement of its employees using a new engagement survey prepared and conducted with AON Hewitt, called My Voice. With its rich experience and benchmark of 14 million respondents this year, this service provider was able to guide Coface in its choice of questions and protect the anonymity and confidentiality of the responses.

This year, six questions were added to the questionnaire, primarily covering senior leadership, client focus and follow-up on the results and actions from My Voice 2017. The survey contained 42 questions, including two open questions.

In 2018, My Voice was conducted in 12 different languages (four new languages compared with 2017) and once again obtained a participation rate of over 92%, demonstrating employees' strong attachment to Coface and a desire for constructive improvement.

The total engagement score shows a year-on-year increase of six points, reflecting a significant improvement within six months' action. However, the results are still generally below the AON benchmark, and Coface needs to continue building on the work carried out in order to further strengthen its implementation of a continuous improvement approach.

The My Voice 2018 results were presented by region, country and function in December 2018. In 2019, each region, country or function made arrangements to set out action plans on all the topics highlighted by the survey as requiring improvement.

Many My Voice actions have continued in the long term and new ones have emerged, such as the Démo Café or the quarterly Town Hall Meetings, bringing together all employees within a function.

In Germany, the Working Out Loud initiative was created, proposing to set up a small group of employees from different departments to talk about a personal or professional project and share their best practices. This format, which aims to create links between departments and discover new topics, has been very successful.

In France and many other countries, action plans have been drawn up and put into action by function to complement the cross-functional actions implemented in 2018.

Coface plans to repeat this survey in 2020 in order to allow time to put in place sustainable actions and then measure the impact of its action plans.

Coface continues to widely use Yammer, its company social network, to facilitate communications between departments and countries and exchange information more efficiently. For example, this tool allows departments to easily discuss the follow-up of My Voice actions.

Across the Group, Coface has sought to incorporate agility into its organisation through these new ways of working, and it hopes to see these bottom-up initiatives continue to develop in 2020.

These questionnaires are now used much more widely in certain countries or functions to find out what the employees upstream and downstream of decisions think. For example, Poland started using several questionnaires to find out how communication with employees can be improved and what their specific needs are in terms of employee benefits, training and skills development, as well as finding out whether they want to organise end-of-year celebrations, and so on. China developed a quasi-weekly survey exercise, using simple and direct questions to gauge employees' understanding and reaction to organisational decisions in real time.

The Lean Management approach, aiming to optimise processes, tools and organisational aspects and to free up resources for stronger value-added tasks with a view to increasing Coface's operational efficiency, is another vehicle for bottom-up initiatives, because employees, who are at the heart of the business, are trained to resolve problems.

When the My Voice action plans were drawn up in the various countries in 2018, employees also expressed strong needs for ramping up the number of Lean initiatives, as well as strengthening training in this area.

In this way, many countries incorporated this Lean Management dimension into their My Voice action plans in 2018, including the whole of the Mediterranean & Africa region, which organised a train-the-trainer initiative on this topic, as well as Israel and Romania, which have reviewed their work processes to improve productivity. In France, a dedicated Flash Training course was organised on these Lean initiatives within Coface. This topic came up much less often in working groups in 2019.

### *A pleasant environment*

In 2019, Coface continued to focus on flexibility at work with the adoption of flexible working arrangements in many countries within the reporting scope and outside of Europe.

In Italy, Spain, and Poland, as well as Brazil, Hong Kong and China, flexible and remote working practices were expanded, particularly so in Italy, by providing laptops for every employee and giving them the option of smart working two days a week, *i.e.* from any location, with more flexibility. Egypt, the United Arab Emirates, Morocco and Spain also started or extended this smart working initiative, and Coface Spain took advantage of this opportunity to communicate widely with all employees about their new rights.

Germany, which opened talks with its works councils in 2018, now offers remote working to all its employees, with two fixed days per week or 24 days a year, at the employees' discretion.

Mexico and Brazil continue to have this flexible working arrangement as part of the My Voice actions, offering a shorter day on Fridays, possibilities for everyone to work remotely, and even a rest day for each employee's birthday.

It should be noted that 8% of the Group's total staff members opt for a part-time contract due to personal schedules. Furthermore, as part of its working hours agreements, the Company offers employees the opportunity to organise their work hours according to selected times. No employees in France, Germany, Italy, Spain, Poland or the UK work in shifts or at night.

Our UK entity continued with its workplace wellness initiatives, notably making available baskets of fruit for employees, ensuring a healthy and welcoming workplace environment all year round. Coface Poland launched a similar initiative this year with “Fruit Tuesday”. Switzerland also started offering the same scheme.

Coface Italy is also organising COFACARE, a round of six meetings taking place between 2019 and 2020 on the topic of welfare at work. The Central Europe region is organising “Apple Days” in each of its countries, and Poland, just like Brazil, offers workshops on the theme of well-being with a guest nutritionist, for example.

Other Coface offices are also endeavouring to create pleasant working conditions; Coface offices in Spain and Portugal renewed their initiative for the ninth consecutive year to celebrate “Friendship and Affection Day” with handwritten cards distributed to friends and colleagues. This wave of positivity continued in Chile and Brazil thanks to a successful feedback campaign conducted among all employees.

Coface also encourages regular physical activity in its various countries. Coface Austria took part in an inter-company race and organised a yoga class on its office roof. Coface Dubai teams participated in the Dubai Fitness Challenge to promote sport and well-being in the city, and teams at Coface Romania went even further by signing up to a marathon. Coface Spain organised free yoga classes for employees, and Israel offers 30-minute shiatsu massage sessions for each employee once a month.

Furthermore, Coface Germany organised two days of occupational health activities in collaboration with a public health insurance organisation, and the “JobRad” company programme to promote the use of bicycles for travelling to work continued. The “Job Ticket” scheme was also launched thanks to the conclusion of an agreement with the regional transport company. These programmes allow employees to benefit from very reasonable prices. This latter initiative is very similar to the one launched by Coface Italy, which signed an agreement with a public transport company as well as setting up carpooling and shuttle services to help with its move to new premises. As part of this change, a meeting to discuss best practices for open-plan offices was also organised to make everyone’s daily lives easier.

One of the My Voice groups is also working to set up collaborative spaces at the Bois-Colombes site in France. Working with the Facilities Management Department, the first room was set up in December 2018 to enable Coface employees to meet up in a more colourful, modern and inspiring space, as an alternative to conventional meeting rooms.

The Human Resources Department in France largely dealt with the topic of quality of life at work this year through multiple initiatives. Accordingly, the project to set up collaborative workspaces continues. This summer, Food Trucks allowed employees to discover culinary specialities during lunch breaks, and the outdoor terrace was furnished so that colleagues could sit and eat together.

In 2020, Coface France is planning to establish a concierge service (package collection, dry cleaning, etc.) and implement a mobility plan to complement the partnership set up in 2019 with Klaxit, a company specialising in carpooling services to make daily commutes easier.

It is now also possible for employees in Romania and Poland to find a relaxation room.

In India, Coface Bangalore relocated in February 2019, enabling them to improve employee well-being, security arrangements and collaboration between the teams by grouping the employees together in the same offices. To promote the diversity of our teams and the various cultures represented, teams celebrate many different local festivals around the world. In India, numerous festivals were celebrated, with competitions organised between teams. The Mediterranean & Africa region also celebrated a number of local festivals, such as in Dubai for instance. In Morocco, new offices were officially opened. These offices meet the requirements stated by employees during the My Voice workshops: a larger space with a nicer kitchen and terrace area, as well as more practical meeting rooms, all in a well-located building in the city.

In Central Europe, just like in Latin America and in the Mediterranean & Africa region, countries are encouraged to organise one event each quarter. For instance, “Family Day”, “Children’s Day”, Easter, Valentine’s Day and Women’s Day events were all opportunities for celebrations.

### **New managerial culture for the entire Group**

The leadership skills development programme, LEAD together, which was launched in May 2018, continued in 2019 as planned. Twelve sessions were organised in 2019, bringing together just over 210 participants around the world. In total, (nearly) 500 managers from all regions benefited from this programme, delivered in 26 sessions over two years. The target audience for this programme was made up of Senior Managers, regional- or Group-level Department managers, country heads, as well as the Middle Managers who report to them. Accordingly, 183 Senior Managers took part, as well as 314 Middle Managers. To recap, LEAD together is a ground-breaking initiative for Coface. This programme, available to all the Group’s entities, aims to develop managers’ abilities to take on board Coface’s new requirements, help their teams find their bearings during the current transformation period, and meet the new expectations by developing their sense of initiative, their ability to communicate with impactful messages, to instil a sense of purpose for each individual’s actions, to work with the various internal and external stakeholders, and to give feedback. This programme is based on the principle that each individual, employee and manager alike, has a significant impact and responsibility regarding the implementation of Coface’s strategic plan, with an even stronger focus for managers considering their role in relation to the teams.

LEAD together was chosen as the name for this programme following a creativity workshop involving a dozen managers and employees. “Learn, Empower, Achieve and Develop” summarises the cycle through which managers develop their skills and those of their teams to achieve the objectives set by the Company. “Together” represents not only the Collaboration value as a key success factor for the Company, but also the desire to share experiences and learn from one another in order to further strengthen Coface’s collective capabilities to drive its transformation forward.



LEAD together was devised in a few months in partnership with the executive coaching firm Turningpoint. The programme initially involves preparatory work (videos and articles to read, questionnaire to analyse their leadership profile, collection of feedback to identify their individual leadership development challenges). This is followed by a three-day on-site session, hosted by coaches from Turningpoint. Lastly, a half-day co-development session (peer coaching) is held a few weeks later, in addition to an individual coaching session for Senior Managers. The programme includes a significant contribution by representatives from Coface (HR and top management), who present the Group's ambitions and each individual's expected contributions to achieve them, as well as sharing their vision and talking about leadership. Each group of trainees is mentored by a representative from the management level above, who can directly hear questions and feedback from each individual, making it possible to identify the key issues to be escalated to the Executive Committee and addressed at the highest level within the organisation. During the Senior Manager sessions and one Middle Manager session, Xavier Durand came to talk to participants about his journey as a leader and the experiences through which he has built his career, as well as his vision of leadership and his advice for the participants. During the sessions dedicated to Middle Managers, members of the Executive Committee (usually country heads) performed this role with participants, who appreciate these ground-breaking opportunities for discussion.

The programme is being rolled out across all the countries. The Senior Manager sessions brought together participants from all of Coface's regions and businesses, in Paris, in groups of 20 to 25 people. The Middle Manager sessions were generally rolled out region by region to ensure a mix of different groups as well as limit travel costs. Participants came from different countries within the same region, and a wide range of business lines was always represented.

As in 2018, feedback from participants has been very positive, with an overall satisfaction score of around 4.5 out of 5. They particularly appreciate the very pragmatic approach, centred around the behavioural and interpersonal dimension, as well as the creation of an international network of leaders united around the same goals and ambitions. Lastly, sharing experiences between peers, with the aim of improving support for one another, is a real asset and a real force for collaboration in both the short and the longer term. During the sessions, collective development issues could be identified, to which the Group's Executive Committee pays particular attention, such as the ability to break the global strategic vision down into more specific details for an entity or team, as well as the ability to give clear and regular feedback to employees, enabling them to position themselves and maintain good levels of motivation.

In April 2019, in addition to the on-the-spot course evaluation, a questionnaire was submitted to the 2018 participants to collect more considered feedback and to assess whether the programme was still having an impact from a few months to a year later. The response was positive, with nearly 90% of respondents confirming that the programme was continuing to prove useful, with 80% believing that they had actually improved their leadership skills, particularly with regard to communication and collaboration between business lines and countries. This survey found that Senior Managers in particular tended to work on their personal development in a more targeted way, suggesting, for example, that they used a 360-degree feedback tool to compare how they perceived their skills with how their superiors or teams perceived them. These results were shared with the Group's Executive Committee, which focuses on this kind of leadership development and continues to consider this area as one of the factors to make the next strategic plan successful.

Local initiatives have already been created either to build on the achievements of participants in the LEAD together programme, or to offer managerial skills development for other groups. Some examples of these initiatives:

1. In July, the MAR region management team organised three days of team coaching in Milan to refresh what they had learned during the LEAD together programme, quantify their progress, and draw up an action plan so they could all collectively continue developing their skills in this field. This session was jointly hosted by one of the coaches supporting the LEAD together programme and by the Group HR Department.
2. Also in MAR, a copy of the programme was set up for local managers in Italy called Manage Together, which continued to collaborate with Turningpoint to ensure consistency with the objectives of the Senior and Middle Managers. Twenty managers took advantage of this three-day programme (two days + one day with a few weeks in between to put what they had learned into practice) that focused on management basics: firstly to know what their identity is as a manager, ensure they have a good relationship with their team, set relevant objectives, give feedback, learn how to listen carefully, and so on.
3. Lastly, local management training has been set up in several countries. In Poland for example, in the second quarter local supervisors took a test to assess behavioural preferences, which, by aggregating the results, helped to identify some collective development challenges. Workshops were developed around topics such as feedback, delegation, and showing gratitude to teams. They have been rolled out since October in modules lasting three to four hours for small groups. Around 15 to 20 participants took advantage of the workshops in 2019, and these will continue in 2020. This initiative is organised entirely by the local HR team. Training modules were created in Romania covering influence and impact, interpersonal communication, public speaking and presentation techniques, emotional intelligence, and time management, with 6 to 20 participants per module. In Italy, HR Departments introduced regular Lunch and Learn sessions, some of which focus on managerial topics, such as one on intergenerational management in July. Lastly, monthly Leadership Chats were created for new managers in Brazil, enabling them to get their bearings around key management topics during small group discussions led by the HR team. Theory, practical examples, specific problems encountered by managers on a daily basis, etc. - the agenda is tailored to suit the needs of the participants. Ten sessions were held in 2019 with an average of ten participants each time. This programme will continue next year as the feedback has been excellent.

## Talent management and compensation policy

As with LEAD together, Coface has various cross-functional initiatives in place to develop the collective skills required to achieve the Group's ambitions, while also recognising, developing and valuing each individual based on their contribution to our collective performance and their ability to grow within our organisation. This year's focus was on two key priorities: training sales teams in line with the aim of strengthening client focus (one of the Group's core values) and the roll-out of a new group digital training tool (e-learning).

## Skills development

Following on from the Commercial School, a suite of e-learning modules on the basics that all Coface sales representatives must know, which was rolled out in 2018, two initiatives have been created to develop sales teams' behavioural skills.

Firstly, the Commercial Academy, the second large-scale cross-regional training initiative at Coface after LEAD together, was custom-built in partnership with Krauthammer, an organisation renowned for designing and deploying international business training, to meet Coface's specific needs. Created as part of the Sales Force Effectiveness project, this programme aims to increase the output of sales representatives for all products and all market segments, improve their engagement and retention in teams, and attract new talent. It was co-built in close collaboration with the Commercial and HR Directors of the regions in nine main Coface countries, ensuring that it reflected real situations encountered by the teams and their specific development challenges. Combining e-learning, virtual coaching and classroom sessions, the training is run over four to six months and leads to accreditation. It is based on topics around developing a commercial strategy and selecting opportunities, prospecting, developing a sales pitch, being able to negotiate successfully, and, for Managers, mobilising the team around common goals, managing individual and collective performance, and communicating internally with decision-makers and influential intermediaries, for example. The aim is to reach the whole Commercial workforce over three years. Training is deployed locally in nine languages to enable as many people as possible to learn and in the best possible way. To date, 18 sessions have already begun in three regions, *i.e.* 200 participants from 19 countries. Satisfaction is on target with an average on-the-spot score of 4/5.

The Customer Excellence programme was another key training initiative within the Group that involved teams of account managers for major CGS (Coface Global Solutions) international accounts. The programme was developed with another highly reputable training organisation for international business, Mercuri International. It aimed to make Account Managers and Account Officers with high potential more proficient in developing an effective and profitable long-term approach to maintaining relationships with major accounts, from reviewing the roles, missions and performance management indicators specific to these teams, to drawing up client strategies and looking at the specific challenges of developing trust at each phase of the client relationship. Nine sessions were held between June and September, bringing together 90 participants from 25 countries, with two days of classroom sessions and a webinar a few weeks later. These sessions dealt with sharing participant experiences and responding to the challenges they encountered. The training was a success with an overall satisfaction rating of 87%.

Another major project in 2019 was the implementation of a new digital training platform within the Group. After a large-

scale call for tenders from seven internationally renowned digital learning platform providers, Docebo was selected to be Coface's new partner, and the new platform, called CLIC (Coface Learning – Interactive Centre), was launched in early November. An extensive communication and training plan is in place to ensure it is fully understood by users. Some of CLIC's features worth bearing in mind are: managers have direct access to their teams, and can monitor in real time the training courses conducted or still to be completed by their staff; the option open to everyone, be they experts in their field or "regular" team members, to share internal or external knowledge with colleagues, thus transforming Coface into a true learning organisation; interactivity on the platform; simplified reporting for HR teams; improved user ergonomics; an app due in 2020 allowing access under all circumstances, particularly for those who are not desk-based.

Indeed, training at Coface still plays an important role with regard to the combined effect of the specific aspects of credit insurance and regulatory obligations. It is a tool for developing employees' technical and behavioural knowledge, which leads the Group to broaden the employability of its teams and integrate new needs expressed by its clients and the economic realities of its markets. Employees are in touch with their environment and are able to support the Group's business in line with strategic requirements and client expectations.

"Business" programmes, such as the Commercial School, are still to be found on CLIC, along with all training courses related to regulatory obligations. In this way, Coface ensures that completion of these mandatory modules is closely monitored for all users, and reminders are systematically sent to those lagging behind. Diligence is adhered to, with completion of over 90% at the end of the year on most of these modules. These training courses are systematically assigned to new Coface employees upon arrival, who then have one month to complete them. In 2019, the emphasis was placed on new training in the General Data Protection Regulation (GDPR), with a more instructive, comprehensive e-learning module, as well as face-to-face training to raise awareness among all HR teams; these then relayed this training to management so that the overarching messages reach employees and discussions take place within each team to revisit working practices and processes in order to comply with the obligations. This was accompanied by a communications and poster plan to make the subject part of everyday working life. Two other modules were created in 2019 on anti-corruption practices, for those most exposed: members of general management (from a country, a region or the Group), staff working in Commerce, Commercial Underwriting, Finance, Purchasing, staff monitoring Client Debt Collection and Indemnification, and staff in Risk and Compliance management. Lastly, client complaint management, a module intended for all employees, to ensure that they respond appropriately to all contacts with a client, whether directly linked to their role or not.

Investment in training is monitored via the number of hours of training delivered, the number of employees trained, and the budget dedicated to training. The detailed indicators are as follows:

Country	Hours of training 2019	Persons trained 2019	Budget spent (in €) 2019*
France	9,105	721	465,819
Germany	7,297	550	220,000
Italy	2,479	197	91,000
Spain	5,336	201	128,317
United Kingdom	2,044	111	77,765
Poland	5,395	252	41,784
<b>TOTAL</b>	<b>31,656</b>	<b>2,032</b>	<b>N/A</b>

\* Training costs are reported based on the amounts invoiced for each country and for actual hours spent during the year, in line with local regulations or practices. Therefore, we do not consider it appropriate to give the total of the budget spent in the above table. Consolidated data for the entire reporting scope can therefore be provided once the methods for calculating this budget have been standardised.

Training involves all employees in France, Germany, Spain, Italy, the United Kingdom and Poland, representing an average of 16 hours' training per person trained, which is roughly stable compared to 2018.

As was the case in 2018, LEAD together training costs are not included in the budgets given here by country as they are borne directly by the Group. These costs are very significant in 2019, i.e. in the region of €500 million.

In France, emphasis was placed on continuing to strengthen managerial culture via various initiatives: the Group's LEAD together programme, workshops on professional interviews, and on harassment, and training leading to accreditation by the ESSEC Business School. Quality of client relationships was also a key area, with the deployment of the Commercial Academy and the CGS large accounts programme. Lastly, language training, particularly English, was boosted with priority given to packages leading to accreditation.

In Germany, training hours returned to more "traditional" levels in 2019, after exceptional highs in 2018 for two reasons: the OrgaShaker corporate transformation initiative in 2018 resulted in many internal training workshops. In addition, many e-learning courses started in 2017 by the Group were only rolled out in 2018 in Germany, following approval by the Works Council in late December. The sharp rise in the budget in 2019 reflected a much larger share of outsourced training. It was also the result of a purely mechanical cost management effect for the e-learning tool, which was billed in 2019 for the previous year. Among the key training themes, emphasis was placed on the development of sales representatives, via the Commercial Academy and the CGS programme, as well as local complementary pathways and individual coaching for employees with potential.

In Italy, large-scale mandatory training programmes or those focused on certain business lines (commercial underwriting, information), rolled out in 2018, did not need to be renewed in 2019. The total number of hours of training thus decreased to some extent. Nonetheless, the training budget did rise considerably, due to significant investment in language courses and the development of a local management and leadership programme adapted from LEAD together – two key dimensions for the company. Also of note was the creation of complementary initiatives run entirely in-house (seven Lunch and Learn sessions around behavioural skills, and It's... Talent Time for employees with high potential). Lastly, a catalogue of digital on-shelf training was made available to a pilot group, to broaden training possibilities by giving employees direct control over selecting their training.

In Spain, substantial efforts were made in business line training in 2018, particularly in commercial underwriting and information, in leadership and in languages, which, though continuing in 2019, did not require the same level of intensity, since staff turnover was relatively low. Regulatory training courses were all conducted, but with a sharp drop in volume compared to 2018.

In the UK, the quality of training monitoring conducted internally was enhanced, providing a more comprehensive view in 2019 of the number of hours and the budget devoted to training. Given the high number of these training sessions, the number of hours of training completed also rose sharply, along with the budget. The main actions conducted in 2019 focused on commercial training courses launched by the Group, representing a sizeable financial investment, along with regular informal sessions over lunch to develop a more collaborative working culture between departments.

## Career management

In 2019, Group-led Talent Sharing Committees were established, where the HR staff in each region exchanged information about openings within their scope, and about employees available to move outside their region of origin. The aim of these meetings is to proactively boost international mobility, particularly when openings are confidential and cannot be communicated to employees. It also helps target the best employees with potential and key expertise holders within the Group, with a view to retaining them and speeding up their development. These committees proved effective and had a direct impact on the number of international moves made in 2019. They were also launched in a number of business lines. Accordingly, the financial directors of the various regions held one such committee in March, after which five international moves were made, while two are still under discussion. These discussions also give rise to career discussions with employees identified as likely to pursue their career abroad, thus allowing Coface to create individual pathways and give them visibility within the Group. The systematic posting of vacancies on the Group's intranet was also encouraged, with new training sessions for local HR managers on how to use the tool. Lastly, career management and mobility rules were defined, aimed at HR managers, managers and employees, and shared on various occasions: business seminars, functional webinars, and dedicated workshops. For instance, a workshop was conducted with the Group's auditors, at their request, to better identify the career opportunities available to them at the end of their audit tenure. Using group exercises over one morning, this workshop helped participants to clarify their aspirations, the skills acquired within auditing, and those still to be

developed in terms of the three or four types of position targeted as a priority, and to define an action plan on how to best undertake their in-house marketing.

Locally, initiatives were also launched to allow employees to more effectively manage their career paths. Implementation of the professional development discussion in a structured way in France, supported by dedicated training, helped to further the projects of a sizeable number of employees, and to develop managerial dialogue in this respect, with positive feedback from stakeholders. In Italy, one of the Lunch and Learn sessions was dedicated to storytelling and how this skill can be specifically applied to managing career paths for the employee, by developing their ability to articulate who they are, what their capabilities are and what they aspire to. Also in Italy, a comprehensive programme was set up for employees with high potential, called It's... Talent Time, aimed at offering specific training opportunities, top management exposure and time to network between departments, to help facilitate future cross-functional developments. Since July, seventeen participants have benefited from discussions with the Country Head the CFO and the CEO of the MAR region. They were given a presentation of the local strategic plan, and they took part in four personal development workshops; lastly, they gained privileged access to an e-learning platform currently being tested at MAR. The programme is set to continue until April 2020.

The Talent Review process has been deployed very widely within the organisation and structured around key areas for career management: identification of employees' potential for development, definition of professional aspirations, and identification of a pool of employees open to international transfers. This is an essential source for boosting succession plans and internal mobility.

As a result of all these initiatives and the various actions implemented to encourage international mobility, it is really moving ahead. In 2019, 29 new moves were made, compared to 17 in 2018, *i.e.* an increase of 70% in one year. This is also two and a half times the average of the last three years. This took the total number of expatriates to 61 at December 31, 2019, compared with 42 at December 31, 2018, *i.e.* a 45% rise. Another significant change is that international mobility is becoming more diverse. It covered 19 countries, 22 nationalities, and included both operational and support roles. More women are also on the move: they accounted for 45% of new moves, compared with 35% in 2018. Young people also put in a better showing: 28% of the expatriate population was under 35 in 2019, compared to 24% in 2018. The international mobility policy is proving to be a great tool in terms of individual development: 90% of new arrivals were identified as potentially able to take on broader responsibilities in the future.

In addition, Coface continues to promote the International Internship programme (V.I.E.). This win-win formula allows the Company to identify and attract young international talents and train them for 12 to 24 months, with the aim of subsequently integrating them into the business. For candidates, it is an opportunity to acquire a position of responsibility, to boost their career with international exposure and to be part of a unique intercultural experience. In 2019, 39 recent graduates, 67% of whom were women, took part in a V.I.E. mission across 15 countries.

The "Employer Brand" project continued. Following in-house discussions by way of working groups bringing together employees in various regions, a partnership was agreed with the Epoka communications agency, a specialist in employer branding, to define strategic positioning, key messages and visual identity that will help to raise awareness of Coface, attract the new talent that the

Company needs to implement its strategy, and mobilise teams through focusing on the values, strengths and common aim that contribute to the Group's strength. At this stage, the project involves representatives from the HR and Communications functions, as well as the Group's Executive Committee, which is very committed to this topic. It will result in an extensive communications campaign, set to roll out as part of implementing the new strategic plan.

In parallel, local initiatives aim to enhance awareness of Coface and its appeal. In this respect, of note is the partnership with My Job Glasses in France, which allows students from 85 schools and universities to get closer to the business world, by putting them in touch with professionals with whom they can chat and learn about professions and the world of work in general. Fifty Coface ambassadors, selected from many volunteers, participated in this programme, which launched in June 2019. There were 192 contacts and 85 individual appointments made, with great image feedback: students gave scores of 4.7/5. For ambassadors, motivation lies in sharing knowledge with new generations, sharing the pleasure of working in the Coface world, and identifying those with potential for the future. In Mexico, a Trainee Programme continues to be rolled out to apprentices, allowing them to undertake two or three job rotations across departments so they can find out more about the reality of business lines, and make the best professional choices upon completing their studies. This programme is a success since the conversion rate into effective recruitment once participants graduate is 65%, with new recruits proving to be particularly successful.

## Performance management

Coface has adapted its HR processes, especially its annual appraisals, to establish its values as a key success factor and to serve as a foundation for individual development initiatives.

Since 2013, an annual appraisal process has been rolled out using an online tool in 22 languages in all of the countries where the Group is active, to determine strategic priorities and share standardised criteria for employee performance assessment. As was the case in 2018, 98% of annual appraisals were conducted in 2019, illustrating strong in-house discipline and the need employees have to exchange views with their manager and discuss clear individual objectives for the coming year, based on a sharing of the major strategic priorities for each entity and function. The Performance & Development Review (PDR) online tool was further simplified and enhanced to serve both users and HR teams even better. For managers whose compensation includes a variable portion aligned with the Group policy, they now only set and assess their individual objectives in the PDR tool. Previously, they also had to make a second entry via a tool dedicated to their bonus. This tool continues to be used, but only to produce the spreadsheet for bonuses. Another new feature of the late 2019 campaign is that annual reviews are now approved by employees' functional managers where applicable, in addition to their line manager. This reflects the matrix organisation of Coface and the search for alignment, consistency and collaboration between both managers. The same will be true for the objectives to be set at the beginning of next year. All these new features were deployed using a communications kit for HR teams, managers and employees, to ensure that all parties are fully informed. Training courses launched in 2017 were updated and they continued to be rolled out systematically for all new Coface hires, individual contributors or managers. The aim is to allow each person to fully appreciate the expectations and the way information is used, particularly as a starting point for Talent Reviews and to trigger career reviews.

Some regions launched initiatives to strengthen the quality of feedback between managers and employees during the annual review. In this regard, for the entire region, LAR set up the Coffee with Boss operation ahead of the annual review campaign. Of LAR employees, 95% benefited from these sessions, during which employees were invited to share their experience of the year, what they thought they had done particularly well, and the difficulties they had faced. This meant everyone could better prepare for the annual review, and in particular it allowed the manager to take all parameters into account when making their assessment. This initiative got very good feedback from teams.

### Compensation policy

In accordance with regulatory requirements applicable to the insurance sector since 2016 (Solvency II), Coface's compensation policy is reviewed each year to align it with the Group's strategic objectives and ensure effective risk management within the Company.

This policy is set out in detail in Section 2.3.1 "Compensation Policy", and aims to:

- ◆ attract, motivate and retain the best talent. Each year, the Group awards free performance shares to an identified regulated population in the context of the Solvency II Directive (Executive Committee, key functions and employees with significant influence on the Company's risk profile), for whom a portion of variable compensation must be deferred, and to certain key employees as part of the reward and retention policy. The vesting period for this scheme is set at three years;
- ◆ encourage individual and collective performance and seek to be competitive on the market, while respecting the Group's financial balance. In 2017, the Group Human Resources Department launched a global compensation survey project with a compensation consultancy firm expert in the financial services sector. This project strengthened the Group's knowledge of market practices and ensured clear compensation management within the Group during a period of significant change. It concerned 36 countries between 2017 and 2018, thus covering nearly 90% of the Group's functions; this exercise will now be repeated every two years, and will cover 13 target countries in 2020;
- ◆ comply with the regulations in force and guarantee internal fairness and professional equality, particularly between men and women. As part of its annual compensation review, the Compensation Department ensures that the distribution of budgets for pay rises respects gender balance throughout all the Group's entities. In France, the Human Resources Department carried out substantive work over a three-year period aimed at achieving gender equity in terms of compensation. These efforts were reflected in Coface's excellent result when the workplace equality index, set up in France in connection with the equal pay legislation, was published. With a score of 91 out of 100 for the 2018 financial year, Coface stands as a leading French company and now far exceeds the legal obligation, set at 75 points;

- ◆ be consistent with the Group's objectives and support its development strategy in the long term. The bonus policy is therefore reviewed and validated each year by the Management Committee with regard to the Group's priorities. It is particularly attentive to preventing any conflicts of interest and includes social and environmental issues in its deliberations.

The Coface compensation policy is managed by the Group HR Department and transmitted by the HR function to all of Coface's regions and countries.

### Coface, operating responsibly within its environment

#### Rich social dialogue

The Group maintains ongoing corporate dialogue with its European and national employee representative bodies. The implementation of this dialogue provides management and employee representatives with a forum for working towards the Group's success and sustainable development.

In France, there is now a single elected body, the Social & Economic Committee (CSE), which merges all staff representative bodies (IRP), staff delegates (DP), Works Council (CE) and the Hygiene, Safety and Working Conditions Committee (CHSCT). This committee is composed of 17 permanent members and three substitutes.

In Germany, three works councils exist: the works council for the Coface Germany branch (Coface Deutschland) and Coface Rating GmbH (EIC), composed of 11 members and representing some 470 employees; the works council for Coface Finanz GmbH, composed of five members and representing approximately 95 employees; and the works council for Coface Debitorenmanagement GmbH, composed of three members and representing some 35 employees.

In addition, the Board of Directors of Compagnie française d'assurance pour le commerce extérieur includes four directors who represent employees (i.e. one third of the Board members) and one director representing the works council.

Poland, a new country that falls within the reporting scope this year, works in close collaboration with a group of eight staff members representing all employees.

These different bodies meet regularly to discuss corporate matters such as compensation, working hours, management of leave and the employees' mutual fund.

Accordingly, in France, in January 2019, the Works Council met 11 times, the staff representative body met once, and the CHSCT met once in order to set up the new CSE body. Only the meetings with union delegates remain after the creation of the CSE body. During 2019, three such meetings were held.

In Germany, some 50 Works Council meetings took place this year, i.e. significantly more than the number of mandatory meetings.

The European Works Council (CEE) meets at least once per year to set out the activity and future strategic guidelines for the Group. Throughout the year, there are also discussions between management and the European Works Council restricted committee regarding projects pending and the development of the organisation.

The European Works Council now has 17 permanent members representing employees in the 23 European countries. The Group believes that corporate dialogue is an important driver for mobilising employee engagement. In an effort to create conditions for its sustainable development, it is working to reconcile the Company's performance with driving social progress. Progress on the Fit to Win strategy and My Voice, an engagement questionnaire for employees, was the subject of specific presentations at the plenary meeting of the European Works Council in 2018, as well as a number of presentations to local works councils.

### Collective bargaining and company-level agreements

The Group conducts regular discussions with the European Works Council and in 2013 signed an agreement regarding the rights to information and consultation of the body, creating a restricted committee within it. On May 19, 2015, the restricted committee approved its internal regulations, thus strengthening the principles of its governance. During 2019, management signed an agreement with the European Works Council on support for employees whose jobs could be affected by a specific reorganisation. Coface then undertakes to put in place the appropriate systems, such as skills assessments, monitoring by Human Resources or the implementation of an individual development plan.

In France, the companies in the Group's scope of consolidation primarily fall under the national collective agreement for insurance companies. As regards company-level agreements, in accordance with each party's prerogatives, the employee representative bodies are integrated into the processes of transforming organisations or establishing new processes, always striving to seek out agreements. In 2019, management signed an agreement with trade unions on the election of employee directors. It should be noted that in Germany, discussions and negotiations on the Fit to Win plan (internal reorganisation) were conducted in close collaboration with the trade unions throughout the year.

Coface complies with local regulations and agreements regarding the organisation and duration of the working hours of its employees in all countries where it is established, either directly or through subsidiaries or branches.

In 2019, the observed absenteeism rate was 1.92% in France, 4.18% in Germany, 4.03% in Italy, 5.68% (including maternity leave, sick leave, and legal authorisations) in Spain, 0.99% in the UK, and 6.95% in Poland. In each of the countries within the reporting scope, the absenteeism rate is monitored according to local calculation methods. For example, in 2019, the method of calculation changed in Italy, since it is now calculated on the basis of hours actually worked (rather than theoretical hours worked previously). Therefore, communication of consolidated data for the whole of the reporting scope will be possible after alignment of the calculation methods for this rate.

### Workplace health and safety

The Group ascribes great importance to employee health and safety. There are medical monitoring mechanisms in compliance with local regulations, and healthcare coverage is offered to employees in all entities.

Concerning employment in the service sector, the identified risks more specifically concern the occupational environment and business travel. To that end, certain entities have now taken initiatives to prevent these risks, notably as concerns their employees (training for driving on slippery roads, nutrition days, medical, dental and eye check-ups, etc.).

Employees are trained in first aid and emergency building evacuation drills are regularly organised in many countries within the reporting scope, such as France, Germany and Italy, as well as outside of Europe, such as India, for instance, to ensure employee safety.

Flu vaccination campaigns are also organised for Coface employees and sometimes their families, particularly in France.

Coface Dubai strengthened its initiatives in the field by implementing paid maternity irrespective of length of service, and by taking out new health insurance with more extensive cover. Egypt also improved its health insurance so as to better protect its employees. In the wake of the Paris terror attacks, a Vigipirate security plan was activated at the Bois-Colombes site, and security measures were reinforced (checkpoint at main entrance to the building). The Group has upheld its commitment to intensify security measures in each of its entities to ensure that employees are protected as much as possible against terrorist threats.

In addition, free osteopathy sessions are offered to employees on the premises at Bois-Colombes (up to two sessions per employee per year). These individual sessions include ergonomic and preventive advice on the risks of musculoskeletal disorders. In light of its success and the number of requests, additional sessions were put in place.

In France, Germany, Italy, Poland, Spain, and the UK, 22 workplace accidents leading to days off were reported in 2019 (15 in France, four in Germany, and three in the UK). No occupational illnesses were reported in France.

In conjunction with the occupational physician, the Hygiene, Safety and Working Conditions Committee (CHSCT) and the commission for the prevention of psychosocial risks, a set of indicators is monitored to spot trends, learn lessons and implement actions. Hence, when renovating the premises of the head office, specific arrangements were made in the building to reduce noise generated by working areas (partitioning off of social areas, installation of plants and the addition of partitions between office areas).

Coface's management maintains regular dialogue with employee representative bodies regarding matters in connection with working conditions and safety. In this respect, during meetings with the CHSCT, the single document on risk prevention for employee health and safety was updated with the cooperation of the occupational physician.

## Anti-discrimination measures: disability

The Group is centred on the consulting, analysis and client relations businesses, and is thus able to welcome employees with disabilities. The Group ensures that employees with disabilities are integrated into all its businesses and countries and applies existing local provisions.

