2.4 Report from the Chairman of the Board of Directors on corporate governance, internal control and risk management procedures

This report from the Chairman of the Board of Directors, established in conformity with Article L.225-37 of the French Commercial Code, must be approved by the Board of Directors. It is attached to the Board of Directors' report and presented at the Annual Shareholders' Meeting.

The subject of this report is to report on the composition and functioning of the Board of Directors and its committees, any limitation in powers of general management, the application of a Corporate Governance Code prepared by the organizations representing the companies and the rules for determining compensation of corporate officers. It also takes into account the internal control and risk management procedures implemented by the Company, particularly those relating to preparation and processing of the accounting and financial information within the Company. This report is established in close collaboration with the Group Risk Department and the Group Financial Department, with the support of the Group Legal and Compliance Department.

This report was approved by the Board of Directors on February 9, 2016.

2.4.1 CORPORATE GOVERNANCE

2.4.1.1 Composition and operations of the Board of Directors

Composition (see paragraph 2.1.1.1)

At the date of this report, the Board of Directors is composed of eleven members:

- Mr Laurent Mignon, Chairman;
- Mr Jean Arondel;
- BPCE represented by Ms Marguerite Bérard-Andrieu;
- Mr Jean-Paul Dumortier;
- Mr Éric Hémar;
- Ms Linda Jackson;
- Ms Sharon MacBeath;
- Mr Pascal Marchetti;
- Ms Martine Odillard;
- Mr Laurent Roubin;
- Mr Olivier Zarrouati.

Of the 11 members of the Board of Directors, four are women, or approximately 36.36%.

In financial year 2015, the Company's Board of Directors co-opted Ms Linda Jackson and Ms Martine Odillard.

Ms Clara-Christina Streit resigned from her directorship on May 1, 2015.

Operations

The Board of Directors has Articles of Association, which may be consulted via the www.coface.com website.

Convening notice of the Board of Directors

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

Board meetings are convened by the Chairman. Furthermore, the 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 case the duties of the Chief Executive Officer (CEO) are not performed by the Chairman, the Chief Executive Officer (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 is completed by simple letter or e-mail, sent to the Board members within a reasonable period of time before the date of the meeting scheduled. It is issued by the Board Secretary.

In case of an urgency, as defined below ("Urgency"), the following accelerated procedure may be applied.

An Urgency 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 damage for 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 case of Urgency, the convening notice may be made using all appropriate methods, even verbally, and the time frames for the convening notice and for 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:

(i) first sent notice to the directors providing the basis for the Urgency per the definition above; and

(ii) sent all directors, with the convening notice for said Board, all elements needed for their analysis.

Holding of the Board of Directors' meetings

Meetings of the Board of Directors are presided over by the Chairman of the Board of Directors or, in his absence, by the eldest director, or by one of the Vice-Chairmen if necessary.

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, the directors participating in the Board meeting by video conference or telecommunication are deemed to be present for the purpose of calculating the quorum and majority, thereby satisfying the technical criteria set by the current legislative and regulatory provisions.

Each meeting of the Board of Directors must be of a sufficient duration to have a useful and in-depth debate on the agenda. Decisions are made by a majority of the votes of the directors who are present or represented. In the event of a tie, the vote of the Chairman of the Board of Directors shall prevail.

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 validly deliberate and/or move forward with just the members who are physically present, provided that the quorum conditions have been met.

Activity

The Board of Directors met five times in 2015.

The average participation rate was 80.77%.

Les principaux sujets examinés par le conseil d'administration en 2015 sont notamment les suivants :

Financial position, cash and commitment of Coface	■ Review of quarterly and half-yearly financial statements and closing of the (parent company and consolidated) annual financial statements ■ Review and approval of the 2016 budget ■ Recognition of the financing autonomy of Coface ■ Coface guarantee for Coface Finanz GmbH and Coface Factoring Poland bonds issued to banks in connection with the arrangement of bilateral financing lines. ■ Coface guarantee for Coface Factoring Poland bonds issued to Coface Finanz GmbH
Internal Control	■ Approval of the audit plan
Corporate governance	■ Implementation of CSR ■ Implementation of Solvency II ■ Self-assessment of the Board of Directors' work ■ Review of the independent member status of directors ■ Appointment of a second effective manager as required by the Solvency II regulation ■ Amendment of the internal regulations of the Board of Directors as required by the Solvency II regulation ■ Cooptation of two directors
Commercial activity	■ Presentation of the commercial activity in France and Germany
Compensation	■ Renewal of the directors' fees allotment principles ■ Compensation for the Chief Executive Officer (CEO) ■ Long-Term Incentive Plan ("LTIP2015")
Financial operations	■ Contingent capital line ■ Renewal of the liquidity agreement ■ Authorisation to sign certain regulated agreements ▪ Authorisation to issue two surety bonds for Natixis ▪ Authorisation to sign an agreement to arrange a backup line by Natixis, which has a 20% stake in the commercial paper programme ▪ Authorisation to sign a tax consolidation agreement ■ Review of the agreements authorised by the Board in previous years and which were still effective in 2015
Miscellaneous	■ Transfer of public procedures management ■ Information on the various regulatory reports of the Compagnie française d'assurance pour le commerce extérieur ■ Information on the disposal by Coface Italy of the "Construction all risks" segment ■ Creation of a tax consolidation group ■ Presentation of the Coface shareholding

Self-assessment of the Board's work

For the first time, COFACE SA conducted an assessment of the work of its Board of Directors and its specialised committees, in accordance with the recommendations of the AFEP-MEDEF Corporate Governance Code for listed companies.

The assessment was carried out through a questionnaire, accompanied by meetings on a number of specific points.

The assessment mainly concerned:

- organisation and composition of the Board;
- relevance of the agenda;
- directors' relations with general management;
- assessment of the procedures of specialised committees.

Overall, the Board's performance was considered to be very good or satisfactory by all directors. The positive opinions mainly concerned the organisation and composition of the Board, the quality of relations with the Board Chairman and general management, the operation of the Board (attendance of directors, quality of presentations, and quality of answers received to questions asked).

The main ideas for improvement adopted for 2016 were as follows:

- improving document transmission times;
- deeper analysis of information reported by geographic regions and/or by country in the light of economic developments;
- supply of more detailed information of the Company's medium-term strategy, the human resources policy, and the analysis of risks inherent to the Company's business.

With respect to the Audit Committee, more time will be devoted to aspects relating to risk management and internal control. Furthermore, to guarantee as best as possible the autonomy of Board discussions, the head of the Company will not sit on this committee.

Training of directors

Coface has set up a training programme for new directors joining the Company. This training is provided over a half-day, with the main objectives of presenting Coface, its products strategy, its organisation and its commercial objectives, the main components of its balance sheet as well as key business indicators.

To prepare for the entry into force of Solvency II on January 1, 2016, several presentations were made about the directive, together with a half-day in-depth training attended by Board members.

2.4.1.2 Composition and operations of the Board of Directors' specialised committees

The Board of Directors has established an Audit Committee and an Appointments and Compensation Committee.

(i) Composition and operations of the Audit Committee

On the date of this report, the Audit Committee was composed of Mr Éric Hémar (Chairman), Mr Pascal Marchetti, and Ms Martine Odillard since May 5, 2015 (to replace Ms Clara Christina Streit).

Two thirds of the members of the Audit Committee are independent members of the Board of Directors. The recommendation of the AFEP-MEDEF Code, according to which this committee must have a majority of independent members, has thus been respected.

Composition (Article 1 of the Audit Committee by-laws)

a. Members

The Audit Committee will be composed of three members having the necessary qualifications sufficient to exercise their functions effectively, in particular with competence in financial or accounting matters, appointed amongst the directors of the Company for the duration of their term as directors.

Two thirds of the Audit Committee will consist of independent members.

b. Chairmanship

The Chairman of the Audit Committee will be one of the members nominated by the Board of Directors amongst the independent members and for the duration of his/her term as a director.

The Chairman of the Audit Committee will exercise his/her functions in accordance with the rules of procedure of the Audit Committee.

The Chairman of the Audit Committee will set the dates, times and places of the meetings of the Audit Committee, establish the agenda and preside at its meetings. The convening notices for the meetings will be sent by the Audit Committee Secretary.

The Chairman of the Audit Committee will report to the Board of Directors on the opinions and recommendations expressed by the Audit Committee for the Board of Directors to consider.

The Chairman of the Audit Committee will ensure the monitoring of the preparation and due process of the work of the Audit Committee, between each of its meetings.

Duties (Article 3 of the Audit Committee by-laws)

The role of the Audit Committee is to ensure the monitoring of matters concerning the development and verification of accounting and financial information and to ensure the effectiveness of the monitoring of risks and internal operational control in order to facilitate the Board of Director's duties of control and verification.

In this connection, the Audit Committee will in particular exercise the following principal functions:

a. Monitoring of the preparation of financial information

The Audit Committee, must examine, prior to their presentation to the Board of Directors, the annual or half-year parent company and consolidated financial statements, to ensure the relevance and the consistency of the accounting methods used to prepare these financial statements. The Audit Committee will examine, where necessary, major transactions where a conflict of interest could exist.

The Audit Committee reviews in particular provisions and their adjustments and all situations that could create a significant risk for Coface, 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).

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, but in particular the audit adjustments and significant weaknesses in the 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.

b. Monitoring the effectiveness of the internal control systems, internal audit and risk management relating to financial and accounting information

The Audit Committee must ensure the relevance, reliability and implementation of the internal control procedures, identification, hedging and management of the Company's risks in relation to its activities and the accounting and financial information.

The Audit Committee should also examine the material risks and off-balance sheet commitments of the Company and its subsidiaries. The Audit Committee should in particular listen to the internal audit managers and regularly review business risk mapping. The Audit Committee should in addition give its opinion on the organization of the service and be informed of its working schedule. It should receive the internal audit reports or a summary of such reports.

The Audit Committee will oversee the existence, effectiveness, deployment and implementation of corrective action, in the case of material weaknesses or anomalies in the internal control and risk management systems.

c. Monitoring of the legal control of the individual and consolidated financial statements by the Company's Statutory Auditors

The Audit Committee should keep itself informed of, and monitor, the Company's Statutory Auditors (including with and 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 irregularities which they may have discovered, 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.

The Audit Committee should have regular discussions with the Statutory Auditors, including with and without the presence of the executives. The Audit Committee should in particular have such discussions with the Statutory Auditors during the Audit Committee meetings dealing with the review of the procedures for preparing financial information and the review of the financial statements in order to report of their performance and the conclusions of their work.

d. Monitoring the independence of the Statutory Auditors

The Audit Committee must oversee the selection and renewal of the Statutory Auditors, and must submit the result of this selection to the Board of Directors. Upon expiration of the term of the Statutory Auditors, the selection or the renewal of the Statutory Auditors may be preceded, upon proposal of the Audit Committee and decision of the Board of Directors, by a call for tenders supervised by the Audit Committee that will approve the specifications and choice of firms consulted, and ensure the selection of the "best bidder" and not the "lowest bidder".

To enable the Audit Committee to monitor the rules for independence of the Statutory Auditors and guarantee their objectivity, throughout the duration of their term, the Audit Committee should 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.