The lines of action in France, Germany and Italy are presented and discussed with the employee representation bodies on a regular basis. Furthermore, Coface Germany has a specific representation body for employees with disabilities. Throughout 2016, Coface Germany conducted negotiations on the arrangement of a professional reintegration programme. This negotiation led to an agreement in 2017. Since 2017, employees have taken part in this programme, with very positive feedback from participants, works councils and managers. This programme's benefits include a specifically adapted office, an orthopaedic chair or reduced working times in certain cases. In 2019, Coface Germany had 28 employees with disabilities.

In 2019, Coface in France worked in collaboration with the occupational physician and social services. A communication campaign aimed at clarifying the implications, and specifically the advantages, of the process for recognising disabled worker status under French law will be launched in 2020 so as to implement an associated action plan.

In order to enhance the working conditions of employees with disabilities, Coface France intends to offer all employees the possibility of teleworking.

Lastly, the practices of Coface Italy reflect the legal framework, which requires that a minimum number of jobs should be reserved for people with disabilities in the total workforce of an entity.

## Gender equality

Coface has maintained its very strong focus on equal opportunities for men and women, and seeks to create the necessary conditions to guarantee fair treatment for everyone based on their experience and skills, as well as working conditions that enable their personal and professional fulfilment. The pursuit of gender equality is a long-term commitment, to which Coface is strongly committed. Each region is required to continuously implement an annual plan designed to ensure equal opportunities.

The Women's Mentoring pilot programme, whose foundations were laid in 2018, has been successfully deployed in France since March 2019. To recap, this programme aims to allow more women to access leadership positions. In fact, though women make up 53% of the population at Coface, they account for only 39% of managers, and around 30% of senior managers, though this figure is up by two points since 2018. Ten participants were selected for this programme from different business lines with varying levels of professional experience and seniority at Coface. However, all are motivated to invest in their personal development and to continue their career at Coface. These participants are assigned a mentor, selected from the Group's Executive Committee or senior management, who is recognised for their teaching skills, openness and personal suitability, in line with the Group's values. They work to objectives that they themselves set, such as developing their managerial skills, improving their interpersonal communication, or defining a career plan, for instance. They are able to share experience with their mentors and can benefit from their advice, as well as their

network. The programme generally runs from nine to twelve months. The milestone meeting after six months, over an informal lunch, highlighted high levels of satisfaction and very strong investment by all contributors, while allowing participants to share ideas and recommendations with each other. The aim is to roll out this programme in other locations.

In France, particular attention was paid to decisions on promotion, wage increases and return from maternity leave for women, and the second stage of the gender equality scheme was set up in 2019 as scheduled. Specific budgets were thus allocated to eliminating "unjustified" pay gaps between men and women in terms of responsibility and equivalent business lines. This budget accounted for 0.2% of payroll in 2018, increasing to 0.3% in 2019. Sixty women benefited from this in 2018, and 67 in 2019. This allowed Coface to obtain an excellent score in the workplace equality index that all companies with over 250 employees must publish. With a score of 91 out of 100 for 2018, Coface ranks among the leading French companies, far above the market average and the legal requirement.

At CER, a new webinar programme with the involvement of female leaders from other companies was launched to encourage women working at Coface to aim for leadership positions, sharing their experience and highlighting the specific features of leadership and the obstacles they had to overcome. The first one was held in October 2019 where Susan Snow, Senior Vice President, Operations (COO) at Redhorse Corp gave a presentation. It brought together 130 participants and received excellent feedback. A second initiative consisted of a large internal and external communication campaign known as "I Pledge". Throughout the year, twice a month, accounts from Coface staff of both genders are posted on social networks, on the intranet, and on Yammer, in which they commit to defend gender equality at work and express their conviction. It is a great source of inspiration for all, and a wonderful way to pay tribute to the human quality found at Coface.

In Hong Kong, a new Women to Win committee was set up, led by five women representing various business lines and age groups. They continued these actions launched in 2018, such as the celebration of Women's Day or Pink October to combat breast cancer, along with the launch of new initiatives, such as a round-table discussion with Carine Pichon, CFO of Coface, to talk about female leadership, key success factors for women, and to share best practice from other Coface entities. For the first time, an open day for children was held at the regional headquarters, allowing kids to discover their parents' work environment in a playful, relaxed atmosphere. Lastly, a Women to Win network was recently launched in Singapore.

In Germany, the Women to Lead programme launched in late 2018 continued, allowing participants to benefit from the support of an external coach during workshops on issues concerning women in leadership. Based on these observations, the participants decided to propose to the management of NER a leadership model for the entire region, to ensure that managers direct all their practices towards a single frame of reference and the same priorities in the context of the company's transformation project.

In Latin America, special attention has been paid to the representation of women in the region's key posts (management team expanded). Progress was stepped up in 2019. In 2017, only 24% of these posts were held by women. The figure was 29% in 2018. It is now 45%, thanks to the appointment of four women in 2019, following internal promotion (Commercial, Sales for large international accounts, Subscription/Information/Indemnification & Collection, and Marketing departments). An equal pay programme was also set up in Peru and Ecuador.

### Respect for the fundamental conventions of the International Labour Organization

Since 2003, the Group has been a signatory of the United Nations Global Compact, which commits it to respecting the fundamental conventions of the ILO. Coface therefore

ensures compliance with freedom of association and the right of collective bargaining, the elimination of professional and employment discrimination, elimination of forced or mandatory labour, and the effective abolition of child labour.

## 6.1.2 Agreement providing for employee share ownership in the capital of the Company

As part of its stock market listing, the Company carried out a capital increase operation reserved for employees in June 2014. Nearly 50% of eligible employees participated in

this offer and became shareholders, either directly or through the Coface Actionnariat FCPE mutual fund.

## 6.2 ENVIRONMENTAL INFORMATION

As a service company, Coface's CSR policy consists primarily in making conscious real estate choices that help to lower its environmental footprint by reducing its greenhouse gas emissions, as well as its energy and paper consumption. The development of these action plans is

intended to mitigate potential (i) risks linked to the activity not adapting to environmental challenges and (ii) consequences in terms of climate change for the services produced by the Group.

### 6.2.1 General environmental policy

The Company is fully committed to protecting the environment. Its approach to reducing its environmental footprint has significantly influenced its real estate choices, particularly in the choice of its head office, and the efforts rolled out to reduce its greenhouse gas emissions, consumption of energy and paper, along with other initiatives established in France and abroad which encourage waste sorting and recycling, particularly for parts of obsolete IT equipment.

In 2019, the Coface teams moved to more modern premises, better aligned with the new environmental regulations, in Italy (Milan), Malaysia, Australia and Shanghai in particular.

In 2019, as in previous years, there was no environmental litigation and no indemnity was paid in application of a legal decision rendered in that subject area. The Group has therefore not established any guarantee or provisions to cover that risk.

In France, environmental aspects were a determining factor for Coface in choosing the building that has housed its head office in Bois-Colombes since 2013. This building, which can host approximately 1,200 employees, is certified NF MQE (high environmental quality for construction) and BREEAM (BRE Environmental Assessment Method). It thus incorporates current best practices in terms of the immediate environmental impact, construction materials and processes, and production of waste. This building has furthermore been certified "low energy" (bâtiment basse consommation - BBC); its standard energy consumption is thus limited. The building preserves natural resources, thanks to limited water needs for green areas due to rooftop water recovery, solar panels situated on the roof and low-consumption exterior lighting.

In Germany, the main office located in Mainz is certified "Ökoprofit" for its sparing use of energy resources.

### 6.2.2 Sustainable use of resources

The Group only consumes water in the operation of its service-sector premises: air conditioning, cooling of electronic equipment, cafeteria, maintenance, sanitary facilities and watering of green areas.

In 2019, water consumption represented 34,847 m<sup>3</sup>. It is up slightly this year, linked in particular to the extended reporting scope. Water consumption totalled 31,368 m<sup>3</sup> in 2018, versus 27,081 m<sup>3</sup> in 2017 for the entire reporting scope, due to efficient control of the water distribution network and maintenance.



### 6.2.3 Climate change

The Group has taken various initiatives to reduce its environmental footprint, in particular with regard to greenhouse gas emissions, through the policies presented

below and its new socially responsible investment policy - SRI (see Section 6.3.4).

#### Energy consumption

The Group's energy consumption concerns lighting, air conditioning and heating of the premises.

The Group implements actions to reduce energy consumption, which translate into the environmental choices made in terms of real estate (see the features of the

building housing the head office and the main office in Germany), which have allowed energy consumption to be significantly decreased.

► **Reported energy consumption since 2017 for the reporting scope**

	2019 reporting scope France, Germany, Italy, Spain, UK and Poland		2018 reporting scope France, Germany, Italy, Spain and UK		2017 reporting scope France, Germany, Italy, Spain	
	Consumption	Equiv. CO <sub>2</sub>	Consumption	Equiv. CO <sub>2</sub>	Consumption	Equiv. CO <sub>2</sub>
Electricity	5,007 MWh	573 tCO <sub>2</sub> e	6,562 MWh	719 tCO <sub>2</sub> e	6,825 MWh	632 tCO <sub>2</sub> e
Gas	963 MWh	214 tCO <sub>2</sub> e	1,503 MWh	355 tCO <sub>2</sub> e	1,463 MWh	316 tCO <sub>2</sub> e
Surface area	34,776 m <sup>2</sup>		73,159 m <sup>2</sup>		72,026 m <sup>2</sup>	

(Consumption MWh)	2019		2018		2017	
	Electricity	Gas	Electricity	Gas	Electricity	Gas
France	1,836	205	2,826	439	3,289	610
Germany	1,960	N/A	1,920	N/A	1,874	N/A
Italy	427	588	1,024	844	1,066	853
Spain	469	N/A	505	N/A	596	N/A
United Kingdom	210	170	287	155		
Poland	104	N/A				



The share of renewable energy at the Bois-Colombes building in France, where Coface's head office is located, represents approximately 14% of its total consumption. Furthermore, the roof of this head office is covered by some 100 square metres of solar panels, which reduce its gas consumption by reheating the water supplied to sanitary facilities and to the restaurant. In place since 2015, these sensors made it possible to save six to seven months of gas consumption per year, depending on the years, from 2017 to 2019. Since September 1, 2018, the surface area of the head office in France has been reduced by nearly 40%, reducing its energy consumption levels.

In Germany, electricity consumption does not generate any greenhouse gas emissions since Coface Germany has opted for an energy contract fully based on renewable energy sources with an offset system.

The reduction of surface areas in some countries, such as France, Italy and the United Kingdom, resulted in lower electricity and gas consumption in 2019.

## Travel policy

The travel policy for Coface France employees was adapted and rolled out for the Group in 2018.

As part of this update, special attention was paid to environmental issues. In order to fully involve employees in this approach, the Group travel policy highlights a number of best practices aimed at raising employee awareness with regard to business travel:

- ♦ opting for telephone calls or videoconferences;

- ♦ opting for train travel for short trips;
- ♦ proposing carpooling solutions between co-workers and/or taxi sharing;
- ♦ limit printing by carrying out all procedures online (boarding pass, insurance card, etc.).

Type of travel	CO <sub>2</sub> metric tonnes equiv. for the 2019 reporting scope France, Germany, Italy, Spain, UK and Poland	CO <sub>2</sub> metric tonnes equiv. for the 2018 scope France, Germany, Italy, Spain and the UK	CO <sub>2</sub> metric tonnes equiv. for the 2017 scope France, Germany, Italy and Spain
Aeroplane	675	675	673.6
Train	27	18	14.5

(CO <sub>2</sub> metric tonnes equiv.)	2019		2018		2017	
	Train	Aeroplane	Train	Aeroplane	Train	Aeroplane
France	3	394	3	410	3	416
Germany	0	37	0	26		50
Italy	2	119	2	138	3	176
Spain	11	68	12	75	9	31
United Kingdom	0	20	0	26		
Poland	10	37				



In 2019, there was a decrease in greenhouse gas consumption related to air travel for almost all countries included in the reporting scope, with the exception of Germany. However, the figure remains the same due to the inclusion of Poland within the reporting scope in 2019.

The distances travelled by plane decreased by 16% this year as fewer trips were taken in view of the Group Travel Policy, with a stabilisation of the corresponding CO<sub>2</sub> emissions.

Regarding the rise in greenhouse gas emissions related to train travel in 2019, this is due to an increase in the number of kilometres travelled by train, particularly following the inclusion of Poland within the reporting scope, and the Polish energy mix, which is heavily reliant on fossil fuels.

## Vehicle policy

Within the reporting scope, countries adopt initiatives to reduce fuel consumption, such as Coface in France, which regularly upgrades its vehicles and selects them based on a number of criteria, including CO<sub>2</sub> emissions per kilometre travelled. The average for the vehicle fleet in France was 104.2 g/km in 2019 compared with 102.87 g/km in 2018. As a result, greenhouse gas emissions increased by 1.68% over three years between 2017 and 2019. New executive-grade vehicles have been added to the fleet with high emissions levels due to their engine options.

In Germany, the fuel consumption reduction policy is governed by specific clauses specified in the contract drawn up with the vehicle leasing agency, providing for maximum fuel consumption thresholds per vehicle.

► Table of consumption since 2017

Fuel: Diesel and four-star premium fuel	2019 reporting scope France, Germany, Italy, Spain, UK and Poland	2018 reporting scope France, Germany, Italy, Spain and UK	2017 reporting scope France, Germany, Italy and Spain
Litres	716,527	622,592	696,043
CO <sub>2</sub> metric tonnes equiv. CO <sub>2</sub>	1,847	1,561	1,778.5

(Fuel (Diesel and four-star premium fuel) in litres)	2019	2018	2017
France	166,930	162,246	171,927
Germany	322,688	328,776	402,687
Italy	96,243	103,344	99,701
Spain	20,407	18,906	21,728
United Kingdom	9,983	9,320	
Poland	100,277		



We recorded an increase in litres consumed and greenhouse gas emissions for vehicles this year due to the inclusion of Poland within the reporting scope.

To date, Coface's contribution to reducing greenhouse gas emissions is reflected in a limitation of CO<sub>2</sub> emissions through the vehicle policy, in limiting travel through the travel policy, and in its responsible investment policy, which

notably includes, as described below, taking regular measurements of greenhouse gas emissions from its financial investment portfolio.

In 2020, the Group will establish a car policy in order to harmonise practices and reduce the carbon impact of its vehicle fleet. This Group-level standardisation will allow better management of the practices in each country.

## 6.3 SOCIETAL INFORMATION

### 6.3.1 Regional, economic and social impact

#### Support for client development

The very nature of credit insurance contributes to the development of economic trade by offering companies secure commercial transactions, as presented in Section 1.3.1 "Description of the credit insurance business". Coface, as a leading market player, strives to offer its clients products that are best suited to their needs, in support of their development. It has made innovation a strategic cornerstone of its development.

#### Forging of links with the local social and economic fabric

With teams located in 57 countries for maximum proximity to the economic and social fabric, the Group favours the hiring of local employees, who are trained in the credit insurance businesses and have detailed knowledge of the business environment. It thus contributes to strengthening its expertise, while developing local players in the countries.

In addition to hiring employees and developing partnerships with universities and business schools (see Section 6.1.1), Coface takes part in local inter-company initiatives to support certain social causes and proposes or supports student initiatives, for example.

### 6.3.2 Partnerships and corporate philanthropy

#### Coface Trade Aid

In 2018, a Group-wide charter was created for all Coface entities. This charter is intended to define a framework for the actions taken under the Coface Trade Aid umbrella worldwide to ensure their consistency with Coface's values and mission to help businesses to develop safely and sustainably. To ensure that these actions are relevant and truly benefit the charities in terms of financial donations, it was decided this year that the number of charities supported would be limited to one per country.

Coface Trade Aid's mission is to provide local support for charity projects, to work for sustainable economic development around the world, particularly through helping people return to work or remain in employment, assisting in setting up businesses, and supporting innovation, microcredit and professional training.

Coface Trade Aid targets specific, identified micro-projects, aiming to track them and be involved from start to finish. The proposed projects are selected for their utility, effectiveness and ambition. Financial transparency, dynamism and the involvement of associations are likewise important selection criteria.

Initially launched in France, Coface Trade Aid has been gradually extended to all countries of the Group, with the same aim of supporting local initiatives based on education, the learning of a profession, microfinancing or the facilitation of economic exchange. In 2013, for the first time, Coface organised the Coface Trade Aid Week, during which each Coface country was asked to mobilise its teams for the benefit of charities. This operation has since been held annually, with the participation of most countries, and now constitutes a common, positive approach across all entities.

Under the framework of Coface Trade Aid, solidarity initiatives are organised in the various countries where Coface is present. Examples include:

- ◆ in Australia, Coface has sponsored the fundraising dinner organised in May 2019 by Yalari, a not-for-profit organisation that offers secondary education scholarships at leading Australian boarding schools for indigenous children from regional, rural and remote communities. A team of Coface volunteers helped Yalari organise an auction and a raffle and participated

in the sale of tombola tickets. The collection raised 185,000 Australian dollars for the scholarships, of which 2,500 Australian dollars were fully financed by Coface;

- ◆ in India, Coface provided financial support to ALFAA (Assisted Living for Autistic Adults) by giving employees the opportunity to make a voluntary contribution from their October 2019 salary. Coface made a matching contribution to this organisation for a total of 81,000 Indian rupees.

In November 2019, more than 100 employees from the Bangalore office attended an event held at a state-run school in the suburbs of Bangalore. Coface provided tables and chairs for the government's Nali-Kali (Joyful Learning) programme as well as sports equipment. Coface employees spent time with schoolchildren discussing the importance of values such as respect, sharing and kindness through games, stories, paintings and puzzles. It was an educational experience for both the children and the Coface employees;

- ◆ in Germany, €10,000 were collected in support of two projects: Eliya, an organisation enabling children in Sri Lanka to receive proper education while providing jobs to the local communities in Tangalle, and an Indonesian association called Batu Bambu Kids Foundation. These two projects provide children with a safe environment in which to live and receive an education, while creating jobs for local people. The Indonesian project also supports the construction of a plastic recycling centre, which creates jobs while tackling the problem of plastic pollution in the environment;

- ◆ in Romania, Coface volunteered its services to organise the SME Business Day in partnership with CFA Society Romania. CFA Society Romania is a major local professional organisation that brings together investment professionals from banking, asset management, insurance, capital investment, pension funds and other areas of the investment sector. The event was held in November 2019 in Bucharest in the presence of more than 120 guests, and brought together representatives of local SMEs around a discussion on the challenges and opportunities faced by small and medium-sized companies today. Stakeholders from local banks and business associations joined the Coface team to discuss varied topics including solutions for the development of Romanian SMEs, tax policies and challenges for small and

- medium-sized enterprises, and sustainable investment;
- ◆ in Hungary, Coface supports the Future Leaders Talent Program of the Business Council for Sustainable Development (BCSDH). This programme seeks to help talented professionals and future business executives understand the complexity of sustainable business development and enable them to integrate sustainable development into their future decision-making processes. The BCSDH's mission is to promote sustainable development among its members and other players in the Hungarian economy, thereby generating new and innovative thinking to improve their competitiveness, which should ultimately contribute to the sustainable development of the economy, quality of life and the preservation of the environment and natural resources;
  - ◆ in Austria, Coface made a donation to ICEP, an independent Austrian development organisation whose objective is to return disadvantaged people to employment. ICEP advises partner organisations in developing countries and companies on integrating poor communities into economic cycles and runs projects around the world. Coface has selected two initiatives that it wishes to support:
    - training entrepreneurs by enabling small business owners in Nicaragua and Kenya to take an accounting course so that they have an overview of and can monitor the financial position of their companies, and
    - microcredit for women to help female entrepreneurs in El Salvador and Cameroon develop their businesses and generate higher income for their families;
  - ◆ Coface China supports the Angel Salon service project, which seeks to help autistic children find their way to communicate with the outside world. In 2018, the centre set up A Coffee, a one- to two-year training course in a self-managed (non-profit) cafe for older children with autism to help them communicate and better integrate into society. In December 2019, some employees from Coface China went to the cafe managed by the organisation, to volunteer support to autistic teenagers in their daily tasks. Coface China also made a donation to support the organisation with the continuation of its project;
  - ◆ Coface Japan organised French courses for beginners focusing on secondary school students with the Katariba association in September 2019. The students learned the French alphabet and the specific features of French pronunciation;
  - ◆ in Singapore, volunteers from Coface spent half a day at the MINDS (Movement for the Intellectually Disabled of Singapore) training centre hosting an arts and crafts programme to stimulate the creativity of people with intellectual disabilities;
  - ◆ in Thailand, Coface has engaged with the OTOP centre, which supports people wishing to launch their own business and thereby stimulate the local economy. In addition to a financial contribution to support its operation, Coface visited the OTOP centre and assisted students in making furniture; the proceeds from selling items will provide the centre with financial support;
  - ◆ in Brazil, Coface has set up a programme called Jovem Aprendiz. This programme aims to develop the professional skills of young people lacking experience. It takes the form of an employment contract with a reduced workload. These 'young apprentices' join a job rotation programme covering each department in order to learn the various business lines of the company. They also participate in an education programme (at an educational institution designated by the government) allowing them to supplement their daily experience with the learning of theoretical concepts;
  - ◆ in South Africa, Coface made a donation to the Thandulwazi Maths and Science Academy for International Men's Day. The Thandulwazi Maths and Science Academy is a pioneering initiative of St Stithians College, providing opportunities for educational development to students and teachers in state-run schools in the greater Johannesburg area;
  - ◆ in France, Coface continues to support ADIE, the association for the right to economic initiative, which helps people outside the labour market and the banking system to create their own companies and therefore their own employment through microcredit. In 2019, €25,000 were collected for this association through sporting events and a Christmas market.

### 6.3.3 Subcontracting and suppliers

The outsourcing of important or critical activities is strictly governed by the regulations applicable to insurance companies since the entry into force of the Solvency II Regulation. In this respect, since 2016, the Company has issued a Group policy aimed at identifying "material or critical" activities and defining the fundamental principles for resorting to outsourcing, the terms of any contract drafted for such outsourcing and the control procedures related to the outsourced activities and functions.

This policy, approved by the Company's Board of Directors in 2016 and reviewed annually ever since, considers the

following as constituting material or critical activities, pursuant to the applicable regulations: (i) the following four key functions (see also Section 5.1.2 "Organisation"): the risk management function, the compliance verification function, the internal audit function and the actuarial function; as well as (ii) the other functions comprising the core credit insurance business, the interruption of which is likely to have a significant impact on the Company's business or its ability to effectively manage risks, or jeopardise the conditions under which it obtained its approval.

In 2019, the Company amended its outsourcing policy, which now covers “standard” functions and important and/or critical functions and activities.

Standard contracts must incorporate a number of conventional contractual clauses (purpose, duration, financial conditions, service provider’s liability, force majeure, non-performance, termination, etc.). Their conclusion is subject to the implementation of Know Your Supplier due diligence and their submission to a call for tenders.

Coface and all its subsidiaries have therefore pledged to select service providers who meet the high-quality service standards and have the qualifications and skills necessary to efficiently handle the outsourced service, while avoiding any conflict of interest and guaranteeing data confidentiality. In accordance with the applicable regulations, with regard to important or critical activities, they must notify the French Prudential Supervision and Resolution Authority (ACPR) of their intention to outsource services falling within the scope of the procedure, in accordance with the applicable regulations, no later than six weeks before the effective date of the contract. Any outsourcing contract to be signed with a service provider should include certain mandatory clauses imposed by Coface and be approved by the Company’s Board of Directors prior to signature.

To date, the main material or critical activities outsourced by the Group concern the Company’s financial investment management activity and, in a few limited countries, the risk underwriting activity.

In the context of its relations with suppliers more generally, Coface has established a regularly reviewed purchasing procedure that sets out the general conditions for the purchase of supplies and services and specifies the rules to be followed in terms of supplier consultation and selection (including the conditions for issuing calls for tenders). Since 2017, Coface has also been signatory to the Charte Relations Fournisseurs Responsables (responsible supplier relationship charter) led by two French agencies, the Médiateur des entreprises (business ombudsman) and the Conseil national des achats (purchasing association). This charter consists of 10 commitments for a responsible purchasing policy towards suppliers. It enables Coface to apply, in concrete terms, its willingness to foster fair and transparent relationships with its suppliers. In accordance with the French “Sapin II” Law of December 10, 2016 concerning transparency, anti-corruption and the modernisation of economic life, Coface has set up an assessment of suppliers looking at the corruption risk.

### 6.3.4 Socially responsible investment (SRI)

In addition to the investment policy within the Group and in connection with Article 173 of the Law of August 17, 2015 on Energy Transition for Green Growth applicable to Coface, in 2016 the Group defined its responsible investment policy and the goals pursued consistent with its role as credit insurer and the protection of its reputation. In accordance with the transparency goals set by this regulation, the Group provides qualitative and quantitative information on the implementation of this policy.

Being a Socially Responsible Investor, according to Coface, means both including oversight and analysis measures in its investment policy in order to fulfil its obligations towards its policyholders, and integrating into its investment decisions, where appropriate, factors related to respect for the social, environmental and governance quality goals of the companies in which it invests (hereafter the “ESG factors”).

Dealing as it does with an international environment where SRI practices and standards diverge, the Group strives to pay particular attention to the dialogue it conducts with issuers. It also aims to foster a dynamic analysis of investment opportunities, without seeking an approach solely focused on a strictly positive selection or the systematic exclusion of certain assets.

As an institutional investor, Coface seeks to adopt long-term measures through its investment policy to take account of the underlying risks linked to ESG factors and to measure over time the concrete effects of a more comprehensive integration of these factors into its portfolio management.

The SRI strategy is thus based on three pillars, with each one being the subject of a dedicated quarterly or annual report. The Group has entrusted Amundi, its dedicated global manager, with producing reporting elements and analysing potential impacts on the management of its investments. Thus, in partnership with Amundi, in 2016 Coface set up a mechanism to address the regulatory requirements and to measure the carbon footprint of its portfolios. Accordingly, calculating and disclosing information on Coface’s carbon exposure is the foundation of its commitment in this area.

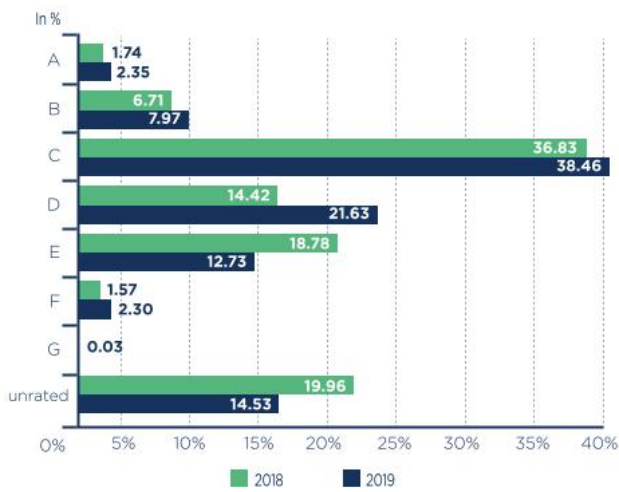
The three pillars of Coface’s Socially Responsible Investor strategy are as follows:

1. ESG factors: Incorporating sensitivity to these factors within asset management while maintaining a primary goal of risk and reputation management.

Since 2017, Amundi has produced a quarterly report on the average ESG rating of the Coface portfolio (A to G rating) and a breakdown of assets by ESG rating.

At December 31, 2019, the overall ESG rating for the investment portfolio was C-, unchanged from the end of 2018. Since December 2018, Coface has decided not to invest directly in any securities from issuers with a G rating or issuers with more than 30% of their turnover linked to coal mining, in line with Amundi’s policy. Any positions already in the portfolio have been reviewed in detail and taken out where applicable.

► ESG rating of the investment portfolio



N.B. : The portfolio monitored by Amundi represents 98% of Coface's total portfolio.

2. Voting rights and Commitment: Taking part in voting at the Shareholders' Meetings of companies held in the portfolio through the delegated managers and encouraging dialogue with their management on best practices based on the practices implemented on these topics through the managers selected by Coface.

Amundi provides an annual report on Voting Rights, containing the following information:

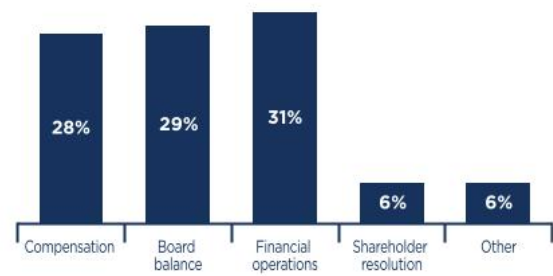
- overall voting statistics for each of the Coface dedicated funds (with a focus on geographic breakdown, opposition rates and major opposition topics);
- the list of meetings at which voting rights are exercised and during which an opposition voting right was exercised (with a breakdown per company concerned, per country and per opposition topic).

Prior to these votes and where necessary, Coface can initiate discussions with Amundi's specialised teams to gather analyses on proposed resolutions and discuss the associated vote recommendations.

Amundi transmits its voting policy annually to the Group, to include the best corporate governance, social responsibility and environmental practices.

The percentage of opposition votes exercised by Amundi on behalf of Coface at Shareholders' Meetings held in 2019 are presented below, by topic:

► Opposition votes on share positions held directly



According to Amundi, truthful, comprehensive and transparent financial information constitutes an essential right of shareholders and a prerequisite for exercising voting rights in a considered manner. Hence, opposition votes mainly come from the following considerations:

- with regard to the compensation policy: Amundi considers that aligning senior managers' interests with those of the shareholders is a vital factor in corporate governance. The Company's compensation policy must contribute to this balance;
  - with regard to balanced membership of the Board: Amundi considers that the Board is a strategic body and that its decisions determine the future of the Company and the responsibility of its members. Thus, according to Amundi, its actions must be governed by transparency, responsibility, efficiency and availability;
  - with regard to financial transactions: Amundi considers that minority shareholders must be wary of excessive dilution of the capital.
3. Measuring the carbon footprint: Protecting the Group against carbon risk and participating in international environmental protection and in energy and ecological transition endeavours.

Amundi provides a quarterly carbon report including:

- a) A presentation of carbon emissions (per million euros invested and per million euros in revenue) and carbon reserves (per million euros invested).

All data is presented in absolute and relative terms with regard to a benchmark index determined according to the strategic allocation of the platform.

The carbon reserves per million euros invested constitute an indicator of potential emissions, resulting from the combustion of fossil fuels, caused by investment in the portfolio.

This presentation is drawn up for three different levels of scope:

- Scope 1: all direct emissions from sources owned or controlled by the Company;
- Scope 2: all indirect emissions resulting from the purchase or production of electricity, steam or heat;
- Scope 3: all other indirect emissions upstream and downstream of the value chain. Only emissions upstream and via first-tier suppliers are presented in the report.

► Carbon emissions per million euros invested (TCO<sub>2</sub>/€m)



Source Amundi.

► Carbon emissions per million euros invested at December 31, 2019



Source Amundi.

\*Index:

85% ML EURO BROAD + 10% MSCI EMU + 5% THE BOFA ML GLOBAL HY.

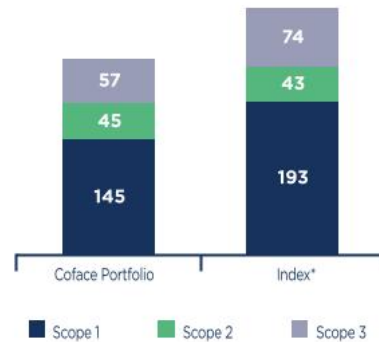
This indicator measures emissions from the portfolio in metric tonnes of CO<sub>2</sub> equivalent per million euros invested. It is an indicator of emissions resulting from investment in the portfolio. It is down for the year, primarily for emissions from Scope 1. Carbon emissions per million euros invested were less than those of the benchmark index.

► Carbon emissions per million euros of revenue



Source Amundi.

► Carbon emissions per million euros of revenue at December 31, 2019



Source Amundi.

\*Index:

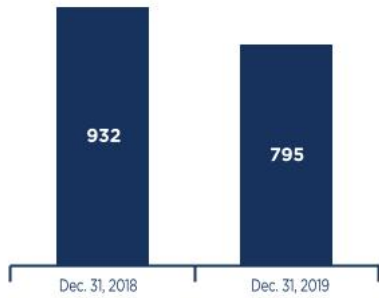
85 %ML EURO BROAD + 10% MSCI EMU + 5% THE BOFA ML GLOBAL HY.

This indicator measures average emissions in metric tonnes of CO<sub>2</sub> equivalent per unit of revenue generated by the companies (in millions of euros). It is an indicator of the carbon intensity of the value chain of companies in the portfolio. It increased by 18% over the year. Carbon emissions per million euros of revenue were also lower than those of the benchmark index.

*N.B. : The portfolio monitored by Amundi represents 98% of Coface's total portfolio. Of the monitored portfolio, 42.8% is rated. This 42.8% represents 86.8% of rateable outstanding amounts.*



► Carbon reserves per million euros invested at December 31, 2019 compared with December 31, 2018



Source Amundi.

► Carbon reserves per million euros invested at December 31, 2019



Source Amundi.

\*Index:

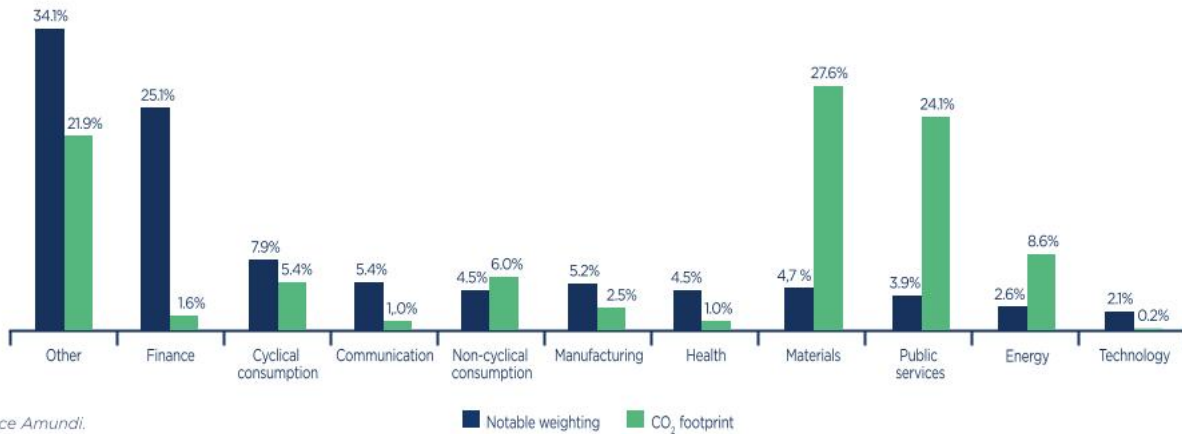
85% ML EURO BROAD + 10% MSCI EMU + 5% THE BOFA ML GLOBAL HY.

These graphs measure carbon reserves from the portfolio in metric tonnes of CO<sub>2</sub> equivalent per million euros invested. They represent an indicator of potential emissions, resulting from the combustion of fossil fuels, caused by investment in this portfolio.

N.B. : The portfolio monitored by Amundi represents 98% of Coface's total portfolio. Of the monitored portfolio, 1.3% is rated. This 1.3% represents 2.63% of rateable outstanding amounts.

b) Sectoral and geographical contributions to carbon emissions

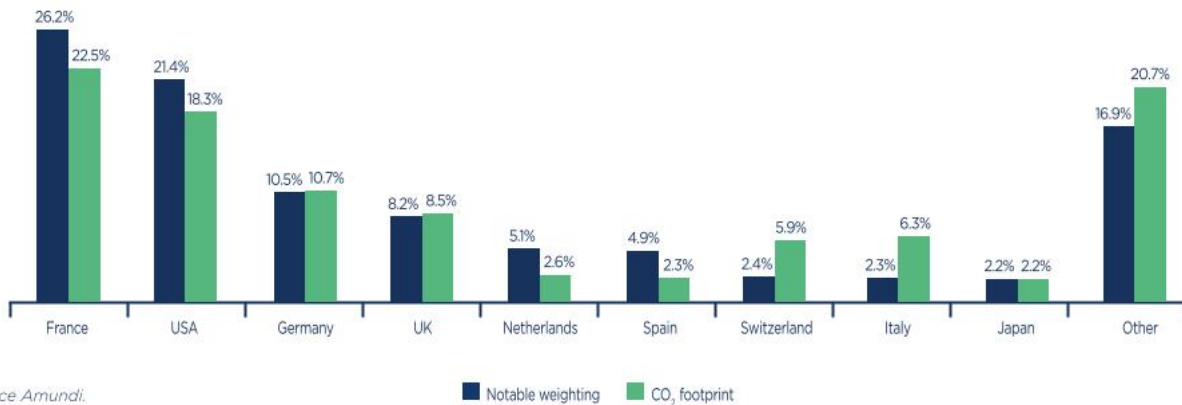
► Sectoral contributions at December 31, 2019



Source Amundi.

The biggest contributors as at the end of 2019 were public utilities, materials and energy. The smallest contributors were finance, communications and health.

► Geographical contributions at December 31, 2019



Source Amundi.