The Audit 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 networks, would not impair the independence of the Statutory Auditors.

The assignment of the Statutory Auditors should be exclusive of any other tasks not related to this mission in terms of the professional code of conduct of the Statutory Auditors and of professional auditing standards. The Statutory selected Auditors should refrain, on their behalf and on behalf of the network to which they belong, from any consulting activity (legal, tax, IT, etc.) provided directly or indirectly for the benefit of the Company. With regard to companies controlled by the Company or the controlling company, the Statutory Auditors should refer more specifically to the professional code of conduct for Statutory Auditors. However, upon prior approval from the Audit Committee, services that are accessory or directly complementary to auditing may be performed, such as acquisition or post-acquisition audits, but to the exclusion of valuation or advisory services.

The Audit Committee reports regularly on the exercise of their duties to the Board of Directors and informs it without delay of any difficulties encountered.

Operation (Article 2 of the Audit Committee by-laws)

a. Frequency of meetings and procedures for convening notice

The Audit Committee will be convened whenever necessary and at least four times a year. The Audit Committee will in particular meet prior to each Board meeting if the agenda consists of the examination of a matter related to their assignment and sufficiently in advance prior to any Board meeting for which it prepares the resolutions.

- Ordinary convening notice:

  The Audit Committee meets upon a written convening notice issued by its Secretary under the conditions provided for in 1 b) clause 3 of these Articles of Association, which is sent to each of the members. The Chairman of the Company's Board of Directors may, as necessary, refer a matter to the Chairman of the Audit Committee and ask him to meet with said committee to discuss a specific agenda.

- Extraordinary convening notice:

  Two members of the Audit 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 Committee does not grant this request within a period of 15 days, the two members may convene the Audit Committee and set the agenda thereof.

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

- Form and timing of the convening notice:

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

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

b. Attendance at Audit Committee meetings

If any member is prevented from attending an Audit Committee meeting, such member may participate by telephone or teleconference.

Only the members of the Audit Committee, as well as the secretary of the Audit Committee, have the right to attend the Audit Committee meetings.

At the Chairman's proposal, the Audit Committee may, if it is considered appropriate and after having informed the Chairman of the Board of Directors thereof, invite any executive of the Company (including an executive of any of the principal subsidiaries), as well as the Statutory Auditors of the Company to attend any of its meetings, capable of having a bearing upon the work of the Audit Committee.

c. Quorum and Majority rule

The Audit Committee may not validly express its opinions and recommendations unless at least half of its members (including the Chairman) are present.

No member of the Audit Committee may represent another member.

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

d. Secretariat and Minutes of meetings

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

The opinions and recommendations of the Audit Committee will be written in a report, one copy of which will be addressed to all members of the Audit Committee and another, if required, by the Chairman to the executives of the Company.

Activity of the Audit Committee

The Audit Committee met four times in 2015. The average attendance rate was 100%.

The main work completed:

- examination of the 2014 financial statements;
- examination and approval of the audit plan;
- examination of the consolidated financial statements of the first half of 2015;
- examination of the financial statements as of September 30, 2015;
- examination of the investment policy.

(ii) Composition and functioning of the Appointments and Compensation Committee

The principle of an Appointments and Compensation Committee was decided by the Board of Directors at its meeting of July 15, 2014. Since that date, and at the date of this report, the Appointments and Compensation Committee consists of Mr Olivier Zarrouati (Chairman), Ms Sharon MacBeath and Mr Laurent Mignon.

The Appointments and Compensation Committee is chaired by an independent director and two thirds of it consists of independent members of the Board of Directors. The recommendation of the AFEP-MEDEF Code, according to which this committee must have a majority of independent members, has thus been respected.

Composition (Article 1 of the Nominations and Compensation Committee by-laws)

a. Members

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

b. 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 his/her term of appointment 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 (i) 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 and (ii) ensure the continuity of the preparation and due process of the work of the Nominations and Compensation Committee, between each of its meetings.

Duties (Article 3 of the Nominations and Compensation Committee by-laws)

a. Duties of the Nominations and Compensation Committee

In all matters relating to the appointment of executives (and separate from any difficulty 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:

(i) 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 the compensation of the Chairman of the Company's Board of Directors, including benefits in kind, retirement plans and pension contributions, when these benefits are to be provided, as well as potential grants of stock options, if applicable;
- 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 pension contributions, as well as the potential grants of stock options;
- 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
- an annual review of the compensation policy of the main non-executive directors

(ii) Conditions for Appointment

The Nominations and Compensation Committee:

- makes proposals to the Board of Directors regarding the appointment of members of the Board of Directors and of the members of the General Management;
- establishes and maintains an up-to-date succession plan of members of the Board of Directors as well as of the principle executives of the Company and of the Group, in order to be able to rapidly propose succession solutions to the Board of Directors in case of an unforeseen vacancy.

In its specific function of appointing members of the Board of Directors, the Nominations and Compensation Committee shall take the following criteria into account: (i) the desired balance in the composition of the Board of Directors with regard to the composition and evolutions 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 for to renew terms; and (v) the integrity, competence, experience and independence of each candidate. The Nominations and Compensation Committee must 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 Appointments and Compensation Committee, which drafts a report on this subject for the Board. Each year, the Board of Directors will review, in the light of this report, prior to the publication of the annual report of directors, the situation of each of the directors with regard to the criteria of independence as defined by the rules of procedure of the Board of Directors.

b. Resources and Prerogatives of the Nominations and Compensation Committee

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

Operations (Article 2 of the Nominations and Compensation Committee by-laws)

a. Frequency of meetings and procedures for convening notice

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 related to their assignment and sufficiently in advance prior to any Board meeting for which it prepares the resolutions.

- Ordinary convening of meeting:

  The Nominations and Compensation Committee meets upon a written convening notice issued by its Secretary and sent to each of the members. The convening notice for the meetings will be sent 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 him to meet with said committee to discuss a specific agenda.

- Extraordinary convening of meeting:

  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 the agenda thereof.

- Form and timing of the convening of meeting:

  The convening notice of 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, within a sufficient period prior to the meeting.

  In the event of urgency, the Nominations and Compensation Committee may be convened at any time by its Chairman, acting within the context of 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 insofar as the urgency 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.

b. Attendance at meetings of the Appointments and Compensation Committee

Only members of the Appointments and Compensation Committee may as a matter of right attend said Committee's meetings. The Secretary of the Appointments and Compensation Committee also participates in these meetings.

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

c. Quorum and Majority rule

The Nominations and Compensation Committee cannot validly express its opinions and proposals unless 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 of adopting them.

d. 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 noted in a minute, a copy of which will be addressed to all the members of the Nominations and Compensation Committee and, if necessary, to the directors of the Company.

e. Activity

The committee met twice in 2015.

It examined and/or set:

- the compensation components for the Chief Executive Officer (CEO), in particular the achievement rate for financial and qualitative objectives set for 2014, and the components of his compensation for 2015;
- the components of a Long Term Incentive Plan established for the Chief Executive Officer and certain employees, and in particular the share vesting and retention periods, as well as the performance conditions underlying the vesting of shares;
- the processes implemented to identify potential talent and allow the preparation of succession plans for the Group's key functions.

2.4.1.3 Limitations to the powers of the general management

The Board of Directors has established specific procedures in its Articles of Association which are aimed at guiding the powers of the Company's general management.

Pursuant to the terms of Article 1.2 of the Board of Directors' Articles of Association, the following are subject to the prior authorisation from said Board, ruling by a simple majority of the members present or represented:

- extension of the activities of the Company to significant business 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.

2.4.1.4 Key functions

Solvency II requires the establishment of an effective system of governance that guarantees sound and prudent management of the business. The functions included in the system of governance are considered as key functions.

Key functions include risk management, verification of compliance, internal audit and actuarial functions. Persons in charge of these functions should be free of influences that may compromise their ability to carry out the tasks assigned to them in an objective, loyal and independent manner.

Each function is under the authority of the Chief Executive Officer or the effective manager and operates under the ultimate responsibility of the Board of Directors. They have direct access to the Board for reporting any major problem in their area of responsibility in accordance with the Board of Directors' rules of procedure.

The professional qualifications, knowledge and experience of persons with key functions should be adequate to enable sound and prudent management (fit), and they must be of good repute and integrity (proper).

The persons with key functions are:

- risk management function: the Group Risk Director;
- verification and compliance function: the Group compliance officer;
- internal audit function: the Group Director of Audit;
- actuarial function: the Head of the Group's Actuarial Department.

2.4.1.5 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 [1]").

Within the context of the rule to "apply or explain" provided for by Article L.225-37 of the Commercial Code, and by Article 25.1 of the AFEP-MEDEF Code, the Company believes that its practices conform to the recommendations of the AFEP-MEDEF Code. However, certain recommendations are not applied, for the reasons presented in the following table:

The Board of Directors' rules must specify that any significant operation not covered by the Company's announced strategy must receive the prior approval of the Board (Article 4 of the AFEP-MEDEF Code).	The principle of the recommendation is observed even if the Board's internal rules are slightly different, to the extent that they state that such operations shall be subject to the prior approval of the Board of Directors deciding by a simple majority of the members present or represented: ■ extension of the activities of the Company to significant business 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.
The Compensation Committee must not contain any managing corporate officer (Article 18.1).	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 Laurent Mignon does not collect directors' fees either as Chairman or as a member of the Compensation Committee.
The Board of Directors must periodically set a significant number of shares that must be retained by the Chairman of the Board and the Chief Executive Officer nominatively until the end of their duties (Article 23.2.1).	■ The Articles of Association fix the number of shares that must be held by any director ■ The LTIP plans fix the number of shares that must be held by the Chief Executive Officer until the end of his duties.
Each Board must consider the balance it wishes to achieve in its composition and that of its committees, notably with respect to gender, nationality and skills diversity, and implement measures to assure shareholders and the market that its work is accomplished with the necessary independence and objectivity. It publishes the objectives, procedures and results of its policy in such matters in the registration document (Article 6.3 of the AFEP-MEDEF Code).	The Board is aware of these issues and takes into account the need for a diversity of experience and skills when appointing new directors, as illustrated by the choices it made in 2015. It will address the specific issue of gender balance over the course of 2016. Information compliant with the principles of the AFEP MEDEF Code may therefore be inserted into the 2016 registration document.

The Company has ongoing access to copies of this code for the members of its corporate bodies.

2.4.1.6 Terms of participation at the Shareholders' Meeting

The conditions for shareholder participation at the Annual Shareholders' Meetings are governed by Article 23 of the Company's Articles of Association, and by the current regulations (see paragraph 7.1.5.5).

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

These factors are published in paragraph 7.4 "Elements likely to have an impact in the event of a public offering".

2.4.1.8 Rules for determining the compensation of corporate officers

The compensation policy for the Company's corporate officers was adapted to the standard practices of listed companies.

a. Members of the Board of Directors

The amount allocated to the Board of Directors is €350,000 for 2015.