The countries with the greatest exposure in the Group were France and the United States.

N.B. : The data on carbon emissions provided correspond to the annual emissions of companies in the portfolio and are expressed in metric tonnes of CO<sub>2</sub> equivalent, including the six greenhouse gases defined in the Kyoto protocol whose emissions are converted into global warming potential (GWP) in CO<sub>2</sub> equivalent.

### 6.3.5 Fair practices and respect for human rights

The importance of compliance in general is crucial for the management team and is highlighted during each conference or presentation for employees. More specifically, during each top-200 annual conference, the CEO always mentions the importance of integrity and ethics in his speech. In addition, employees' ethical commitments are one of the essential aspects monitored by the executive leadership team through the annual satisfaction survey covering all the Group's employees.

As part of managing non-compliance risks, Coface's code of conduct, created for all Group employees to use, was revised in 2018 to promote and emphasise to all employees the requirement for integrity in properly conducting their business. This code notably emphasises the importance of treating clients fairly by avoiding conflicts of interest and not using information in an employee's possession against the interests of a client, a potential client and co-contracting third parties.

With regard to lobbying, Coface does not directly or habitually carry out any activity in this field and has no employee whose appointed duty or mission involves lobbying public or political entities. Nevertheless, any action undertaken in this respect should naturally be carried out in the context of the ethical rules laid down by Coface in the aforesaid code of conduct, which includes a number of anti-corruption rules.

Within the context of combating financial crime, every year the Group strengthens the tools and roll-out of procedures to best control all risks linked to financial crime. These measures concern all the Group's entities, employees and clients.

The Coface Group has adopted a zero tolerance policy for corruption in all its forms. This policy has been provided to all of the Group's employees, particularly through the Anti-Corruption Code and the code of conduct, which are both prefaced by the CEO. These two documents have been translated into the Group's main languages (specifically French, English, German, Spanish, Italian and Portuguese). They have been made available to all employees and can also be accessed in electronic format on the Group's intranet site.

Since 2017, Coface has focused on implementing the provisions set out in the "Sapin II" Law on transparency, anti-corruption and modernisation of the economy. In particular, the Compliance Department has worked to establish an Anti-Corruption Code comprising three sections: a summary of the general guidelines, specific guidelines and practical advice. The general guidelines set out the Coface Group's zero tolerance policy for corruption. They provide definitions of corruption, unfair advantages and the beneficiary concept, as well as the legal framework for corruption. The specific features of corruption involving public agents are also explained. The section on specific rules presents the guidelines for sensitive issues in terms of corruption: gifts and invitations, facilitation payments, political contributions, lobbying, charities and sponsorship.

This Anti-Corruption Code is being supported by:

- ◆ the roll-out of a programme to train and raise awareness among all Group employees. E-learning courses on the Anti-Corruption Code and the code of conduct have been set up for all employees. Each course has been made available in the main languages to ensure better understanding by employees. In 2019, on-site training sessions were conducted for all regional management committees. Finally, specific e-learning courses were rolled out for staff deemed to be most exposed;
- ◆ a mapping of corruption risks, drawn up for each Coface Group entity and per function within each entity. The mapping was updated in 2019 via 30 workshops involving 118 employees from several entities (France, Germany, the United States, Italy, Poland, Brazil, China, Russia and Turkey) to cover the different activities of Coface, the various distribution channels (direct, via brokers, via agents, reinsurance with third-party insurance companies), entity sizes and market types (mature (Europe/USA), emerging (Asia, South America, Middle East));
- ◆ a global framework for assessing third parties. For suppliers and intermediaries, a control system for third parties was set up in 2018. This is based on a third parties evaluation procedure, which notably describes the scope and controls to be applied with third parties, as well as the governance model; Third parties undergo strict identification and evaluation procedures and suppliers considered medium- or high-risk are subject to review and approval by the Compliance Department;
- ◆ an ethical whistleblowing system. Coface has put in place an internal whistleblowing system, as described in the Anti-Corruption Code and the code of conduct. The internal whistleblowing system was presented in a dedicated and detailed procedure in January 2018, notably based on the following core principles: the people concerned must be able to choose between several channels for reporting and communicating; employees who report incidents in good faith must be protected and their identity must, in principle, remain confidential; alongside this, first-level accounting control procedures were deployed within the Group in 2018, and the 2019 audit plan includes controls by internal audit to check the anti-corruption arrangements;
- ◆ accounting controls and second-level controls implemented during the 2019 financial year in order to strengthen the entire system.

With regard to combating financial delinquency, the procedures that are regularly updated and locally transposed notably consist of a general procedure relating to the risk of money laundering and a KYC procedure. These procedures, revised each year, are accompanied by several application sheets (sheet relating to the functioning of declarations of suspicion, sheet relating to the review of atypical transactions, procedure relating to transfers of cash flows in case of an embargo, or within the context of anti-terrorism). In addition, specific anti-money laundering procedures have been established, notably for sales and debt collection processes.

The procedures are implemented by the international network of correspondents in charge of compliance within the Group.

Procedures relating to identification, identity verification and customer knowledge are reviewed annually, and customers identified as high-risk are subject to an annual review.

An e-learning training programme on combating money laundering and the financing of terrorism is being rolled out for all employees. Each course is provided in the main languages to ensure a greater level of understanding by the employees.

Communication and awareness-raising initiatives are also carried out with employees on a regular basis so that they are able to detect warning signs regarding money laundering. In its business lines, the systematic implementation of the diligence procedures described above allow Coface to avoid operations that are deemed suspect. Moreover, restrictions are applied in the area of arms trade guarantees, prohibiting coverage for companies active in the manufacturing of cluster bombs and/or anti-personnel mines.

With regard to adherence to international and local sanctions, Coface has implemented an automated filtering tool for all Group entities in order to further strengthen both controls for establishing relationships with new clients and controls on existing clients. Apart from sanctions, the tool also makes it possible to identify negative information on clients (such as involvement in crimes or offences such as corruption or fraud) and strengthens Coface's management of any reputation risk relating to its clients.

Coface's business-to-business activity does not require specific measures regarding consumer health and safety.

Coface consolidated its fraud prevention processes in 2019 as follows:

- ◆ strengthening governance with the appointment of a Group Anti-Fraud Officer and the creation of a dedicated fraud committee;
- ◆ implementing fraud risk mapping, carried out in 2019 on the risks of fraud related to Coface's insurance business, which will be extended in 2020 to cyber-/IT-related fraud risks and the risks of accounting and financial fraud;
- ◆ updating the fraud prevention procedural documents (fraud prevention policy, fraud risk mapping methodology, fraud case analysis procedure, fraud response plan, reporting procedure);
- ◆ training initiatives for employees in the sales, information, award and claims departments;
- ◆ bolstering management of the fraud correspondent network management, present in each country where Coface is located.

Coface pays great attention to the security of its IT systems and the confidentiality of data concerning policyholders and their clients. An IT charter incorporated into the internal regulations contains all the rules comprising Coface's security system, of which all employees are reminded annually in order to prevent any breach or threat to the data and systems (viruses, cyberattacks, information leaks,

identity theft, hacking, phishing, whaling, etc.). Attention to information system and data security is also demonstrated through the Group's choice of suppliers, the conditions in which it stores data on policyholders and their clients, its implementation of and compliance with the regulation and industry data protection standards (active and passive protection measures such as firewalls, and business continuity plans - see also Section 1.8 "Information systems and processes"), and through the addition of specific contract clauses during both the pre-contractual and contractual phases.

As part of its implementation of EU Regulation No. 2016/679, the General Data Protection Regulation (GDPR), Coface has adapted its information systems and processes with a view to complying with the stricter requirements in terms of personal data protection, including the:

- ◆ appointment of a Data Protection Officer (DPO);
- ◆ formalisation of data processing registers;
- ◆ inclusion of GDPR clauses in contracts with its clients and suppliers;
- ◆ communication of the "Privacy Notice" to Coface clients;
- ◆ choice of the CNIL, the French data protection agency, as the lead authority for cross-border processing within the European Union.

In March 2019, Coface also submitted for CNIL approval the Binding Corporate Rules (BCR), as defined in Article 47 of the GDPR, with a view to setting a global framework for transfers of data outside the European Union.

As a member of the United Nations Global Compact, Coface follows the principles stated therein relating to the protection of human rights:

- ◆ to promote and respect protection of international human rights law in its sphere of influence; and
- ◆ to ensure that it is never complicit in human rights violations.

Coface complies with the tax laws applicable in the jurisdictions where the Group is located. The Group's tax policy is defined by the Group Tax Department. It is applied at regional level through six regional tax correspondents. Meetings between them are organised on a regular basis. Each quarter, the regional correspondents send the Group Tax Department a monitoring report on current tax controls and related provisions.

Coface also complies with the standards established by the OECD to combat the erosion of tax bases and the transfer of profits through the implementation of a centralised transfer pricing policy and the filing of a declaration per country (Country-By-Country Reporting, CBCR).

Lastly, Coface's Know Your Customer procedure includes strengthened vigilance measures when transactions involve one or more entities located in non-cooperative States and territories for tax purposes, as defined by Article 238-0 A of the French Tax Code (Code des impôts)<sup>(1)</sup>, or in a country that could create a reputation risk for Coface (even if this country is not specifically included in the list of non-cooperative States and territories under the jurisdiction of the Coface entity that issued the policy).

(1) At January 1, 2010, non-cooperative States and territories are defined as those whose position regarding the transparency and exchange of information for tax purposes has been reviewed by the Organisation for Economic Cooperation and Development and which, to date, have not signed an administrative assistance agreement with France allowing the exchange of any information required for the application of the parties' tax laws, or have not signed such an agreement with at least 12 jurisdictions.

## 6.4 CSR INITIATIVES PLANNED BY COFACE

The Company has made a commitment to raising the awareness of its policyholders and prospects about relevant environmental, social and governance issues through segment-specific economic studies on its website, some of which refer to CSR issues. As it does every year, Coface's Economic Research Department published several studies in 2019 on the economic situation in emerging countries ("Country and sector risks barometer" published each quarter) and the renewable energy sector ("The global automotive industry and enhanced regulations: a very steep path ahead", "An unsure future for natural gas: How risks could derail the current boom").

The Company will pursue and step up its social initiatives with a particular focus on defining a diversity policy that includes, in particular, the employment of people with disabilities.

Environmental reporting is extended each year to new countries to improve the monitoring of the Group's carbon footprint and identify the investments required for better energy consumption.

Lastly, Coface Trade Aid has continued to benefit the Company's societal environment with its charity actions for economically underprivileged populations, with a determination to refocus its actions on local economic development as conveyed by the Company's values and missions.

In 2018, discussions took place on the integration of CSR into Coface's business model, in order to meet the new requirements resulting from the transposition of EU Directive 2014/95/EU on non-financial reporting into French law.

The Company will create a medium-term plan over the course of 2020 to adapt its targets in accordance with the expectations of its stakeholders. In this regard, it will work on CSR governance, driving equal pay across the Group, incorporating climate and energy transition factors within its business lines, and improving the ESG rating of its asset portfolios.

## 6.5 REPORTING FRAMEWORKS AND METHODOLOGY

The non-financial performance report has been drawn up to meet the requirements of Articles L.225-102-1 and R.225-104 to R.225-105-2 of the French Commercial Code.

### General organisation of the report

Coface strengthens its non-financial reporting guidelines every year in order to ensure a unique and consistent framework across the reporting scope.

The information presented in this document was produced internally on the basis of information provided by the heads of each area concerned. The corporate information and indicators were supplied by the HR Departments of the entities in the reporting scope and by the person in charge of Personnel Reporting and were coordinated by the Group Human Resources Department. The environmental

information comes from the departments in charge of facilities management in the reporting scope. The societal information was supplied by the Compliance Department, and information on the socially responsible investment policy was supplied by the Group Investment, Financing and Treasury Department. These last three categories of information were coordinated by the Group Legal Department.

### Reporting period

Unless stated otherwise, all figures refer to financial year 2019, corresponding to calendar year 2019.

Comparable data, on a like-for-like basis, is sometimes presented for previous years for purposes of comparison.

## Reporting scope

The information presented in this document was produced for the first time for financial year 2014, and the figures contained therein concerned the French scope, with an illustration of the policies, processes, tools, initiatives and actions at Group level.

Since 2014, the Group has extended its reporting scope during each new reporting year, as presented in the table

below. The Group plans to continue this extension to make its reporting as representative as possible with regard to the Group's workforce and revenue. It has been decided that the most significant subsidiaries, covering an estimated 70% of turnover in 2021, will be included in the scope for the next two financial years. Workforce figures are always reported for the Group scope.

Financial year	Reporting scope	Information regarding the scope added	Scope representativeness with regard to the Group's workforce	Scope representativeness with regard to the Group's revenue
2014	France	The French scope concerns (i) COFACE SA and (ii) its subsidiary, Compagnie française d'assurance pour le commerce extérieur (iii) excluding its second subsidiary, Coface Re, which is not registered in France and has a total workforce of 11 employees based in Switzerland.	24%	20%
2015	France and Germany	The German scope concerns the three German companies, Coface Finanz GmbH, Coface Rating GmbH and Coface Debitorenmanagement GmbH, as well as the German branch of Compagnie française d'assurance pour le commerce extérieur.	40%	36%
2016	France, Germany and Italy	Italy includes the insurance branch of Compagnie française d'assurance pour le commerce extérieur and a service company devoted to debt collection operations, Coface Italia SRL.	43%	43%
2017*	France, Germany, Italy and Spain	Spain includes the insurance branch and a service entity, Coface Servicios España.	42%	53%
2018	France, Germany, Italy, Spain and UK	The UK includes the insurance branch of Compagnie française d'assurance pour le commerce extérieur, Coface UK Holdings Ltd and a service entity, Coface UK Services Ltd.	43%	56%
2019	France, Germany, Italy, Spain, UK and Poland	Poland includes the insurance branch of Compagnie française d'assurance pour le commerce extérieur, two service entities, Coface Poland Insurance Services and Coface Poland CMS, as well as a factoring company, Coface Poland Factoring.	47.48%	58.6%

\* Although the reporting scope was significantly extended in 2017, its representativeness as regards the workforce decreased due to a reduction in the workforce in France. This decrease was due largely to the transfer of the State guarantees management business to Bpifrance Assurance Export on January 1, 2017, which resulted in 249 departures.

## Methodological details on the information communicated

### Corporate

- ◆ The corporate indicators, excluding the Group's workforce, concern the French, German, Italian, Spanish, UK and Poland scope in 2019. However, as mentioned above, the description of policies, processes and HR tools are defined at Group level.
- ◆ All figures concerning the workforce, seniority, age and diversity were obtained from Group HRD Reporting, an online internal tool.
- ◆ The workforce figures provided relate to employees at December 31, 2019 on permanent or fixed-term contracts (including expatriates and people who have temporarily left the Company), excluding people who have permanently left the Company, interns, trainees, V.I.E (international intern in a company) participants, temporary staff, consultants and subcontractors.
- ◆ Cases of long-term sick leave (over three months) are now classed as "employees who have temporarily left the Company".
- ◆ Employee arrivals include all employees recruited on permanent and fixed-term contracts since 2019.
- ◆ Contract renewals are not recorded as new arrivals. However, any person who was not part of the recorded workforce (consultant, intern, etc.) and is awarded a fixed-term or permanent contract must be recorded as a new arrival.

- ◆ The number of departures includes all the reasons for departures for people on permanent and fixed-term contracts: resignation, dismissal, termination by mutual agreement, end of probation period initiated by the employee and/or employer, retirement or death, until December 31 of the year (inclusive). Cases when fixed-term contracts have ended are not included in the list of departures.
- ◆ The indicator for the "percentage of female managers" takes into account the percentage of female managers in the workforce at December 31, 2019, i.e. the number of women in management positions among the workforce (numerator) over the total number of employees in manager positions (denominator).
- ◆ The following employees must be recorded as managers:
  - General management;
  - Middle management and managers.
- ◆ Workplace accidents and data on disabilities are reported in accordance with local regulations.
- ◆ Training for France, Germany, Italy, Spain, the UK and Poland includes internal training, external training and e-learning, referring to initiatives to develop employees' skills and including an educational objective and a supporting document to record the training period. The figures show the number of trainees benefiting from training in 2019, including employees who took part in a training course before leaving the Company. An employee who has taken part in several training courses is counted only once.

- ◆ This year, coaching support that complies with the definition of training given above will be included in the number of hours of training and the number of people trained.
- ◆ Concerning the number of hours of training, in the absence of information from the trainer (internal or external) on the exact number of hours of training provided, the reported length of one day of training is equal to seven hours. E-learning language programmes are included in the training reporting.
- ◆ The indicator counts the number of hours of training provided for employees. For group courses, the number of participants needs to be multiplied by the number of hours of training (e.g. 15 people trained with a 7-hour course = 15\*7 = 105 hours of training).
- ◆ Long training programmes spread over two calendar years must be prorated based on the hours carried out. The hours carried out in year N-1 must be recorded in the reports for N-1, with the hours carried out in year N recorded in the reports for N.
- ◆ The number of training hours reported corresponds to the hours delivered (and not the hours planned), traceable based on an attendance sheet. E-learning programmes must only be recorded when their level of progress is 100%.
- ◆ The reported length of an e-learning module is the theoretical length indicated in the training programme, except for e-learning courses accessible for an unlimited amount of time during a given period, which depend on the time invested by the learner and for which the effective length is reported (for example, the length of a foreign language e-learning course, accessible for an unlimited amount of time for three months, may vary from one user to the next).
- ◆ The energy consumption scope includes the buildings open for the full year and not those opened or closed during the year.
- ◆ As Spain and Germany do not use gas, they are not included in the calculation of gas consumption.
- ◆ Poland and the Coface regional departments in France were excluded from the calculation of gas consumption, as they were unable to obtain the information relating to this indicator for certain sites.
- ◆ The greenhouse gas emissions have been calculated:
  - for energy consumption, based on CO<sub>2</sub> emission conversion factors reported by local suppliers – primarily for electricity – or the CO<sub>2</sub> emission conversion factors available in the French agency for sustainable development (ADEME) Base carbone® database, with regard to fuel consumption;
  - for transport, based on the CO<sub>2</sub> emission conversion factors reported by suppliers and/or based on the CO<sub>2</sub> emission conversion factors available in the ADEME Base carbone® database.
- ◆ The emission factors relating to fuel consumption have been standardised at Group level and are as follows:
  - petrol: 2.28 kgCO<sub>2</sub>e/litre (ADEME); and
  - diesel: 2.51 kgCO<sub>2</sub>e/litre (ADEME).
- ◆ Water consumption corresponds to the consumption of the Bois-Colombes head office (France), the offices in Mainz (Germany), Milan (Italy) and Madrid (Spain), the United Kingdom and Poland; data for the other buildings are included in rental charges and are therefore not available. If the data for December are not available, the data are reported year on year from November N-1 to November N.
- ◆ Part of the distance travelled by train in the UK is not reported because some of the staff do not use the dedicated travel agent's services.
- ◆ Reported fuel consumption corresponds to the consumption of company vehicle fleets or is derived from business travel expense reports.

## Environmental

- ◆ The indicator figures are for:
  - France, and include the Coface head office and regional departments in France;
  - Germany, composed of eleven sites, the main office being located in Mainz, and the others in Hamburg, Berlin, Hanover, Nuremberg, Düsseldorf, Bielefeld, Frankfurt, Cologne, Karlsruhe, Stuttgart and Munich;
  - Italy, composed of two sites, the main office being located in Milan and the other in Rome;
  - Spain, composed of eight offices, the main office being located in Madrid. The other offices are located in San Sebastián, Alicante, Valencia, Seville, Pamplona, Barcelona and A Coruña;
  - the UK scope, with four sites: London, Watford, Birmingham and Manchester;
  - The Poland scope, with five sites: Warsaw, Kraków, Gdynia, Katowice and Poznań.

As the Company's activity has a limited impact on the areas listed below, they have not been, or are no longer, covered:

- ◆ paper consumption;
- ◆ tackling food waste;
- ◆ combating food insecurity;
- ◆ respect for animal welfare;
- ◆ responsible, fair and sustainable food; and
- ◆ circular economy.

## 6.6 REPORT BY ONE OF THE STATUTORY AUDITORS, APPOINTED AS THE INDEPENDENT THIRD PARTY, ON THE CONSOLIDATED NON-FINANCIAL STATEMENT

For the year ended December 31, 2019

To the Annual General Meeting,

In our capacity as Statutory Auditor of your company (hereinafter the “entity”), appointed as independent third party, and accredited by the French Accreditation Committee (*Comité Français d’Accréditation* or COFRAC) under number 3-1049<sup>(1)</sup>, we hereby report to you on the consolidated non-financial statement for the year ended December 31, 2019 (hereinafter the “Statement”), included in the Group Management Report pursuant to the requirements of articles L.225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code (*Code de commerce*).

### Responsibility of the entity

The Management Board’s is responsible for preparing the Statement, including a presentation of the business model, a description of the principal non-financial risks, a presentation of the policies implemented considering those risks and the outcomes of said policies, including key performance indicators.

The Statement has been prepared in accordance with the entity’s procedures (hereinafter the “Guidelines”), the main elements of which are presented in the Statement and available upon request at the entity’s head office.

### Independence and quality control

Our independence is defined by the requirements of article L.822-11-3 of the French Commercial Code and the French Code of Ethics (*Code de déontologie*) of our profession. In addition, we have implemented a system of quality

control including documented policies and procedures regarding compliance with applicable legal and regulatory requirements, the ethical requirements and French professional guidance.

### Responsibility of the Statutory Auditors, appointed as the independent third party on the consolidated non-financial statement

On the basis of our work, our responsibility is to provide a report expressing a limited assurance conclusion on:

- ◆ the compliance of the Statement with the requirements of article R. 225-105 of the French Commercial Code;
- ◆ the fairness of the information provided in accordance with article R.225-105 I, 3° and II of the French Commercial Code, *i.e.*, the outcomes, including key performance indicators, and the measures implemented considering the principal risks (hereinafter the “Information”).

However, it is not our responsibility to comment on the entity’s compliance with other applicable legal and regulatory requirements, in particular the French duty of care law and anti-corruption and tax avoidance legislation nor on the compliance of products and services with the applicable regulations.

(1) Accreditation scope available at [www.cofrac.fr](http://www.cofrac.fr)

## Nature and scope of our work

The work described below was performed in accordance with the provisions of Article A.225-1 et seq. of the French Commercial Code, as well as with the professional guidance of the French Institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes or CNCC*) applicable to such engagements and with ISAE 3000<sup>(1)</sup>:

- ◆ we obtained an understanding of all the consolidated entities' activities, and the description of the principal risks associated;
- ◆ we assessed the suitability of the criteria of the Guidelines with respect to their relevance, completeness, reliability, neutrality and understandability, with due consideration of industry best practices, where appropriate;
- ◆ we verified that the Statement includes each category of social and environmental information set out in article L.225-102-1 III as well as information regarding compliance with human rights and anti-corruption and tax avoidance legislation;
- ◆ we verified that the Statement provides the information required under article R. 225-105 II of the French Commercial Code, where relevant with respect to the principal risks and includes, where applicable, an explanation for the absence of the information required under article L.225-102-1 III, paragraph 2 of the French Commercial Code;
- ◆ we verified that the Statement presents the business model and a description of principal risks associated with all the consolidated entities' activities, including where relevant and proportionate, the risks associated with their business relationships, their products or services, as well as their policies, measures and the outcomes thereof, including key performance indicators associated to the principal risks;
- ◆ we referred to documentary sources and conducted interviews to:
  - assess the process used to identify and confirm the principal risks as well as the consistency of the outcomes, including the key performance indicators used, with respect to the principal risks and the policies presented,
  - corroborate the qualitative information (actions and results) that we considered the most important presented in the Appendix. For certain risks<sup>(2)</sup> our work was carried out at the level of the consolidating entity, for other risks, work was carried out at the level of the consolidating entity and in a selection of entities;
- ◆ we verified that the Statement covers the scope of consolidation, *i.e.* all the consolidated entities in accordance with article L. 233-16 of the French Commercial Code within the limitations set out in the Statement;
- ◆ we obtained an understanding of internal control and risk management procedures the entity has put in place and assessed the data collection process to ensure the completeness and fairness of the Information;
- ◆ for the key performance indicators and other quantitative outcomes that we considered to be the most important presented in Appendix, we implemented:
  - analytical procedures to verify the proper consolidation of the data collected and the consistency of any changes in those data,
  - tests of details, using sampling techniques, in order to verify the proper application of the definitions and procedures and reconcile the data with the supporting documents. This work was carried out on a selection of contributing entities<sup>(3)</sup> and covers between 36% and 56% of the consolidated data selected for these tests;
- ◆ we assessed the overall consistency of the Statement based on our knowledge of all the consolidated entities.

We believe that the work carried out, based on our professional judgment, is sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures.

## Means and resources

Our work was carried out by a team of five people between November 2019 and March 2020 and took a total of five weeks.

We were assisted in our work by our specialists in sustainable development and corporate social

responsibility. We conducted around ten interviews with the people responsible for preparing the Statement, representing, in particular, the tax, risk management, compliance, human resources and environment departments.

## Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the non-financial statement is not presented in accordance with the

applicable regulatory requirements and that the Information, taken as a whole, is not presented fairly in accordance with the Guidelines, in all material respects.

(1) ISAE 3000: international standard on assurance engagements other than audits or reviews of historical financial information.

(2) Qualitative information (actions and results) considered the most important and presented in the Appendix.

(3) Coface France, Coface Poland.



## Comment

Without modifying our conclusion and in accordance with article A. 225-3 of the French Commercial Code, we have the following comment:

In accordance with the methodological note presented in the chapter "Reporting frameworks and methodology", the Group kept expanding the reporting perimeter for

environmental and social KPIs. Excluding the total headcount which is communicated at Group level, the 2019 reporting covers 47% of headcount and 59% of the turnover.

Paris-La Défense, on April 8<sup>th</sup> 2020  
KPMG S.A.

**French original signed by**

Anne Garans  
*Partner*  
*Sustainability Services*

Régis Tribout  
*Partner*

### Appendix 1

#### Qualitative information (actions and results) considered most important

Attracting and retaining talent

Diversity and equal opportunities

Training to adapt employees' skills

Risks relating to corruption

Risks relating to tax evasion

#### Key performance indicators and other quantitative results considered most important

Workforce at 31/12 and breakdown by gender and type of contract

Percentage of female managers

Number of new hires on permanent and fixed-term contracts

Number of redundancies

Number of people trained

Number of hours of training

Energy consumption (electricity and gas)

CO<sub>2</sub> emissions related to energy consumption

CO<sub>2</sub> emissions related to fuel consumption

CO<sub>2</sub> emissions from rail and air travel



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## 7.1 MEMORANDUM AND ARTICLES OF ASSOCIATION

### 7.1.1 Corporate name

The corporate name of the Company is "COFACE SA".

### 7.1.2 Location and registration number

The Company is registered in the Nanterre Trade and Companies Register under number 432 413 599.

### 7.1.3 Date of formation and duration

The Company was formed on August 7, 2000 for a term of 99 years as of the date of its registration in the Trade and Companies Register, save for early dissolution or extension.

### 7.1.4 Head office, legal form and applicable laws

Head office: 1, place Costes et Bellonte, 92270 Bois-Colombes, France.

Telephone number of head office: +33 (0)1 49 02 20 00.

Legal form and applicable laws: limited corporation (société anonyme) under French law with a Board of Directors.

### 7.1.5 Articles of Association

The Company's Articles of Association were prepared in compliance with the legal and regulatory provisions applicable to limited corporations with a Board of Directors.

#### Corporate purpose (Article 2 of the Articles of Association)

The Company's purpose is to perform any civil or commercial operations involving moveable and real estate property and financial operations, to take all direct or indirect shareholdings and, in general, to perform any operations directly or indirectly relating to its corporate purpose.

#### Articles of Association relating to the management and administrative bodies - Internal rules of the Board of Directors

##### (a) Articles of Association

##### *Board of Directors (see also Section 2.1 "Composition and operation of the Board of Directors and its specialised committees")*

##### Composition of the Board of Directors (Article 12 of the Articles of Association)

The Company is administered by a Board of Directors consisting of at least three (3) and at most eighteen (18) members.

##### Term of office - Age limit - Replacement (Article 12 of the Articles of Association)

Board members serve for a term of four years. In case of a vacancy owing to the death or resignation of one or more directors representing the shareholders, the Board of Directors may temporarily replace these members between two Shareholders' Meetings, in compliance with the terms of Article L.225-24 of the French Commercial Code. The Board must make temporary appointments within three months following the date of the vacancy if the number of directors falls below the minimum required by the Articles of Association, without however being lower than the legal minimum.

The number of directors who are aged 70 or over cannot exceed one third of the total number of serving directors. Should this proportion be exceeded, the oldest director shall be deemed to have resigned as of the end of the next Ordinary Shareholders' Meeting.

The term of office of a director expires at the end of the Ordinary Shareholders' Meeting called to approve the accounts for the previous financial year and is held in the year during which the director's term of office is due to expire.

If a director is appointed to replace another director during that director's term, they shall only serve for the remaining duration of their predecessor's term.

Directors may be re-elected without limitation, subject to legal and statutory provisions, in particular with regards to their age.

Directors are personally liable for fulfilling their mandate, in accordance with commercial laws.

### Directors' shares

#### (Article 12 of the Articles of Association)

Each director must hold at least 500 of the Company's shares.

### Chairman of the Board of Directors

#### (Article 13 of the Articles of Association)

The Board appoints a Chairman from among the individuals serving as members for a period which cannot exceed their term of office as director.

The Chairman can be re-elected.

The age limit for performing the duties of Chairman is set at 65. When a serving Chairman reaches this age, they are considered to have resigned at the Ordinary Shareholders' Meeting called to approve the financial statements for the financial year during the Chairman turned 65.

The Chairman of the Board of Directors organises and directs the work of the Board of Directors and reports on it to the Shareholders' Meeting. They oversee the effective operation of the Company's corporate bodies and, in particular, ensures that the directors are in a position to fulfil their duties.

Should the Chairman be temporarily indisposed or in the event of their death, the statutory and regulatory provisions are applicable.

Should the Board consider it necessary, it may appoint one or more Vice-Chairmen from the directors, who will, in the order of their own appointment, chair Board meetings in the event that the Chairman is absent or indisposed.

In the event that the Chairman or Vice-Chairmen are absent or indisposed, the Board appoints, for each meeting, one of the members present to chair the proceedings.

The amount and procedures for the remuneration of the Chairman and Vice-Chairmen are set by the Board of Directors.

### **Exercise of general management (see also Section 2.2 "Chief Executive Officer and Group general management specialised committees")**

#### General management

##### (Article 14 of the Articles of Association)

The general management of the Company is handled either by the Chairman of the Board of Directors, or by another individual appointed by the Board of Directors and bearing the title of Chief Executive Officer (CEO).

The Board appoints its Chairman and decides by a simple majority whether to grant them the powers of Chief Executive Officer (CEO) or whether to grant these powers to another person. This decision on whether the offices of Chairman and Chief Executive Officer (CEO) should be held by the same person or by two separate persons, as well as any subsequent change to this arrangement, shall remain in force until a decision is taken to the contrary by the Board of Directors, which may then decide, by a simple majority, to opt for the other arrangement for the exercise of general management. The Board of Directors of the Company keeps the shareholders and third parties informed about this change in accordance with applicable law.

Where general management is handled by the Chairman, the legal and statutory provisions of the Company's Articles of Association related to the Chief Executive Officer (CEO) apply to them.

### Chief Executive Officer (CEO)

#### (Article 15 of the Articles of Association)

The Board of Directors determines the duration of the Chief Executive Officer's (CEO) term and their remuneration.

The age limit for performing the duties of Chief Executive Officer (CEO) is 65. Should a Chief Executive Officer (CEO) exceed this age limit, they are considered to have resigned at the Shareholders' Meeting called to approve the accounts for the financial year during which that CEO turned 65.

The Chief Executive Officer (CEO) is invested with the broadest powers to act under all circumstances on behalf of the Company. They exercise these powers within the limits of the corporate purpose and subject to those powers that the law expressly grants to Shareholders' Meetings and to the Board of Directors.

They represent the Company in its dealings with third parties. Provisions of the Articles of Association or decisions of the Board of Directors limiting the powers of the Chief Executive Officer (CEO) are unenforceable against third parties.

If the Chief Executive Officer (CEO) does not assume the duties of the Chairman of the Board of Directors and is not a director, they attend Board meetings in a consultative capacity.

### Deputy Chief Executive Officer

#### (Article 16 of the Articles of Association)

At the request of the Chief Executive Officer (CEO), the Board of Directors can appoint an individual to assist the CEO, with the title of Deputy Chief Executive Officer (Deputy CEO).

The Board of Directors determines the remuneration of the Deputy CEO.

The age limit for performing the duties of Deputy CEO is 65. If a serving Deputy CEO attains this age, they are considered to have resigned at the Ordinary Shareholders' Meeting called to approve the accounts for the financial year in which they turned 65.

In collaboration with the CEO, the Board determines the scope and duration of the powers conferred upon the Deputy CEO. The Deputy CEO has the same powers vis-à-vis third parties as the CEO.

If the Deputy CEO is not a director, they attend Board meetings in a consultative capacity.

### Operation of the Board of Directors

#### (Article 18 of the Articles of Association)

The Board of Directors meets as often as required in the interests of the Company, and at least once per quarter.

Board meetings are convened by the Chairman. However, directors representing at least one third of the Board members may convene a meeting of the Board, detailing the agenda, if there has been no meeting for more than two months. In the event that the CEO's duties are not performed by the Chairman, the CEO may also ask the Chairman to convene a Board meeting to consider a fixed agenda. Board meetings are held either at the registered office or any other location indicated in the convening notice. The convening notice to attend is in the form of a simple letter or e-mail addressed to the Board members. If there is a degree of urgency, the convening notice may be given by any other appropriate means, including verbally.

Meetings of the Board of Directors are chaired by the Chairman of the Board of Directors or, should they be absent, by the oldest director present, or by one of the Vice-Chairmen, if there are any.

A director may appoint another director, by means of a letter, to represent them at a meeting of the Board of Directors.

Each director may have only one proxy vote during a given meeting by virtue of the foregoing paragraph.

The meeting can only pass resolutions if at least half of the serving directors are present.

Decisions are taken by means of majority voting by those directors present or represented.

In the event of a split vote, the director chairing the meeting has the casting vote.

In compliance with applicable statutory and regulatory provisions, the Board's internal rules may provide that directors who take part in a meeting via video conferencing or other means of telecommunication that meet the technical requirements set by the prevailing statutory and regulatory provisions are deemed to be present for the purposes of the calculation of the quorum and the majority.

The Board may appoint a secretary who may be, but need not be, one of its members.

At the suggestion of its Chairman, the Board may decide to form among its members, or with the involvement of persons who are not directors, committees or commissions in charge of looking into matters that it or its Chairman shall refer to them for assessment; these committees or commissions exercise their powers under its responsibility.

The minutes of each meeting shall state the names of the directors who are present or represented and the names of the directors who are absent, to act as evidence towards third parties.

### Powers of the Board of Directors (Article 21 of the Articles of Association)

The Board of Directors determines the Company's business strategy and oversees its implementation. Subject to powers expressly assigned to the Shareholders' Meetings and within the limitations of the corporate purpose, the Board deliberates on all matters relating to the effective operation of the Company and decides on all matters that affect it. The Board of Directors carries out the inspections and verifications it considers necessary. The Chairman or the Chief Executive Officer must send each director all the documents and information needed for the fulfilment of their duties.

The internal rules of the Board of Directors determine which decisions are to be submitted to the prior authorisation of the Board of Directors, in addition to those which must be submitted to it in accordance with the law.

### Directors' fees (Article 19 of the Articles of Association)

Independently of all reimbursement of costs or allowances for particular services which may be granted, directors may receive remuneration recorded as overheads, in the form of directors' fees. The total amount of these fees is set by the Shareholders' Meeting. The Board of Directors divides the aforementioned remuneration among its members as it sees fit.

### (b) Internal rules of the Board of Directors

The internal rules of the Board of Directors specify, on the one hand, how the Board is organised and operates, its powers, rights and prerogatives and those of the committees it has established (see Article 4 "Creation of committees – Joint provisions" and Article 1.2 "Operations subject to the prior authorisation of the Board of Directors" for a description of the various committees established and the limits on the powers of general management) and, on

the other hand, the terms of control and evaluation of its operations.

The internal rules of the Board of Directors may be consulted online in the "Investors/Governance" section of the corporate website at [www.coface.com](http://www.coface.com).

### (c) Control and evaluation of the Board of Directors' operations

Article 2 of the Board of Directors' internal rules provides for at least 1/3 of members to be independent, pursuant to the AFEP-MEDEF Code, within the Board of Directors.

Pursuant to Article 2.3.2 of the Board of Directors' internal rules, a director is considered to be independent if they do not maintain a relationship of any kind whatsoever with the Company, management or the Coface Group, which could compromise the exercise of their free judgement or be of a nature to place them in conflict with the interests of management, the Company or the Coface Group.

The qualification of an independent member of the Board of Directors is discussed by the Nominations and Compensation Committee, which drafts a report on the matter for the Board. Each year, prior to publication of the universal registration document, the Board of Directors examines the status of each director with respect to the independence criteria defined in Article 2.3.2 of the Board of Directors' internal rules, using the Nominations and Compensation Committee's report as a reference. The Board of Directors must provide the shareholders with the findings from its examination in the annual report and at the Shareholders' Meeting at which the directors are appointed.

In addition, in compliance with Article 3.5 of the Board of Directors' internal rules, at least once a year, an agenda item is devoted to evaluating the Board's operations, which is reported in the Company's annual report.

The Board of Directors is formally evaluated every three years. The evaluation is conducted by the Nominations and Compensation Committee, potentially with the assistance of an outside consultant (see Section 2.1.6 "Evaluation of the work of the Board of Directors").

### Rights, privileges and restrictions attached to the shares

#### Form of shares (Article 8 of the Articles of Association)

The Company's shares shall either be registered or bearer shares, at the discretion of each shareholder.

Ownership of the Company's shares shall result from their registration in an account in the name of their holder in the registers kept by the Company or by a duly authorised intermediary.

#### Voting rights (Article 11 of the Articles of Association)

Each share grants its holder the right to vote and be represented at Shareholders' Meetings, in accordance with the law and the Articles of Association.

As an exception to the allocation of a double voting right for any share that has been fully paid up, as proven by registration in the name of the bearer for two years, pursuant to Article L.225-123, paragraph 3 of the French Commercial Code, each shareholder is entitled to the same number of votes as the number of shares that they own or represent.

### **Right to dividends and profits (Article 11 of the Articles of Association)**

Each Company share grants its holder the right to a proportional share in any distribution of the Company's earnings, assets and proceeds from liquidation.

The rights and obligations attached to the shares follow them when they change hands.

Ownership of a share automatically implies acceptance of the Articles of Association of the Company and the decisions duly taken by Shareholders' Meetings.

Shareholders shall only bear liability to the extent of the nominal value of each share they hold.

Whenever it is necessary to hold several shares in order to exercise a particular right, in the event of an exchange, grouping or allocation of shares, or as a result of an increase in or a reduction of the share capital, a merger or other corporate operation, the owners of single shares or of an insufficient number of shares may only exercise this right provided that they arrange to group together and to buy or sell any shares as may be required.

The joint owners of shares shall be represented at Shareholders' Meetings by one of their number or by a single representative. Should the parties involved fail to agree on the appointment of their representative, the latter shall be appointed by a court order issued pursuant to a petition filed by the first joint owner to do so.

Unless otherwise agreed and notified to the Company, in the event of the division of ownership of a share, the voting right belongs to the beneficial owner (usufruitier) at Ordinary Shareholders' Meetings and to the bare owner (nu-propritaire) at Extraordinary or Special Shareholders' Meetings. However, in any event, the bare owner has the right to take part in all Shareholders' Meetings.

### **Payment of the dividend in shares (Article 24 of the Articles of Association)**

The Shareholders' Meeting called to approve the accounts for the financial year has the authority to offer each shareholder the option to receive all or part of the dividend payout in the form of shares, in accordance with the legal conditions, or in cash. This option may also be granted in the case of interim dividends.

The procedures for dividend payments in cash are fixed by the Shareholders' Meeting or, alternatively, by the Board of Directors.

### **Preferential subscription right**

The Company's shares benefit from a preferential subscription right to capital increases under the terms provided for by the French Commercial Code.

### **Limitation on voting rights**

No statutory clause restricts the voting right attached to the shares.

### **Amendment of shareholders' rights (Article 23 of the Articles of Association)**

The Extraordinary Shareholders' Meeting deliberates on all proposals emanating from the Board of Directors which entail modification to the Company's share capital or Articles of Association.

### **Shareholders' Meetings (Article 23 of the Articles of Association)**

#### **Powers**

The shareholders take their decisions in Shareholders' Meetings which are designated as ordinary or extraordinary.

The Ordinary Shareholders' Meeting takes all decisions which do not entail modification to the Company's share capital or Articles of Association. In particular, it appoints, replaces, re-elects and dismisses directors. It also approves, rejects or corrects the accounts and decides on the breakdown and allocation of profits.

The Extraordinary Shareholders' Meeting deliberates on all proposals emanating from the Board of Directors which entail modification to the Company's share capital or Articles of Association.

#### **Convening notice and meeting location**

Shareholders' Meetings are convened as per the terms and conditions set forth in the law.

Meetings take place at the registered office or any other location indicated in the convening notice.

#### **Access to and conduct of the meetings**

All shareholders may take part in the Shareholders' Meetings in person or through a representative, in accordance with the prevailing regulations, upon presentation of suitable evidence of their identity and of their ownership of shares, in accordance with the applicable laws and regulations.

Shareholders who take part in a Shareholders' Meeting by video conferencing or other means of telecommunication or by remote transmission, including over the Internet, which enable them to be identified in accordance with the prevailing regulations, are deemed to be present for the purposes of calculating the quorum and the majority, subject to a decision by the Board of Directors to make use of such means of telecommunication and said decision being mentioned in the announcement or convening notice to attend the Shareholders' Meeting.

Any shareholder may vote remotely or appoint a proxy in accordance with the prevailing regulations, using a form drawn up by and sent to the Company, including by electronic means or remote transmission, if this is permitted by the Board of Directors. This form must be received by the Company in accordance with the regulatory requirements in order for it to be taken into consideration.

#### **Chairmanship, committee, attendance sheet**

Each Shareholders' Meeting is chaired by the Chairman of the Board of Directors or, in their absence, by a director appointed for that purpose by the Board.

Where the meeting is called by the Statutory Auditors or a legal officer, the meeting is chaired by the person or individuals issuing the notice to attend.

The duties of deputy returning officer (scrutateur) are performed by the two members present at the meeting who hold the largest number of shares and are willing to act in that capacity. The committee appoints the secretary, who is not necessarily a shareholder.

An attendance sheet is kept in accordance with statutory requirements.

### Deliberations, minutes

Shareholders' Meetings deliberate subject to the quorum and majority requirements prescribed by law. Voting is on a one-share, one-vote basis.

Deliberations are recorded in minutes entered in a special register and signed by members of the committee.

Copies or extracts of the minutes are duly certified by the Chairman of the Board of Directors, the Chief Executive Officer, if they are a director, or the secretary of the meeting.

### Shareholders' right to information

Each shareholder has the right to receive disclosure of the documents required to enable them to make an informed decision and to develop an informed opinion on the Company's management and operations. The Company has the obligation to make these documents available to or send them to shareholders.

The nature of these documents and the terms under which they must be sent or made available are set by law.

### Statutory clauses likely to have an impact on a change in control

None.

### Crossing of thresholds and identification of shareholders (Article 10 of the Articles of Association) (see also Section 7.3.4)

In compliance with prevailing laws and regulations, the Company may ask any duly empowered body or intermediary for any information about the identity of the holders of any securities that confer an immediate or deferred right to vote in its Shareholders' Meetings, as well as the number of securities they hold.

Any individual or legal entity that directly or indirectly holds, alone or in conjunction with others, 2% of the share capital or voting rights (calculated in accordance with the

provisions of Articles L.233-7 and L.233-9 of the French Commercial Code and the provisions of the general rules of the Autorité des marchés financiers [French Financial Markets Authority, AMF]), or any multiple of this percentage, must notify the Company of the total number (i) of the shares and voting rights held directly or indirectly, alone or in conjunction with others, (ii) of the securities that provide deferred access to the share capital of the Company, held directly or indirectly, alone or in conjunction with others, and the voting rights potentially attached thereto, and (iii) of shares already issued that this party may acquire under an agreement or a financial instrument mentioned in Article L.211-1 of the French Monetary and Financial Code. This notification must take place by means of a letter sent by registered post with acknowledgement of receipt within four stock market days after the relevant threshold has been exceeded.

The obligation to inform the Company shall also apply, within the same timescales and on the same terms, whenever the shareholder's shareholding or voting rights fall to a level below any of the above-mentioned thresholds.

Should a shareholder fail to comply with the obligation to declare the fact that it has exceeded or fallen below the above-mentioned thresholds, then at the request of one or more shareholders who account for at least 2% of the share capital or voting rights of the Company, recorded in the minutes of the Shareholders' Meeting, the shares which exceed the fraction that should have been declared are deprived of their voting rights for a period of two years from the date on which notification is effectively sent.

The Company is entitled to inform the public and bring to the attention of the shareholders either the information it has been notified of, or any failure to comply with the above-mentioned obligation by the relevant party.

### Specific clauses governing modifications to share capital

There is no specific stipulation in the Company's Articles of Association governing modifications to its capital.

Such capital may thus be increased, reduced or amortised in any manner authorised by law.

## 7.2 GENERAL INFORMATION CONCERNING THE CAPITAL OF COFACE SA

### 7.2.1 Share capital subscribed and share capital authorised but not issued

At the date of this universal registration document, the Company's share capital is €304,063,898. It is divided into 152,031,949 shares with a par value of €2 (two), fully subscribed and paid up, all of the same category.

In compliance with Article L.225-37-4, paragraph 3 of the French Commercial Code, the table below summarises the valid delegations as of December 31, 2019 that have been granted by the Shareholders' Meeting to the Board of Directors in the area of capital increases, pursuant to Articles L.225-129-1 and L.225-129-2 of the French Commercial Code.



The table below summarises the resolutions voted on during the Combined Shareholders' Meeting of the Company dated May 16, 2018 and May 16, 2019, as concerns capital increases:

Resolution	Subject of the resolution	Maximum face value	Term of authorisation	Amount used at Dec. 31, 2019
<b>Combined Shareholders' Meeting of the Company dated May 16, 2018</b>				
15 <sup>th</sup>	Delegation of authority to the Board of Directors to increase the share capital by incorporating reserves, profits or premiums, or any other sum that can be legally capitalised <sup>(1)</sup>	€80 million	26 months	No
16 <sup>th</sup>	Delegation of authority to the Board of Directors to increase the share capital by issuing shares and/or equity securities which confer entitlement to other equity securities and/or entitlement to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued with preferential subscription rights <sup>(1)</sup>	€120 million for capital increases €500 million for debt securities	26 months	No
17 <sup>th</sup>	Delegation of authority to the Board of Directors to increase the share capital by issuing shares and/or equity securities which confer entitlement to other equity securities and/or entitlement to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued, in the context of a public offer without preferential subscription rights <sup>(1) (2) (3)</sup>	€45 million for capital increases <sup>(1) (2)</sup> €500 million for debt securities <sup>(3)</sup>	26 months	No
18 <sup>th</sup>	Delegation of authority to the Board of Directors to increase the share capital by issuing, without preferential subscription rights, shares and/or equity securities which confer entitlement to other equity securities and/or entitlement to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued, through the private placements specified in Article L.411-2 II of the French Monetary and Financial Code <sup>(1) (2)</sup>	€30 million for capital increases <sup>(1) (2)</sup> €500 million for debt securities <sup>(3)</sup>	26 months	No
19 <sup>th</sup>	Authorisation given to the Board of Directors, within the limit of 10% of the capital per year, in the event of issue without preferential subscription rights, through the public offers or private placements specified in Article L.411-2 II of the French Monetary and Financial Code, for the purpose of setting the issue price under the terms established by the Shareholders' Meeting <sup>(1) (2)</sup>	Up to a limit of 10% of the share capital per 12-month period <sup>(1) (2)</sup>	26 months	No
20 <sup>th</sup>	Authorisation given to the Board of Directors to increase issue amounts with or without preferential subscription rights <sup>(1)</sup>	Limit prescribed by applicable regulations (to date, 15% of the initial issue) <sup>(1)</sup>	26 months	No
21 <sup>st</sup>	Delegation of authority to the Board of Directors to increase the share capital by issuing shares and/or equity securities which confer entitlement to other equity securities and/or entitlement to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued as compensation for contributions in kind <sup>(1) (2)</sup>	€30 million for capital increases <sup>(1) (2)</sup> €500 million for debt securities <sup>(3)</sup>	26 months	No
22 <sup>nd</sup>	Delegation of authority to the Board of Directors to increase the share capital by issuing, without preferential subscription rights, shares of the Company reserved for members of a company savings plan <sup>(1)</sup>	€3,200,000 <sup>(1)</sup>	26 months	No
23 <sup>rd</sup>	Delegation of authority to the Board of Directors to increase share capital by issuing shares without preferential subscription rights in favour of a specific category of beneficiaries <sup>(1)</sup>	€3,200,000 <sup>(1)</sup>	18 months	No
<b>Combined Shareholders' Meeting of the Company dated May 16, 2019</b>				
14 <sup>th</sup>	Delegation of authority to the Board of Directors to increase share capital by issuing shares without preferential subscription rights in favour of a specific category of beneficiaries <sup>(1)</sup>	€3,100,000 <sup>(1)</sup>	18 months	No
15 <sup>th</sup>	Delegation of authority to the Board of Directors to increase the share capital by issuing, without preferential subscription rights, shares of the Company reserved for members of a company savings plan <sup>(1)</sup>	€3,100,000 <sup>(1)</sup>	26 months	No

(1) The maximum overall face value of the capital increases likely to be made under this delegation is included in the total cap set on the amount of €120 million for immediate and/or future capital increases.

(2) The overall face value of the capital increases likely to be made under this delegation is included in the nominal cap of €45 million for capital increases without preferential subscription rights.

(3) The maximum overall face value of the issues of debt securities likely to be made under this delegation is included in the total cap set of €500 million for issues of debt securities.

## 7.2.2 Shares not representing capital

None.

## 7.2.3 Independent control, holding and acquisition of treasury shares by the Company

### Description of the 2019-2020 Buyback Programme

#### Introduction

It should be noted that the Combined Shareholders' Meeting of May 16, 2018, in its fifth (5<sup>th</sup>) resolution, had previously authorised the Board of Directors to trade in the shares of COFACE SA (the Company), under the 2018-2019 Share Buyback Programme, the main features of which were described in the description published on the Company's website and in the 2018 registration document.

The Company, listed on Euronext Paris - Compartment A, wishes to continue with its Share Buyback Programme (the Programme), in accordance with the applicable regulation (see "Legal Framework" below).

To this end, the Combined Shareholders' Meeting of May 16, 2019 again authorised, in its fifth (5<sup>th</sup>) resolution, the Board of Directors, which may in turn delegate this authority, under the legal and regulatory conditions, to implement a new Programme concerning the Company's shares (ISIN code FR0010667147). This Programme would replace the existing programme set up by the Combined Shareholders' Meeting of May 16, 2018.

### Main features of the 2019-2020 Buyback Programme

#### *Date of the Shareholders' Meeting that authorised the Programme*

The 2019-2020 Programme was authorised by the Combined Shareholders' Meeting of May 16, 2019, in its fifth (5<sup>th</sup>) resolution.

The Board of Directors' meeting of July 25, 2019, pursuant to the authority granted to it by the Combined Shareholders' Meeting of May 16, 2019, in its fifth (5<sup>th</sup>) resolution, authorised COFACE SA, which may in turn delegate this authority to the Chief Executive Officer, to trade the Company's shares through the "2019-2020 Share Buyback Programme", the main features of which are described below.

#### *Breakdown by objective of equity securities held as of December 31, 2019*

At December 31, 2019, COFACE SA held 0.66% of its own share capital, representing 1,000,752 ordinary shares. On that date, the number of shares held could be broken down by objective as follows:

<i>Objectives</i>	<b>Number of shares held</b>
<b>a)</b> ensure liquidity and boost the market for the Company's stock through an investment service provider acting independently under a liquidity contract, in compliance with the charter of ethics recognised by the Autorité des marchés financiers;	104,486
<b>b)</b> allocate shares to Company employees, and in particular as part of:	
(1) employee profit-sharing schemes,	0
(2) any Company stock options plan, pursuant to the provisions of Article L.225-177 et seq. of the French Commercial Code,	0
(3) any savings plan in accordance with Article L.3331-1 et seq. of the French Labour Code,	0
(4) any bonus share allocation under the provisions of Article L.225-197-1 et seq. of the French Commercial Code; additionally, perform all hedge operations relating to these transactions, under the conditions provided for by the market authorities and at the times to be determined by the Board of Directors or the person acting by delegation of the Board of Directors;	896,266
<b>e)</b> cancel all or part of the stock thus purchased.	0
<b>TOTAL</b>	<b>1,000,752</b>

**Objectives of the 2019-2020 Share Buyback Programme**

The Company's shares may be purchased and sold, at the decision of the Board of Directors, in order to:

**Authorised objectives**

- a) ensure liquidity and boost the market for the Company's stock through an investment service provider acting independently under a liquidity agreement, in compliance with the market practice accepted by the Autorité des marchés financiers on July 2, 2018;
- b) allocate shares to corporate officers and to employees of the Company and other Group entities, in particular as part of:
  - (i) employee profit-sharing schemes,
  - (ii) any Company stock option plan, pursuant to the provisions of Article L.225-177 et seq. of the French Commercial Code,
  - (iii) any savings plan in accordance with Article L.3331-1 et seq. of the French Labour Code,
  - (iv) any bonus share allocation under the provisions of Articles L.225-197-1 et seq. of the French Commercial Code; additionally, perform all hedge operations relating to these transactions, under the conditions provided for by the market authorities and at the times to be determined by the Board of Directors or the person acting by delegation of the Board of Directors;
- c) transfer the Company's shares upon exercise of the rights attached to securities entitling their bearers, directly or indirectly, through reimbursement, conversion, exchange, presentation of a warrant or in any other manner, to the allocation of the Company's shares pursuant to current regulations; additionally, perform all hedge operations relating to these transactions, under the conditions provided for by the market authorities and at the times to be determined by the Board of Directors or the person acting by delegation of the Board of Directors;
- d) keep the Company's shares and subsequently remit them in payment or exchange in connection with any external growth operations;
- e) cancel all or part of the stock thus purchased;
- f) implement all market practices accepted by the Autorité des marchés financiers and, more generally, execute all transactions in compliance with current regulations, in particular, the provisions of (EU) Regulation No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation).

**Maximum share of the capital, maximum number, maximum purchase price and characteristics of the securities that COFACE SA plans to acquire**

**Securities concerned**

The Company's ordinary shares listed for trading on Euronext Paris:

**Market profile**

Trading	Euronext Paris (Compartment A), eligible for deferred settlement service (SRD)
ISIN code	FR0010667147
Reuters code	COFA.PA
Bloomberg code	COFA FP
Stock market indexes	SBF 120, CAC All Shares, CAC All-Tradable, CAC Financials, CAC Mid & Small, CAC MID 60, Next 150

**Maximum share of the capital**

The Board of Directors may authorise, with the power to further delegate under the legal and regulatory conditions, in compliance with the provisions of Article L.225-209 et seq. of the French Commercial Code, the purchase, in one or more instances and at the times to be determined by it, of a number of the Company's shares that may not exceed:

- ◆ 10% of the total number of shares comprising the share capital at any time whatsoever; or
- ◆ 5% of the total number of shares comprising the share capital, if they are shares acquired by the Company with a view to holding them and transferring them in payment or exchange in connection with a merger, spin-off or contribution.

These percentages apply to a number of shares adjusted, where appropriate, according to the operations that could impact the share capital subsequent to the Shareholders' Meeting of May 16, 2019.

**Maximum number**

As required by law, COFACE SA undertakes not to exceed the holding limit of 10% of its capital; for information purposes, this corresponds to 15,203,195 shares at December 31, 2019.

### Maximum purchase price

In accordance with the fifth (5<sup>th</sup>) resolution proposed and accepted by the Combined Shareholders' Meeting of May 16, 2019, the maximum purchase price per unit cannot exceed €12 per share, excluding costs.

The Board of Directors may nevertheless, for operations involving the Company's capital, particularly a modification of the par value of the share, a capital increase by incorporation of reserves following the creation and allocation of bonus shares, a stock split or reverse stock split, adjust the aforementioned maximum purchase price in order to take into account the impact of these operations on the value of the Company's stock.

### Other information

The acquisition, disposal or transfer of these shares may be completed and paid for by any methods authorised by the current regulations, on a regulated market, multilateral trading system, systematic internaliser or over the counter, in particular through the acquisition or disposal of blocks of shares, using options or other derivative financial instruments or warrants or, more generally, securities entitling their bearers to shares of the Company, at the times that the Board of Directors will determine.

Unless it has the prior authorisation of the Shareholders' Meeting, the Board of Directors may not use this delegation

The table below shows the changes in share purchases and sales in 2019:

Liquidity agreement					
Date	Number of shares purchased	Average purchase price (in €)	Number of shares sold	Average sale price (in €)	Total
Jan. 31, 2019	79,218	€8.01	101,168	€8.11	104,687
Feb. 28, 2019	116,787	€7.93	65,426	€8.03	156,048
Mar. 31, 2019	60,133	€7.83	46,233	€7.91	169,948
Apr. 30, 2019	37,192	€8.55	106,904	€8.55	100,236
May 31, 2019	63,974	€8.77	74,845	€9.02	89,365
Jun. 30, 2019	80,497	€8.67	68,440	€8.75	101,422
Jul. 31, 2019	61,726	€10.20	123,975	€9.98	39,173
Aug. 31, 2019	175,374	€10.60	149,149	€10.60	65,398
Sept. 30, 2019	149,021	€10.75	117,862	€10.83	96,557
Oct. 31, 2019	231,983	€9.95	179,142	€9.97	149,398
Nov. 30, 2019	128,712	€10.03	135,373	€10.06	142,737
Dec. 31, 2019	131,396	€10.43	169,647	€10.48	104,486
<b>TOTAL</b>	<b>1,316,013</b>	<b>€9.63</b>	<b>1,338,164</b>	<b>€9.66</b>	

### Treasury share transactions

For financial year 2019, the Company bought 558,577 treasury shares, corresponding to 0.37% of its share capital. Share purchase mandates for 2019 were entered into with:

1. Exane BNP Paribas, to buy shares under an additional share buyback programme for a target amount of €15 million between October 26, 2018 and up to February 10, 2019. 158,577 shares were purchased between January 2 and January 8, 2019;

of authority once a third party has filed a public offer for the Company's shares, and until the end of the offer period.

### Duration of the Buyback Programme

In accordance with the fifth (5<sup>th</sup>) resolution proposed and accepted by the Combined Shareholders' Meeting of May 16, 2019, this Programme will have a maximum duration of eighteen (18) months as from said meeting and may therefore be continued up to November 14, 2020 (inclusive) at the latest or until the date of its renewal by a Shareholders' Meeting held before that date.

This authorisation ends the authorisation granted by the fifth (5<sup>th</sup>) resolution adopted by the Shareholders' Meeting of May 16, 2018.

### Liquidity agreement

The liquidity agreement with Natixis dated July 2, 2014 was transferred as of July 2, 2018 to ODDO BHF (for a term of twelve (12) months, automatically renewable). To implement the agreement, ODDO BHF was provided with the following resources, which were allocated to the liquidity account on the settlement date of June 29, 2018: 76,542 COFACE SA securities - €2,161,049.81.

Under this agreement, in financial year 2019 the Company purchased 1,316,013 treasury shares and sold 1,338,164 treasury shares. At December 31, 2019, the balance on the liquidity account comprised: 104,486 COFACE SA securities and €2,017,277.38.

2. Kepler Cheuvreux, to buy shares for allocation under the bonus share allocation plan referred to as the Long-Term Incentive Plan (LTIP) - see Section 2.3.1 "Compensation policy".

In 2019, the total amount of transaction fees for the treasury share buyback was €2,432 for Kepler.

The history of bonus share allocations under the LTIPs put in place by the Company since 2014 is given in Section 2.3.12.

The table below shows the change in treasury share purchase mandates:

Buyback programme	Treasury share purchase mandate			Number of shares purchased	Average purchase price (in €)	Total (in €)
	Yes/No	Service provider	Date			
2014-2015	No	N/A	N/A	-	-	-
2015-2016	Yes	Natixis	Jul. 31, 2015 to Sept. 15, 2015	235,220	8.98	2,112,468.45
2016-2017	No	N/A	N/A	-	-	-
2017-2018	Yes	Kepler Cheuvreux	i) Jul. 31, 2017 to Sept. 30, 2017	81,409	7.94	646,061.31
			ii) Nov. 17, 2017 to Jan. 17, 2018	132,806 <sup>(1)</sup>	8.97	1,191,254.71
2018-2019	Yes	Kepler Cheuvreux	i) Feb. 16, 2018 to Oct. 15, 2018	3,348,971	8.96	29,999,996.03
			ii) Aug. 6, 2018 to Aug. 15, 2018	358,702	7.96	2,853,559.17
			iii) May 8, 2019 to Jun. 11, 2019	400,000	8.69	3,474,280.75
	Yes	Exane BNP Paribas	iii) Oct. 26, 2018 to Jan. 8, 2019	1,867,312 <sup>(2)</sup>	8.03	14,999,994.75
2019-2020	No	N/A	N/A			

(1) 204,449 shares at €8.56 had been purchased at December 31, 2017. 9,766 additional shares at €8.98 were purchased when the mandate was finalised (January 17, 2018).

(2) 1,708,735 shares at €8.04 had been purchased at December 31, 2018. 158,577 additional shares at €7.97 were purchased when the mandate was finalised (January 8, 2019).

The table below shows the change in treasury share distributions:

Plan	LTIP*			
	2016	2017	2018	2019
Chief Executive Officer (CEO)	50,000	60,000	65,000	70,000
Executive Committee	141,977	179,628	132,603	151,917
Other beneficiaries	107,020	126,518	100,529	150,351
<b>TOTAL NUMBER OF BONUS SHARES ALLOCATED</b>	<b>298,997</b>	<b>366,146</b>	<b>298,132</b>	<b>372,268</b>
<b>PERFORMANCE UNITS <sup>(1)</sup></b>	<b>31,594</b>	<b>34,400</b>	<b>29,000</b>	<b>28,520</b>
<b>OVERALL SHARE PACKAGE</b>	<b>399,932</b>	<b>405,317</b>	<b>382,869</b>	<b>434,055</b>
◆ Non-allocated shares	69,341	4,771	55,737	33,267
Date of Shareholders' Meeting	May 19, 2016	May 19, 2016	May 19, 2016	May 16, 2018
Date of Board of Directors' meeting (delegation)	Nov. 3, 2016	Feb. 8, 2017	Feb. 12, 2018	Feb. 11, 2019
Allocation date	Nov. 3, 2016	Feb. 8, 2017	Feb. 12, 2018	Feb. 11, 2019
Share vesting date	Nov. 4, 2019	Feb. 9, 2020	Feb. 15, 2021	Feb. 14, 2022
End date of retention period (availability)	N/A	N/A	N/A	N/A
Shares vested and to be held (Chief Executive Officer)	15,000	N/A	N/A	N/A
Share allocations cancelled	30,395	N/A	N/A	N/A
Date of Shareholders' Meeting	May 19, 2016	May 17, 2017	May 16, 2018	May 16, 2019
Date of Board of Directors' meeting (delegation)	Jul. 27, 2016	Jul. 27, 2017	Jul. 25, 2018	Jul. 25, 2019
Date of purchase mandate 1	N/A	Jul. 31, 2017	Aug. 6, 2018	May 8, 2019
Number of shares	N/A	81,409	358,702	400,000
Date of purchase mandate 2	N/A	Nov. 17, 2017		
Number of shares	N/A	132,806		

\* The amounts indicated do not take into account the shares cancelled for the plans that were not delivered by December 31st, 2019 (LTIP 2017)

(1) The Company awards performance units instead of bonus shares if the arrangement of bonus share awards appears complex or non-relevant with regard to the applicable legislation in the beneficiary country. These units are indexed on the share price and subject to the same presence and performance conditions as the bonus shares, but are valued and paid in cash at the end of the vesting period.

### Treasury shares – Summary

The Shareholders' Meeting authorised the 2019-2020 buyback programme on May 16, 2019, and the implementation was decided by the Board of Directors on July 25, 2019.

The treasury shares represent a total of 0.66% of the Company's capital, *i.e.*, 1,000,752 shares at December 31, 2019 versus 2,600,240 shares at December 31, 2018. The aggregate par value was €2,001,504 (the share has a par value of €2 – see Section 7.2.8 "History of capital").

Date	Total Liquidity Agreement	Total LTIP	Buy-back (cancellation)	Total treasury shares		
				Total shares	% Number of capital shares*	Voting rights
Dec. 31, 2019	104,486	896,266	0	1,000,752	0.66%	151,031,197

\* Number of equity shares = 152,031,949.

### 7.2.4 Other instruments giving access to equity

None.

### 7.2.5 Conditions governing any right of acquisition and/or any obligation attached to the capital subscribed, but not paid up

None.

### 7.2.6 Share capital of any company in the Group that is under option or subject to an agreement to place it under option

None.

### 7.2.7 Pledge, guarantees and sureties granted on the Company's share capital

To our knowledge, at the date of this universal registration document, the shares comprising the Company's capital are not subject to any pledges, guarantees or sureties.

### 7.2.8 History of capital

The Company's share capital has changed as follows over the last four years:

- ◆ in 2016, the share capital was reduced from €471,744,696 to €314,496,464 by decreasing the par value of each share from €5 to €2. The sum of €471,744,696, corresponding to the amount of the capital reduction, was allocated to a non-distributable "share premium" sub-account;
- ◆ in 2018, the share capital was reduced to €307,798,522, divided into 153,899,261 shares with a par value of €2 each, following the cancellation of 3,348,971 shares redeemed under the share buyback programme of February 12, 2018;
- ◆ in 2019, the share capital was reduced to €304,063,898, divided into 152,031,949 shares with a par value of €2 each, following the cancellation of 1,867,312 shares redeemed under the share buyback programme of October 25, 2018.

## 7.2.9 Transactions carried out by persons with executive responsibilities

Executives, the persons acting on their behalf, and persons related to them, are required by regulation to disclose to the AMF (French Financial Markets Authority) any transactions in excess of a cumulative amount of €20,000

per calendar year that they make involving COFACE SA shares and debt securities and financial instruments linked to them, and to provide the Company with a copy of this disclosure.

The table below presents a summary of the transactions specified in Article L.621-18-2 of the French Monetary and Financial Code during 2019.

Name	Nature of the transaction	Number of securities	Gross unit price	Gross amount <sup>(1)</sup>	Total number of securities <sup>(2)</sup>
Xavier Durand	Acquisition	12,500	€8.48	€106,040	98,500
	LTIP 2016	50,000			
Thibault Surer	Acquisition	6,000	€8.56	€51,360	57,398
	LTIP 2016	13,998			
Carine Pichon	LTIP 2016	11,998			11,998
Carole Lytton	LTIP 2016	11,998			11,998
Cyrille Charbonnel	LTIP 2016	11,998			11,998
Nicolas de Buttet	LTIP 2016	11,998			11,998
Nicolas Garcia	LTIP 2016	11,998			11,998

LTIP 2016: 2016 free share allocation plan - delivery on November 4, 2019.

(1) Average purchase price in euros.

(2) Including purchases in previous years.

## 7.3 DISTRIBUTION OF CAPITAL AND VOTING RIGHTS

### 7.3.1 Distribution of capital

The table below breaks down the change in the Company's capital and voting rights over the last three years:

	Dec. 31, 2019				Dec. 31, 2018		Dec. 31, 2017	
	Equities	%	Voting rights	%	Equities	Voting rights	Equities	Voting rights
Natixis	64,153,881	42.20%	64,153,881	42.48%	64,853,881	64,853,881	64,853,881	64,853,881
Employees	561,806	0.37%	561,806	0.37%	382,256	382,256	376,537	376,537
Public	86,315,510	56.77%	86,315,510	57.15%	86,062,884	86,062,884	91,494,985	91,494,985
Independent holding (liquidity agreement and treasury share transactions)	1,000,752	0.66%	0	0%	2,600,240	0	522,829	0
Other							0	0
<b>TOTAL</b>	<b>152,031,949</b>	<b>100%</b>	<b>151,031,197</b>	<b>100%</b>	<b>153,899,261</b>	<b>151,299,021</b>	<b>157,248,232</b>	<b>156,725,403</b>

### 7.3.2 Voting rights of the majority shareholder

Natixis does not have any specific voting rights.

### 7.3.3 Declaration relating to the Company's control by the majority shareholder

As at the date of this universal registration document, the Company is controlled by Natixis.

In an effort to maintain transparency and inform the public, the Company has established a set of measures guided in particular by the recommendations of the AFEP-MEDEF Code. The Company has set up a Risk Committee, an Audit

Committee and a Nominations and Compensation Committee, mainly composed of independent directors, in order to prevent conflicts of interest and to ensure that control by the controlling shareholder is not abusive (see Section 2.1.8 "Specialised committees, offshoots of the Board of Directors").

### 7.3.4 Crossing of threshold

The Company sets out below the declarations of threshold crossing reported in 2019 and as of the date of this document:

i) crossing of the regulatory threshold, reported to the AMF (Article L.233-7 of the French Commercial Code); and

ii) crossing of the statutory threshold, reported by registered letter by the major shareholders (Article 10 of the Articles of Association).

The Company is not responsible for checking the completeness of these declarations.

Year	Date of receipt of declaration	Date limit exceeded	Legal or statutory threshold	Increase Decrease	Investor	Country	Number of shares	% of capital
2019	Mar. 5	Mar. 5	statutory	↓	Natixis	France	64,616,218	41.99%
2019	May 15	May 14	legal (AMF, French Financial Markets Authority)	↓	Schroder Investment Management Limited	United Kingdom	7,651,262	4.97%
2019	Jun. 17	Jun. 14	legal (AMF, French Financial Markets Authority)	↓	Schroders plc	United Kingdom	7,693,006	4.99%
2019	Jul. 10	Jul. 2	statutory	↑	Mondrian Investment Partners	United Kingdom	4,620,616	3.00%
2019	Aug. 5	Jul. 29	statutory	↑	Natixis	France	64,153,881	42.20%
2019	Aug. 6	Aug. 5	statutory	↓	Moneta AM	France	2,950,000	1.94%
2019	Aug. 12	Aug. 9	statutory	↓	Schroders plc	United Kingdom	6,070,331	3.99%
2019	Nov. 13	Nov. 12	statutory	↓	Schroders plc	United Kingdom	2,962,362	1.95%
2019	Dec. 17	Dec. 10	statutory	↑	Mondrian Investment Partners	United Kingdom	6,193,263	4.07%

### 7.3.5 Employee profit-sharing

At December 31, 2019, the Group's employees held 561,806 shares, 192,210 of which were held in France through the Coface Actionnariat mutual fund. In total, employees in

France and overseas (including management) hold an interest of 0.37% in the Company's capital.



## 7.4 FACTORS THAT MAY HAVE AN IMPACT IN THE EVENT OF A PUBLIC OFFER

Pursuant to Article L.225-37-5 of the French Commercial Code, the Company notes the following points, which could have an impact on a public offer:

- ◆ the Company's capital structure as well as its known direct or indirect interests and all the corresponding information are described in Section 7.3;
- ◆ there is no statutory restriction on the exercise of voting rights, with the exception of the elimination of voting rights in respect of shares which exceed the portion that should have been declared, which may be requested by one or more shareholders holding an interest which is at least equal to 2% of the capital or voting rights, in the event of failure to declare that the statutory threshold was exceeded;
- ◆ the Company is not aware of the existence of any signed shareholders' agreements;
- ◆ there are no instruments entailing special control rights;
- ◆ the voting rights attached to the shares of the Company held by staff through the Company's Coface Actionnariat mutual fund are exercised by an authorised representative designated by the fund's Supervisory Board to represent it at the Shareholders' Meeting;
- ◆ the rules on appointment and revocation of members of the Board of Directors are the legal and statutory rules described in Section 7.1.5;
- ◆ the Company's Articles of Association are amended in compliance with legal and regulatory provisions;
- ◆ there is no significant agreement entered into by the Company that would be amended or terminated in the event of a change in the Company's control.

## 7.5 MATERIAL CONTRACTS

No contract (other than those entered into in the normal course of business) has been signed by any entity of the

Group that contains a significant obligation or commitment for the Group as a whole.

## 7.6 DRAFT REPORT OF THE BOARD OF DIRECTORS ON THE DRAFT RESOLUTIONS SUBMITTED TO THE COMBINED SHAREHOLDERS' MEETING

The purpose of this draft report is to present the draft resolutions to be submitted by the Board of Directors to your Combined Shareholders' Meeting of May 14, 2020.

The details of Coface's financial position, activity and results for the financial year ended, and the information required by current legal and regulatory provisions, are presented in this 2019 universal registration document, to which you are invited to refer (available on the Coface website at [www.coface.com](http://www.coface.com)).

These resolutions can be broken down into two groups:

the first 12 resolutions (from the 1<sup>st</sup> to the 12<sup>th</sup> resolution) fall under the authority of the Ordinary Shareholders' Meeting;

the next nine resolutions (from the 13<sup>th</sup> to the 22<sup>nd</sup> resolution), fall under the authority of the Extraordinary Shareholders' Meeting.