The rules on distribution of directors' fees are as follows:

- for members of the Board of Directors:
  - fixed portion: €8,000 per year (*prorata temporis* of the term of mandate),
  - variable portion: €2,000 per meeting, capped at six meetings;
- for members of the Audit Committee:
  - Chairman
    - fixed portion: €17,000 per year (*prorata temporis* of the term of mandate),
    - variable portion: €2,000 per meeting, capped at six meetings,

(1) *This code may be consulted on the website www.medef.com.*

- Members of the Audit Committee
  - fixed portion: €5,000 per year (*prorata temporis* of the term of mandate),
  - variable portion: €1,000 per meeting, capped at six meetings;
- for members of the Appointments and Compensation Committee
  - Chairman
    - fixed portion: €8,000 per year (*prorata temporis* of the term of mandate),
    - variable portion: €2,000 per meeting, capped at five meetings,
  - Members of the Appointments and Compensation Committee
    - fixed portion: €3,000 per year (*prorata temporis* of the term of mandate),
    - variable portion: €1,000 per meeting, capped at five meetings.

2015 – MAXIMUM GROSS AMOUNT OF DIRECTORS' FEES			
ON AN ANNUAL BASIS OF 5 BOARD MEETINGS; 4 AUDIT COMMITTEES; 3 APPOINTMENTS AND COMPENSATION COMMITTEES	AMOUNT OF DIRECTORS' FEES	FIXED PORTION IN %	VARIABLE PORTION IN %
Member of the Board of Directors	€18,000	44.44	55.56
Member of the Board of Directors + Chairman of the Audit Committee	€43,000	58.14	41.86
Member of the Board of Directors + member of the Audit Committee	€27,000	48.15	51.85
Member of the Board of Directors + Chairman of the Appointments and Compensation Committee	€32,000	50	50
Member of the Board of Directors + member of the Appointments and Compensation Committee	€24,000	44	56

b. Chief Executive Officer (CEO)

At the start of each year, the Board of Directors, at the proposal of the Appointments and Compensation Committee, sets the various components of the Chief Executive Officer's (CEO) compensation. This includes a fixed and a variable portion, based on a certain number of objectives which are determined on an annual basis. Pursuant to the principles established in the Solvency II Directive, the variable compensation includes a deferred compensation component, according to the terms fixed by the Board of Directors.

2.4.2 INTERNAL CONTROL PROCEDURES

2.4.2.1 Internal 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 generally aim to ensure that:

- risks of any kind are identified, assessed and controlled;
- operations and behaviour 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 more specifically financial information and management, they aim to ensure that they accurately reflect the Group's position and business;
- these operations are conducted to ensure efficacy and the efficient use of resources.

The internal control system relies on the same functions as the risk management system; it allows the application of the rules and principles defined within the context of the risk management system to be verified (see paragraph 2.4.3.1 "Organization of risk oversight"). This system includes, at a minimum, administrative and accounting procedures, an internal control framework, appropriate provisions in terms of information at all levels of the business, and a compliance verification function.

2.4.2.2 Processing of accounting and financial information

Organisation and field of action

The organisational principles allow the responsibilities and accounting control system to be structured. The local *Chief Financial Officers* (CFO) are responsible for the following, in their scope:

- their local accounting system (compliance with local regulations and Group rules);
- financial risks, in particular compliance with the asset and liability matching principle, in an effort to limit the financial risks on their balance sheet.

The Group's Finance Department is responsible for:

- the quality of the Group's financial information, and in particular:
  - for writing and providing access to the Group's accounting standards,
  - producing the Group's regulatory and financial statements,
  - implementing the accounting control system,
  - complying with the French accounting standards and IFRS, and the French regulations;

- managing the financial and solvency risks at the Group level:
  - defining and tracking the investment policy,
  - defining and implementing the rules for controlling other financial risks,
  - controlling Group solvency, in particular relating to Solvency II,
  - managing equity interests: entity solvency, dividend policy, impairment testing, strategic projects;
- financial control: budget/reforecasting, medium-term planning, oversight and reporting of performance in relation to the budget, etc.;
- reinsurance: external and internal reinsurance, partner reinsurance;
- coordinating various flows between the shared platforms and local accounting, in particular in terms of tools and production process;
- Group taxation. centralisation of calculations of entities' taxes, control of calculations of deferred taxes.

For *la Compagnie,* the Group's Finance Department acts as a subcontractor for the following accounting duties:

- production of statutory financial and regulatory statements (in particular calculating the Solvency I margin) for *la Compagnie* (parent company);
- management of relations with the French tax authorities and dispute management at the Group and corporate level.

To that end, it has the responsibilities of CFO for the France entity for this scope.

The Group's Finance Department combines accounting, Group management control, taxation, investment and financing operations, and reinsurance.

The Group's Accounting and Taxation Department is in charge of producing and checking the accounting information for the entire Group:

- consolidated financial statements;
- individual financial statements of the parent company, COFACE SA and its subsidiary "Compagnie française du commerce extérieur";
- declarations and controls in the tax domain; and
- management of equity interests.

It guarantees the quality of the financial information. Its detailed tasks are broken down into:

- maintaining the Group's general and ancillary accounting:
  - recording operations, control and justification of operations,
  - closing the quarterly accounts,
  - producing consolidated financial statements (accounting treatment of interests, reciprocal operations, etc.);
- producing regulatory and presentation of accounts reports:
  - producing internal and external reports (financial analysts, shareholders),
  - producing periodic regulatory statements in compliance with scheduling constraints (declarations to the supervisory, tax and corporate administrations),
  - relations with the supervisory authorities and Statutory Auditors;
- preparing Group's rules, regulatory oversight and strategic projects:
  - defining rules and drafting Group accounting procedures,
  - writing and following up accounting procedures in conjunction with Natixis' Finance Department,
  - 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;
- accounting control system: monitoring of the correct application of the Group's standards and procedures;
- Group taxation.

The structure with the various entities of the Group relies on the Group's functional matrix principles, delegating certain responsibilities to entities of the various countries with regard to their scope. To that end, the consolidated entities are responsible for producing, according to their local standards:

- accounting information;
- tax information;
- regulatory information; and
- corporate information.

Accounting control system

The accounting control system assigns a portion of the responsibility for controls to the CFOs of each region. The Group's Accounting Department provides regions with a control and reporting tool which allows oversight of proper reconciliations between management applications and the accounting tool.

Each entity sends at each closing date the controls and reconciliations performed, which allow the quality and integrity of the consolidated data to be validated. A reporting Excel file, identifying the controls to be performed as well as the instructions on the details and supporting documentation requested is sent to them each quarter.

This file, along with the supporting documentation, is sent to the regional administrative and financial director (or to the person put in charge of collecting this data by the regional financial and administrative director), who oversees the proper completion of all of these comparisons. A summary of these controls must then be sent to the Group's Technical Accounting Department.

This process allows a complete audit trail to be obtained, and produces data quality that is standardised and reliable within the Group.

Common tool for general accounting, consolidation and management control

The monthly reporting on management control and data according to French GAAPS and IFRS are entered in a common tool since January 2014.

This tool is used to develop quarterly comparative statements between the data from management control reporting and data from the IFRS-compliant consolidated financial statements.

The process for preparing the consolidated financial statements provides for the following controls and analyses:

- changes in equity at Group level and for all consolidated entities;
- analytical review of the balance sheet and income statement for a comprehensive consistency check;
- analysis of the aggregates of the balance sheet and the earnings of the most material entities; specific checks on reinsurance earnings;
- specific checks on the breakdown of charges by destination.
- Review of commitments given and received subject to an inventory and periodic evaluation. Each entity takes and inventory and monitors its off-balance sheet commitments. This information forms part of the quarterly reporting process. Off-balance sheet commitments vis-à-vis Group companies are subject to reconciliation. Off-balance sheet commitments vis-à-vis companies outside the Group are analysed jointly by the Finance and Legal Departments. These analyses make it possible to ensure the completeness of the data and the consistency of variations.

The reinsurance operations accepted between the Group's entities are subject to a particular accounting process, which consists of verifying the exhaustiveness and conformity of the detailed accounts entered in the Reinsurance Department, from the source data until they are integrated into the accounting.

2.4.3 RISK MANAGEMENT

The Group draws your attention to the risks described in Chapter 5.

Within the framework of its activity, the risk undertaken by the Group translates the search for business opportunities and the will to develop the Company in an environment intrinsically submitted to possible unexpected events.

In order to address these risk factors, which are both endogenous and exogenous, the Group has established a risk control structure which aims to ensure the proper functioning of all of its internal processes, compliance with the laws and regulations in all of the countries where it is present, control of compliance by all operating entities with the Group rules enacted in view of managing the risks related to operations and optimising their effectiveness.

The internal and external contexts in which the Group operates being naturally changeable, the communication gives inevitably a vision of the risks at the closest date of the release. The Group took into account, within the framework of the display of this information, the legitimate interests of the Group with regard to the possible consequences of the disclosure of certain information, and in accordance with the correct information of the market and of the investors.

◆ 2.4.3.1 Organisation of risk oversight

Type of risks

The risks of the Group are distributed among four major categories: credit risks, financial risks, operational risks and other risks.

CREDIT RISKS

The so-called credit risks cover all of the risks related to the underwriting of insurance contracts, as well as the risks that are inherent to the factoring business, in other words, the risk incurred in the event of a counterparty's default.

FINANCIAL RISKS

Financial risks cover the risks related to the management of the balance sheet (in particular exchange rate, technical provisions, credit risks not related to factoring), the management of investments (in particular valuation, exposure, etc.), liquidity and concentration risks, but also reinsurance (default, treaties) and other risk mitigation techniques.

OPERATIONAL RISKS

The **operational risk** is a risk of losses due to an inadequacy or to a default that is attributable to procedures and people in all areas of business, to the internal systems or to outside events, including the risks of internal and external fraud. The operational risk includes the **legal risks** (excluding risks arising from strategic decisions and reputational risks), in other words the risk of any dispute with a counterparty as a result of any inaccuracy, deficiency or insufficiency that could be attributable to the Company as concerns its operations.

OTHER RISKS

The other risks include the risks of **non-compliance** as well as the **reputational risk** and **strategic risks.**

Governance

The Board of Directors examines and approves the annual report of the Chairman and ensures compliance with the rules relating to the Insurance Regulations and internal risk control procedures.

The Audit Committee ensures the quality of the management and risk control mechanisms implemented.

The Group's Risk Committee is presided over by the Chief Executive Officer (CEO); the members of the Group Management Committee, Strategic and Operational Control Body of the Group, the Director of Group Risks, and the Director of Group Legal Affairs and Compliance meet every quarter, as do, where applicable, the representatives of the

operational or functional departments concerned, who are likewise in attendance according to the matters at hand. The Group Risk Committee is responsible for:

- setting the risk policies;
- monitoring the Company's risk exposure;
- measuring the efficacy of the risk management mechanisms;
- validating and defining the audit and control plans;
- verifying the Company's capacity to confront crises (business continuity plan, solvency); and
- ensuring compliance of processes and organisation.

General risk control mechanism

The Group has implemented a risk control system according to the provisions of the French Insurance Code and of the European Commission's Solvency II delegated acts.