### 7.6.1 Ordinary resolutions

#### ◆ Approval of the 2019 financial statements (1<sup>st</sup> and 2<sup>nd</sup> resolutions)

In the first two resolutions, the Ordinary Shareholders' Meeting is asked to approve the financial statements (1<sup>st</sup> resolution), followed by the consolidated financial statements (2<sup>nd</sup> resolution) of COFACE SA for 2019.

Comments on the individual and consolidated financial statements of COFACE SA are set out in detail in the COFACE SA 2019 universal registration document.

#### ◆ Appropriation earnings (3<sup>rd</sup> resolution)

The purpose of the third resolution is to allocate COFACE SA's corporate results.

COFACE SA's financial statements as of December 31, 2018 showed net income of €132,677,046.

In order to take into account the uncertainty associated with the situation created by the coronavirus crisis, for the sake of prudence and with a view to preserving the company's agility, the Board of Directors deems it prudent – and shall make recommendations to the Shareholders' Meeting to this end – not to proceed with payment of a dividend at this stage. The Board reserves the right to review this situation in the coming months, depending on how things develop.

In compliance with the legal provisions, we specify that the dividends distributed for the three preceding financial years were as follows:

Financial year	Number of remuneration shares <sup>(1)</sup>	Total amount (in €)
2016	156,905,819	20,397,756
2017	155,574,817	52,895,437
2018	151,169,375	119,423,806

(1) The number of remuneration shares does not include treasury shares.

#### ◆ Ratification of the co-opting of a director (4<sup>th</sup> resolution)

In the fourth resolution, the Shareholders' Meeting is asked to ratify the co-opting of Ms Marie Pic-Pâris, voted by the Board meeting of October 23, 2019, to replace Mr Jean-Paul Dumortier, who has resigned.

#### ◆ Authorisation given to the Board of Directors to trade its own shares (5<sup>th</sup> resolution)

In this fifth resolution, the Board of Directors requests the Shareholders' Meeting to authorise it to purchase or arrange for the purchase of a number of shares in the Company that may not exceed 10% of the total number of shares composing the share capital or 5% of the total number of shares subsequently composing the share capital if they are shares acquired by the Company with a view to holding them and transferring them as payment or exchange within the context of a merger, spin-off or contribution, noting that acquisitions made by the Company may under no circumstances result in it holding more than 10% of the ordinary shares comprising its share capital at any time.

Shares may be purchased in order to: a) ensure liquidity and boost the market for the Company's stock through an investment service provider acting independently within the context of a liquidity agreement in compliance with market practice accepted by the Autorité des marchés financiers dated July 2, 2018, b) allocate shares to corporate officers and to employees of the Company and other Group entities, and in particular within the context of (i) profit-sharing, (ii) any stock option plan of the Company, pursuant to the provisions of Article L.225-177 et seq. of the French Commercial Code, or (iii) any savings plan in compliance with Article L.3331-1 et seq. of the French Labour Code or (iv) any allocation of bonus shares pursuant to the provisions of Article L.225-197-1 et seq. of the French Commercial Code, as well as perform all hedge operations relating to these transactions, under the conditions provided for by the market authorities and at the times to be determined by the Board of Directors or the person acting upon its delegation, c) transfer the Company's shares upon exercise of the rights attached to securities entitling their bearers, directly or indirectly, through reimbursement, conversion, exchange, presentation of a warrant or in any other manner, to the allocation of the Company's shares pursuant to current regulations; additionally, perform all hedge operations relating to these transactions, under the conditions provided for by the market authorities and at the times to be determined by the Board of Directors or the person acting by delegation of the Board of Directors, d) keep the Company's shares and subsequently remit them as payment or trade within the context of any external

growth, merger, spin-off or contribution operations, e) cancel all or part of the securities thus purchased (in particular, under the thirteenth resolution of this Shareholders' Meeting authorising the Board of Directors to reduce the share capital) or f) implement all market practices accepted by the Autorité des marchés financiers and, more generally, execute all transactions in compliance with current regulations.

The maximum purchase price per unit may not exceed €14 per share, excluding costs. The Board of Directors may nevertheless, for operations involving the Company's capital, particularly a modification of the par value of the share, a capital increase by incorporation of reserves following the creation and allocation of bonus shares, a stock split or reverse stock split, adjust the aforementioned maximum purchase price in order to take into account the incidence of these operations on the value of the Company's stock.

The acquisition, disposal or transfer of these shares may be completed and paid for by any methods authorised by current regulations, on a regulated market, multi-lateral trading system, systematic internaliser or over the counter, in particular through the acquisition or disposal of blocks of shares, using options or other derivative financial instruments or warrants or, more generally, securities entitling their bearers to shares of the Company, at times that the Board of Directors will determine.

It is specified that, unless authorised by your Shareholders' Meeting, the Board of Directors may not use this delegation once a third party has filed a public offer for the Company's shares, and until the end of the offer period.

If your Shareholders' Meeting so authorises it, the Board of Directors shall have all powers, which it may in turn delegate, in compliance with prevailing legal and regulatory conditions, to proceed with the allocation and, if applicable, permitted reallocation of repurchased shares in view of one of the objectives of the programme, to one or more of its other objectives, or even their disposal, on or off the market.

The Board of Directors proposes that this authorisation, which would cancel and replace the authorisation granted by the fifth resolution of the Shareholders' Meeting of May 16, 2019, be granted for a period of eighteen (18) months as from your Shareholders' Meeting.

In accordance with its obligations, the Board of Directors shall inform the Shareholders' Meeting that, on the basis of the authorisation granted by the Shareholders' Meeting of May 16, 2019 and pursuant to the provisions of Article L. 225-209 of the French Commercial Code, on April 24, 2019, it authorised a share buyback with a view to their cancellation by COFACE SA. For this reason, the Company conducted a buyback of 1,867,312 shares and correspondingly cancelled 1,867,312 shares, with the share capital thus being reduced to €304,063,898.

◆ **Commitments and regulated agreements**  
(6<sup>th</sup> resolution)

The sixth resolution concerns the approval of regulated commitments and agreements pursuant to Articles L. 225-38 et seq. of the French Commercial Code which were authorised by the Board of Directors during the 2019 financial year. These commitments and agreements are presented in the Statutory Auditors' special report, as are those concluded prior to 2019 which remain valid and which do not require further approval by the Shareholders' Meeting (see Section 7.8 of the 2019 universal registration document).

◆ **Approval of the compensation policy for corporate officers for the financial year ended December 31, 2019**  
(7<sup>th</sup> and 8<sup>th</sup> resolutions)

Pursuant to the provisions of the PACTE law as set out in Article L. 225-100 of the French Commercial Code, your Shareholders' Meeting is called upon to decide in the seventh resolution on information relating to the remuneration of non-corporate officers paid for the financial year ended December 31, 2019 and in the eighth resolution on fixed, variable and exceptional components of total remuneration and benefits of all kinds paid during the financial year ended December 31, 2019, or allocated for the same financial year to the Chief Executive Officer.

All these components are set out in detail in the report on COFACE SA's corporate governance appended to the management report and mentioned again in Chapter 7 of the universal registration document.

◆ **Approval of the compensation policy for the Chief Executive Officer and non-corporate officers for the 2020 financial year** (9<sup>th</sup> and 10<sup>th</sup> resolutions)

Pursuant to the provisions of the PACTE law as set out in Article L.225-37-2 of the French Commercial Code, you are asked in the ninth resolution to approve the compensation policy for Mr Xavier Durand in his capacity as Chief Executive Officer of the Company for the 2020 financial year and in the tenth resolution to approve the compensation policy for directors for the 2020 financial year.

All these policies are described in COFACE SA's corporate governance report appended to the management report and mentioned again in Chapter 7 of the universal registration document.

◆ **Appointment of a Statutory Auditor - Noting the expiry of the term of office of an alternate Statutory Auditor**  
(11<sup>th</sup> and 12<sup>th</sup> resolutions)

In the eleventh resolution, with KPMG Audit's term of office expiring at the end of the Shareholders' Meeting of May 14, 2020, you are asked to approve the appointment of Mazars, for financial years 2020 to 2025.

You are also asked, in the twelfth resolution, to note the expiry of the term of office of the alternate auditors KPMG Audit at the end of this meeting and to resolve not to renew the term of office or replace it. Pursuant to the law, it is no longer mandatory to appoint an alternate auditor, unless the company appoints an individual or a one-person company as its Statutory Auditor.

## 7.6.2 Extraordinary resolutions

In the context of the thirteenth to twenty-first resolutions, it is proposed that your Shareholders' Meeting grants the Board of Directors various delegations in order to conduct, if necessary, capital increase transactions and/or the issue of transferable securities giving access to capital. It is specified that, unless authorised by your Shareholders' Meeting, the Board of Directors may not use these delegations once a third party has filed a public offer for the Company's shares, and until the end of the offer period.

### ◆ Reduction of share capital by cancellation of treasury shares (13<sup>th</sup> resolution)

The purpose of the thirteenth resolution is to authorise the Board of Directors to reduce the share capital by cancelling treasury shares, up to a limit of 10% of the amount of the existing share capital on the cancellation date per 24-month period, and charging the difference against premiums and available reserves as it chooses

### ◆ Delegations of authority and authorisations given to the Board of Directors with a view to conducting transactions on the Company's capital (14<sup>th</sup> to 20<sup>th</sup> resolutions)

In the context of the fourteenth to twentieth resolutions, it is proposed by the Board of Directors that your Shareholders' Meeting renews the financial authorisations agreed by the Shareholders' Meeting in 2018 and 2019, which have expired.

Your Company would thus have new authorisations allowing it to bring together, quickly and flexibly, the financial resources necessary to implement the Coface Group's development strategy, depending on the opportunities offered by the financial markets and the interests of the Company and its shareholders.

The table below presents a summary of financial delegations (excluding employee share ownership transactions, which are the subject of the nineteenth and twentieth resolutions, the adoption of which is proposed to your Shareholders' Meeting).

Resolution	Purpose of resolution	Maximum face value	Term of authorisation
14 <sup>th</sup>	Delegation of authority to the Board of Directors to increase the share capital by incorporating reserves, profits or premiums, or any other sum that can be legally capitalised	€75,000,000 (i.e. 25% of the share capital on the date of this report)	26 months
15 <sup>th</sup>	Delegation of authority to the Board of Directors to increase the share capital by issuing shares, with preferential subscription rights, and/or equity securities which confer entitlement to other equity securities and/or entitlement to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued	Concerning capital increases: €115,000,000 <sup>(1)</sup> (i.e. 38% of the share capital on the date of this report) Concerning issues of debt securities: €500,000,000 <sup>(2)</sup>	26 months
16 <sup>th</sup>	Delegation of authority to the Board of Directors to increase the share capital by issuing, without preferential subscription rights, shares and/or equity securities which confer entitlement to other equity securities and/or entitlement to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued, through public offers other than those specified in Article L.411-2 of the French Monetary and Financial Code	Concerning capital increases: €29,000,000 <sup>(1)(3)</sup> (i.e. 9.5% of the share capital on the date of this report) Concerning issues of debt securities: €500,000,000 <sup>(2)</sup>	26 months
17 <sup>th</sup>	Delegation of authority to the Board of Directors to increase the share capital by issuing, without preferential subscription rights, shares and/or equity securities which confer entitlement to other equity securities and/or entitlement to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued, through the public offers specified in Section I of Article L.411-2 of the French Monetary and Financial Code	Concerning capital increases: €29,000,000 <sup>(1)(3)</sup> (i.e. 9.5% of the share capital on the date of this report) Concerning issues of debt securities: €500,000,000 <sup>(2)</sup>	26 months
18 <sup>th</sup>	Delegation of authority to the Board of Directors to increase the share capital by issuing shares and/or equity securities which confer entitlement to other equity securities and/or entitlement to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued as compensation for contributions in kind	Concerning capital increases: €29,000,000 <sup>(1)(3)</sup> (i.e. 9.5% of the share capital on the date of this report) Concerning issues of debt securities: <sup>(2)</sup> €500,000,000	26 months

(1) Delegation subject to the overall nominal cap for capital increases of €115,000,000 (i.e. 38% of share capital on the date of this report).

(2) Delegation subject to the overall nominal cap for issues of debt securities of €500,000,000.

(3) Delegation subject to the nominal cap for capital increases without preferential subscription rights of €29,000,000 (i.e. 9.5% of the share capital on the date of this report).

The corresponding draft delegations are detailed below.

◆ **Capital increase by incorporation of reserves, profits or premiums (14<sup>th</sup> resolution)**

Through the fourteenth resolution, your Board of Directors asks your Shareholders' Meeting for a delegation of authority to increase the capital by incorporation of reserves, profits or premiums, within the limit of a maximum nominal amount of seventy-five million euros (€75,000,000), an independent cap separate from the cap of other resolutions submitted to the vote of your Shareholders' Meeting. The capital increases likely to result from this resolution could be carried out, at the discretion of the Board of Directors, either by free allocation of new

shares or by raising the nominal value of the existing shares or by a combination of these two methods of implementation according to the terms and conditions that it will determine.

The Board of Directors proposes that this authorisation, which would cancel and replace the authorisation granted by the fifteenth resolution of the Shareholders' Meeting of May 16, 2018, be granted for a period of twenty-six (26) months as from your Shareholders' Meeting.

◆ **Issue of shares and/or equity securities which confer entitlement to other equity securities and/or entitlement to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued with preferential shareholder subscription rights (15<sup>th</sup> resolution)**

Through the fifteenth resolution, your Board of Directors asks your Shareholders' Meeting for a delegation of authority to issue shares and/or equity securities which confer entitlement to other equity securities and/or conferring entitlement to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued, with preferential subscription rights, up to a maximum nominal amount of one hundred and fifteen million euros (€115,000,000).

Shares and/or equity securities which confer entitlement to other equity securities and/or giving entitlement to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued that would be issued under this delegation could in particular consist of debt securities or be associated with the issue of such

securities or allow them to be issued as intermediate securities.

The nominal amount of debt securities that could be issued under this delegation may not exceed five hundred million euros (€500,000,000) on the date of the issue decision.

Shareholders may, under the conditions prescribed by law, exercise their preferential subscription rights, on an irreducible basis and, if applicable, on a reducible basis if the Board of Directors so provides, to subscribe to the shares or transferable securities issued.

The Board of Directors proposes that this authorisation, which would cancel and replace the authorisation granted by the sixteenth resolution of the Shareholders' Meeting of May 16, 2018, be granted for a period of twenty-six (26) months as from your Shareholders' Meeting.

◆ **Issue of shares and/or equity securities which confer entitlement to other equity securities and/or entitlement to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued without preferential shareholder subscription rights (16<sup>th</sup> and 17<sup>th</sup> resolutions)**

The Board of Directors asks your Shareholders' Meeting for delegations of authority to issue shares and/or equity securities which confer entitlement to other equity securities and/or transferable securities giving access to equity securities to be issued, without preferential shareholder subscription rights to the shares or transferable securities thus issued. In accordance with the AMF's recommendations, these issues are the subject of two separate resolutions, depending on whether they are carried out in the context of public offers other than those referred to in Article L.411-2 of the French Monetary and Financial Code (sixteenth resolution) or by public offers referred to in Section I of Article L.411-2 of the French Monetary and Financial Code, *i.e.* investments reserved for qualified investors (seventeenth resolution).

In fact, depending on the market conditions, the nature of the investors concerned and the type of securities issued, and in order to be able to seize the opportunities offered by the market, your Board of Directors considers that it might be of benefit to have the option of using capital increases without preferential shareholder subscription rights, by nevertheless setting lower caps for them than for capital increases with preferential shareholder subscription rights, the cap for capital increases without preferential shareholder subscription rights being set at 9.5% of the share capital on the date of this report.

The nominal amount of capital increases likely to be conducted under the sixteenth resolution could not exceed twenty-nine million euros (€29,000,000), bearing in mind

that this cap would be charged against the overall nominal cap provided for capital increases in the fifteenth resolution. This cap will also correspond to the nominal cap applicable to capital increases without preferential subscription rights made pursuant to the sixteenth resolution, as well as the seventeenth and eighteenth resolutions submitted to your Shareholders' Meeting.

The total nominal amount of capital increases likely to be conducted under the seventeenth resolution could not exceed twenty-nine million euros (€29,000,000), bearing in mind that this cap would be charged against the overall nominal cap provided for capital increases in the fifteenth resolution, as well as against the nominal cap provided for capital increases without preferential subscription rights provided for in the sixteenth resolution.

The Board of Directors would be entitled to issue, by way of public offers other than those referred to in Article L. 411-2 of the French Monetary and Financial Code (sixteenth resolution) and/or public offers referred to in Section I of Article L. 411-2 of the French Monetary and Financial Code (seventeenth resolution), shares and/or equity securities which confer entitlement to other equity securities and/or transferable securities giving access to equity securities to be issued that could in particular consist of debt securities or be associated with the issue of such securities, or allow them to be issued as intermediate securities. The nominal amount of debt securities that could be issued under the sixteenth and seventeenth resolutions would be charged to the cap of €500 million, set by the fifteenth resolution.

In the context of the sixteenth resolution concerning the issue, by way of public offers other than those referred to in Article L.411-2 of the French Monetary and Financial Code, of shares and/or equity securities which confer entitlement to other equity securities and/or transferable securities giving access to equity securities to be issued, the Board of Directors may establish, for the benefit of shareholders, a subscription priority right on an irreducible and/or reducible basis under the conditions set out in the regulations.

The issue price of shares issued on the basis of the sixteenth and seventeenth resolutions would be set in the legislative and regulatory conditions in force at the time of

issue, which currently provide for a price at least equal to the weighted average of the prices the Company's share of the last three trading sessions preceding the start of the public offer within the meaning of Regulation (EU) No. 2017/1129 of June 14, 2017, potentially reduced by a maximum discount of 10%.

The Board of Directors proposes that this authorisation, which would cancel and replace the authorisations granted by the seventeenth and eighteenth resolutions of the Shareholders' Meeting of May 16, 2018, be granted for a period of twenty-six (26) months as from your Shareholders' Meeting.

◆ **Issue of shares and/or equity securities which confer entitlement to other equity securities and/or entitlement to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued, as compensation for contributions in kind up to the limit of 10% of the share capital (18<sup>th</sup> resolution)**

Through the eighteenth resolution, your Board of Directors asks your Shareholders' Meeting for a delegation of authority to issue shares and/or equity securities which confer entitlement to other equity securities and/or transferable securities giving access to equity securities to be issued, as compensation for contributions in kind granted to the Company and consisting of equity securities or transferable securities giving access to the capital, within the limit of a nominal amount of capital increase of twenty-nine million euros (€29,000,000), in addition to the legal limit of 10% of the Company's share capital, being charged against the total nominal cap for capital increases set by the fifteenth resolution and the nominal cap for capital increases without preferential subscription rights provided for in the sixteenth resolution.

The nominal amount of debt securities that could be issued under this resolution would be charged against the cap of five hundred million euros (€500,000,000) set by the fifteenth resolution.

This delegation would entail the removal, for the benefit of the holders of securities or transferable securities subject to contributions in kind, of the preferential subscription rights of shareholders to the shares or transferable securities thus issued.

The Board of Directors proposes that this authorisation, which would cancel and replace the authorisation granted by the twenty first resolution of the Shareholders' Meeting of May 16, 2018, be granted for a period of twenty-six (26) months as from your Shareholders' Meeting.

◆ **Capital increases reserved for employees (19<sup>th</sup> and 20<sup>th</sup> resolutions)**

As a continuation of the nineteenth resolution, we propose that you delegate your authority to the Board of Directors, for a period of twenty-six (26) months, who may in turn delegate this authority, for the purpose of increasing the share capital by issuing the Company's shares reserved for the members of a company savings plan, within the limit of a maximum nominal amount of three million, two hundred thousand euros (€3,200,000), on the understanding that the nominal amount for any capital increase carried out in application of this delegation would be charged against the total nominal cap specified for capital increases set out in the fifteenth resolution of your Shareholders' Meeting and that the cap for this delegation would be the same as that of the twentieth resolution.

This decision would result in cancellation of the preferential subscription right of shareholders in favour of said employees, former employees and corporate officers eligible for the shares thus issued, allocated free of charge, as appropriate.

The subscription price of the issued shares shall be determined under the conditions specified by the provisions of Article L.3332-19 of the French Labour Code, on the understanding that the maximum discount calculated in relation to the average of the share's traded prices during the last 20 sessions preceding the decision setting the opening date of the subscription may therefore not exceed 30%. The Board of Directors may reduce or cancel the aforementioned discount, in particular if it considers it necessary in order to take into account the legal, accounting, tax and social treatments applicable in the country of residence of some beneficiaries. The Board of Directors may likewise decide to allocate bonus shares to subscribers of new shares, in substitution of the discount and/or as an employer contribution.

The Board of Directors proposes that this authorisation, which would cancel and replace the authorisation granted by the fifteenth resolution of the Shareholders' Meeting of May 16, 2019, be granted for a period of twenty-six (26) months as from your Shareholders' Meeting.

As a continuation of the nineteenth resolution, we propose, in the twentieth resolution, that you delegate to the Board of Directors, for a period of 18 months, which may in turn delegate this authority, under the conditions provided for by law, your authority to make one or more capital increases reserved for (i) employees and/or corporate officers of the Company and/or companies related to the Company within the meaning of the provisions of Article L.225-180 of the French Commercial Code and Article L.3344-1 of the French Labour Code and having their registered office based outside France; (ii) one or more French or foreign mutual funds or other entity, having a legal personality or not, subscribing on behalf of the persons described in paragraph (i) above, and (iii) one or more financial establishments mandated by the Company to propose to the persons described in paragraph (i) above a savings or shareholding scheme comparable to those proposed to the Company's employees in France.

This decision would mean waiving of the preferential subscription rights of shareholders to the shares issued under this twentieth resolution, for the benefit of the category of beneficiary defined above.

Such a capital increase would have the aim of allowing employees, former employees and corporate officers of the Group who reside in various countries to benefit, taking into account any regulatory or tax restrictions that might exist locally, from conditions that are as close as possible, in terms of economic profile, to those that would be offered to the other employees of the Group within the context of the use of the nineteenth resolution.

The nominal amount of the capital increase likely to be issued in the context of this delegation would be limited to three million, two hundred thousand euros (€3,200,000), on the understanding that the nominal amount of any capital increase carried out pursuant to this delegation would be charged against the total nominal cap specified for capital increases described in the fifteenth resolution of your Shareholders' Meeting and that the cap for this resolution would be the same as that of the nineteenth resolution.

The subscription price of the shares issued in application of this delegation may not fall more than 30% below the average price of the listed share during the 20 trading sessions prior to the decision determining the opening date of the subscription, nor may it exceed this average. The Board of Directors may reduce or cancel the 30% discount

mentioned above if it deems it appropriate in order to, in particular, take into account the legal, accounting, tax and corporate schemes applicable in the countries of residence of some beneficiaries. Furthermore, in the event of a transaction carried out under this resolution at the same time as a transaction carried out in application of the nineteenth resolution, the subscription price of the shares issued under this resolution could be identical to the subscription price of the shares issued on the basis of the nineteenth resolution.

The Board of Directors proposes that this authorisation, which would cancel and replace the authorisation granted by the fourteenth resolution of the Shareholders' Meeting of May 16, 2019, be granted for a period of eighteen (18) months as from your Shareholders' Meeting.

◆ **Amendment of the age limit for holding the office of Chairman of the board of directors provided in article 13 of the Articles of Association (21<sup>st</sup> resolution)**

This change, which aims to raise the age limit of the chairman of the board of directors from 65 to 70, is intended to allow for greater possibilities when a chairman is appointed.

◆ **Powers (22<sup>nd</sup> resolution)**

This resolution is intended to grant the powers required to complete the formalities consecutive to your Shareholders' Meeting.

### 7.6.3 Extract of the COFACE SA corporate governance report (appendix relating to the 7<sup>th</sup>, 8<sup>th</sup>, 9<sup>th</sup> and 10<sup>th</sup> resolutions)

#### 7.6.3.1. Compensation policy for corporate officers

In accordance with the terms of Decree No. 2019-1234 of November 27, 2019 relating to the compensation of corporate officers of listed companies provided for under Law No. 2019-486 of May 22, 2019 relating to business growth, the so-called PACTE Law, the Board of Directors, at the request of the Nominations and Compensation Committee, draws up a compensation policy for corporate officers. This document describes the principles of the policy, which is in line with the Company's corporate interests and contributes to its commercial strategy and its long-term viability.

It describes all the components of fixed and variable compensation and explains the decision-making process followed to determine, review and implement it.

It is presented in a clear and understandable way as part of the corporate governance report and is the subject of draft resolutions submitted for approval by the Shareholders' Meeting each year and each time a significant change is made.

The compensation policy for corporate officers defines the principles, structure and governance rules applicable to the compensation paid to the Chief Executive Officer and to the directors.

#### Compensation of the Chief Executive Officer

##### Principles applicable to the compensation of the Chief Executive Officer

The Board of Directors sets the various components of the Chief Executive Officer's (CEO) compensation at the start of each financial year, at the request of the Nominations and Compensation Committee. The Nominations and Compensation Committee proposes the compensation

policy for the Chief Executive Officer in compliance with the rules laid down by the Solvency II Directive and the recommendations of the AFEP-MEDEF Code.

It thereby ensures that the principles of balance, external competitiveness, consistency and internal equity are observed in determining the components of compensation. It ensures a correlation between the responsibilities exercised, the results achieved and the level of compensation over a performance year.

It also ensures that compensation practices contribute to effective risk management within the Company and in particular to:

- ◆ strict compliance with the laws and regulations applicable to insurance companies;
- ◆ prevention of conflicts of interest and the management of risk-taking within the limits of risk tolerance for the Company;
- ◆ consistency with the Company's strategy, interests and long-term results;
- ◆ consideration of social and environmental issues.

The Chief Executive Officer's compensation is subject to a comparative analysis of the market each year by a compensation consultancy firm in order to ensure it is competitive within the market and that the structure offers the right balance of fixed, variable, short-term and long-term components. The results of this analysis are fed back to the Nominations and Compensation Committee as part of the annual review of the Chief Executive Officer's compensation.

Objectives, practices and governance in respect of compensation are clearly established and communicated. A transparent presentation of the components of the Chief Executive Officer's compensation is included in the corporate governance report submitted for approval by the Shareholders' Meeting.

### Components of the compensation of the Chief Executive Officer

The compensation of the Chief Executive Officer comprises:

- ◆ **fixed compensation:** determined at the start of the term of office, it is agreed that any significant increase must be explained in terms of responsibilities exercised, performance and market practices;
- ◆ **annual variable compensation** ("bonus"): the bonus is assessed on the basis of performance for a given year. The target is set at 100% of the base salary. It comprises 60% financial objectives and 40% strategic and managerial objectives. The maximum achievement rate for variable compensation is 200% (150% for financial objectives and 50% for strategic and managerial objectives);
- ◆ **long-term variable compensation:** fixed in the form of free Company shares. They are contingent upon presence and performance conditions and have a vesting period of three years. The Chief Executive Officer's allocation meets the same conditions as all beneficiaries; however, he must retain 30% of the shares allocated until expiry of the term of office. These Long Term Incentive Plan (LTIP) schemes in the form of free Company shares are intended to ensure that the interests of the Chief Executive Officer are aligned with those of the shareholders over the long term;

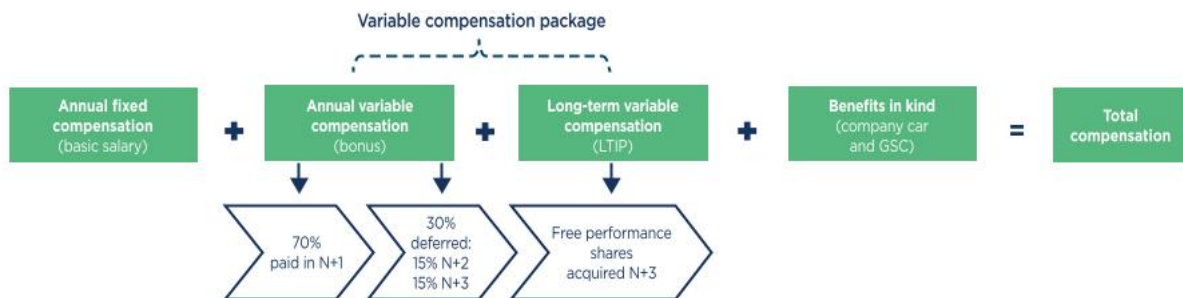
- ◆ **benefits in kind:** the Chief Executive Officer is entitled to a company vehicle and the payment of 62.5% of the contributions payable to the business managers and corporate officers social guarantee scheme (GSC).

The CEO is entitled to the group healthcare and retirement schemes in place for all employees and has no additional retirement scheme.

#### Note:

- ◆ the variable compensation package includes the annual variable compensation ("bonus") and the long-term variable compensation (Long-Term Incentive Plan) in the form of free Company shares;
- ◆ the payment of 30% of the annual variable compensation ("bonus") is deferred and paid as follows: 50% in N+2 and 50% in N+3. Deferred compensation is not paid when a loss is observed on the date of payment or in case of dismissal for serious misconduct or gross negligence;
- ◆ deferred compensation, including the deferred bonus portion and the free shares allocated under the Long Term Incentive Plan, accounts for more than 50% of the overall variable compensation;
- ◆ all risk hedging transactions are prohibited.

The compensation of the Chief Executive Officer may be summarised as follows:





**a. Target total compensation for 2019**

For 2019, on the recommendation of the Nominations and Compensation Committee, with the decision of the Board of Directors and based on the ninth resolution approved by

the Shareholders' Meeting of May 16, 2019, the target compensation for Xavier Durand has been defined as follows:

Compensation components	Target amount	Comments																								
Fixed compensation	€575,000	Gross annual compensation has been set at €575,000 since February 9, 2016, the date his term of office began.																								
Target annual variable compensation ("bonus")	€575,000	<p>The target annual variable compensation is set at 100% of fixed compensation, <i>i.e.</i>, €575,000. It comprises 60% financial objectives and 40% strategic and managerial objectives, defined as follows for 2019:</p> <table border="1"> <thead> <tr> <th>Financial objectives</th> <th>Allocation key</th> </tr> </thead> <tbody> <tr> <td>Turnover</td> <td>20%</td> </tr> <tr> <td>Net income</td> <td>20%</td> </tr> <tr> <td>Internal general overheads excluding extraordinary items</td> <td>10%</td> </tr> <tr> <td>Gross loss ratio excluding claims handling expenses</td> <td>10%</td> </tr> <tr> <td><b>TOTAL (A)</b></td> <td><b>60%</b></td> </tr> <tr> <td>New strategic plan</td> <td>15%</td> </tr> <tr> <td>Internal model</td> <td>15%</td> </tr> <tr> <td>Strengthening of the succession plan for the Executive Committee</td> <td>5%</td> </tr> <tr> <td>Continuation of the cultural transformation, commercial processes and projects</td> <td>5%</td> </tr> <tr> <td><b>TOTAL (B)</b></td> <td><b>40%</b></td> </tr> <tr> <td><b>TOTAL (A + B)</b></td> <td><b>100%</b></td> </tr> </tbody> </table> <p>The maximum achievement rate for variable compensation is 200% (150% for financial objectives and 50% for strategic and managerial objectives).  <b>The payment of 30% of the annual variable compensation ("bonus") is deferred and paid as follows: 50% in N+2 and 50% in N+3.</b> A penalty system is introduced in the event of dismissal for serious misconduct or gross negligence or observed losses prior to the payment date.</p>	Financial objectives	Allocation key	Turnover	20%	Net income	20%	Internal general overheads excluding extraordinary items	10%	Gross loss ratio excluding claims handling expenses	10%	<b>TOTAL (A)</b>	<b>60%</b>	New strategic plan	15%	Internal model	15%	Strengthening of the succession plan for the Executive Committee	5%	Continuation of the cultural transformation, commercial processes and projects	5%	<b>TOTAL (B)</b>	<b>40%</b>	<b>TOTAL (A + B)</b>	<b>100%</b>
Financial objectives	Allocation key																									
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<b>TOTAL (A + B)</b>	<b>100%</b>																									
Long-term variable compensation (allocation of free performance shares) - LTIP 2019	€463,260 (IFRS fair value)	<p>70,000 shares are allocated under the Long-Term Incentive Plan 2019 (LTIP 2019), representing an IFRS fair value of €463,260 (€564,445 at allocation, based on the average of the opening price for the last 20 stock market trading sessions preceding the date of the Board meeting).                      Bonus shares will be definitively vested on February 14, 2022, subject to presence and performance conditions measured over the term of the plan until December 31, 2021, as follows:</p> <ul style="list-style-type: none"> <li>◆ One third of the shares allocated will be vested subject to achievement of COFACE SA's RoATE (return on average tangible equity) level for the financial year ending December 31, 2021;</li> <li>◆ One third of the shares allocated will be vested subject to the relative performance of COFACE SA's shares, measured by COFACE SA's Total Shareholder Return (TSR) compared to the TSR of companies comprising the Euro Stoxx Assurance index over the period from January 1, 2019 to December 31, 2021;</li> <li>◆ One third of the shares allocated will be vested subject to achievement of the net cost ratio for the financial years ended December 31, 2019, December 31, 2020 and December 31, 2021.</li> </ul> <p>The share vesting period is set at three years starting from February 11, 2019. The plan does not include a retention period.                      The Board decided that 30% of the CEO's shares vested under the LTIP 2019 should be retained until the end of his corporate term of office or of any other role that he might hold within Coface.</p>																								
Other benefits	€14,803	<p>Xavier Durand is entitled to a company vehicle and the payment of 62.5% of the contributions payable to the business managers and corporate officers social guarantee scheme (GSC).                      He is entitled to the group healthcare and retirement schemes in force for all employees and has no additional retirement scheme.</p>																								
<b>TARGET TOTAL COMPENSATION 2019</b>	<b>€1,628,063</b>																									

**b. Total compensation allocated and paid in 2019**

- ◆ **Compensation allocated** to Mr Durand for 2019, **comprising the assessment of the 2019 bonus**, is in line with the proposal by the Nominations and Compensation Committee meeting of January 20, 2020, validated by the Board of Directors on February 5, 2020 and submitted for the approval of the Ordinary Shareholders' Meeting that follows the close of the 2019 financial year.
- ◆ **Compensation paid** to Mr Durand in 2019 is in line with the proposal by the Nominations and Compensation Committee meeting of January 16, 2019, which was approved by the Board of Directors on February 11, 2019 and by the Shareholders' Meeting of May 16, 2019 in its twelfth and thirteenth resolutions.

Compensation components	Amount allocated	Amount paid	Comments																																																				
Fixed compensation	€575,000	€575,000	Gross annual compensation set at €575,000 since February 9, 2016, the date his term of office began.																																																				
Annual variable compensation allocated ("2019 bonus")	€870,723		The achievement rate for 2019 objectives proposed by the Nominations and Compensation Committee meeting of January 20, 2020, approved by the Board of Directors at the meeting of February 5, 2020 and submitted for approval of the Shareholders' Meeting that signs off on the 2019 accounts is 151.43%, broken down as follows:																																																				
			<table border="1"> <thead> <tr> <th>Financial objectives</th> <th>Allocation key</th> <th>Achievement rate</th> <th>Amount of variable compensation (in €)</th> </tr> </thead> <tbody> <tr> <td>Turnover</td> <td>20%</td> <td>174%</td> <td>200,595</td> </tr> <tr> <td>Net income</td> <td>20%</td> <td>250%</td> <td>287,500</td> </tr> <tr> <td>Internal general overheads excluding extraordinary items</td> <td>10%</td> <td>52%</td> <td>30,153</td> </tr> <tr> <td>Gross loss ratio excluding claims handling expenses</td> <td>10%</td> <td>163%</td> <td>93,725</td> </tr> <tr> <td><b>TOTAL (A)</b></td> <td></td> <td><b>106.43%</b></td> <td><b>611,973</b></td> </tr> <tr> <td><b>Strategic and managerial objectives</b></td> <td><b>Allocation key</b></td> <td><b>Achievement rate</b></td> <td><b>Amount of variable compensation (in €)</b></td> </tr> <tr> <td>New strategic plan</td> <td>15%</td> <td>100%</td> <td>86,250</td> </tr> <tr> <td>Internal model</td> <td>15%</td> <td>125%</td> <td>107,813</td> </tr> <tr> <td>Strengthening of the succession plan for the Executive Committee</td> <td>5%</td> <td>100%</td> <td>28,750</td> </tr> <tr> <td>Continuation of the cultural transformation, commercial processes and projects</td> <td>5%</td> <td>125%</td> <td>35,938</td> </tr> <tr> <td><b>TOTAL (B)</b></td> <td></td> <td><b>45.00%</b></td> <td><b>258,750</b></td> </tr> <tr> <td><b>TOTAL (A + B)</b></td> <td></td> <td><b>151.43%</b></td> <td><b>870,723</b></td> </tr> </tbody> </table>	Financial objectives	Allocation key	Achievement rate	Amount of variable compensation (in €)	Turnover	20%	174%	200,595	Net income	20%	250%	287,500	Internal general overheads excluding extraordinary items	10%	52%	30,153	Gross loss ratio excluding claims handling expenses	10%	163%	93,725	<b>TOTAL (A)</b>		<b>106.43%</b>	<b>611,973</b>	<b>Strategic and managerial objectives</b>	<b>Allocation key</b>	<b>Achievement rate</b>	<b>Amount of variable compensation (in €)</b>	New strategic plan	15%	100%	86,250	Internal model	15%	125%	107,813	Strengthening of the succession plan for the Executive Committee	5%	100%	28,750	Continuation of the cultural transformation, commercial processes and projects	5%	125%	35,938	<b>TOTAL (B)</b>		<b>45.00%</b>	<b>258,750</b>	<b>TOTAL (A + B)</b>		<b>151.43%</b>	<b>870,723</b>
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			The bonus due for financial year 2018 is therefore €907,532 and will be paid as follows: <ul style="list-style-type: none"> <li>◆ 70% of the total amount paid in 2019, i.e., €635,272;</li> <li>◆ 15% of the total amount deferred in 2020, i.e., €136,130;</li> <li>◆ 15% of the total amount deferred in 2021, i.e., €136,130.</li> </ul>																												
Deferred variable compensation ("2016 bonus")	€69,000		Xavier Durand's 2016 bonus was €460,000, paid as follows: <ul style="list-style-type: none"> <li>◆ 70% of the total amount paid in 2017, i.e., €322,000;</li> <li>◆ 15% of the total amount deferred in 2018, i.e., €69,000;</li> <li>◆ 15% of the total amount deferred in 2019, i.e., €69,000.</li> </ul>																												
Deferred variable compensation ("2017 bonus")	€131,109		Xavier Durand's 2017 bonus was €874,058, paid as follows: <ul style="list-style-type: none"> <li>◆ 70% of the total amount paid in 2018, i.e., €611,840;</li> <li>◆ 15% of the total amount deferred in 2019, i.e., €131,109;</li> <li>◆ 15% of the total amount deferred in 2020, i.e., €131,109.</li> </ul>																												
Long-term variable compensation (allocation of free performance shares) - LTIP 2019	€463,260 (IFRS fair value)		70,000 shares are allocated under the Long-Term Incentive Plan 2019 (LTIP 2019), representing an IFRS fair value of €463,260 (€564,445 at the allocation date, based on the average of the opening price for the last 20 stock market trading sessions preceding the date of the Board meeting). Final vesting is subject to achievement of the performance conditions defined above.																												
Other benefits	€14,803	€14,803	Xavier Durand is entitled to a company vehicle and the payment of 62.5% of the contributions payable to the business managers and corporate officers social guarantee scheme (GSC). The CEO is entitled to the group healthcare and retirement schemes in place for all employees and has no additional retirement scheme.																												
<b>TOTAL COMPENSATION*</b>	<b>€1,923,786</b>	<b>€1,425,184*</b>																													

\* This amount does not take into account the shares allocated to Xavier Durand under the LTIP 2016, which were definitively vested and delivered on November 4, 2019, the performance condition having been achieved at 100%, i.e. 50,000 shares (IFRS fair value of €258,950 - €499,000 in capital gain on acquisition). As agreed under the Plan's regulations, Xavier Durand must retain 30% of the shares acquired under the LTIP 2016 until the end of his corporate term of office or of any other role that he might be required to hold within Coface, which corresponds to 15,000 shares under this Plan.

Note that the payment of the “2019 bonus” is conditional on the approval of the Ordinary Shareholders' Meeting that follows the approval of the account for the financial year 2019.

### c. Fairness ratio of the level of compensation of the Chief Executive Officer to the average and median compensation of the Company's employees

In accordance with the terms of Decree No. 2019-1234 of November 27, 2019 relating to the compensation of corporate officers of listed companies provided for under Law No. 2019-486 of May 22, 2019 relating to business growth, the so-called PACTE Law, the Company provides here the ratio of the level of compensation of the Chief Executive Officer to the average and median full-time equivalent compensation of the Company's employees.

This analysis was conducted taking into account the “guidelines on compensation multiples” issued by the AFEP (the French Association of Private Enterprises) on September 27, 2019 and may change according to any further details released subsequently. The scope used for the analysis is France, the reference market for the Chief Executive Officer, which appears the most relevant for this study. It takes into account the components paid or allocated for financial year N (fixed portion, variable portion paid during financial year N for year N-1, deferred variable portion paid during financial year N for previous financial years, free performance shares allocated for financial year N valued at their IFRS value and benefits in kind).

It concerns only the Chief Executive Officer; the Chairman of the Board of Directors does not receive compensation for their corporate office within COFACE SA.

Explanations of the change in the ratio over the reference period

Financial year	2015	2016	2017	2018	2019
Ratio vs average compensation	18.4	12.3	17.8	23.7	24.1
Ratio vs median compensation	20.7	13.8	21.2	29.2	29.0

- ◆ **Financial year 2015:** compensation of Jean-Marc Pillu, former Chief Executive Officer.
  - ◆ **Financial year 2016:** as regards the first year of the term of office of Xavier Durand, the compensation paid in 2016 does not include annual variable compensation for 2015. The ratio is low for this financial year.
  - ◆ **Financial year 2017:** Xavier Durand's compensation includes the cash portion of the guaranteed bonus at 80% for 2016 (i.e., 70% of the bonus amount for 2016, 30% of the annual variable compensation being deferred and paid in years N+2 and N+3). Financial year 2017 does not therefore reflect a full year of compensation in terms of the rate of achievement and payment.
  - ◆ **Financial year 2018:** first full year of Xavier Durand's compensation, including a performance bonus for 2017 (152.01% achievement of the objectives set over the period) and the first deferred variable compensation amount paid in respect of the 2016 bonus.
  - ◆ **Financial year 2019 :** Xavier Durand's compensation includes a performance bonus for 2018 (157.83% achievement of the objectives set over the period), comparable to 2017, and the second deferred variable compensation amount paid in respect of the 2016 bonus and the first for the 2017 bonus; the ratios are relatively stable between 2018 and 2019.
- ▶ **Annual changes in compensation, the Company's performance, average full-time equivalent compensation for the Company's employees and the aforementioned ratios during the five most recent financial years**

	2016-2015	2017-2016	2018-2017	2019-2018
Change in the compensation of the Chief Executive Officer	(34%)	57%	41%	9%
Change in the average compensation of employees	(1%)	8%	6%	7%
Change in the fairness ratio vs average compensation of employees	(33%)	45%	33%	2%
Change in the fairness ratio vs median compensation of employees	(33%)	54%	37%	(1%)
Change in net income	(67%)	100%	47%	20%
Change in turnover	(5%)	(4%)	2%	7%

Only financial years 2018 and 2019 enable a reliable analysis of the change in the compensation of the Chief Executive Officer (years of full compensation reflecting equivalent performance); over these two years, a consistent change is noted in all indicators used for the study. Fairness ratios are

stable while the Company's performance is steadily improving and the compensation of employees in France is changing in proportion to that of the Chief Executive Officer over the period.

**d. Structure of compensation of the Chief Executive Officer for financial year 2020**

As part of the renewal of the Chief Executive Officer's term of office for a period of four years, at the proposal of the Nominations and Compensation Committee, after the

decision from the Board of Directors and **subject to approval by the Shareholders' Meeting**, the compensation for Xavier Durand for 2020 will comprise the following components:

Compensation components	Target amount	Comments																																							
Fixed compensation	€750,000	Gross annual compensation set at €750,000 as part of the renewal of the term of office of Xavier Durand and effective from the Shareholders' Meeting closing financial year 2019. The level of fixed compensation was determined taking into account responsibilities held, performance and market practices.																																							
Target annual variable compensation ("bonus")	€750,000	<p>Target variable compensation is maintained at 100% of fixed compensation, i.e., €750,000. Its structure remains unchanged. It therefore comprises 60% financial objectives and 40% strategic and managerial objectives, defined as follows for 2020:</p> <table border="1"> <thead> <tr> <th>Financial objectives</th> <th>Variation limits</th> <th>Allocation key</th> </tr> </thead> <tbody> <tr> <td>Turnover</td> <td>-/+10%</td> <td>20%</td> </tr> <tr> <td>Net income</td> <td>-/+20%</td> <td>20%</td> </tr> <tr> <td>Cost ratio after reinsurance</td> <td>+/-3 pts</td> <td>10%</td> </tr> <tr> <td>Gross loss ratio excluding claims handling expenses</td> <td>+/-5 pts</td> <td>10%</td> </tr> <tr> <td><b>TOTAL (A)</b></td> <td></td> <td><b>60%</b></td> </tr> <tr> <th>Strategic and managerial objectives</th> <th>Variation limits</th> <th>Allocation key</th> </tr> <tr> <td>Continuation of cultural transformation, strengthening of employee commitment and customer satisfaction</td> <td>N/A</td> <td>15%</td> </tr> <tr> <td>New strategic plan</td> <td>N/A</td> <td>10%</td> </tr> <tr> <td>CSR strategy</td> <td>N/A</td> <td>10%</td> </tr> <tr> <td>Strengthening of the succession plan for the Executive Committee</td> <td>N/A</td> <td>5%</td> </tr> <tr> <td><b>TOTAL (B)</b></td> <td></td> <td><b>40%</b></td> </tr> <tr> <td><b>TOTAL (A + B)</b></td> <td></td> <td><b>100%</b></td> </tr> </tbody> </table> <p>The objectives set reflect the Company's strategy. They uphold its corporate interests and contribute to its commercial strategy and long-term viability.</p> <p>The maximum achievement rate for variable compensation is 200%, broken down as follows:</p> <ul style="list-style-type: none"> <li>◆ 150% for financial objectives (i.e., a maximum achievement rate of 250%);</li> <li>◆ 50% for strategic and management objectives (i.e., a maximum achievement rate of 125%).</li> </ul> <p>The achievement rate for financial objectives is defined in the scope of variation limits, as follows:</p> <ul style="list-style-type: none"> <li>◆ the lower end of the variation limit corresponds to the trigger threshold, i.e. 0% achieved;</li> <li>◆ the objective level corresponds to 100% achievement;</li> <li>◆ between the lower end of the variation limit and the objective, the achievement rate is set on a straight-line basis between 0% and 100% of achievement;</li> <li>◆ between the objective and the upper end of the variation limit, the achievement rate is set on a straight-line basis between 100% and 250% of achievement.</li> </ul> <p>Thus, if the achievement rate for one of the financial objectives is at or below the lower end of the variation limit for this objective, no compensation will be paid for it.</p> <p>The payment of 30% of the annual variable compensation ("bonus") is deferred and paid as follows: 50% in N+2 and 50% in N+3. A penalty system is introduced in the event of dismissal for serious misconduct or gross negligence or observed losses prior to the payment date.</p>	Financial objectives	Variation limits	Allocation key	Turnover	-/+10%	20%	Net income	-/+20%	20%	Cost ratio after reinsurance	+/-3 pts	10%	Gross loss ratio excluding claims handling expenses	+/-5 pts	10%	<b>TOTAL (A)</b>		<b>60%</b>	Strategic and managerial objectives	Variation limits	Allocation key	Continuation of cultural transformation, strengthening of employee commitment and customer satisfaction	N/A	15%	New strategic plan	N/A	10%	CSR strategy	N/A	10%	Strengthening of the succession plan for the Executive Committee	N/A	5%	<b>TOTAL (B)</b>		<b>40%</b>	<b>TOTAL (A + B)</b>		<b>100%</b>
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Compensation components	Target amount	Comments
Long-term variable compensation (allocation of free performance shares) - LTIP 2020	€862,463 (value on allocation date)	<p>75,000 shares are allocated under the Long-Term Incentive Plan 2020 (LTIP 2020), representing a value of €862,463 for the allocation, based on the average of the opening price for the last 20 stock market trading sessions preceding the date of the Board meeting.</p> <p>Bonus shares will be definitively vested on February 6, 2023, subject to presence and performance conditions measured over the term of the plan until December 31, 2022, as follows:</p> <ul style="list-style-type: none"> <li>◆ One third of the shares allocated will be vested subject to achievement of COFACE SA's RoATE (return on average tangible equity) level for the financial year ending December 31, 2022;</li> <li>◆ One third of the shares allocated will be vested subject to the relative performance of COFACE SA's shares, measured by COFACE SA's Total Shareholder Return (TSR) compared to the TSR of companies comprising the Euro Stoxx Assurance index over the period from January 1, 2020 to December 31, 2022;</li> <li>◆ One third of the shares allocated will be vested subject to achievement of the net cost ratio at December 31, 2022.</li> </ul> <p>A trigger threshold is set at 80% of the objective for each criterion. Thus, if the achievement rate for one of the criteria is less than 80% of the objective, performance in respect of this criterion will be unfulfilled.</p> <p>The share vesting period is set at three years starting from February 5, 2020. The plan does not include a retention period.</p> <p>The Board decided that 30% of the CEO's shares vested under the LTIP 2020 should be retained until the end of his corporate term of office or of any other role that he might hold within Coface.</p> <p>The objective of long-term variable compensation is to provide a longer-term perspective on the Chief Executive Officer's action, as well as to retain their loyalty and to encourage the alignment of their interests with the corporate interests of the Company and the shareholders.</p>
Other benefits	€14,803 (estimate)	<p>Xavier Durand is entitled to a company vehicle and the payment of 62.5% of the contributions payable to the business managers and corporate officers social guarantee scheme (GSC).</p> <p>The CEO is entitled to the group healthcare and retirement schemes in place for all employees and has no additional retirement scheme.</p>
<b>TARGET TOTAL COMPENSATION 2020</b>	<b>2,377,266*</b>	<b>SUBJECT TO THE APPROVAL OF THE SHAREHOLDERS' MEETING</b>

\* This amount does not take into account the shares allocated to Mr Xavier Durand under the LTIP 2017, which will be definitively vested and delivered on February 9, 2020, the performance condition having been achieved at 100%, i.e. 60,000 shares (IFRS fair value of €318,300 - €699,000 in capital gain on acquisition). As agreed under the Plan's regulations, Xavier Durand must retain 30% of the shares acquired under the LTIP 2017 until the end of his corporate term of office or of any other role that he might be required to hold within Coface, which corresponds to 18,000 shares under this Plan.

### Severance pay

Should his term of office be terminated, Xavier Durand would be entitled to severance pay of an amount equal to two years' salary (fixed and variable). The reference used for the fixed portion will be the salary for the current financial year at the date of termination of his duties. The reference for the variable portion will be the average of the variable compensation received for the three financial years preceding the date of termination of his duties.

This severance pay will be due if the following performance criteria have been met:

- ◆ achievement of at least 75% of the average annual objectives during the three financial years preceding the departure date; and
- ◆ the Company's combined ratio after reinsurance is at most 95% on average for the three financial years preceding the departure date.

If just one of the two conditions above has been fulfilled, 50% of the severance pay will be due. If neither of the conditions above has been met, no severance pay will be due. No severance pay will be paid by the Company if the corporate term is ended at Mr Xavier Durand's initiative or in the event of termination for serious misconduct or gross negligence. The compensation components and corporate benefits governed by the regulated agreements procedure in accordance with the provisions of the French Commercial Code are subject to the approval of the Company's Shareholders' Meeting.

Xavier Durand does not have an employment contract.

Following the renewal of his term of office in 2020, given his responsibilities as Chief Executive Officer and in order to preserve the Company's interests, the Board of Directors resolves to introduce a non-competition clause.

It is understood that the total maximum amount paid to Xavier Durand in respect of the application of the severance payment and the non-competition clause may under no circumstances exceed two years' salary (fixed and variable).

## Directors' compensation

### Principles of directors' compensation

The Group's policy is not to allocate compensation to management representatives who perform the duties of directors in Group companies or to directors representing the principal shareholder, Natixis. The Chairman of the Board of Directors does not therefore receive any compensation for their corporate office within COFACE SA.

The compensation policy for corporate officers has been adapted to the usual practices of listed companies and guarantees the independence of directors.

The objectives, practices and governance in terms of compensation are clearly established and communicated and the components of directors' compensation are presented transparently in the corporate governance report and are subject to approval by the Shareholders' Meeting.

### Components of directors' compensation

The total annual package allocated to the compensation of directors in 2019 amounted to €450,000, divided between the Board of Directors, the Accounts and Audit Committee, the Risk Committee and the Nominations and Compensation Committee. The rules on distribution of directors' fees are as follows:

		Fixed portion (per year pro rata temporis of the term of office)	Variable portion (per meeting and capped*)
Board of Directors	Members	€8,000	€3,000
Audit and Accounts Committee	Chairman	€17,000	€3,000
	Members	€5,000	€2,000
Risk Committee	Chairman	€17,000	€3,000
	Members	€5,000	€2,000
Nominations and Compensation Committee	Chairman	€8,000	€3,000
	Members	€3,000	€2,000

\* Capped:

- at six meetings for the Board of Directors, the Accounts and Audit Committee and the Risk Committee.

- at five meetings for the Nominations and Compensation Committee.

## a. Compensation payable to directors for 2019

Non-corporate officers	First appointment <sup>(1)</sup>	Expiry of the term of office <sup>(1)</sup>	Amounts due for financial year 2019 <sup>(2)</sup>	Amounts paid in financial year 2018 <sup>(2)</sup>
<b>Jean Arondel</b>	Nov. 21, 2012	2020 <sup>(3)</sup>	26,000	24,000
Other compensation			-	-
<b>Nathalie Bricker Appointed on May 16, 2019</b>	May 16, 2019	2022 <sup>(3)</sup>	- <sup>(4)</sup>	- <sup>(4)</sup>
Other compensation			-	-
<b>Jean-Paul Dumortier Resigned on Oct. 23, 2019</b>	Jul. 26, 2013	2020 <sup>(3)</sup>	28,567	32,500
Other compensation			-	-
<b>Éric Hémar</b>	Jul. 1, 2014	2021 <sup>(3)</sup>	55,000	51,000
Other compensation			-	-
<b>Daniel Karyotis</b>	Feb. 8, 2017	2020 <sup>(3)</sup>	23,000	22,000
Other compensation			-	-
<b>Isabelle Laforgue</b>	Jul. 27, 2017	2020 <sup>(3)</sup>	41,000	32,500
Other compensation			-	-
<b>Nathalie Lomon</b>	Jul. 27, 2017	2020 <sup>(3)</sup>	55,000	43,000
Other compensation			-	-
<b>Sharon MacBeath</b>	Jul. 1, 2014	2021 <sup>(3)</sup>	33,000	29,000
Other compensation			-	-
<b>Marie Pic-Pâris Co-opted on Oct. 23, 2019</b>	Oct. 23, 2019	2020 <sup>(3)</sup>	5,000	-
Other compensation			-	-
<b>Isabelle Rodney</b>	Nov. 3, 2016	2020 <sup>(3)</sup>	41,000	30,500
Other compensation			-	-
<b>Anne Sallé-Mongauze</b>	Nov. 3, 2016	2020 <sup>(3)</sup>	- <sup>(4)</sup>	- <sup>(4)</sup>
Other compensation			-	-
<b>Olivier Zarrouati</b>	Jul. 1, 2014	2021 <sup>(3)</sup>	40,000	40,000
Other compensation			-	-

(1) The dates of appointments and ends of terms of office for the Board of Directors are available in Section 2.1.1 "Mapping of the characteristics of the members of the Board of Directors for financial year 2019".

(2) In euros, on a gross basis (before social contributions and tax).

(3) Shareholders' Meeting called to approve the financial statements for the financial year ending December 31 of the year in question.

(4) Anne Sallé-Mongauze, Chief Executive Officer of a subsidiary wholly owned by Natixis, waives her attendance fees for her participation on the Board of Directors of COFACE SA pursuant to the Natixis policy. The same applies to Nathalie Bricker, Financial Director of Natixis.

## b. Principles and components of directors' compensation for 2020

In accordance with the provisions of the PACTE Law, which entered into force in November 2019, the attendance fees policy will be replaced by the directors' compensation policy as of January 2020. It is proposed that the package,

components and amounts (fixed and variable) as defined in 2019 be maintained for 2020.



## 7.7 RESOLUTIONS SUBJECT TO THE APPROVAL OF THE COMBINED SHAREHOLDERS' MEETING OF MAY 14, 2020

### 7.7.1 Draft agenda

For details of this draft, please refer to Section 7.6 "Draft report of the Board of Directors on the draft resolutions submitted to the Combined Shareholders' Meeting" of this universal registration document.

#### Within the authority of the Ordinary Shareholders' Meeting

- ◆ Reports of the Board of Directors and the Statutory Auditors on the Company's operations during the financial year ended December 31, 2019.
- ◆ Approval of the parent company financial statements for 2019.
- ◆ Approval of the consolidated financial statements for 2019.
- ◆ Allocation of earnings.
- ◆ Ratification of the co-opting of one director.
- ◆ Authorisation given to the Board of Directors to trade the Company's shares.
- ◆ Approval of the special report of the Statutory Auditors on the agreements and commitments mentioned in Articles L.225-38 et seq. of the French Commercial Code.
- ◆ Approval of the directors' compensation policy for the financial year ended December 31, 2019, as referred to in I of Article L.225-37-3 of the French Commercial Code, pursuant to Article L.225-100, II of the French Commercial Code.
- ◆ Approval of fixed, variable and exceptional components of the total compensation and benefits of all kinds paid during the financial year ended December 31, 2019, or allocated for the same financial year, to the Chief Executive Officer, pursuant to Article L.225-100, III of the French Commercial Code.
- ◆ Approval of the Chief Executive Officer's compensation policy for the 2020 financial year, pursuant to Article L.225-37-2 of the French Commercial Code.
- ◆ Approval of the directors' compensation policy for the 2020 financial year, pursuant to Article L.225-37-2 of the French Commercial Code.
- ◆ Appointment of a Statutory Auditor.
- ◆ Noting the expiry of the term of office of an alternate Statutory Auditor and decision not to replace it.

#### Within the authority of the Extraordinary Shareholders' Meeting

- ◆ Authorisation to the Board of Directors to reduce the Company's share capital by cancelling treasury shares.
- ◆ Delegation of authority to the Board of Directors to increase the share capital by incorporating reserves, profits or premiums, or any other sum that can be legally capitalised.
- ◆ Delegation of authority to the Board of Directors to increase the share capital by issuing shares, with preferential subscription rights, and/or equity securities which confer entitlement to other equity securities and/or entitlement to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued.
- ◆ Delegation of authority to the Board of Directors to increase the share capital by issuing, without preferential subscription rights, shares and/or equity securities which confer entitlement to other equity securities and/or entitlement to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued, through public offers other than those specified in Article L.411-2 of the French Monetary and Financial Code.
- ◆ Delegation of authority to the Board of Directors to increase the share capital by issuing, without preferential subscription rights, shares and/or equity securities which confer entitlement to other equity securities and/or entitlement to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued, through the public offers specified in Article L.411-2, 1 of the French Monetary and Financial Code.
- ◆ Delegation of authority to the Board of Directors to increase the share capital by issuing shares and/or equity securities which confer entitlement to other equity securities and/or entitlement to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued as compensation for contributions in kind.
- ◆ Delegation of authority to the Board of Directors to increase the share capital by issuing, without preferential subscription rights, shares of the Company reserved for members of a company savings plan.
- ◆ Delegation of authority to the Board of Directors to increase the share capital by issuing shares without preferential subscription rights for a specific category of beneficiaries.
- ◆ Amendment of article 13 of the articles of association.
- ◆ Powers to carry out formalities.

## 7.7.2 Draft resolutions to be submitted to the Combined Shareholders' Meeting

### Ordinary resolutions

#### ◆ **First resolution** (*Approval of the parent company financial statements for 2019*)

The Shareholders' Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meetings, having duly noted the reports of the Board of Directors and Statutory Auditors on the parent company financial statements for the financial year ended December 31, 2019, approves the parent company financial statements for said financial year as they have been presented, as well as the operations reflected in these financial statements and summarised in these reports.

#### ◆ **Second resolution** (*Approval of the consolidated financial statements for 2019*)

The Shareholders' Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meetings, having duly noted the reports of the Board of Directors and Statutory Auditors on the consolidated financial statements for the financial year ended December 31, 2019, approves the consolidated financial statements for said financial year as they have been presented, as well as the operations reflected in these financial statements and summarised in these reports.

#### ◆ **Third resolution** (*Allocation of earnings*)

The Shareholders' Meeting, deliberating according to the quorum and majority conditions for Ordinary Shareholders' Meetings:

- ◆ duly notes that the parent company financial statements for the financial year ending December 31, 2019 show a net profit of €132,677,046;
- ◆ duly notes that the legal reserve, amounting to €31,449,646 as of December 31, 2019, is above the legal requirements;
- ◆ duly notes that the retained earnings as of December 31, 2019, amount to €23,175,245;
- ◆ resolves to allocate the entire net profit for the financial year, *i.e.* €132,677,046, to retained earnings, which are thus increased to €155,852,291.

The Shareholders' Meeting notes, in compliance with the legal provisions, that the dividends distributed for the three preceding financial years were as follows:

Financial year	Number of remuneration shares <sup>(1)</sup>	Total amount (in €)
2016	156,905,819	20,397,756
2017	155,574,817	52,895,437
2018	151,169,375	119,423,806

(1) The number of remuneration shares does not include treasury shares.

#### ◆ **Fourth resolution** (*Ratification of the co-opting of a director*)

The Shareholders' Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meetings, ratifies the co-opting of Ms Marie Pic-Pâris, to replace Mr Jean-Paul Dumortier, who has resigned, until the expiry of the directorship of Mr Dumortier, *i.e.*, until the end of the Shareholders' Meeting convened in 2021 to approve the financial statements for the financial year ending December 31, 2020.

#### ◆ **Fifth resolution** (*Authorisation given to the Board of Directors to trade the Company's shares*)

The Shareholders' Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meetings, having reviewed the Board of Directors' report:

1. authorises the Board of Directors, with the power to further delegate under the legal and regulatory conditions, in compliance with the provisions of Article L.225-209 et seq. of the French Commercial Code, to purchase, on one or more occasions and at the times that it will establish, a number of the Company's shares that may not exceed:
  - i. 10% of the total number of shares composing the share capital at any time whatsoever, or
  - ii. 5% of the total number of shares composing the share capital, if they are shares acquired by the Company with a view to keeping them and

subsequently transferring them as payment or exchange in connection with a merger, spin-off or contribution.

- iii. These percentages apply to a number of shares adjusted, where appropriate, according to the operations that could impact the share capital subsequent to this Shareholders' Meeting.
  - iv. The acquisitions made by the Company may not, under any circumstances, lead it to hold more than 10% of the shares composing its share capital at any time;
2. resolves that this authorisation may be used to:
    - i. ensure liquidity and boost the market for the Company's stock through an investment service provider acting independently under a liquidity agreement, in compliance with the market practice accepted by the Autorité des marchés financiers on July 2, 2018,
    - ii. allocate shares to the corporate officers and employees of the Company and of other Group entities, in particular for the purposes of (i) employee profit sharing, (ii) any Company stock option plan, pursuant to Article L.225-177 et seq. of the French Commercial Code, or (iii) any savings plan in compliance with Article L.3331-1 et seq. of the French Labour Code or (iv) any allocation of bonus shares pursuant to the provisions of Article L.225-197-1 et seq. of the French Commercial Code; additionally, perform all hedging operations relating to these transactions, under the conditions provided for by the market authorities and at the times to be determined by the Board of Directors or the person acting by delegation thereof,

- iii. transfer the Company's shares upon exercise of the rights attached to securities entitling their bearers, directly or indirectly, through reimbursement, conversion, exchange, presentation of a warrant or in any other manner, to the allocation of the Company's shares pursuant to current regulations; additionally, perform all hedging operations relating to these transactions, under the conditions provided for by the market authorities and at the times to be determined by the Board of Directors or the person acting by delegation thereof,
  - iv. keep the Company's shares and subsequently remit them in payment or exchange in connection with any external growth, merger, spin-off or contribution operations,
  - v. cancel all or part of the stock thus purchased,
  - vi. implement all market practices accepted by the Autorité des marchés financiers and, more generally, execute all transactions in compliance with current regulations;
3. resolves that the maximum purchase price per unit may not exceed €14 per share, excluding costs. The Board of Directors may nevertheless, for operations involving the Company's capital, particularly a change to the par value of the share, a capital increase by incorporation of reserves following the creation and allocation of bonus shares, a stock split or reverse stock split, adjust the aforementioned maximum purchase price in order to take into account the impact of these operations on the value of the Company's stock;
4. resolves that the acquisition, disposal or transfer of these shares may be completed and paid for by any methods authorised by the current regulations, on a regulated market, multilateral trading system, systematic internaliser or over the counter, in particular through the acquisition or disposal of blocks of shares, using options or other derivative financial instruments or warrants or, more generally, securities entitling their bearers to shares of the Company, at the times that the Board of Directors will determine;
5. resolves that unless it has the prior authorisation of the Shareholders' Meeting, the Board of Directors may not use this delegation of authority once a third party has filed a public offer for the Company's shares, and until the end of the offer period;
6. resolves that the Board of Directors shall have all powers, which it may in turn delegate in compliance with legal and regulatory conditions, in order to, in accordance with applicable legal and regulatory provisions, proceed with the allocation and, if applicable, permitted reallocation of repurchased shares in view of one of the objectives of the programme, to one or more of its other objectives, or even their disposal, on or off the market.

All powers are consequently granted to the Board of Directors, which it may in turn delegate in compliance with legal and regulatory provisions, to implement this authorisation and specify, if necessary, the conditions and set the procedures in accordance with legal conditions and pursuant to this resolution, and in particular to issue all stock market orders, enter into all agreements, in particular for maintaining registers of purchases and sales of shares, complete all declarations to the Autorité des marchés financiers or any other competent authority, prepare all documents, specifically informational documentation, complete all formalities and, generally, do whatever is necessary.

The Board of Directors must inform the Shareholders' Meeting, in accordance with legal conditions, of the operations performed by virtue of this authorisation;

7. resolves that this authorisation, which cancels and replaces the authorisation granted by the fifth resolution of the Shareholders' Meeting of May 16, 2019, be granted for a period of eighteen (18) months as from this Shareholders' Meeting.

◆ **Sixth resolution** (*Approval of the special report of the Statutory Auditors on the agreements and commitments mentioned in Articles L.225-38 et seq. of the French Commercial Code*)

The Shareholders' Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meetings, having duly noted the special report of the Statutory Auditors on the agreements and commitments subject to the provisions of Article L.225-38 et seq. of the French Commercial Code, approves this report in all its provisions as well as the new agreements mentioned therein, having been authorised by the Board of Directors during the financial year ended December 31, 2019.

◆ **Seventh resolution** (*Approval of the directors' compensation policy for the financial year ended December 31, 2019, as referred to in Article L.225-37-3 of the French Commercial Code, pursuant to Article L.225-100, II of the French Commercial Code*)

The Shareholders' Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meetings, having duly noted the corporate governance report referred to in Article L.225-37 of the French Commercial Code, approves, pursuant to Article L.225-100, II of the French Commercial Code, the information relating to the compensation of corporate officers for the financial year ended December 31, 2019, referred to in Article L.225-37-3, I of the French Commercial Code, as set out in Chapter 7, Section 6.3 of the 2019 universal registration document.

◆ **Eighth resolution** (*Approval of fixed, variable and exceptional components of the total compensation and benefits of all kinds paid during the financial year ended December 31, 2019, or allocated for the same financial year, to the Chief Executive Officer, pursuant to Article L.225-100, III of the French Commercial Code*)

The Shareholders' Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meetings, having duly noted the corporate governance report referred to in Article L.225-37 of the French Commercial Code, approves, pursuant to Article L.225-100, III of the French Commercial Code, the fixed, variable and exceptional components of the total compensation and benefits of all kinds paid during the financial year ended December 31, 2019, or allocated for the same financial year, to Mr Xavier Durand, Chief Executive Officer of the Company, as set out in Chapter 7, Section 6.3 of the 2019 universal registration document.

◆ **Ninth resolution** (*Approval of the Chief Executive Officer's compensation policy for the 2020 financial year, pursuant to Article L.225-37-2 of the French Commercial Code*)

The Shareholders' Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meetings, having duly noted the corporate governance report referred to in Article L.225-37 of the French Commercial Code describing the components of the compensation policy for corporate officers, approves, pursuant to Article L.225-37-2, II of the French Commercial Code, the compensation policy for Mr Xavier Durand, Chief Executive Officer of the Company, as set out in Chapter 7, Section 6.3 of the 2019 universal registration document.

◆ **Tenth resolution** (*Approval of the directors' compensation policy for the 2020 financial year, pursuant to Article L.225-37-2 of the French Commercial Code*)

The Shareholders' Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meetings, having duly noted the corporate governance report referred to in Article L.225-37 of the French Commercial Code describing the components of the compensation policy for corporate officers, approves, pursuant to Article L.225-37-2, II of the French Commercial Code, the directors' compensation policy as set out in Chapter 7, Section 6.3 of the 2019 universal registration document.

◆ **Eleventh resolution** (*Appointment of a Statutory Auditor*)

The Shareholders' Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meetings, appoints Mazars SA, 61 rue Henri Regnault, 92400 Courbevoie, France as Statutory Auditor for the financial years 2020 to 2025 inclusive, *i.e.* until the Shareholders' Meeting convened in 2026 to approve the financial statements for the financial year ended December 31, 2025.

◆ **Twelfth resolution** (*Noting the expiry of the term of office of an alternate Statutory Auditor and decision not to replace it*)

The Shareholders' Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meetings, noting the expiry of the term of office of the alternate Statutory Auditor KPMG Audit FS1 at the end of this meeting, resolves not to replace or renew it.

## Extraordinary resolutions

◆ **Thirteenth resolution** (*Authorisation to the Board of Directors to reduce the Company's share capital by cancelling treasury shares*)

The Shareholders' Meeting, deliberating according to the quorum and majority required for Extraordinary Shareholders' Meetings, having reviewed the Board of Directors' report and the Statutory Auditors' special report:

1. authorises the Board of Directors, with the option to sub-delegate under the legislative and regulatory conditions, to:
  - i. cancel, at its sole discretion, on one or more occasions, subject to a limit of 10% of the amount of the existing share capital on the date of cancellation (*i.e.*, adjusted according to transactions conducted on the share capital since the adoption of this resolution), for a period of 24 months, all or part of the shares acquired by the Company under a share buyback programme authorised by the shareholders,
  - ii. reduce the share capital accordingly and allocate the difference between the buyback price of the cancelled shares and their nominal value to premiums and available reserves as it chooses;
2. confers all powers to the Board of Directors, with the option to sub-delegate under the legislative and regulatory conditions, to set the definitive amount of capital reductions within the limits provided for by law and by this resolution, establishing the terms and conditions, noting their fulfilment, performing all acts, formalities or declarations with a view to finalising the capital reductions that might be conducted under this authorisation and to amend the Articles of Association accordingly;
3. resolves that this authorisation, which cancels and replaces the authorisation granted by the fourteenth resolution of the Shareholders' Meeting of May 16, 2018, be granted for a period of twenty-six (26) months as from this Shareholders' Meeting.

◆ **Fourteenth resolution** (*Delegation of authority to the Board of Directors to increase the share capital by incorporating reserves, profits or premiums, or any other sum that can be legally capitalised*)

The Shareholders' Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meetings, having reviewed the Board of Directors' report and in accordance with the provisions of the French Commercial Code and specifically Articles L.225-129, L.225-129-2 and L.225-130 thereof:

1. delegates to the Board of Directors, with the option to sub-delegate under the legislative and regulatory conditions, its authority to increase the Company's share capital, on one or more occasions, in the proportions and at the times that it will determine, by incorporating reserves, profits or issue, merger or contribution premiums, or any other amount which may be capitalised by law or the Articles of Association, to be carried out by issuing new shares or by raising the nominal amount of existing shares or by combining these two operating procedures according to the terms and conditions that it will determine;

2. resolves that the nominal amount of capital increases likely to be decided by the Board of Directors and conducted under this delegation, immediately and/or over time, may not exceed a maximum amount of seventy-five million euros (€75,000,000). This limit will be increased, as necessary, by the nominal value of the shares to be issued in order to preserve the rights of holders of securities or other rights which confer entitlement to the Company's share capital, pursuant to applicable laws and regulations and contractual provisions, where appropriate;
3. specifies that in the event of a capital increase giving rise to the free allocation of new shares, the Board of Directors may decide that fractional shares will not be transferable and that the corresponding shares will be sold, in accordance with the provisions of Article L.225-130 of the French Commercial Code, with the sums resulting from the sale being allocated to rights holders within the regulatory deadlines;
4. resolves that the Board of Directors shall have all powers, which it may in turn delegate in accordance with legal and regulatory conditions, to implement this delegation and in particular to:
  - i. determine the terms and conditions for authorised transactions and specifically set the amount and nature of reserves, profits, premiums or other amounts to be incorporated into the capital, establish the number of new shares to be issued and/or the amount by which the nominal value of existing shares comprising the share capital will be increased, set the date, even retroactively, from which the new shares will be entitled to receive dividends or the date on which the increase in the nominal value will take effect and, where applicable, make all charges against the issue premium (or premiums) and in particular the charges incurred by conducting issues,
  - ii. take any measures designed to protect the rights of shareholders or other rights conferring entitlement to the capital in existence on the day of the capital increase,
  - iii. take all necessary measures and enter into all agreements in order to ensure the successful execution of the planned transaction(s) and, generally, to do all that is required, perform all acts and formalities to finalise the capital increases that may be conducted under this delegation, and to amend the Company's Articles of Association accordingly;
5. resolves that unless it has the prior authorisation of the Shareholders' Meeting, the Board of Directors may not use this delegation of authority once a third party has filed a public offer for the Company's shares, and until the end of the offer period;
6. decides that this authorisation, which cancels and replaces the authorisation granted by the fifteenth resolution of the Shareholders' Meeting of May 16, 2018, be granted for a period of twenty-six (26) months as from this Shareholders' Meeting.