RISK MANAGEMENT SYSTEM AND INTERNAL CONTROL SYSTEM PLAYERS AND SCOPE OF RESPONSIBILITY

Group Risk Committee
Presided over by the Group's Managing Director, comprised of the General Management Committee, representatives of the key functions

Country Country

Western Europe | Northern Europe | Eastern Europe | Mediterranean & Africa | Latin America | North America | Asia

Audit: Group Audit Department

Risk Management System: Group Risk Department

Internal Controls: Group Legal and Compliance Department | Group Risk Department

Risk of non compliance | Operational Risk | Risk to reputation | Credit risks | Financial risks | Strategic risk

*Risk of non compliance** | *Operational risk** | *Risk to reputation** | *Underwriting risk** | *Credit Risk** | *Market risk** | *Concentration risk** | *Liquidity risk** | *Strategic risk*

Function to be covered / Geographic line / Type of risks

* Regulatory terms

The Group has implemented a general risk control mechanism which centres around the following organisation:

- level one operating controls handled by businesses, and based on operating procedures;
- level two controls managed by the Group's Risk Department and Legal and Compliance Department (*direction juridique et de la conformité Groupe* (the **"DJCG"**));
- periodic level three controls by the Group Audit Department.

It relies on various key functions:

- internal audit function;
- risk management function;
- actuarial function; and
- internal control and compliance function.

(i) Internal audit function

The internal audit function, under the responsibility of the Group's Audit Director, has the priority objectives of evaluating and reporting for each audited unit:

- 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 the risk assessment and control mechanisms;
- the reliability and integrity of accounting and management information;
- compliance with laws regulations and Group's rules;
- the effective implementation of recommendations coming from prior missions and regulators.

This control is performed through periodic missions which allow the Group's entire scope to be covered for a limited number of fiscal years. A report is then issued and recommendations made.

Under the Solvency II Directive, the internal audit function must assess the adequacy and effectiveness of the internal control system and the other elements of the governance system.

(ii) Risk management function

The risk management function consists of defining the risk policies and monitoring their application, assessing the pertinence and efficacy of the internal control system, tracking the business continuity plan, collecting the incidents and losses and updating the risk mapping.

This function is assumed by the Group Risk Director.

The Group Risk Department was created within the context of adapting the Group's risk management system to the new Solvency II Regulation. It is in charge of rolling out and coordinating Solvency II at the Group level in a project mode.

The Group Risk Department reports on its activity to the Group Risk Committee, which meets quarterly. This committee decides upon or ratifies action plans, monitors their implementation and may be convened upon to consider any issue relating to risk management.

The Group's Risk Management Department leads a network of seven correspondents for each region. The latter are in charge of leading a network of "control and compliance" correspondents in the countries within their geographic scope.

These correspondents are in charge of performing the centrally established level two controls at the local level, verifying compliance with Group rules and monitoring the progress of the action plans decided upon.

The organisational principles are reiterated in the risk function's charter, which defines the role and responsibilities, as well as the expertise required for performing these duties.

The Group Risk Director meets the fill and proper requirements set out in the Article 42 of Directive 2009/138/EC.

(iii) Actuarial function

The actuarial function is performed by the head of the Actuarial Department, and is attached to the Group Risk Department. Its mission is to advise the executive management or the supervisory body and to support its efforts to ensure the solvency and profitability of the Group over the long term and to ensure compliance with the requirements of Solvency II including on reserving.

The actuarial function is the contact of numerous Group departments (Finance, Information, Commercial or Debt Collection), entities of the Group on actuarial subjects, and informs the Board of Directors on the adequacy of the calculation of technical provisions.

The main tasks of the actuarial function are to:

- ensure the sufficiency of technical reserves to cover future claims, to establish and verify the correct implementation of the actuarial principles that the calculations of estimated reserves must follow;
- control the model and the parameters of the Group's pricing tool and usually get involved in the underwriting and pricing policies;
- review the reinsurance policy annually to ensure proper risk coverage by the reinsurance scheme of the Group and its relevance to the capital requirements. To fulfill its mission, the actuarial function has direct access to Board meetings.

The actuarial function is represented in the following committees: Group Risk Committee, DRA Committee, Reserving Committee, New Products Committee, Economical Anticipation Committee and Pricing Committee.

The head of the actuarial function meets the fit and proper requirements set out in in the Article 42 of Directive 2009/138/EC.

(iv) Internal control and compliance functions

The internal control and compliance functions consist of verifying compliance of the operations with the rules and of ensuring the control of operational activities.

The Group Risk Department is in charge of the internal control function, and the DJCG is in charge of the compliance function.

They perform their respective tasks through level two controls and reporting.

a. Internal control function

The organisation of the internal control function falls within the logic of the Group's matrix organisation, which is established along geographical and functional lines. The Group's Risk Department relies on seven regional correspondents, who are in charge of leading a network of correspondents in the countries.

In addition to the existing controls in levels one (business) and three (audit), level two control programs, applicable in all countries, were created.

The Group Risk Department has established a minimum Group control program. This annual program is communicated to (regional and local) correspondents, as well as to regional managers. These programs may be supplemented at the regional or country level according to local regulatory needs (additional mandatory controls), local priorities or other. The frequency of the controls varies according to their nature (from monthly to annually). These correspondents are in charge of performing the centrally established level two control programs at the local level, verifying compliance with Group rules and monitoring the progress of the action plans decided upon.

These controls are performed based on procedures which define who the controllers are, the frequency of the controls, the methodology (preparation of samples, documents used, terminology, control items), as well as the procedures for reporting detected anomalies and following up on the resulting action plans. Following the controls, action plans are established to remedy any dysfunctions identified. The corrective actions immediately decided upon locally are implemented in cooperation with the operational managers, under the responsibility of the country and regional managers.

Quarterly reporting allows the various levels (Group, region, country) to track achievement: results of control plans, progress of remediation plans. A summary of the results of the controls is communicated quarterly by each correspondent to the Group Risk Department, which reports to the Group Risk Committee.

b. Compliance function

The compliance function, in accordance with the principles established by the Solvency II Directive, is responsible for supervising the risks of non-compliance through the preparation of rules which apply in all of the Group's entities, training actions designed to promote proper comprehension and the correct implementation of these rules, as well as the establishment of a pertinent and effective system for controlling the risk of non-compliance.

The risk of non-compliance is defined as the risk of judicial, administrative or disciplinary sanction, a significant financial loss or impact on reputation, which arises out of a failure to comply with the specific provisions on banking and financial activities, particularly insurance activity, whether they are legislatives or regulatory in nature, or concern professional and ethical standards, or instructions from the executive body.

The risks of non-compliance are controlled by the DJCG, within which the compliance function is more specifically in charge of:

- rolling out Group rules on compliance at the various entities of the Group;
- establishing level two controls which allow the proper application of the local and group rules to be ensured;
- reporting to the Group Risk Committee on the results of the level two controls and on incidents of non-compliance that have been detected during these controls or outside of them.

To perform its commitment, the DJCG's work is passed along regionally by the regional compliance correspondents, and at the country level by the local compliance correspondents, according to the functional matrix established within the Group.

The DJCG regularly informs the Group's management bodies of the status of the risk of non-compliance; quarterly, within the context of the Group Risk Committee, and occasionally directly to the Group's general management in case of major incidents.

2.4.3.2 Credit risk management

In direct relation to the economic environment, the debtor credit risk, which is the risk of losses generated by the insurance policy portfolio, could significantly affect the evolution of the Group's activity and results.

Classically, there is a distinction between the frequency risk and peak risk:

- the frequency risk represents the risk of a sudden and significant increase in outstanding payments for a multitude of debtors;
- the 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.

The Group manages the credit risk through numerous procedures described below, which cover the validation of the terms of the policy relating to the products, pricing, following of 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 offer is consistent with the business strategy. It validates the introduction of new products into the portfolio and oversees the product offer in each region. It combines the marketing, sales, organisation, compliance, risk, and any other function according to the projects.
- *Validation of product developments:* any product development, whether in terms of the policy, pricing method, retail method, target (insured, country), must be conveyed to the Group's Marketing Department and to the DJCG.
- *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 eight 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

The frequency and peak risks are tracked locally and regionally, and are likewise centralised and analysed by the head office.

The frequency risk is covered by technical provisions which are established using a statistical loss experience, which simulates the loss ratios using the developments observed and current loss experience data. This risk is measured for each region and country by tracking the instantaneous loss ratio [(1)] and the monthly indicator which determines changes in domestic/export credit by DRA (Debtor Risk Assessment) (see paragraph 1.2 "Presentation of the Group's Activities") and business sectors, by acceptance rate in the DRA scale, or by product line (bond, Single Risk). Therefore, outstanding payments are analysed weekly by the Group Committee, and monthly by the Group Risk Underwriting. The loss ratios of the various underwriting regions are likewise tracked at the consolidated level of the underwriting.

Coverage of the peak risk is the primary purpose of the reinsurance of Coface Re (see paragraph "Sharing of intra-group and reinsurance risks" page 89). In addition to the weekly and monthly monitoring by each region and country, a mechanism is established at the Group level, which relies on:

- a centralisation of the provisions for claims exceeding a certain amount per debtor (currently, €0.5 million for all underwriting centres of the Group) 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 outstanding as a function of the DRA causes 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.

(1) The instantaneous loss ratio is a weekly indicator which allows the evolution of the loss ratio to be reconstituted. It is tracked for each region and each country, and is included in weekly reports within the Coface Group, notably allowing the risk underwriters to track the evolution of their portfolio and detect any worsening, in order to establish remedial actions at an early stage.

Diversification of the credit risk portfolio

The Group maintains a diversified credit risk portfolio, to minimize the risks that 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 to modify the contractual limits on outstanding amounts.

DEBTOR RISK EXPOSURE

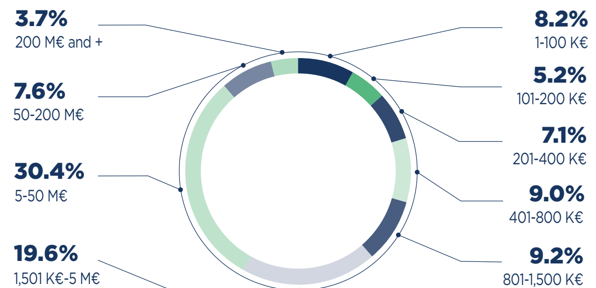
The Group insures the risk of payment defaults for nearly 2.44 million debtors worldwide. As of December 31, 2015, the average debtor risk was nearly €194.5 thousand. 81.7% of the debtors covered by credit insurance policies are located in OECD countries, primarily in Europe, notably in Germany, France, Italy and the United Kingdom, and 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.

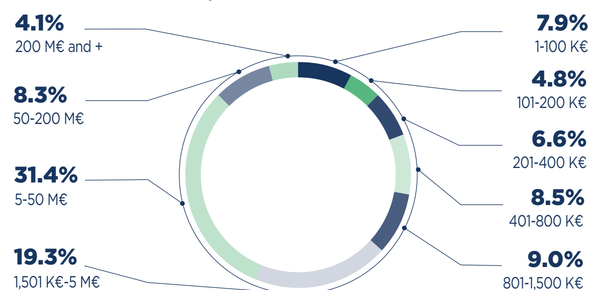
The total outstanding covered by the Group was €475.4 billion, decreasing by about €33 billion compared to December 31, 2014. It is explained by the anticipation of the degradation of the debtors' solvency in a number of emerging countries, as well as in certain business sectors (construction, metal industry…). Furthermore, some policyholders have revised downwards their coverage needs.

The charts below analyse the debtor distribution [(1)] as of December 31, 2013, 2014 and 2015 as a function of the outstanding amounts of cumulative credit risk [(2)] carried by the Group for them. The analysis of the number of debtors by segment of outstandings demonstrates a weak risk concentration profile.

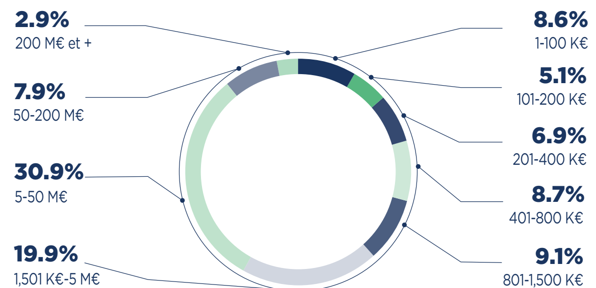
AS OF DECEMBER 31, 2015



AS OF DECEMBER 31, 2014



AS OF DECEMBER 31, 2013



(1) The debtors mentioned above are the clients of the Group's insureds.

(2) The outstandings presented below are gross of reinsurance (direct business and accepted business) and correspond to the maximum covered amounts authorised by the Group for its insureds. They do not correspond to the effective use thereof by the insureds.

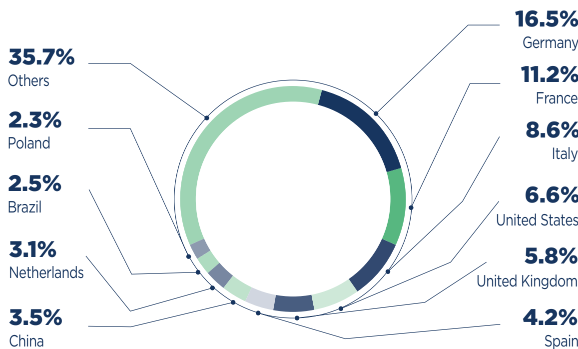
GEOGRAPHICAL DISTRIBUTION OF RISKS

The debtors covered by the Group's credit insurance policies are essentially located in Western Europe. As of December 31, 2013, 2014 and 2015, the 10 most important countries represented respectively 64.1%, 63% and 64.2% of the Group's total exposure, arising from its credit insurance activities:

AS OF DECEMBER 31, 2015 (2)

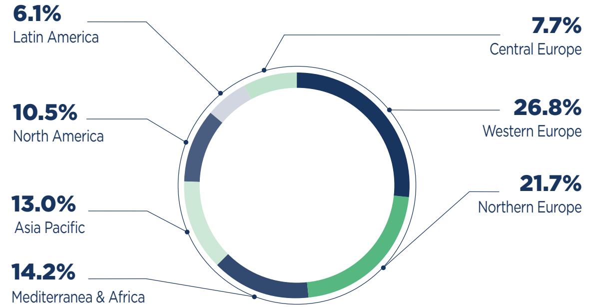
AS OF DECEMBER 31, 2014

AS OF DECEMBER 31, 2013

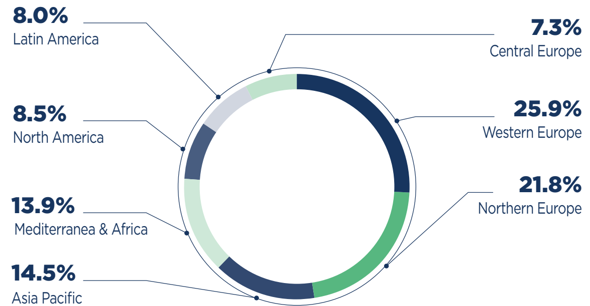


The charts (1) below shows the distribution as of December 31, 2013, 2014 and 2015 of the Group's debtor outstandings, grouped by geographical region:

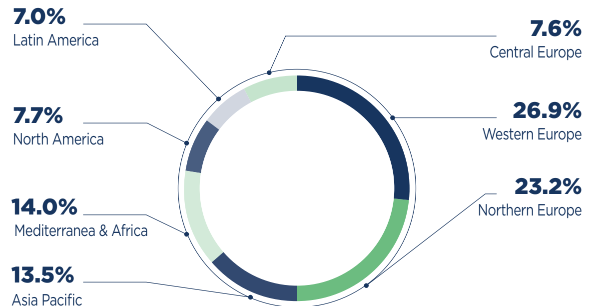
AS OF DECEMBER 31, 2015



AS OF DECEMBER 31, 2014



AS OF DECEMBER 31, 2013



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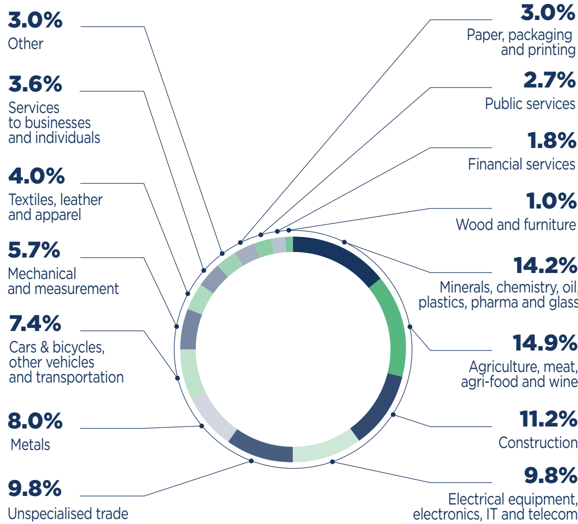
(1) The distribution has been modified with regard to the previous exercise: the Netherlands is attached with the Northern Europe region instead of Western Europe.

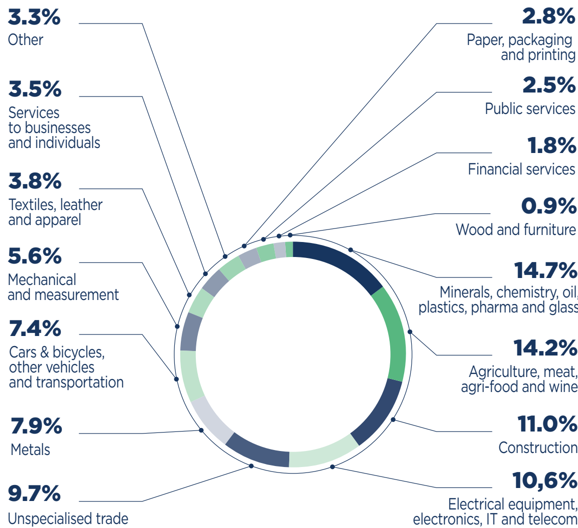
(2) Brazil (1.3%) and China (1.7%) no longer form part of the 10 countries in terms of exposure. The decline in the macroeconomic environment in these countries led the Group to apply a strict arbitrage policy, resulting in a significant reduction in exposure.

EXPOSURE BY SECTOR OF BUSINESS OF THE DEBTOR

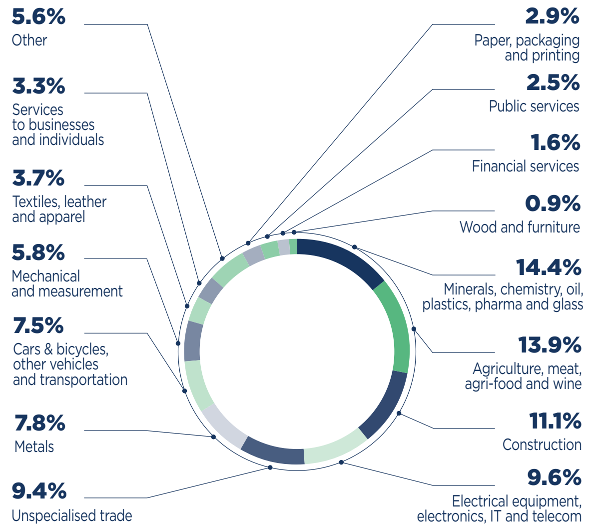
AS OF DECEMBER 31, 2015



AS OF DECEMBER 31, 2014



AS OF DECEMBER 31, 2013



Duration of risks

95% of the Group's outstandings consist of short-term risks. The maximum credit term mentioned in its policies rarely exceed 180 days.

Level two controls ensure that the Group's rules on credit risk are well-respected.

Common interests with insureds

The purpose of credit insurance is to prevent losses as much as possible, in the common interests of insureds and the insurer. The service offered to the insured, before any indemnification of the losses suffered, is claims prevention and assistance in developing a profitable clientele. 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 insured, the maximum amount of risks that the insurer is ready to accept for that debtor. The insurer likewise determines the maximum amount that it is ready to accept for a given debtor, for all of its insureds.

The credit risks are primarily underwritten based on global policies under which the insureds 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 insured's expertise, the Group may grant certain insureds 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 insureds which have similar characteristics and, on the other hand, the actual loss experience of the insured 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 are providing 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 INSURED

In general, 10% to 15% of the risk is the responsibility of the insured. 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 is covered, and it is not possible for the insured to choose the individual risks to be covered.

RECOVERY MANAGEMENT BY THE GROUP

The Group also asks the majority of its insureds to put it in charge of recovering outstanding payments. As soon as the insured declares an outstanding payment, the Group starts recovery actions in an effort to limit the loss and allow the insured, 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 attorneys.

A fine-tuned risk underwriting system: ATLAS (Advanced Technology for Limits Assessment System)

The underwriting decisions are made by groups of underwriters in various underwriting centres, who work in real time and in network thanks to ATLAS, an IT tool for underwriting and managing risks for all entities of the Group, which contains information on more than 80 million companies established worldwide.

These risk underwriting decisions address the risk 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 the global risk underwriting activity within the context of the objectives set.

The accepted 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 the prior approval in ATLAS for each type of risk ceded.

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 the close of the year are included in specific provisions.

The claims provisions recorded at a given moment are comprised of:

- provisions for claims declared, which rely on a file-by-file analysis, which is performed according to the characteristics of the policy and claim considered. These provisions are assessed on the amount of claims declared, which has been noted in an application for indemnification;
- so-called **"IBNR"** (Incurred But Not Reported) provisions, which simultaneously cover the estimated hazards for provisions of declared and undeclared claims (in other words, claims that have occurred but have which have not been declared at the closing date); and
- forecasts of recoveries to take place on completed indemnifications.

The technical provisions for credit insurance are not discounted.

The estimated IBNR provisions are based on an estimate of a most recent loss experience through periodic actuarial analyses which are performed by the entities and controlled by the Actuarial Division of the Group Risk Department.

The Group's actuarial service also has the role of ensuring that the overall level of provisions of the Group is sufficient to cover future indemnifications, to establish and verify the correct implementation of actuarial principles, for which the calculations on estimated reserve must respect.