◆ **Fifteenth resolution** (*Delegation of authority to the Board of Directors to increase the share capital by issuing shares, with preferential subscription rights, and/or equity securities which confer entitlement to other equity securities and/or entitlement to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued*)

The Shareholders' Meeting, deliberating according to the quorum and majority required for Extraordinary Shareholders' Meetings, having reviewed the Board of Directors' report and the Statutory Auditors' special report and in accordance with the provisions of the French Commercial Code and specifically Articles L.225-129 et seq., L.225-132, L.225-133 and L.228-91 et seq. thereof:

1. delegates to the Board of Directors, with the option to sub-delegate under the legislative and regulatory conditions, the authority to decide to issue, with preferential subscription rights, on one or more occasions, in the proportions and at the times that it will determine, both in France and abroad, in euros or currencies or units of account established by reference to several currencies, Company shares and/or equity securities which confer entitlement to other equity securities and/or entitlement to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued, which may be subscribed for in cash or by offsetting them against unquestionable, liquid and payable debts, or, in whole or in part, by incorporation of reserves, profits or premiums;
2. resolves that the total nominal amount of capital increases likely to be made immediately and/or over time under this delegation may not exceed a maximum of one hundred and fifteen million euros (€115,000,000), or the equivalent in any other currency or currency unit established by reference to several currencies, on the understanding that the nominal amount of capital increases made pursuant to this resolution as well as the sixteenth to twentieth resolutions submitted to this Shareholders' Meeting will count towards this cap. This limit will be increased, as necessary, by the nominal value of the shares to be issued in order to preserve the rights of holders of securities or other rights which confer entitlement to the Company's share capital, pursuant to applicable laws and regulations and contractual provisions, where appropriate;
3. resolves that the transferable securities thus issued conferring entitlement to equity securities to be issued by the Company may consist of debt securities or be associated with the issue of such securities, or enable them to be issued, as intermediate securities. The overall maximum nominal amount of debt securities that could be issued on the basis of this delegation may not exceed five hundred million euros (€500,000,000) or the equivalent thereof in currencies or units of account established by reference to several currencies, on the understanding that the nominal amount of debt securities issued pursuant to this resolution as well as the sixteenth to eighteenth resolutions submitted to this Shareholders' Meeting will count towards this cap;

4. acknowledges that this delegation implies a waiver by the shareholders of their preferential subscription rights to equity securities of the Company to which the transferable securities that might be issued on the basis of this delegation may give immediate or future entitlement;
  5. resolves that shareholders may exercise, under the conditions stipulated by law, their preferential subscription right to the equity securities and/or the transferable securities which the Board of Directors may decide to issue under this delegation of authority. The Board of Directors will have the option to grant shareholders the right to subscribe, on a reducible basis, for a greater number of transferable securities than they could subscribe for on an irreducible basis, in proportion to the subscription rights that they have and, in any event, within the limits of their requests.  
If all of the equity securities and/or transferable securities issued have not been subscribed on an irreducible basis or, where applicable, on a reducible basis, the Board of Directors will have the option, in the order that it will determine, either to limit, in accordance with the law, the issue in question to the amount of subscriptions received, provided that it reaches at least three-quarters of the issue initially decided, or to freely distribute all or part of the unsubscribed securities between the persons of its choice, or to offer all or part of the unsubscribed securities in the same way to the public, on the French or international market, with the Board of Directors being able to use all the options set out above or just some of them;
  6. further specifies that the Board of Directors, with the option to sub-delegate under the legislative and regulatory conditions, may in particular:
    - i. decide and establish the characteristics of share issues and transferable securities to be issued and, in particular, their issue price (with or without issue premium), the terms and conditions of their subscription, their full payment and their date of entitlement (even retroactive),
    - ii. in the event of the issue of share subscription warrants, set the number and characteristics and decide, if it deems it appropriate, subject and according to the terms and conditions that it will establish, that the warrants may be reimbursed or redeemed, or that they will be allocated free of charge to shareholders in proportion to their rights in the share capital,
    - iii. generally, set the characteristics of all transferable securities and, in particular, the terms and conditions for the allocation of shares, the term of loans that may be issued in bond form, whether subordinated or not, the issue currency, the terms and conditions for redemption of the principal, with or without a premium, the terms and conditions for depreciation and, where applicable, purchase, exchange or early redemption, fixed or variable interest rates, and the payment date; remuneration may include a variable portion calculated by reference to items relating to the Company's business and results and a deferred payment in the absence of distributable profits,
    - iv. decide to use the shares acquired as part of a share buyback programme authorised by the shareholders, to allocate them as a result of the issue of transferable securities issued on the basis of this delegation,
    - v. take any measures to preserve the rights of holders of transferable securities issued or other rights conferring entitlement to the capital of the Company that are required by legislative and regulatory provisions and the applicable contractual stipulations,
    - vi. potentially suspend the exercise of rights attached to these transferable securities for a fixed period in compliance with the legislative and regulatory provisions and the applicable contractual stipulations,
    - vii. note the completion of any capital increases and transferable securities issues, amend the Articles of Association accordingly, allocate the issue costs to premiums and, if it considers it appropriate, deduct from the amount of capital increases the sums required to increase the legal reserve to one tenth of the new share capital,
    - viii. take all measures and carry out any formalities required for admission to trading on a regulated market of the securities created;
  7. resolves that unless it has the prior authorisation of the Shareholders' Meeting, the Board of Directors may not use this delegation of authority once a third party has filed a public offer for the Company's shares, and until the end of the offer period;
  8. resolves that this authorisation, which cancels and replaces the authorisation granted by the sixteenth resolution of the Shareholders' Meeting of May 16, 2018, be granted for a period of twenty-six (26) months as from this Shareholders' Meeting.
- ◆ **Sixteenth resolution** (*Delegation of authority to the Board of Directors to increase the share capital by issuing, without preferential subscription rights, shares and/or equity securities which confer entitlement to other equity securities and/or entitlement to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued, through public offers other than those specified in Article L.411-2 of the French Monetary and Financial Code*)
- The Shareholders' Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meetings, having reviewed the Board of Directors' report and the Statutory Auditors' special report, in accordance with the provisions of the French Commercial Code and specifically Articles L.225-129 et seq., L.225-135, L.225-136, L.225-148 and L.228-92 thereof:
1. delegates to the Board of Directors, with the option to sub-delegate under the legislative and regulatory conditions, the authority to decide to issue, without preferential subscription rights, by way of public offers other than those referred to in Article L.411-2 of the French Monetary and Financial Code, on one or more occasions, in the proportions and at the times that it will determine, both in France and abroad, in euros or currencies or units of account established by reference to several currencies, Company shares and/or equity securities which confer entitlement to other equity securities and/or entitlement to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued, which may be subscribed for in cash or by offsetting them against unquestionable, liquid and payable debts; These transferable securities may, in particular, be issued as remuneration for securities contributed to the Company as part of a public exchange offer made in France or abroad according to local rules (for example, for the purpose of a reverse merger) on securities that comply with the conditions set out in Article L.225-148 of the French Commercial Code;

2. resolves that the total nominal amount of capital increases likely to be made immediately and/or over time under this delegation may not exceed a maximum of twenty-nine million euros (€29,000,000), or the equivalent in any other currency or currency unit established by reference to several currencies, on the understanding that (i) the nominal amount of capital increases made pursuant to this resolution as well as the seventeenth to eighteenth resolutions submitted to this Shareholders' Meeting will be count towards this cap and (ii) that the nominal amount of any capital increase carried out pursuant to this delegation will count towards the overall nominal cap stipulated for capital increases in paragraph 2 of the fifteenth resolution of this Shareholders' Meeting.  
These limits will be increased, as necessary, by the nominal value of the shares to be issued in order to preserve the rights of holders of securities or other rights which confer entitlement to the Company's share capital, pursuant to applicable laws and regulations and contractual provisions, where appropriate;
3. resolves to remove the preferential subscription rights of shareholders to shares and other transferable securities to be issued under this resolution;
4. resolves that, with regard to issues carried out under this delegation, the Board of Directors may establish a subscription priority period for shareholders, on an irreducible and potentially reducible basis, which does not confer entitlement to the creation of transferable rights, and therefore delegates to the Board of Directors, with the option to sub-delegate under the legislative and regulatory conditions, the option to set this deadline as well as its terms and conditions, in accordance with the provisions of Article L.225-135, paragraph 5 of the French Commercial Code;
5. resolves that the transferable securities thus issued conferring entitlement to equity securities to be issued by the Company may consist of debt securities or be associated with the issue of such securities, or enable them to be issued, as intermediate securities. The overall maximum nominal amount of debt securities that might be issued immediately or over time on the basis of this delegation may not exceed five hundred million euros (€500,000,000) or the equivalent thereof in currencies or units of account established by reference to several currencies, on the understanding that this amount will count towards the overall nominal cap for debt security issues provided for in paragraph 3 of the fifteenth resolution;
6. acknowledges that this delegation implies a waiver by the shareholders of their preferential subscription rights to equity securities of the Company to which the transferable securities that might be issued on the basis of this delegation may give entitlement;
7. resolves that if all of the equity securities and/or transferable securities issued have not been subscribed, the Board of Directors will have the option, in the order that it will determine, either to limit the issue to the amount of subscriptions received, provided that it reaches at least three-quarters of the issue initially decided, or to freely distribute all or part of the unsubscribed securities between the persons of its choice, or to offer the unsubscribed securities in the same way to the public, with the Board of Directors being able to use all the options set out above or just some of them;
8. further specifies that the Board of Directors, with the option to sub-delegate under the legislative and regulatory conditions, may in particular:
  - i. decide and establish the characteristics of share issues and transferable securities to be issued and, in particular, their issue price (with or without issue premium), the terms and conditions of their subscription, their full payment and their date of entitlement,
  - ii. in the event of the issue of share subscription warrants, set the number and characteristics and decide, if it deems it appropriate, subject and according to the terms and conditions that it will establish, that the warrants may be reimbursed or redeemed, or that they will be allocated free of charge to shareholders in proportion to their rights in the share capital,
  - iii. generally, set the characteristics of all transferable securities and, in particular, the terms and conditions for the allocation of shares, the term of loans that may be issued in bond form, whether subordinated or not, the issue currency, the terms and conditions for redemption of the principal, with or without a premium, the terms and conditions for depreciation and, where applicable, purchase, exchange or early redemption, fixed or variable interest rates, and the payment date; remuneration may include a variable portion calculated by reference to items relating to the Company's business and results and a deferred payment in the absence of distributable profits,
  - iv. set the issue price of the shares or transferable securities that may be created under the preceding paragraphs such that the Company receives, for each share created or allocated, irrespective of any remuneration in any form including interest or issue or redemption premiums, a sum at least equal to the minimum price stipulated by the legislative or regulatory provisions applicable on the date of issue (*i.e.*, at this time, the weighted average of the Company's share price in the last three trading sessions on the Euronext Paris regulated market prior to the start of the public offer within the meaning of Regulation (EU) No. 2017/1129 of June 14, 2017, potentially reduced by a maximum discount of 10%),
  - v. take any measures to preserve the rights of holders of transferable securities issued or other rights conferring entitlement to the capital of the Company that are required by legislative and regulatory provisions and the applicable contractual stipulations,
  - vi. potentially suspend the exercise of rights attached to these transferable securities for a fixed period in compliance with the legislative and regulatory provisions and the applicable contractual stipulations,
  - vii. note the completion of any capital increases and transferable securities issues, amend the Articles of Association accordingly, allocate the issue costs to premiums and, if it considers it appropriate, deduct from the amount of capital increases the sums required to increase the legal reserve to one tenth of the new share capital,
  - viii. take all measures and carry out any formalities required for admission to trading on a regulated market of the securities created;

9. resolves that unless it has the prior authorisation of the Shareholders' Meeting, the Board of Directors may not use this delegation of authority once a third party has filed a public offer for the Company's shares, and until the end of the offer period;
10. resolves that this authorisation, which cancels and replaces the authorisation granted by the seventeenth resolution of the Shareholders' Meeting of May 16, 2018, be granted for a period of twenty-six (26) months as from this Shareholders' Meeting.

◆ **Seventeenth resolution** (*Delegation of authority to the Board of Directors to increase the share capital by issuing, without preferential subscription rights, shares and/or equity securities which confer entitlement to other equity securities and/or entitlement to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued, through the public offers specified in Article L.411-2, 1 of the French Monetary and Financial Code*)

The Shareholders' Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meetings, having reviewed the Board of Directors' report and the Statutory Auditors' special report, in accordance with the provisions of the French Commercial Code and specifically Articles L.225-129 et seq., L.225-135, L.225-136 and L.228-91 et seq. thereof:

1. delegates to the Board of Directors, with the option to sub-delegate under the legislative and regulatory conditions, the authority to decide to issue, without preferential subscription rights, by way of the public offers referred to in Article L.411-2, 1 of the French Monetary and Financial Code, subject to the conditions and maximum limits stipulated by the laws and regulations, on one or more occasions, in the proportions and at the times that it will determine, both in France and abroad, in euros or currencies or units of account established by reference to several currencies, Company shares and/or equity securities conferring entitlement to other equity securities and/or conferring entitlement to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued, which may be subscribed for in cash or by offsetting them against unquestionable, liquid and payable debts;
2. resolves that the total nominal amount of capital increases likely to be made immediately and/or over time under this delegation may not exceed a maximum amount of twenty-nine million euros (€29,000,000) or the equivalent in any other currency or monetary unit established by reference to several currencies, on the understanding that this amount will count towards (i) the nominal cap of twenty-nine million euros (€29,000,000) stipulated for capital increases without preferential subscription rights in paragraph 2 of the sixteenth resolution of this Shareholders' Meeting and (ii) the overall nominal cap stipulated for capital increases in paragraph 2 of the fifteenth resolution of this Shareholders' Meeting. These limits will be increased, as necessary, by the nominal value of the shares to be issued in order to preserve the rights of holders of securities or other rights which confer entitlement to the Company's share capital, pursuant to applicable laws and regulations and contractual provisions, where appropriate;
3. resolves to remove the preferential subscription rights of shareholders to shares and other transferable securities to be issued under this resolution;
4. resolves that the transferable securities thus issued conferring entitlement to equity securities to be issued by the Company may consist of debt securities or be associated with the issue of such securities, or enable them to be issued, as intermediate securities. The overall maximum nominal amount of debt securities that might be issued immediately or over time on the basis of this delegation may not exceed five hundred million euros (€500,000,000) or the equivalent thereof in currencies or units of account established by reference to several currencies, on the understanding that this amount would count towards the overall nominal cap for debt security issues provided for in paragraph 3 of the fifteenth resolution;
5. acknowledges that this delegation implies a waiver by the shareholders of their preferential subscription rights to equity securities of the Company to which the transferable securities that might be issued on the basis of this delegation may give entitlement;
6. resolves that if all of the equity securities and/or transferable securities issued have not been subscribed, the Board of Directors will have the option, in the order that it will determine, either to limit, in accordance with the law, the issue to the amount of subscriptions received, provided that it reaches at least three-quarters of the issue initially decided, or to freely distribute all or part of the unsubscribed securities between the persons of its choice, or to offer the unsubscribed securities in the same way to the public, with the Board of Directors being able to use all the options set out above or just some of them;
7. further specifies that the Board of Directors, with the option to sub-delegate under the legislative or regulatory conditions, may in particular:
  - i. decide and establish the characteristics of share issues and transferable securities to be issued and, in particular, their issue price (with or without issue premium), the terms and conditions of their subscription and their date of entitlement,
  - ii. in the event of the issue of share subscription warrants, set the number and characteristics and decide, if it deems it appropriate, subject and according to the terms and conditions that it will establish, that the warrants may be reimbursed or redeemed,
  - iii. generally, set the characteristics of all transferable securities and, in particular, the terms and conditions for the allocation of shares, the term of loans that may be issued in bond form, whether subordinated or not, the issue currency, the terms and conditions for redemption of the principal, with or without a premium, the terms and conditions for depreciation and, where applicable, purchase, exchange or early redemption, fixed or variable interest rates, and the payment date; remuneration may include a variable portion calculated by reference to items relating to the Company's business and results and a deferred payment in the absence of distributable profits,



- iv. set the issue price of the shares or transferable securities that may be created under the preceding paragraphs such that the Company receives, for each share created or allocated, irrespective of any remuneration in any form, including interest or issue or redemption premiums, a sum at least equal to the minimum price stipulated by the legislative or regulatory provisions applicable on the date of issue (i.e., at this time, the weighted average of the Company's share price in the last three trading sessions on the Euronext Paris regulated market prior to the start of the public offer within the meaning of Regulation (EU) No. 2017/1129 of June 14, 2017, potentially reduced by a maximum discount of 10%),
- v. decide to use the shares acquired as part of a share buyback programme authorised by the shareholders, to allocate them as a result of the issue of transferable securities issued on the basis of this delegation,
- vi. take any measures to preserve the rights of holders of transferable securities issued that are required by legislative and regulatory provisions and the applicable contractual stipulations,
- vii. potentially suspend the exercise of rights attached to these transferable securities for a fixed period in compliance with the legislative, regulatory and contractual provisions,
- viii. note the completion of any capital increases and transferable securities issues, amend the Articles of Association accordingly, allocate the issue costs to premiums and, if it considers it appropriate, deduct from the amount of capital increases the sums required to increase the legal reserve to one tenth of the new share capital,
- ix. take all measures and carry out any formalities required for admission to trading on a regulated market of the securities created;
- 8. resolves that unless it has the prior authorisation of the Shareholders' Meeting, the Board of Directors may not use this delegation of authority once a third party has filed a public offer for the Company's shares, and until the end of the offer period;
- 9. resolves that this authorisation, which cancels and replaces the authorisation granted by the eighteenth resolution of the Shareholders' Meeting of May 16, 2018, be granted for a period of twenty-six (26) months as from this Shareholders' Meeting.

◆ **Eighteenth resolution** (*Delegation of authority to the Board of Directors to increase the share capital by issuing shares and/or equity securities which confer entitlement to other equity securities and/or entitlement to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued as compensation for contributions in kind*)

The Shareholders' Meeting, deliberating according to the quorum and majority required for Ordinary Shareholders' Meetings, having reviewed the Board of Directors' report and the Statutory Auditors' special report and in accordance with the provisions of the French Commercial Code and specifically Articles L.225-129 et seq., L.225-147 and L.228-92 thereof:

- 1. delegates to the Board of Directors, with the option to sub-delegate under the legislative and regulatory conditions, the authority to decide, on the basis of the contributions auditors' report, on one or more

occasions, in the proportions and at the times that it will determine, both in France and abroad, in euros or currencies or units of account established by reference to several currencies, to issue shares of the Company and/or equity securities conferring entitlement to other equity securities and/or entitlement to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued, with a view to remunerating contributions in kind granted to the Company and consisting of equity securities or transferable securities giving access to capital, when the provisions of Article L.225-148 of the French Commercial Code are not applicable;

- 2. resolves that the total nominal amount of capital increases likely to be made under this delegation may not exceed, in addition to the legal limit of 10% of the share capital (assessed on the day the Board of Directors decides on the issue), a maximum amount of twenty-nine million euros (€29,000,000) or the equivalent in any other currency or monetary unit established by reference to several currencies, on the understanding that this amount will count towards (i) the nominal cap of twenty-nine million euros (€29,000,000) stipulated for capital increases without preferential subscription rights in paragraph 2 of the sixteenth resolution of this Shareholders' Meeting and (ii) the overall nominal cap stipulated for capital increases in paragraph 2 of the fifteenth resolution of this Shareholders' Meeting. These limits will be increased, as necessary, by the nominal value of the shares to be issued in order to preserve the rights of holders of securities or other rights which confer entitlement to the Company's share capital, pursuant to applicable laws and regulations and contractual provisions, where appropriate;
- 3. resolves that the transferable securities thus issued conferring entitlement to equity securities to be issued by the Company may consist of debt securities or be associated with the issue of such securities, or enable them to be issued, as intermediate securities. The overall maximum nominal amount of debt securities that might be issued immediately or over time on the basis of this delegation may not exceed five hundred million euros (€500,000,000) or the equivalent thereof in currencies or monetary units established by reference to several currencies, on the understanding that this amount would count towards the overall nominal cap for debt security issues provided for in paragraph 3 of the fifteenth resolution;
- 4. resolves to remove, for the benefit of holders of securities or transferable securities, under contributions in kind, the preferential subscription rights of shareholders to shares and other transferable securities to be issued under this resolution;
- 5. acknowledges that this delegation implies a waiver by the shareholders of their preferential subscription rights to equity securities of the Company to which the transferable securities that might be issued on the basis of this delegation may give entitlement;
- 6. further specifies that the Board of Directors, with the option to sub-delegate under the legislative or regulatory conditions, may in particular:
  - i. decide, on the basis of the contributions auditors' report, on the assessment of contributions and the granting of any specific benefits,
  - ii. establishes the characteristics of share issues and transferable securities to be issued and, in particular, their issue price (with or without issue premium), the terms and conditions of their subscription and their date of entitlement,
  - iii. at its sole initiative, allocate the costs of the increase(s) in share capital to the premiums relating to these contributions and deduct from this amount the sums needed to increase the legal reserve to one tenth of the new capital after each increase,

- iv. take any measures to preserve the rights of holders of transferable securities issued or other rights conferring entitlement to the capital of the Company that are required by legislative and regulatory provisions and the applicable contractual stipulations;
  - v. note the completion of any issues of shares and transferable securities, amend the Articles of Association as necessary as a result of the completion of any capital increase, allocate the issue costs to premiums if it so desires and also increase the legal reserve to one tenth of the new capital, as well as carry out any formalities and declarations and ask for any authorisations that might prove necessary for making these contributions;
  - vi. take all measures and carry out any formalities required for admission to trading on a regulated market of the securities created;
7. resolves that unless it has the prior authorisation of the Shareholders' Meeting, the Board of Directors may not use this delegation of authority once a third party has filed a public offer for the Company's shares, and until the end of the offer period;
  8. resolves that this authorisation, which cancels and replaces the authorisation granted by the twenty-first resolution of the Shareholders' Meeting of May 16, 2018, be granted for a period of twenty-six (26) months as from this Shareholders' Meeting.

◆ **Nineteenth resolution** (*Delegation of authority to the Board of Directors to increase the share capital by issuing, without preferential subscription rights, shares of the Company reserved for members of a company savings plan*)

The Shareholders' Meeting, deliberating according to the quorum and majority required for Extraordinary Shareholders' Meetings, after having reviewed the Board of Directors' report and the Statutory Auditors' special report and in accordance with the provisions of Articles L.225-129-2, L.225-129-6, L.225-138 and L.225-138-1 of the French Commercial Code and those of Articles L.3332-18 et seq. of the French Labour Code:

1. delegates to the Board of Directors, with the option to further delegate in accordance with legal and regulatory provisions, its authority to issue, on one or more occasions, at its sole discretion, in the proportions and at the times that it will determine, both in France and abroad, new shares reserved for employees, former employees and eligible corporate officers of the Company and/or companies related to the Company as defined in Article L.225-180 of the French Commercial Code and Article L.3344-1 of the French Labour Code, who are members of a company savings plan;
  2. removes, for the benefit of said members, the preferential subscription right of shareholders to any shares that may be issued pursuant to this authorisation and waives any rights to any bonus shares that may be allocated based on this resolution by way of discount and/or matching contribution;
3. resolves that the nominal amount of the capital increase likely to be carried out pursuant to this delegation may not exceed three million, two hundred thousand euros (€3,200,000) or the equivalent in any other currency or monetary unit established by reference to several currencies, on the understanding that the nominal amount of any capital increase carried out under this delegation will count towards the total nominal cap provided for capital increases in paragraph 2 of the fifteenth resolution of this Shareholders' Meeting and that the cap for this resolution will be the same as for the twentieth resolution. This limit will be increased, as necessary, by the nominal value of the shares to be issued in order to preserve the rights of holders of securities or other rights which confer entitlement to the Company's share capital, pursuant to applicable laws and regulations and contractual provisions, where appropriate;
  4. resolves that the subscription price of the shares pursuant to this delegation will be determined under the conditions specified in Article L.3332-19 of the French Labour Code, on the understanding that the maximum discount calculated in relation to the average of the share's traded prices during the last 20 trading sessions preceding the decision setting the subscription opening date may not exceed 30%. However, where this delegation is implemented, the Board of Directors may reduce the amount of the discount on a case-by-case basis due to tax, corporate or accounting restrictions applicable in countries where the Group entities participating in the capital increases are established. The Board of Directors may likewise decide to allocate bonus shares to subscribers of new shares, in substitution of the discount and/or as an employer contribution;
  5. resolves that the Board of Directors shall have all powers, which it may in turn delegate in accordance with legal and regulatory conditions, to implement this delegation, within the limits and under the conditions specified above, in particular, in order to:
    - i. decide on the issue of new Company shares,
    - ii. compile the list of companies whose employees, former employees and eligible corporate officers may benefit from the issue and set the conditions to be fulfilled by beneficiaries, in order to subscribe, directly or via a mutual investment fund, for the shares issued under this delegation of authority,
    - iii. set the amounts of these issues and determine the subscription prices of securities and the subscription dates, methods for each issue and the conditions for subscription, payment and delivery of the shares issued under this delegation of authority, as well as the date, even if retroactive, from which the new shares will be entitled to dividends,
    - iv. decide, pursuant to Article L.3332-21 of the French Labour Code, on the allocation, free of charge, of shares to be issued or already issued, as an employer matching contribution and/or, as applicable, a discount, provided that the recognition of their equivalent pecuniary value, valued at the subscription price, does not result in exceeding the limits specified in Article L.3332-11 of the French Labour Code and, if new shares are issued by way of discount or matching contribution, in incorporating into capital the reserves, profits or issue premiums required for full payment of the aforesaid shares,

- v. set the period granted to subscribers for full payment of their securities,
  - vi. duly note, or have another party note the completion of the capital increase in the amount of the shares to be effectively subscribed,
  - vii. at its sole initiative, allocate the costs of the increase(s) in share capital to the premiums relating to these increases, and deduct from this amount the sums needed to bring the legal reserve to one tenth of the new capital after each increase,
  - viii. generally, take any and all measures and perform any and all formalities that are necessary for issuing and listing the shares, and following the capital increases and related amendments of the Articles of Association pursuant to this delegation;
6. resolves that unless it has the prior authorisation of the Shareholders' Meeting, the Board of Directors may not use this delegation of authority once a third party has filed a public offer for the Company's shares, and until the end of the offer period;
7. resolves that this authorisation, which cancels and replaces the authorisation granted by the fifteenth resolution of the Shareholders' Meeting of May 16, 2019, be granted for a period of twenty-six (26) months as from this Shareholders' Meeting.
- ◆ **Twentieth resolution** (*Delegation of authority to the Board of Directors to increase the share capital by issuing shares without preferential subscription rights, to a specific category of beneficiaries*)
- The Shareholders' Meeting, deliberating according to the quorum and majority required for Extraordinary Shareholders' Meetings, after having reviewed the Board of Directors' report and the Statutory Auditors' special report and in accordance with the provisions of Articles L.225-129 et seq. and L.225-138 of the French Commercial Code:
- 1. delegates its authority, which may be further delegated in accordance with legal and regulatory provisions, to issue, on one or more occasions, at its sole discretion, in the proportions and the times that it will determine, both in France and abroad, new shares reserved for one or more categories of beneficiaries who have the characteristics below: (i) employees and/or corporate officers of the Company and/or companies related to the Company as defined in the provisions of Article L.225-180 of the French Commercial Code and Article L.3344-1 of the French Labour Code and having their registered office outside France; (ii) one or more mutual funds or other entity under French or foreign law, having or not having legal personality, subscribing on behalf of the persons designated in paragraph (i) above; and (iii) one or more financial establishments mandated by the Company to offer the persons described in paragraph (i) above a savings or shareholding scheme comparable to those offered to the Company's employees in France;
  - 2. cancels, in favour of said beneficiaries, the preferential subscription right of shareholders to the shares issued under this delegation;
  - 3. acknowledges that this delegation implies a waiver by the shareholders of their preferential subscription rights to equity securities of the Company to which the transferable securities that might be issued on the basis of this delegation may confer entitlement;
- 4. resolves that the nominal amount of the capital increase likely to be carried out pursuant to this delegation may not exceed three million, two hundred thousand euros (€3,200,000) or the equivalent in any other currency or monetary unit established by reference to several currencies, on the understanding that the nominal amount of any capital increase carried out under this delegation will count towards the total nominal cap provided for capital increases in paragraph 2 of the fifteenth resolution of this Shareholders' Meeting and that the cap for this resolution will be the same as for the nineteenth resolution. This limit will be increased, as necessary, by the nominal value of the shares to be issued in order to preserve the rights of holders of securities or other rights which confer entitlement to the Company's share capital, pursuant to applicable laws and regulations and contractual provisions, where appropriate;
  - 5. resolves that the price of the securities issued pursuant to this delegation may not be more than 30% lower than the average price of the listed share in the last 20 trading sessions preceding the decision setting the subscription opening date, nor may it exceed that average. However, when this delegation is implemented, the Board of Directors may reduce the amount of the discount on a case-by-case basis due to tax, corporate or accounting restrictions applicable in a given country where the Group entities participating in the capital increases are established. Furthermore, in the case of a transaction carried out under this resolution at the same time as a transaction carried out pursuant to the nineteenth resolution of this Shareholders' Meeting, the subscription price of the shares issued under this resolution may be identical to the subscription price of the shares issued on the basis of the nineteenth resolution of this Shareholders' Meeting;
  - 6. resolves that the Board of Directors shall have all powers, which it may in turn delegate in accordance with legal and regulatory conditions, to implement this delegation, within the limits and under the conditions specified above, in particular, in order to:
    - i. set the list of beneficiaries, within the categories of beneficiaries defined above, of each issue and the number of shares to be subscribed by each of them, pursuant to this delegation of authority,
    - ii. set the amounts of these issues and determine the subscription prices and dates, methods for each issue and the conditions for subscription, payment and delivery of the shares issued under this delegation of authority, as well as the date, even if retroactive, from which the new shares will be entitled to dividends,
    - iii. set the period granted to subscribers for full payment of their securities,
    - iv. duly note, or have another party note the completion of the capital increase in the amount of the shares to be effectively subscribed,
    - v. at its sole initiative, allocate the costs of the increase(s) in share capital to the premiums relating to these increases, and deduct from this amount the sums needed to bring the legal reserve to one tenth of the new capital after each increase,
    - vi. generally, take any and all measures and perform any and all formalities that are necessary for issuing and listing the shares, and following the capital increases and related amendments of the Articles of Association pursuant to this delegation;

7. resolves that unless it has the prior authorisation of the Shareholders' Meeting, the Board of Directors may not use this delegation of authority once a third party has filed a public offer for the Company's shares, and until the end of the offer period;
8. resolves that this delegation, which cancels and replaces the authorisation granted by the fourteenth resolution of the Shareholders' Meeting of May 16, 2019, be granted for a period of eighteen (18) months as from this Shareholders' Meeting.

◆ **Twenty-first resolution** (*Amendment of Article 13 of the Articles of Association*)

The General Meeting, voting under the quorum and majority conditions required for extraordinary general meetings, resolves to amend the first sentence of paragraph 3 of Article 13 of the Articles of Association as follows: "The age limit for holding the office of Chairman shall be 70 years."

◆ **Twenty-second resolution** (*Powers to carry out formalities*)

The Shareholders' Meeting, deliberating according to the quorum and majority required for Ordinary and Extraordinary Shareholders' Meetings, gives full powers to the bearer of copies or extracts of these minutes to fulfil all formalities required by law.

## 7.8 STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS

*This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.*

*This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.*

*This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

Annual General Meeting to approve the financial statements for the financial year ended December 31, 2019

To the Annual General Meeting of COFACE SA,

In our capacity as statutory auditors of your company, we hereby present to you our report on regulated agreements.

It is our responsibility to report to you, on the basis of the information provided to us, the characteristics, the main terms and conditions and the reasons justifying the interest for the Company, of the agreements brought to our attention or which we may have identified in the course of our audit. We are not required to comment as to whether they are beneficial or appropriate or to ascertain the existence of other agreements. It is your responsibility, in accordance with Article R. 225-31 of the French Commercial Code (*code de commerce*), to evaluate the advantages of entering into these agreements prior to their approval.

It is moreover our responsibility to report to you, where applicable, the information required by Article R. 225-31 of the French Commercial Code (*code de commerce*) relating to the performance, during the past financial year, of the agreements already approved by the Shareholders' Meeting.

We performed those procedures that we considered necessary to comply with the professional guidance issued by the French National Auditing Body (*Compagnie nationale des commissaires aux comptes*) relating to the type of engagement. These procedures consisted in verifying that the information provided to us was consistent with the reference documents it came from.

### Agreements submitted for approval to the annual general meeting

#### Agreements authorised during the last financial year

In accordance with Article L.225-40 of the French Commercial Code (*code de commerce*), we have been informed of the agreements entered into during the past year which were subject to the prior authorisation of your Board of Directors

#### Issuance of guarantees as part of the factoring business

##### *Nature and purpose:*

Coface Finanz GmbH and Coface Poland Factoring Sp.z.o.o benefit from multi-currency credit lines with several banks including Natixis. At the request of the banks, COFACE SA is a joint guarantor for its factoring subsidiaries and thus guarantees the repayment of these lines of credit.

As the issuance dates of these guarantees are not aligned with those of the Boards of Directors, it seemed preferable to request that the Board of Directors authorise COFACE SA to issue guarantees within the limit of a global ceiling rather than to seek authorisation on a case-by-case basis.

This authorisation was granted by the Board of Directors at its meeting of December 19, 2017 for an amount of €452,000,000, of which €150,000,000 was allocated to Natixis.

This amount was increased by €100,000,000 at its meeting of July 25, 2018.

To cope with the unexpected increase in subsidiaries' liquidity needs in 2019, the guarantee envelope was raised to €784,000,000 at its meeting of December 18, 2018, of which €150,000,000 was allocated to Natixis.

On December 17, 2019, the Board of Directors increased this authorisation to €800,000,000, taking into account an increase in activities planned for 2020.

##### *Terms and conditions:*

Guarantors are paid by Coface Poland Factoring Sp.z. o.o. and Coface Finanz GmbH up to 0.20% of the guaranteed amount. As at December 31, 2019, the commitments did not result in any financial flows between COFACE SA and Natixis.

##### *Reasons justifying its interest for the Company:*

In the interest of autonomy from Natixis, and with the aim of diversifying the sources of financing of the factoring activity in Germany and Poland, COFACE SA wished to replace a number of bilateral lines with both financing lines historically provided by Natixis.

##### *Parties involved:*

Natixis is a shareholder of COFACE SA and holds 42.2% of the capital of the Company at December 31, 2019.

In addition, Natixis and COFACE SA have two corporate officers in common, François Riahi and Nathalie Bricker.

#### Tripartite liquidity agreement between Oddo BHF and Natixis

##### *Nature and purpose:*

As part of the authorisation given by the shareholders' meeting on June 2, 2014 and renewed on May 18, 2015, May 19, 2016, May 17, 2017, May 16, 2018 and lastly May 16, 2019, for consecutive periods of eighteen months, the Board of Directors of COFACE SA has decided to authorise the purchase by the Company of its own shares.

##### *Terms and conditions:*

A liquidity agreement was signed on June 26, 2014 with Natixis, for a period of one year, renewable by tacit agreement. In this context, COFACE SA authorises Natixis to buy back its shares for €5,000,000 against payment of an annual fee of €40,000 excluding taxes. This contract

was renewed in 2015, 2016 and 2017 and the amount was reduced to €3,000,000 in November 2017.

As part of its partnership with Oddo BHF, Natixis transferred equity intermediation activities to Oddo BHF, while maintaining the commercial relationship and the responsibility for market surveillance services. In this context, COFACE SA signed a tripartite liquidity agreement with Oddo BHF and Natixis on 28 June 2018. The financial terms and conditions remain unchanged. The remuneration is collected by Natixis on behalf of Oddo BHF, to whom it is repaid in its entirety.

As this agreement was automatically renewed, this agreement was reviewed and authorised by the Board of Directors of COFACE SA on July 25, 2019.

The charge for COFACE SA for financial year 2019 is €40,000.

**Reasons justifying its interest for the Company:**

This agreement is intended to drive the market, to ensure the liquidity of the security and/or to allocate shares to staff members in particular.

**Parties involved:**

Natixis is a shareholder of COFACE SA and holds 42.2% of the capital of the Company at December 31, 2019.