To date, the actuarial methods used by the Group and its entities are methods based on claims triangles (actuarial methods Chain Ladder and Bornhuetter-Fergusson). These methods are completed by an estimation of the variability of the technical reserves at one year by the method Merz and Wuthrich which aims to determine a reasonable estimate range in which the Group Risk Department recommends choosing an ultimate loss ratio.

Based on this range calculated by the actuaries, their recommendations and other actuarial or non-actuarial analyses, management decides, through a committee (Loss Reserving Committee) on the level of reserves to be withheld for each quarter's closing. This committee is formed for each entity, 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 reserves level (in particular in case of an important claim). The estimates are likewise refined based on economic information, risk underwriting information, and information on the recovery of receivables, evaluated during a quarterly Committee meeting on "economic expectations".

LOSS RATIO

The Group measures the loss experience, notably as a function of the loss ratio (total of claims charges compared to the total gross premiums earned). This ratio, which was determined using figures from the consolidated financial statements, totaled 51% in 2015.

The table below shows the evolution of the average loss ratio recorded for a given year between 2010 and 2015:

YEAR	2010	2011	2012	2013	2014	2015
Loss Ratio	53.6%	51.7%	51.5%	51.1%	47.6%	51.0%

The loss ratios were directly impacted by defaults of companies which were related to the consequences of the economic and financial crisis of 2008-2010. In an economic environment which was still difficult, the Group strengthened its policy on anticipating and preventing risks. Thanks to its capacity to reduce or cancel its credit insurance coverage at any time, the Group conducts its risk management policy by implementing certain necessary corrective measures aimed at reducing its exposure in certain countries in response to the worsening of the economic situation observed in the previous years.

As of December 31, 2015, the variation of +/- one percentage point [(1)] of the gross accounting loss ratio would have had an impact of +/-€12 million on the claims expenses, +/-€9 million on the claims expenses net of reinsurance, of +/-€6 million on the 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 as compared to the loss ratio recorded in previous years.

CLAIMS EXPENSES RECORDED AT THE GROUP LEVEL (NOTE 26, CHAPTER 4)

In the table below, the gross operations represent the claims expenses recorded in the Group's financial statements for direct business and inward. The cessions and retrocessions represent the portion ceded for external reinsurance.

	AS OF DECEMBER 31,								
	2015			2014			2013		
(in millions of euros)	GROSS	OUTWARD REINSURANCE AND RETROCESSIONS	NET	GROSS	OUTWARD REINSURANCE AND RETROCESSIONS	NET	GROSS	OUTWARD REINSURANCE AND RETROCESSIONS	NET
Claims expenses - current year	-815	165	-650	-787	164	-623	-812	203	-609
Claim expenses - prior years	210	-44	166	248	-61	188	236	-62	175
CLAIM EXPENSES	**-605**	**121**	**-484**	**-539**	**104**	**-435**	**-576**	**142**	**-435**

STATUS OF TECHNICAL PROVISIONS ESTABLISHED AT THE GROUP LEVEL (NOTE 20, CHAPTER 4)

In the table below, the provisions for unearned premiums correspond to the portion of written premiums relating to the period between the year-end and the next premium payment date. They are calculated *prorata temporis* for each insurance contract. The provisions for no claims bonus correspond to an estimate of the cost of the no claims bonus not paid at the closing date. The no claims bonus is a contractual stipulation which consists of refunding a portion of the benefit, which the savings on the contract could generate, to the insured at the end of a defined period.

	AS OF DECEMBER 31,		
(in millions of euros)	2015	2014	2013
Provisions for unearned premiums	286	286	267
Claims provisions	1,122	1,092	1,121
Provisions for no claims bonus	107	94	63
Liabilities relating to insurance contracts	**1,515**	**1,472**	**1,45**
Provisions for unearned premiums	-58	-57	-42
Claims provisions	-247	-249	-289
Provisions for no claims bonus	-23	-23	-16
Reinsurers' share of technical insurance liabilities	**-328**	**-329**	**-347**
NET TECHNICAL PROVISIONS	**1,187**	**1,143**	**1,103**

(1) *In other words the variation of n% to (n+1)%.*

ROLL-OUT OF CLAIMS PROVISIONS

The roll-out of claims provisions indicates the evolution of claims provisions for the last decade.

The following triangle presents the development of the ultimate loss ratios, detail, for a given line N, the vision for each of the subsequent year-ends (N+1, N+2, etc.).

The estimated final loss ratio varies as a function of 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 recorded at the source.

TRIANGLE OF DEVELOPMENT OF ULTIMATE LOSS RATIOS (GROSS OF REINSURANCE AND EXCLUDING CLAIMS MANAGEMENT EXPENSES)

OCCURRENCE YEAR/ DEVELOPMENT YEAR *(in %)*	1	2	3	4	5	6	7	8	9
2006	57.9	48.1	49.1	47.5	46.2	47.1	46.3	45.9	46.4
2007	61.5	60.7	66.2	66.4	66.4	63.3	63.8	63.2	63.4
2008	93.5	112.9	113.9	112	107.4	104.9	103.8	103.9	
2009	76.6	65.3	59.6	61.1	57.2	55.8	55.2		
2010	57.7	43.9	37.5	35.2	34.6	34.5			
2011	73.6	61.1	54.9	54.3	53.2				
2012	77.2	67.5	60.9	58.7					
2013	72.8	56.9	51.1						
2014	72.7	61.8							
2015	70.2								

The model on estimated claims provisions used by the Group is based on a history of data which notably includes 2008, which is characterised by a 10-point insufficiency of provisions (between 93% estimated in 2008, compared to 103.9% revaluated in 2015). Consequently, this provision model has historically led the Group to estimate, out of prudence, higher loss ratios that the loss ratios actually recorded. Given the Group's proper control of loss experience, it has systematically recorded profits since 2009 (excess of claims provisions compared to the loss ratio actually recorded).

The table below illustrates the evolution of these profits over the 2012-2015 period:

PERIOD	LATEST LOSS RATIO GROSS OF REINSURANCE AND EXCLUDING CLAIMS MANAGEMENT EXPENSES OF EACH YEAR FOLLOWING THE FIRST YEAR OF DEVELOPMENT	ACCOUNTING LOSS RATIO GROSS OF REINSURANCE AND EXCLUDING CLAIMS MANAGEMENT EXPENSES	PROFIT *(in %)*
2012	77.4	49.2	-28.2
2013	72.6	48.4	-24.1
2014	72.5	45.3	-27.2
2015	70.2	48.8	-21.4

The following second table, entitled "Triangle on development of cumulative claims paid, net of recourse (gross of reinsurance)", details, for each year of occurrence, the cumulative amount of payments relating to years of occurrence N and prior which have occurred since N, December 31. The process of declaring claims, indemnifying them and any recourse is extended over several years, which requires tracking the claims per attaching year insurance period.

TRIANGLE ON DEVELOPMENT OF CUMULATIVE CLAIMS PAID, NET OF RECOURSE (GROSS OF REINSURANCE)

OCCURRENCE YEAR/ DEVELOPMENT YEAR *(in millions euros)*	1	2	3	4	5	6	7	8	9	10
2006	69	312	372	394	396	399	400	406	407	407
2007	74	378	510	546	556	578	585	588	589	
2008	120	793	967	1,007	1,028	1,029	1,033	1,037		
2009	160	447	510	527	532	538	538			
2010	56	270	342	355	362	366				
2011	67	458	566	597	626					
2012	118	447	564	577						
2013	83	400	492							
2014	73	417								
2015	62									

Sharing of intra-group and reinsurance risks

In order to optimise its coverage against an abnormal deviation of the loss experience, the Group centralises the purchase of its reinsurance according to a sophisticated risk sharing mechanism.

The managing company, which centralises this purchase function, negotiates on behalf of the Group's insurance entities a coverage against the frequency and peak risks that would best suit, their operational needs. Compagnie française d'assurance pour le commerce extérieur had this role until the end of 2014, and was then replaced by Coface Re as of January 2015.

This company, located in Lausanne, Switzerland, was formed in late September 2014. In late December 2014, it obtained a license from the Swiss regulator to conduct business as a reinsurer, subject to compliance with various conditions indicated by the regulator.

The purpose of establishing Coface Re SA was to isolate the Group's flows of reinsurance within a dedicated entity, to pursue the streamlining of the coverage schemes of the Group's entities and partners, and to increase the range of services available to its international clients.

The external reinsurance programs for the 2014, 2015 and 2016 underwriting years are comprised as follows:

- a quota-share treaty for which the cession rate was 20%; and
- two excess loss treaties, one by risk, and the other by country (solely on Single Risk), protecting the Group's retained risks following cessions made under the quota-share treaty in such a way that an unitary loss would not impact after income tax more than 3% of the Group's own funds.

In addition, the 2016 reinsurance program includes also a stop loss treaty that is covering the Group retention, after quota-share and excess of loss treaties, against a serious deviation of the frequency risk.

The 2016 reinsurance treaty of the Group was entered into with a pool of 21 reinsurance companies. All of the reinsurance companies presented in the 2016 panel are rated between A- and AA by one of the main international rating agencies.

The Group continues to require systematic collateral securities from its reinsurers (cash, securities, letters of credit) on all proportional treaties, including "IBNRs". This objective was met 100% as of December 31, 2015 for all counterparties of its master treaty. The collateral requirements concern excess losses, on a case-by-case basis, according to the Group's assessment, and are updated every year. For the 2016 reinsurance treaty, the top three reinsurers of the Group represent a quota share of 41% of the reinsured risks.

The Group has never had to face a claim which surpassed an excess loss reinsurance treaty since these treaties were established in 1990.

In 2015, as concerns entities of the Group and members of the Coface Partner network, Coface Re is a reinsurer, and transmits the externally purchased coverage through the programs described below. It also ensures that the conditions offered to the concerned entities are providing them the incentive to control their loss experience as best as they possibly can.

- Global coverage of entities through the establishment of:
  - proportional protection on gross underwriting, which takes the form of a quota share treaty and aims to absorb frequency claims;
  - protection of retained risks of the Group's entities against peak claims, in the form of excess loss which is fully incorporated with the Group's non-proportional programs.
- Specific coverage of certain entities:
  - In order to meet the ad-hoc regulatory needs of certain subsidiaries and branches of the Group, *la Compagnie*, likewise underwrites "stop-loss" treaties by accounting year. This coverage aims to protect these entities against what is considered abnormal rises in their claims expenses by transferring any additional loss experience above the threshold set in the treaty to the reinsurer.
- Accepted reinsurance of the Coface Partner network:
  - There are acceptance schemes only in the countries where the Group conducts its business through fronters, in other words in countries where it has

no license to perform its credit insurance activities. Within this framework, the rules on underwriting and risk management are the same as those applied for policies underwritten directly, and the provisions are established according to the same methods as the policies that are underwritten directly.

2.4.3.3 Internal investment management control mechanism

Since May 2013, Coface has centralised management of its investments, and delegates a large portion of the management to various delegates under the aegis of a sole investment provider, the Amundi management company. Coface RE, entity created in January, 2015, captive of reinsurance of the Group, has also delegated the management of its investments to various agents being under the aegis of the management company Amundi.

An administrative management platform thus combines all investments from the Group's various insurance entities with the following services:

- advice on strategic and tactical allocation of assets;
- reporting (economic, risks, regulatory (Solvency II) and accounting); and
- back-office and middle-office functions.

This platform allows the Group's global portfolio to be managed according to a targeted distribution of various asset classes, determined by integrating (i) the constraints on risk and liquidity, (ii) the regulatory and insurance-specific constraints, (iii) the cost in capital and adequacy of investments, in terms of risk and duration, with the Group's liabilities.

This organisation allows the Group to access, to diversify asset classes and management techniques, with the objective of seeking, for its investment portfolio, stable long-term performance, while maintaining strong quality and liquidity of the underlying assets. It also ensures best monitoring of financial risks, reduces the operational risks and enables more responsive and refined management of the Group's financial income within a controlled general risk framework, and in compliance with the current and future regulatory requirements.

In terms of governance and control of the investment policy, the structure is as follows:

- the Board of Directors ensures compliance with the rules relating to Insurance Regulation: representation of regulated commitments, matching and diversification of assets, solvency;
- the Group Management Committee defines Group's strategic allocation at least once a year, based on elements presented by the asset manager at a Strategic Investment Committee. The general investment policy which defines all of the rules relating to the Group's investments and specific limits is likewise validated on this occasion;
- the Strategic Investment Committee reviews the strategic allocation of the Group twice a year, which is proposed by the asset manager in concert with the Investment, Financing and Cash Management Department of the Group. This body thus defines and reviews the recommended general guidelines in terms of investment policy and exposure to different asset classes, which are driven by: the market, the evolution of the Group's collections and liabilities, the optimisation of returns and the evolution of the enforceable regulatory constraints.

In addition to these three bodies, which govern the general organisation of the Group's investment policy, other specialised committees allow for monitoring the management of investments and their results on an ongoing basis:

- the monthly Investment Committee addresses the evolution of the financial markets and reviews the Group's investments in detail. Macroeconomic scenarios and underlying risks are presented by the asset manager, along with an analysis of the investment strategies and any tactical recommendations;
- the semi-annual Risk Committee has the purpose of monitoring the hedging and control of risks, relating to asset management services. It thus covers the investment risks (market risk, spread risk (including the counterparties and derivatives), liquidity risk) and operational risks. These risks are in particular considered in terms of the meaning ascribed to them by the Solvency II Directive.

2.4.3.4 Financial risk management

The Group has established an investment policy which considers 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 implemented must allow for addressing the Group's commitments to its insureds, all while optimising investments and performance in a defined risk framework.

The Group's investment policy, which is reviewed twice a year, notably covers the strategic allocation of assets, asset classes and products eligible for investment, the target portfolio maturity, management of potential hedging and the income control policy of the Group. The allocation that is defined each year relies on an analysis of the liabilities, simulations and stress on performance/risk behaviours of various asset classes of the portfolio, and on compliance with the defined parameters linked to the Group's business and commitments: target sensitivity, consumption of equity, maximum loss as a function of the behaviour of financial markets, quality and liquidity of the investment portfolio.

The control of financial risks thus relies on a rigorous mechanism of standards and controls which is constantly reviewed.

Management of risks related to asset allocation

INVESTMENT ASSETS

As an insurance company, the Group's investment maintains an allocation that is heavily weighted towards fixed-income instruments, which provide it with recurring and stable revenues.

INVESTMENT PORTFOLIO (FAIR VALUE) [1]	AS OF DECEMBER 31,					
	2015		2014		2013	
	in €m	%	in €m	%	in €m	%
Shares	219	8.7	189	7.4	100	4.7
Bonds	1,685	66.7	1,788	69.9	1,343	63.8
Loans, deposits and other financial investments	512	20.3	550	21.5	662	31.4
Real estate investment	112	4.4	31	1.2	1	0.1
TOTAL	**2,527**	**100**	**2,558**	**100**	**2,106**	**100**

(1) Excluding unconsolidated subsidiaries.

As of December 31, 2015, bonds represented 66.7% of the total investment portfolio.

Within the framework of the defined strategic allocation, the Group increased its exposure to the sovereign debt of leading issuers of the financial markets, as well as to the assets class of European stocks and to European unlisted real estate investment.

DISTRIBUTION BY TYPE OF DEBT IN THE BOND PORTFOLIO (FAIR VALUE)	AS OF DECEMBER 31,					
	2015		2014		2013	
	in €m	%	in €m	%	in €m	%
Sovereign and assimilated	815	48.4	763	42.7	420	31.3
Non-sovereign	870	51.6	1,025	57.3	923	68.7
TOTAL	**1,685**	**100**	**1,788**	**100**	**1,343**	**100**

These investments are all made within a strictly defined risk framework; the quality of the issuers, the sensitivity of issues, the dispersal of issuer positions and geographical zones are subject to precise rules that have been defined in the various management mandates granted to the Group's asset dedicated asset managers.

Specific limits applying to the entire investment portfolio are moreover defined in terms of portfolio pricing, and limits by counterparty and country. Regular monitoring is likewise conducted in terms of credit portfolio liquidity, the evolution of the spreads and the Group's cumulative exposure to the main asset/liability exposures. Hedging is then ultimately completed, where applicable: it is systematic based on the exchange rate risk, and discretionary, as concerns the yield and spread risk.

As of December 31, 2013, 2014 and 2015, the main characteristics of the bond portfolio were as follows:

DISTRIBUTION BY GEOGRAPHIC ZONE OF THE BOND PORTFOLIO (FAIR VALUE)	AS OF DECEMBER 31,					
	2015		2014		2013	
	in €m	%	in €m	%	in €m	%
Asia	154	9.1	73	4.1	37	2.7
Emerging countries [1]	159	9.4	135	7.5	60	4.5
Eurozone	788	46.8	1,036	58.0	894	66.5
Europe outside the eurozone [2]	136	8.1	151	8.4	112	8.4
North America	448	26.6	393	22	240	17.9
TOTAL	**1,685**	**100**	**1,788**	**100**	**1,343**	**100**

(1) Country in which the Group is present, primarily Brazil, Mexico.
(2) Primarily the United Kingdom, Switzerland, Sweden and Norway.

The investment portfolio is primarily exposed to areas in developed countries, of the Euro area and North America. The risk related to sovereign issuers of the euro area was significant in 2013, and began decreasing in 2014 thanks to the various actions of the European Central Bank. The continuous improvement of the economic situations of Spain, Ireland and Italy allowed us to improve our investments in the sovereign securities of these countries in 2014 and 2015. Conversely, exposures to the sovereign debt of Portugal and Greece are still null. In 2015, the Group has increased the international diversification of its bond portfolio in order to benefit from higher rates of return and in the aim to follow interest rates rise.

The bond portfolio remains essentially invested in companies and countries that have been rated as investment grade [1].

(1) According to the Standard & Poor's rating agency scale, all bonds rated at least BBB- are considered investment grade, and bonds with a rating of less than or equal to BB+ are considered to be high yield.

DISTRIBUTION BY RATING (1) OF THE BONDS IN THE BOND PORTFOLIO (FAIR VALUE)	AS OF DECEMBER 31,					
	2015		2014		2013	
	in €m	%	in €m	%	in €m	%
AAA	329	19.5	227	12.7	109	8.1
AA – A	540	32.1	636	35.6	722	53.7
BBB	558	33.1	576	32.2	330	24.6
BB – B	256	15.2	347	19.4	181	13.5
CCC and less	2	0.1	2	0.1	0	0.0
TOTAL	**1,685**	**100**	**1,788**	**100**	**1,343**	**100**

(1) Average rating between Fitch, Moody's and Standard & Poor's.

Incidentally, the investments in company bonds represent 51.6% of the bond portfolio and are more than 74% concentrated on quality investment grade companies [1]. These investments were made within the context of a strictly defined risk policy, and a particular care was placed on the quality of the issuers, the sensitivity of the issues, the dispersal of the issuers' positions and the geographical zones in the various management mandates granted to the Group's dedicated managers.

The rate risk carried by the Group on its financial portfolio is limited, the maximum authorised sensitivity for the bond asset class being deliberately capped at 4 [2]. The sensitivity of the bond portfolio was 3.2 as of December 31, 2015.

The semi-annual Risk Committee lastly systematically reviews the spread and liquidity risks of the portfolio.

HEDGING POLICY

The Group's Investment Department, in charge of controlling investments and managing the investment portfolio, can authorise the use of hedging on the risk of a rise in rates, through liquid financial forward instruments (swaps, futures, options) on a regulated market, or by negotiation with counterparties rated A- or higher.

These operations are exclusively performed for hedging purposes, and in strict application of the regulations applicable to insurance companies. The nominal amount of the hedge is thus strictly limited to the amount of underlying assets held in the portfolio (shares or rate products) in order to cover assets actually held in the portfolio.

As of December 31, 2015, only Compagnie française d'assurance pour le commerce extérieur and Coface Re held long-term maturity put options, and out of the money for the shares listed on the eurozone market. This hedging strategy is established on the exposure of shares of the investment portfolio; its level and control are defined and reviewed according to the market circumstances and the control of the levels of unrealised gains and losses during the monthly Investment Committee between the Group and the Amundi investment platform manager.

Foreign exchange risk

As of December 31, 2015, 37.1% of the Group's consolidated revenue was earned outside of the euro area, and thus subject to exchange rate risk.

The subsidiaries or branches whose financial statements have been prepared in euros, and that underwrite in other currencies must respect the same matching principle (matching between assets and liabilities denominated in a currency other than the one used as reference for issuing accounting statements). As an exception, positions opened in other currencies may be hedged. No investment in foreign currencies has been made by the Group for speculative purposes.

The great majority of the Group's investment instruments are denominated in euros. Exposure to the exchange rate risk is limited for investment portfolios: as of December 31, 2015, 69% of investments were thus denominated in euros.

DISTRIBUTION BY CURRENCY OF THE BOND PORTFOLIO	AS OF DECEMBER 31,					
	2015		2014		2013	
	in €m	%	in €m	%	in €m	%
EUR	1,743	69.0	1,791	70.0	1,580	75.0
USD	514	20.3	504	19.7	294	14.0
Other (1)	270	10.7	263	10.3	232	11.0
TOTAL	**2,527**	**100**	**2,558**	**100**	**2,106**	**100**

(1) Primarily the Singapore dollar, the pound sterling, the Brazilian real and the Canadian dollar.

(1) According to the Standard & Poor's rating agency scale, all bonds rated at least BBB- are considered investment grade, and bonds with a rating of less than or equal to BB+ are considered to be high yield.

(2) The sensitivity of a bond measures its loss in value in the event that interest rates rise. Thus, a bond with a sensitivity of 3 will have its market value decrease by 3% if the interest rates increase by 1%.

Furthermore, as concerns the majority of the portfolio which includes the European entities of the Group, the exchange rate risk is systematically covered for investments in foreign currency which departs from the matching principle. Therefore, as of December 31, 2015, investments in bonds denominated in US dollars, pound sterling, Canadian dollars or Australian dollars in this portfolio were the subject of systematic hedges against the euro by the managers in charge of the portfolios concerned.