In addition, Natixis and COFACE SA have two corporate officers in common, François Riahi and Nathalie Bricker.

## Agreements already approved by the annual general meeting

### Agreements authorised in prior years that continued to be implemented during the year under review

In accordance with Article R. 225-30 of the French Commercial Code (*code de commerce*), we have been informed that the following agreements, already approved by the Annual General Meeting in previous years, continued to be implemented during the past year.

#### A “Club deal” syndicated loan for back-up lines to finance the factoring business with commercial paper on behalf of Coface Finanz GmbH

**Nature and purpose:**

COFACE SA has a commercial paper programme for an amount of €650,000,000 at December 31, 2019, to refinance its factoring business. This programme is brokered by Natixis, BNP, BRED, CACIB and Société Générale on behalf of COFACE SA.

Should the commercial paper market shut down, since July 2017 the Group has an unused simplified syndicated loan, under the “club deal” formula, for a total amount of €700,000,000. This syndicated loan was put in place with Natixis, BNP, BRED, CACIB, HSBC and Société Générale.

**Terms and conditions:**

The €700,000,000 loan has a maturity of 3 years, renewable twice for a period of one year.

Natixis participates in the syndicated loan for €150,000,000. Its remuneration is as follows:

€128,917 in expenses, recorded according to the cost of non-utilisation of the syndicated credit facility for financial year 2019. This amount is equal for the four Tier 1 lenders that are party to the agreement.

**Reasons justifying its interest for the Company:**

The purpose of this agreement is to centralise the management of these back-up lines on the one hand, and to introduce an additional line in the event of a liquidity crisis on the other hand.

**Parties involved:**

Natixis is a shareholder of COFACE SA and holds 42.2% of the capital of the Company at December 31, 2019.

In addition, Natixis and COFACE SA have two corporate officers in common, François Riahi and Nathalie Bricker.

#### A guarantee of the Compagnie Française d'Assurance pour le Commerce Extérieur for COFACE SA for payment of the subordinated debt

**Nature and purpose:**

On March 27, 2014, COFACE SA issued a subordinated debt in the form of bonds for a nominal amount of €380,000,000.

**Reasons justifying its interest for the Company:**

In order to improve the rating of COFACE SA's subordinated debt issuance and thus its price, Compagnie Française d'Assurance pour le Commerce Extérieur issued a guarantee that improved the rating of the issuance by 2 grades (as a reminder, the issuance was rated Baa1 / A by Moody's and Fitch, while without this guarantee the rating would have been Baa3 / BBB).

This guarantee was authorised by the Board of Directors of COFACE SA on February 14, 2014.

**Terms and conditions:**

The price of the guarantee was thus set at 0.2% based on the total amount, representing a financial expense of €760,000 in respect of the 2019 financial year for COFACE SA.

**Parties involved:**

COFACE SA holds 99.99% of the capital of Compagnie Française d'Assurance pour le Commerce Extérieur at December 31, 2019.

COFACE SA and Compagnie Française d'Assurance pour le Commerce Extérieur have a joint representative, Xavier Durand (Chief Executive Officer of COFACE SA and Chairman and Chief Executive Officer of Compagnie Française d'Assurance pour le Commerce Extérieur).

The statutory auditors  
Paris La Défense, April 8, 2020

**French original signed by**

KPMG S.A.  
Régis Tribout  
Partner

Deloitte & Associés  
Jérôme Lemierre  
Partner

## 7.9 STATUTORY AUDITORS' REPORT ON THE CAPITAL REDUCTION

*This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.*

*This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.*

*This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

Combined General Meeting of May 14, 2020 - Resolution NO. 13

To the Annual General Meeting of COFACE SA,

In our capacity as statutory auditors of your company and in execution of the mission provided for in Article L. 225-209 of the French Commercial Code (*code de commerce*) in the event of a capital reduction by cancellation of shares purchased, we hereby report to you on our assessment of the reasons for and terms and conditions of the proposed capital reduction.

Your Board of Directors proposes that you delegate to it, for a period of twenty-six months from the date of this meeting and with the option to further delegate in accordance with the law and regulations, all powers to cancel, within the limit of 10% of its share capital per twenty-four month periods, any shares purchased pursuant to the implementation of an authorisation for your company to buy back its own shares under the provisions of the aforementioned article.

We performed those procedures that we considered necessary to comply with the professional guidance issued by the French National Auditing Body (Compagnie nationale des commissaires aux comptes) relating to the type of engagement. These procedures are designed to review whether the reasons for and terms and conditions of the proposed capital reduction, which is not likely to affect the equality of shareholders, are in order.

We have no matters to report concerning the causes and conditions of the proposed capital reduction.

The statutory auditors  
Paris La Défense, April 8, 2020

***French original signed by***

KPMG S.A.  
Régis Tribout  
*Partner*

Deloitte & Associés  
Jérôme Lemierre  
*Partner*

## 7.10 STATUTORY AUDITORS' REPORT ON THE ISSUANCE OF SHARES AND VARIOUS INVESTMENT SECURITIES WITH MAINTENANCE AND/OR CANCELLATION OF PRE-EMPTIVE SUBSCRIPTION RIGHTS

*This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.*

*This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.*

*This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

Combined General Meeting of May 14, 2020 – Resolutions Nos. 15, 16, 17 and 18

To the Annual General Meeting of COFACE SA,

In our capacity as statutory auditors of your company and in execution of the mission provided for in Articles L. 228-92 and L.225-135 et seq. of the French Commercial Code (*code de commerce*), we hereby present to you our report on the proposal to delegate authority to the Board of Directors for the issuing of various shares and/or investment securities, activities for which you are called upon to vote.

Your Board of Directors proposes, on the basis of its report:

- ◆ to delegate to the Board of Directors, with the option to further delegate in accordance with laws and regulations, for a period of 26 months from the date of this Annual General Meeting, the authority to decide on the following activities and to set the final terms and conditions of these issuances, and proposes, where applicable, to cancel your preferential subscription rights:
  - issuance with maintenance of preferential subscription rights (fifteenth resolution), in one or more instalments, in the proportions and at the times it deems appropriate, both in France and abroad, in euros or currencies or units of account fixed by reference to several currencies, of ordinary shares and/or equity securities giving access to other equity securities and/or entitling holders to the allocation of debt securities, and/or securities giving access to equity securities to be issued, which may be subscribed either in cash, or by offsetting against unquestionable payable liquid claims, or, in whole or in part, by incorporation of reserves, profits or premiums;
  - issuance with cancellation of preferential subscription rights by way of a public offering (sixteenth resolution), in one or more instalments, in the proportions and at the times that it deems appropriate, both in France and abroad, in euros or currencies or units of account fixed by reference to several currencies, ordinary shares and/or equity securities giving access to other equity securities and/or entitling holders to the allocation of debt securities and/or securities giving access to equity securities to be issued, which may be subscribed either in cash or by offsetting against unquestionable payable liquid claims:
    - with the proviso that such securities may be issued in consideration for securities contributed to the Company in connection with a public exchange offer executed in France or abroad in accordance with local rules for securities satisfying the conditions set forth in Article L. 225-148 of the French Commercial Code (*code de commerce*);

- issuance with cancellation of preferential subscription rights by means of offers set forth in Article L. 411-2 under Section I of the French Monetary and Financial Code (*code monétaire et financier*) and within the limit of 20% of the share capital per year (seventeenth resolution) of ordinary shares and/or equity securities giving access to other equity securities and/or entitling holders to the allotment of debt securities and/or securities giving access to equity securities to be issued;

- ◆ to delegate to the Board of Directors, for a period of 26 months, with the option to further delegate in accordance with laws and regulations, the powers necessary to issue ordinary shares and/or equity securities giving access to other equity securities and/or entitling holders to the allocation of debt securities and/or securities giving access to equity securities to be issued, with a view to remunerating contributions in kind granted to the company and consisting of equity securities or securities giving access to the capital (eighteenth resolution), up to a limit of 10% of the share capital.

Pursuant to the fifteenth resolution, the total nominal amount of the capital increases that may be carried out immediately or in the future may not exceed 115 million euros, with the proviso that the nominal amount of the share capital increases carried out pursuant to the fifteenth resolution and the sixteenth to the twentieth resolutions submitted to this Annual General Meeting shall be deducted from this ceiling, more specifically:

- ◆ under the sixteenth resolution, 29 million euros, with the proviso that the nominal amount of capital increases carried out under the seventeenth and eighteenth resolutions submitted to this Annual General Assembly will be deducted from this ceiling;
- ◆ under the seventeenth resolution, 29 million euros;
- ◆ under the eighteenth resolution, 29 million euros.

The aggregate nominal amount of debt securities that may be issued under the fifteenth resolution may not exceed 500 million euros, with the proviso that the nominal amount of debt instruments issued under the sixteenth resolution and the sixteenth to eighteenth resolutions submitted to this Annual General Meeting shall be deducted from this ceiling.

The Board of Directors is responsible for preparing a report in accordance with Articles R.225-113 et seq. of the French Commercial Code (*code de commerce*). Our role is to express an opinion on the fairness of the quantified information taken from the financial statements, on the proposal to cancel the preferential subscription right and on



certain other information concerning these transactions that is provided in this report.

We performed those procedures that we considered necessary to comply with the professional guidance issued by the French National Auditing Body (Compagnie nationale des commissaires aux comptes) relating to this mission. These procedures consisted in verifying the content of the Board of Directors' report on these transactions and the methods for determining the price of the capital to be issued.

Subject to the subsequent review of the terms and conditions of any issuances that would be decided, we have no matters to report on the methods used for determining the issue price of the equity securities to be issued given in the Board of Directors' report under the sixteenth and seventeenth resolutions.

Moreover, as this report does not specify the methods used to determine the issue price of the equity securities to be

issued in connection with implementing the fifteenth and eighteenth resolutions, we are not in a position to express an opinion on the choice of the elements used to calculate this issue price.

As the final terms under which the issues would be carried out have not yet been set, we express no opinion on these issues nor, consequently, on the proposed cancellation of preferential subscription rights made to you.

In accordance with Article R. 225-116 of the French Commercial Code (*code de commerce*), we will prepare an additional report, where applicable, when these delegations are used by your Board of Directors in the event securities are issued that are equity securities giving access to other equity securities and/or entitling holders to the allocation of debt securities, in the event securities are issued giving access to equity securities to be issued, and in the event of the issuance of shares with cancellation of preferential subscription rights.

The statutory auditors  
Paris La Défense, April 8, 2020

***French original signed by***

KPMG S.A.  
Régis Tribout  
*Partner*

Deloitte & Associés  
Jérôme Lemierre  
*Partner*

## 7.11 STATUTORY AUDITORS' REPORT ON THE CAPITAL INCREASE RESERVED FOR EMPLOYEES ENROLLED IN A COMPANY SAVINGS PLAN

*This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.*

*This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.*

*This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

Combined General Meeting of May 14, 2020 - Resolution No. 19

To the Annual General Meeting of COFACE SA,

In our capacity as statutory auditors of your company and in execution of the mission provided for in Articles L.225-135 et seq. of the French Commercial Code (*code de commerce*), we hereby present to you our report on the proposal to delegate authority to the Board of Directors, with the option to further delegate in accordance with the law and regulations, to approve a capital increase by issuing ordinary shares with cancellation of preferential subscription rights, reserved for current employees, former employees and eligible corporate officers of the Company and/or companies related to the Company as defined in Article L.225-180 of the French Commercial Code (*code de commerce*) and Article L.3344-1 of the French Labour Code (*code du travail*), members of a company savings plan, for a maximum nominal amount of three million two hundred thousand euros (€ 3,200,000) or the equivalent in any other currency or monetary unit established by reference to several currencies, an operation on which you are called upon to vote. It is hereby specified that the nominal amount of any capital increase carried out pursuant to this delegation will be deducted from the overall nominal limit specified for capital increases described in paragraph 2 of the fifteenth resolution of this Annual General Meeting and that the ceiling of this delegation will be shared with that of the twentieth resolution of this Annual General Meeting. This limit will be increased, as necessary, by the nominal value of the shares to be issued in order to preserve the rights of holders of securities or other rights which confer entitlement to the Company's share capital, pursuant to applicable laws and regulations and contractual provisions, where appropriate.

This capital increase is subject to your approval in accordance with the provisions of Articles L.225-129-6 of the French Commercial Code (*code de commerce*) and L.3332-18 et seq. of the French Labour Code (*code du travail*).

On the basis of its report, your Board of Directors proposes that you delegate it the authority, with the option to further delegate in accordance with the laws and regulations, for a

period of twenty-six months to approve a capital increase and to waive preferential subscription rights to the ordinary shares to be issued, with the proviso that this authorisation would cancel and replace the one granted by the fifteenth resolution of the Annual General Meeting of May 16, 2019. Where appropriate, the board will be responsible for setting the final terms and conditions of this transaction.

The Board of Directors is responsible for preparing a report in accordance with Articles R.225-113 and R.225-114 of the French Commercial Code (*code de commerce*). Our role is to express an opinion on the fairness of the quantified information taken from the financial statements, on the proposal to cancel the preferential subscription right and on certain other information concerning the issue that is provided in this report.

We performed those procedures that we considered necessary to comply with the professional guidance issued by the French National Auditing Body (Compagnie nationale des commissaires aux comptes) relating to this mission. These procedures consisted in verifying the content of the Board of Directors' report on this transaction and the methods for determining the price of shares to be issued.

Subject to the subsequent review of the terms and conditions of the capital increase that would be decided, we have no matters to report on the methods for determining the issue price of the ordinary shares to be issued as outlined in the Board's report.

As the final terms and conditions under which the capital increase would be carried out are not yet determined, we express no opinion on these nor, consequently, on the proposal to waive the preferential subscription right made to you.

In accordance with Article R.225-116 of the French Commercial Code (*code de commerce*), we will prepare an additional report, where applicable, when this delegation is used by your Board of Directors.

The statutory auditors  
Paris La Défense, April 8, 2020

**French original signed by**

KPMG S.A.  
Régis Tributout  
Partner

Deloitte & Associés  
Jérôme Lemierre  
Partner

## 7.12 STATUTORY AUDITORS' REPORT ON THE CAPITAL INCREASE WITH CANCELLATION OF PREFERENTIAL SUBSCRIPTION RIGHTS, RESERVED FOR A SPECIFIC CATEGORY OF BENEFICIARY

*This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.*

*This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.*

*This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

Combined General Meeting of May 14, 2020 - Resolution No. 20

To the Annual General Meeting of COFACE SA,

In our capacity as statutory auditors of your company and in execution of the mission provided for in Articles L.225-135 et seq. of the French Commercial Code (*code de commerce*), we hereby present to you our report on the proposal to delegate authority to the Board of Directors, with the option to further delegate in accordance with the laws and regulations, to approve a capital increase via the issuance of ordinary shares with cancellation of preferential subscription rights, reserved for one or more categories of beneficiaries, satisfying the following characteristics: (i) employees and/or corporate officers of the Company and/or companies related to the Company as defined in the provisions of Article L.225-180 of the French Commercial Code (*code de commerce*) and Article L.3344-1 of the French Labour Code (*code du travail*) and having their registered office outside France; (ii) one or more mutual fund or other entity under French or foreign law, regardless of whether or not they have legal personality, subscribing on behalf of persons referred in paragraph (i) above, and (iii) one or more financial establishments mandated by the Company to propose to those persons referred to in paragraph (i) above, a savings or shareholding scheme comparable to those proposed to the Company's employees in France, for a maximum amount of three million two hundred thousand euros (€ 3,200,000) or the equivalent in any other currency or monetary unit established by reference to several currencies, with the proviso that the nominal amount of any capital increase carried out pursuant to this delegation will be deducted from the overall nominal limit specified for capital increases described in paragraph 2 of the fifteenth resolution of this Annual General Meeting and that the ceiling of this resolution will be that of the nineteenth resolution of this Annual General Meeting, an operation on which you are called upon to vote. This limit will be increased, as necessary, by the nominal value of the shares to be issued in order to preserve the rights of holders of securities or other rights conferring access to the Company's share capital, pursuant to applicable laws and regulations and contractual provisions, where appropriate. Such a capital increase would have the aim of allowing employees, former

employees and corporate officers of the Group who reside in various countries to benefit, taking into account any regulatory or tax restrictions that might exist locally, from conditions that are as close as possible, in terms of economic profile, to those that would be offered to the other employees of the Group within the context of the use of the nineteenth resolution.

On the basis of its report, your Board of Directors proposes that you delegate it the authority, with the option to further delegate in accordance with the laws and regulations, for a period of eighteen months to approve one or more capital increases and to waive preferential subscription rights to the ordinary shares to be issued, with the proviso that this authorisation would cancel and replace the one granted by the fourteenth resolution of the Annual General Meeting of May 16, 2019. Where appropriate, the board will be responsible for setting the final terms and conditions of this transaction.

The Board of Directors is responsible for preparing a report in accordance with Articles R.225-113 and R.225-114 of the French Commercial Code (*code de commerce*). Our role is to express an opinion on the fairness of the quantified information taken from the financial statements, on the proposal to cancel the preferential subscription right and on certain other information concerning the issue that is provided in this report.

We performed those procedures that we considered necessary to comply with the professional guidance issued by the French National Auditing Body (Compagnie nationale des commissaires aux comptes) relating to the type of engagement. These procedures consisted in verifying the content of the Board of Directors' report on this transaction and the methods for determining the price of shares to be issued.

Subject to the subsequent review of the terms and conditions of the capital increase that would be decided, we have no matters to report on the methods for determining the issue price of the ordinary shares to be issued as outlined in the Board's report.

**INFORMATION REGARDING COFACE SA AND ITS CAPITAL**

Statutory auditors' report on the capital increase with cancellation of preferential subscription rights, reserved for a specific category of beneficiary

As the final terms and conditions under which the capital increase would be carried out are not yet determined, we express no opinion on these nor, consequently, on the proposal to waive the preferential subscription right made to you.

In accordance with Article R.225-116 of the French Commercial Code (*code de commerce*), we will prepare an additional report, where applicable, when this delegation is used by your Board of Directors.

The statutory auditors  
Paris La Défense, April 8, 2020

***French original signed by***

KPMG S.A.  
Régis Tribout  
*Partner*

Deloitte & Associés  
Jérôme Lemierre  
*Partner*

# 8

## ADDITIONAL INFORMATION ON THE UNIVERSAL REGISTRATION DOCUMENT

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## 8.1 PERSONS RESPONSIBLE

### 8.1.1 Names and positions

#### 8.1.1.1. Person responsible for the Universal Registration Document

Xavier Durand, Chief Executive Officer of COFACE SA

#### 8.1.1.2. Person responsible for financial information

Carine Pichon, Chief Financial and Risk Officer

#### 8.1.1.3. Person responsible for financial communication

Thomas Jacquet, Head of Investor Relations and Rating Agencies

### 8.1.2 Statement of the person responsible for the Universal Registration Document

I hereby declare, after having taken every reasonable measure for such purpose, that the information contained in this registration document, to my knowledge, is true to fact and that no material aspects of such information have been omitted.

I hereby declare that, to the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and are an accurate reflection of the assets, financial position and results of the Company and all consolidated companies, and that the management report in this registration document presents an accurate picture of events, results and the financial

position of the Company and all consolidated companies, and describes the principal risks and uncertainties that they face.

I have received a work completion letter from the Statutory Auditors indicating that they have verified the information about the financial position and the financial statements provided in this registration document and have read the full document.

Paris, 16 April, 2020

Xavier Durand  
Chief Executive Officer (CEO)

## 8.2 DOCUMENTS ACCESSIBLE TO THE PUBLIC

The documents relating to the Coface Group (constituent documents, Articles of Association, charter, financial report, Board of Directors' reports, thresholds crossed, letters and other documents, individual and consolidated historical financial information for each of the two financial years preceding publication of this document) are partly included in this document and can be freely consulted at its head office, preferably by appointment.

In addition, under Solvency II, the Solvency and Financial Condition report (SFCR) for financial year 2018 which is aimed at the public, was filed with the ACPR on April 19, 2019 and published in the "Investor" section of the Company website [www.coface.com](http://www.coface.com). The next SFCR report, based on financial year 2019, will be published end of April 2020 (subject to modification).

This Universal Registration Document is available in the "Investors" section of the Company website [www.coface.com](http://www.coface.com).

Copies of this document are available free of charge at the Company's head office.

Pursuant to Article 221-3 of the General Regulation of the Autorité des marchés financiers (French Financial Markets Authority - AMF), regulated information (defined in Article 221-1 of the General Regulation of the AMF) is published on the Company's website at [www.coface.com](http://www.coface.com).

Any person wishing to obtain additional information on the Group may request the documents without appointment and free of charge:

◆ **by post:**

Coface  
Financial Communications - Investor Relations  
1, place Costes et Bellonte, 92270 Bois-Colombes, France

◆ **by email:**

[investors@coface.com](mailto:investors@coface.com)

Thomas Jacquet / Head of Investor Relations and Rating Agencies  
Benoît Chastel / Investor Relations Officer

## 8.3 STATUTORY AUDITORS

### 8.3.1 Principal Statutory Auditors

#### **Deloitte & Associés**

6, place de la Pyramide  
92908 Paris-La Défense Cedex, France  
Represented by Jérôme Lemierre

Deloitte & Associés was appointed by the Company's Annual Shareholders' Meeting of May 16, 2019 for a period of six financial years until the close of the Annual Shareholders' Meeting to approve the accounts for the financial year ended December 31, 2024.

Deloitte & Associés is a member of Compagnie régionale des commissaires aux comptes de Versailles.

#### **KPMG SA**

Tour EQHO  
2, avenue Gambetta  
CS 60055  
92066 Paris-La Défense Cedex, France

Represented by Régis Tribout

KPMG SA was appointed by the Company's Annual Shareholders' Meeting of April 14, 2014 for a period of six financial years until the close of the Annual Shareholders' Meeting to approve the accounts for the financial year ended December 31, 2019.

KPMG SA is a member of Compagnie régionale des commissaires aux comptes de Versailles.

### 8.3.2 Alternate Statutory Auditors

#### **KPMG AUDIT FS I**

Tour EQHO  
2, avenue Gambetta  
CS 60055  
92066 Paris-La Défense Cedex, France  
Represented by Isabelle Goalec

KPMG AUDIT FS I was appointed by the Company's Annual Shareholders' Meeting of April 14, 2014 for a period of six financial years until the close of the Annual Shareholders' Meeting to approve the accounts for the financial year ended December 31, 2019.

KPMG AUDIT FS I is a member of Compagnie régionale des commissaires aux comptes de Versailles.

## 8.4 SELECTED THREE-YEAR FINANCIAL INFORMATION

The tables below present extracts of income statements and consolidated financial statements for the financial years ended December 31, 2019, December 31, 2018 and December 31, 2017.

The financial information selected below must be read in conjunction with the consolidated financial statements in

Chapter 4 and with the examination of the Group's financial position and results presented in Chapter 3 of this registration document.

**► Consolidated income statement**

<i>(in thousands of euros)</i>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Gross premiums issued</b>	<b>1,327,635</b>	<b>1,263,364</b>	<b>1,219,612</b>
Premium refunds	(950,79)	-106,516	-98,954
Net change in unearned premium provisions	3,041	-14,240	-10,961
<b>Gross earned premiums</b>	<b>1,235,597</b>	<b>1,142,608</b>	<b>1,109,697</b>
Fees and commission income	140,115	132,418	128,914
Net income from banking activities	64,106	66,713	72,043
Services revenue	41,270	42,995	44,279
<b>Revenue or income from other activities</b>	<b>245,491</b>	<b>242,127</b>	<b>245,236</b>
<b>Turnover</b>	<b>1,481,088</b>	<b>1,384,735</b>	<b>1,354,933</b>
<b>Claims expenses</b>	<b>(536,247)</b>	<b>(504,509)</b>	<b>(570,863)</b>
<i>Policy acquisition costs</i>	(242,675)	(243,236)	(262,607)
<i>Administrative costs</i>	(274,784)	(241,136)	(253,532)
<i>Other expenses from insurance activities</i>	(70,739)	(82,556)	(70,816)
<i>Expenses from banking activities, excluding cost of risk</i>	(13,742)	(13,552)	(13,779)
<i>Services expenses</i>	(75,198)	(77,739)	(53,130)
<b>Operating expenses</b>	<b>(677,138)</b>	<b>(658,219)</b>	<b>(653,864)</b>
Cost of risk	(1,804)	(2,122)	(4,483)
<b>Underwriting income before reinsurance</b>	<b>265,899</b>	<b>219,885</b>	<b>125,723</b>
Income/(loss) on ceded reinsurance	(77,963)	(62,128)	(25,970)
<b>Underwriting income after reinsurance</b>	<b>187,936</b>	<b>157,757</b>	<b>99,753</b>
Investment income, net of management expenses (excluding finance costs)	36,940	51,124	55,281
<b>CURRENT OPERATING INCOME</b>	<b>224,876</b>	<b>208,881</b>	<b>155,034</b>
Other operating income and expenses	(6,000)	(4,974)	(589)
<b>OPERATING INCOME</b>	<b>218,876</b>	<b>203,907</b>	<b>154,445</b>
Finance costs	(21,385)	(17,681)	(18,109)
Share in net income of associates	0	592	2,369
Negative goodwill	4,662	0	0
Income tax	(55,434)	(64,132)	(55,651)
<b>CONSOLIDATED NET INCOME BEFORE NON-CONTROLLING INTERESTS</b>	<b>146,719</b>	<b>122,686</b>	<b>83,054</b>
Non-controlling interests	10	(353)	159
<b>NET INCOME (GROUP SHARE)</b>	<b>146,729</b>	<b>122,333</b>	<b>83,213</b>
Earnings per share (in €)	0.97	0.79	0.53
Diluted earnings per share (in €)	0.97	0.79	0.53



► Simplified consolidated balance sheet

<i>(in thousands of euros)</i>	2019	2018	2017
<b>Assets</b>			
Intangible assets	220,844	220,675	217,230
Insurance business investments	2,990,686	2,833,613	2,876,380
Receivables arising from banking activities	2,346,710	2,509,047	2,523,549
Investments in associates	0	0	15,780
Reinsurers' share of insurance and financial liabilities	450,367	425,398	405,178
Other assets	1,053,538	927,888	920,776
Cash and cash equivalents	320,777	302,419	264,325
<b>TOTAL ASSETS</b>	<b>7,382,922</b>	<b>7,219,040</b>	<b>7,223,218</b>

<i>(in thousands of euros)</i>	2019	2018	2017
<b>Liabilities</b>			
Group equity	1,924,472	1,806,249	1,802,621
Non-controlling interests	269	148	160
<b>Total equity</b>	<b>1,924,741</b>	<b>1,806,397</b>	<b>1,802,781</b>
Provisions for risks and charges	100,932	94,344	121,716
Financing liabilities	389,261	388,729	388,234
Lease liabilities	92,990	0	0
Liabilities relating to insurance contracts	1,827,219	1,746,379	1,682,258
Resources from banking sector activities	2,362,805	2,544,716	2,527,716
Other liabilities	684,974	638,475	700,513
<b>TOTAL LIABILITIES</b>	<b>7,382,922</b>	<b>7,219,040</b>	<b>7,223,218</b>

## ► Revenue by business line as at December 31, 2019

Consolidated revenue by business line (in thousands of euros and as a % of the Group total)	See also Section	December 31, 2019	December 31, 2018	December 31, 2017
		(in €k)	(in €k)	(in €k)
Gross earned premiums – Credit		1,164,752	1,068,404	1,029,499
Gross earned premiums – Single Risk		21,193	26,779	27,190
<b>Gross earned premiums – Credit insurance</b>		<b>1,185,945</b>	<b>1,095,183</b>	<b>1,056,689</b>
Fee and commission income <sup>(1)</sup>		140,114	132,418	128,914
Other related benefits and services <sup>(2)</sup>		94	3,637	4,382
Compensation of public procedures management services			0	574
<b>Revenue from credit insurance business line</b>	<b>1.3.1/1.5.1</b>	<b>1,326,153</b>	<b>1,231,238</b>	<b>1,190,559</b>
<b>Gross earned premiums – Guarantees</b>	<b>1.3.3/1.5.3</b>	<b>49,652</b>	<b>47,425</b>	<b>53,008</b>
Financing fees		35,226	35,295	39,472
Factoring fees		30,304	32,416	33,884
Other		(1,424)	(998)	(1,314)
<b>Net income from banking activities (factoring)</b>	<b>1.3.2/1.5.2</b>	<b>64,106</b>	<b>66,713</b>	<b>72,043</b>
Information and other services		31,108	28,550	27,436
Receivables management		10,069	10,809	11,886
<b>Revenue from information and other services</b>	<b>1.54</b>	<b>41,177</b>	<b>39,359</b>	<b>39,322</b>
<b>CONSOLIDATED REVENUE</b>	<b>NOTE 22</b>	<b>1,481,088</b>	<b>1,384,735</b>	<b>1,354,933</b>

In order to provide greater consistency between the financial statements and the aggregates published and commented on in the financial reporting, the Group is changing the presentation structure of the consolidated income statement. A detailed explanation is provided in the notes to the consolidated financial statements.

(1) Policy management costs.

(2) IPP commission – International policies commission; business contributors' commission.

► Revenue by region as of December 31, 2019<sup>(1)</sup>

(in thousands of euros)	2019	2018	2017
Northern Europe	307,465	303,081	303,872
Western Europe	294,649	283,965	280,785
Central Europe	148,078	133,843	127,708
Mediterranean & Africa	394,174	370,370	348,021
North America	138,474	126,502	121,894
Latin America	80,653	71,528	75,715
Asia-Pacific	117,593	95,447	96,938
<b>TOTAL</b>	<b>1,481,087</b>	<b>1,384,736</b>	<b>1,354,933</b>

## ► Performance indicators

These operating ratios and the methodology for calculating them are defined in Section 3.7 “Key financial performance indicators”.

## Combined ratio before reinsurance (as a %)



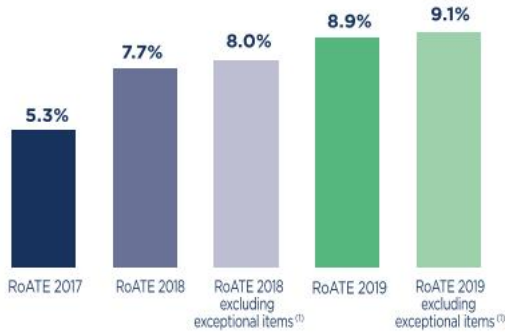
## Combined ratio after reinsurance (as a %)



\* Excluding the contribution from the public guarantee business in 2017 (€0.6 million).

(1) See details in Note 22.

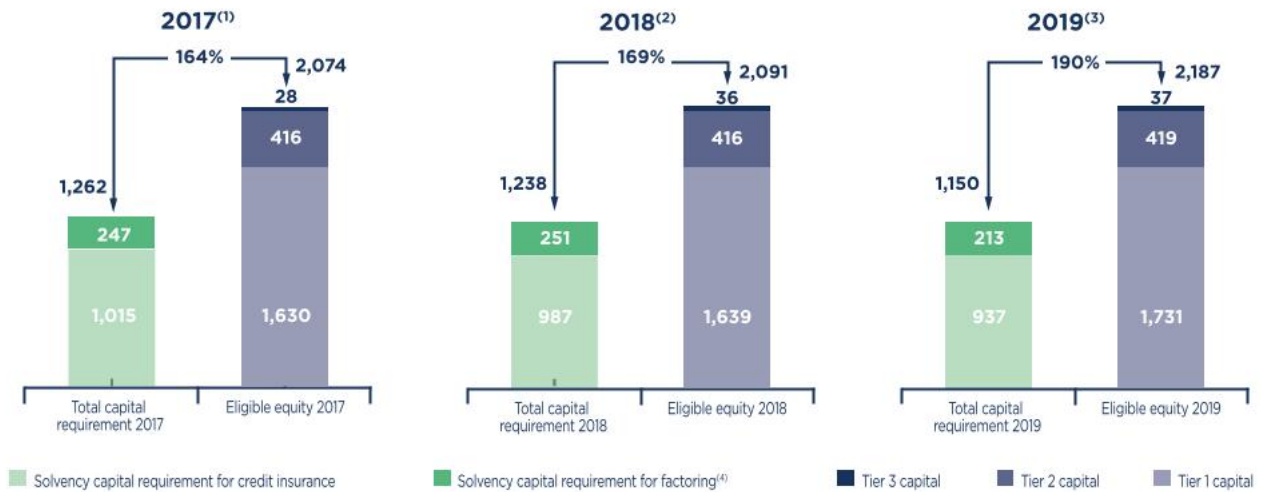
RoATE (as a %)



(1) Net income (Group share) restated for non-recurring items (see Chapter 4 "c) Alternative performance measures related to net income").

Return on average tangible equity (RoATE) is computed as net income (Group share)/average book equity (Group share) net of intangible assets – see Section 3.4.3 "Return on equity".

Solvency ratio (as a %)



(1) The final solvency ratio at the end of 2017 was 164% (based on Coface's interpretation of Solvency and including a stricter estimate of SCR factoring in anticipation of the changes in the regulation). Not audited.

(2) The final solvency ratio at the end of 2018 was 169% (based on Coface's interpretation of Solvency and including a stricter estimate of SCR factoring in anticipation of the changes in the regulation). Not audited.

(3) This estimated solvency ratio constitutes a preliminary calculation made according to Coface's interpretation of Solvency II regulations and using the Partial Internal Model. The result of the definitive calculation may differ from the preliminary calculation. The estimated solvency ratio is not audited. See also 3.4.2 "Solvency of the COFACE Group".

(4) Calculated according to the RWA methodology used by Natixis.

## 8.5 MAIN RATINGS OF THE COFACE GROUP AT MARCH 31, 2020

The Company and some of its subsidiaries are assessed by well-known ratings agencies. The Company rating can vary from agency to agency.

At March 31, 2020, the main ratings for the Company and its principal operational subsidiary are as follows:

Insurer financial strength rating	Agency	Rating	Outlook
Compagnie française d'assurance pour le commerce extérieur and its branches	Fitch Moody's AM Best	AA- A2 A	Negative Negative Stable

Rating for the COFACE SA debt	Agency	Rating	Outlook
Long-term counterparty risk rating	Fitch Moody's	A+ Baa1	Negative
Subordinated hybrid debt	Fitch Moody's	A- Baa1	Negative
Short-term counterparty risk rating (commercial paper)	Fitch Moody's	F1 P-2	Negative

The ratings shown above may be subject to revision or withdrawal at any time by the ratings agencies awarding them. None of these ratings represent an indication of past or future performance of Coface shares or debt issued by the Company and should not be used as part of an

investment decision. The Company is not responsible for the accuracy and reliability of these ratings. The information is available and updated on the Company's website: <http://www.coface.com/Investors/Ratings>.

## 8.6 CROSS-REFERENCE TABLE

### 8.6.1 Universal Registration Document

This cross-reference table contains the items provided for in Annex I and II of Commission Delegated Regulation (EU) 2019/980 of March 14, 2019 and refers to the pages of this

Universal Registration Document on which the information relating to each of these items is provided.

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## 8.6.2 Annual financial report

This Universal Registration Document contains all the elements of the financial report as mentioned in Article L.451-1-2 of the French Monetary and Financial Code and Article 222-3 of the AMF General Regulations.

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## 8.6.3 Management report

This Universal Registration Document contains all the elements of the management report as required under Articles L.225-100 et seq., L.232-1, II and R.225-102 et seq. of the French Commercial Code.

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## 8.6.4 Corporate governance report

This Universal Registration Document contains all the elements of the corporate governance report as required under Article L.225-37 et seq. of the French Commercial Code.

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## 8.6.5 Annual General Meeting

(Article L.225-100 et seq. of the French Commercial Code)

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## 8.6.6 Information required by Article L.225-102-1 and Article R.225-105 of the French Commercial Code

This Universal Registration Document contains the information required by Articles L.225-102-1 and R.225-105 of the French Commercial Code. The following cross-reference table refers to the sections of the Universal Registration Document corresponding to the non-financial performance report.

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## 8.7 INCORPORATION BY REFERENCE

The 2019 Universal Registration Document, by reference to the 2018 Universal Registration Document registered by the Autorité des marchés financiers (French Financial Markets Authority) on April 3, 2019 under number D.19-0261, incorporates the following items:

- ◆ “Overview of Coface” (all): pages 2 to 18;
- ◆ Chapter 3 (all): pages 85 to 116;
- ◆ Chapter 4 (all): pages 127 to 218.

The 2017 registration document, by reference to the 2017 registration document registered by the Autorité des marchés financiers (French Financial Markets Authority) on April 5, 2018 under number D.18-0267, incorporates the following items:

- ◆ “Overview of Coface” (all): pages 2 to 18;
- ◆ Chapter 3 (all): pages 91 to 125;
- ◆ Chapter 4 (all): pages 126 to 228.







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**COFACE SA**

1, PLACE COSTES ET BELLONTE  
92 270 BOIS-COLOMBES - FRANCE

SA (FRENCH LIMITED COMPANY)

WITH CAPITAL OF €307,798,522

NANTERRE REGISTRY OF TRADE AND COMPANIES NO. 432 413 599

**coface**  
FOR TRADE