SENSITIVITY TO EXCHANGE RATE RISKS OF NET INCOME OF ENTITIES DENOMINATED IN FOREIGN CURRENCIES

	AVERAGE EXCHANGE RATE (DECEMBER 2015)	NET INCOME FOR THE YEAR, ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT IN EUROS (DECEMBER 2015)	NET INCOME FOR THE YEAR, ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT, IN LOCAL CURRENCY AS OF DECEMBER 31, 2015	ASSUMPTION -10% VARIATION OF THE EXCHANGE RATE	NET INCOME FOR THE YEAR, ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT IN EUROS, AFTER CHANGE IN EXCHANGE RATE	RATE VARIANCE BETWEEN ACTUAL EXCHANGE RATE, VARYING +10%
Brazilian real	0.2707	-3,371	-12,455	0.2977	-3,708	-337
Canadian dollar	0.7051	-2,936	-4,164	0.7756	-3,230	-294
Swiss franc	0.9365	-1,556	-1,662	1.0301	-1,712	-156
Pound sterling	1.3771	8,703	6,320	1.5148	9,574	870
Hong Kong dollar	0.1162	-40,669	-349,864	0.1279	-44,736	-4,067
Mexican peso	0.0568	-7,237	-127,360	0.0625	-7,961	-724
Romanian leu	0.2250	1,667	7,410	0.2475	1,834	167
Russian rouble	0.0147	-4,100	-278,839	0.0162	-4,510	-410
Singapore dollar	0.6556	-2,180	-3,325	0.7212	-2,398	-218
US dollar	0.9012	4,753	5,274	0.9913	5,228	475
Polish zloty	0.2391	17,591	73,582	0.2630	19,350	1,759
Other		2,869			3,156	287
Euro		152,706			152,706	
TOTAL		**126,239**			**123,593**	**-2,647**

Equity risk

The stock markets are marked by volatility which causes a significant risk for an insurer, which is moreover subject to specific rules in terms of provisioning (provision for long lasting impairment) and consumption of own funds (Solvency II Directive).

To that end, the Group has reviewed its equity exposure in 2015 through its work reviewing its strategic allocation. Its potential equity exposure is thus strictly limited to less than 10% of its portfolio and concentrated in the euro area, in line with its core business. The Group has no specific concentration of its equity risk in one or more specific economic sectors. Management is benchmarked according to the MSCI EMU [(1)] reference index. These investments are moreover the subject of discretionary coverage established to mitigate any extreme shocks. The hedging strategy is dynamic: its level, scope and size are defined by the Investment Department in line with the asset manager that is in charge of the asset management platform.

As of December 31, 2015, stocks represent 8.7% of the investment portfolio, 8.2% of which are stocks listed on a market in the euro area. These investments were the subject of a hedge on 40% of the portfolio that was invested through the purchase of put options on the Eurostoxx index maturing in December 2016, and an exercise price of approximately 20% out of the money. These hedges may be adjusted according to investments and the amount of the unrealised losses or gains on the shares held.

Risk of concentration/default of a counterparty

The Group has established an investment policy which defines an overall counterparty risk management framework. The approach consists of defining the limits on bond investments, and consolidating all exposures through all financial instruments in order to delimit the Group's total potential loss following the default or bankruptcy of the counterparty in question.

A maximum limit of exposure for a single counterparty has thus been determined as a percentage of the investment portfolio. This is set at 5% of outstandings managed with possible, temporary exceptions to be made on individual exposures which are linked to short-term investments.

As of December 31, 2015, the 10 main sovereign and non-sovereign exposures of the bond portfolio were €600 million, or 36% of the fair value of the bond portfolio.

More generally, the Group implemented rules imposing geographic and sector-specific risk diversification within its investment portfolio and for all asset classes, in an effort to protect itself or mitigate any default.

(1) Published by Morgan Stanley Capital International, the MSCI EMU index, an index which is weighted by the float adjusted market capitalisation, designed to measure the performance of stock markets in the eurozone countries.

Sensitivity testing

Monthly simulations are moreover performed on the portfolio invested, and presented during Investment Committee meetings. They cover the maximum loss anticipated in terms of economic performance over various periods, from asset class to asset class, devoting particular attention to the spread risk.

These sensitivity tests cover all asset classes in which the Group has invested, and allow the overall risk to which the portfolio is exposed in case of an adverse scenario to be assessed each month, and potential measures to be taken to reduce this risk, as applicable (reduction of exposure to certain risk factors, hedging strategies, protection of economic result for a given period, etc.).

It is hoped that the results will represent the various risks linked to investments made, and that they will also present, as with any quantitative analysis, limited related to the data and models used.

RISK ON STOCKS AND BONDS IN THE PORTFOLIO AS OF DECEMBER 31, 2013, 2014 AND 2015

The tables below show that the portfolio, excluding hedging effect on shares, is, as of December 31, 2015, more sensitive to the combined effects of a 100 basis point rise in the bond rates and to a 10% drop in the stock market than it was as of December 31, 2013. This is explained by the increase of the Group exposure to European stock markets, as well as by a lower exposure to bonds despite the slight rise of the sensitivity.

SENSITIVITY OF THE PORTFOLIO TO STOCK AND BOND MARKET VARIATIONS AS OF DECEMBER 31, 2015

(in millions of euros)	MARKET VALUE AS OF DECEMBER 31, 2015	IMPACT FROM THE 100 BASIS POINT RISE IN RATE (1)	IMPACT FROM THE 10% DROP OF FINANCIAL MARKETS (2)	IMPACT FROM THE 20% DROP OF FINANCIAL MARKETS (2)
Bonds	1,685	-54.3	-	-
Shares	219	-	-21,9	-43.8
TOTAL	**1,903**	**-54.3**	**-21,9**	**-43.8**

(1) Average bond portfolio sensitivity in late 2015 : 3.2.
(2) Excluding any hedge effect.

SENSITIVITY OF THE PORTFOLIO TO STOCK AND BOND MARKET VARIATIONS AS OF DECEMBER 31, 2014

(in millions of euros)	MARKET VALUE AS OF DECEMBER 31, 2014	IMPACT FROM THE 100 BASIS POINT RISE IN RATE (1)	IMPACT FROM THE 10% DROP OF FINANCIAL MARKETS (2)	IMPACT FROM THE 20% DROP OF FINANCIAL MARKETS (2)
Bonds	1,788	-54.4	-	-
Shares	189	-	-18.9	-37.8
TOTAL	**1,977**	**-54.4**	**-18.9**	**-37.8**

(1) Average bond portfolio sensitivity in late 2014: 3.0.
(2) Excluding any hedge effect.

SENSITIVITY OF THE PORTFOLIO TO STOCK AND BOND MARKET VARIATIONS AS OF DECEMBER 31, 2013

(in millions of euros)	MARKET VALUE AS OF DECEMBER 31, 2013	IMPACT FROM THE 100 BASIS POINT RISE IN RATE (1)	IMPACT FROM THE 10% DROP OF FINANCIAL MARKETS (2)	IMPACT FROM THE 20% DROP OF FINANCIAL MARKETS (2)
Bonds	1,343	-28.2	-	-
Shares	100	-	-10	-20
TOTAL	**1,443**	**-28.2**	**-10**	**-20**

(1) Average bond portfolio sensitivity in late 2013: 2.1.
(2) Excluding any hedge effect.

To the extent that the stocks and bonds are recorded in the available-for-sale category, sensitivity would have an effect on the "other elements of comprehensive income", to which shareholder's equity is sensitive. Unrealized gains and losses on these financial instruments had no effect on net income, with the exception of any depreciation recorded. In case of sale, the resulting profit or loss would have an effect on the operating income in the income statement.

Real estate risks

Within the context of the Group's strategic allocation, property represents a limited portion of the Group's assets, less than 7% 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 underlying real estate funds.

The real estate risk materialises due to a reduction in market value, thereby impacting the unrealised profits recorded for this property, or even recording unrealised losses.

As of December 31, 2015, the Group had real estate exposure with a fair value of €184.8 million, consisting of €73.1 million in operating property and €111.7 million in non-listed real estate.

2.4.3.5 Management of risks related to factoring

The risks inherent to the factoring activity are credit risks, as defined in the banking standard or counterparty risk as defined in the Solvency II Directive, given the “pre-financing” aspect of the client receivables.

The risk can arise in various manners:

- invoice quality: risk of invoice dilution (notably resulting from disputes or falsified invoices). This risk consists of all of the causes that render invoices technically valueless, regardless of the debtor solvency: disputes, compensations, prepaid invoices, double cession, or even in the most serious cases, issuances of falsified invoices. These anomalies produce a ceding risk, which translates into amounts to be recovered on the client;
- client insolvency (ceding risk): the insolvent client cannot repay the cash advance made for unpaid invoices (in the case of a contract with recourse, *i.e.* without credit insurance);
- risk on the solvency of the buyer, for factoring contracts without recourse (*i.e.* with credit insurance);
- consideration of the credit risk when determining the financed part. The financed part is determined using two elements: the assessment of the potential technical risk of non-payment by the debtors of the invoices purchased by the factor, for different reasons than the debtor insolvency; the assessment of the ceding risk: potential expected loss on the client in case the client becomes affected by an insolvency proceeding with the aim to cover all amounts the client owes to the factor as a result of an undervaluation of the technical risk noted above and/or of invoices financed without credit insurance cover in cases of a debtor’s payment default. The financed part shall be determined by subtracting from 100% the retention rates related to these evaluations.

The risks are covered by guarantee funds or reserves. These guarantees represent the retention rate noted above. An exceptional reserve rate related to elements of seasonal dilution (for example to face up to end-of-year discounts and refunds negotiated by the client with its debtors) may be specifically added to this permanent contractual retention rate.

The management of the ceding risk is based on the assessment for each client of the risk occurrence probability and of the potential loss amount. Different procedures have been established for this:

- analysis of the clients’ financial position, notably through internal pricing tools;
- on-site audit to check the reliability of the data on receivables during the acquisition phase of a new client, or during the monitoring phase of an existing client;
- regular checks to ensure the existence of the receivables acquired;
- specific procedures during the recovery phase.

When negotiating the contract, the type of product, the analysis of the client solvency and/or buyer, as well as the conditions and the applied pricing determine the credit risk taken by the Group.

During the life of the contract, the acceptance of invoices through a solvency analysis of the buyers is similar to credit insurance risk underwriting. The financing of the receivables determines the credit risk and fixes the risk exposure of the Group. In cases of a factoring contract without recourse, an underwriting risk is assumed by the Group on the buyers of the assignor.

As for all of the Group’s sensitive activities, the factoring business is framed by specific Group rules.

Only two companies of the Group are allowed to distribute and manage factoring products: Coface Finanz in Germany and Coface Factoring Poland in Poland.

Only certain products are authorised to be sold by these two entities:

- in-house factoring with or without recourse;
- full factoring;
- maturity factoring and reverse factoring.

The limits on buyers for factoring activities are approved and managed by the Risk Underwriting Departments according to the same rules and delegations as within the context of the credit insurance activities. These procedures allow managing the Group’s total exposure for its factoring activities and providing an identical level of expertise.

A single tool (Magellan) structures the factoring activity. It is already operational in Germany and is currently being rolled-out in Poland. It contains all of the data relating to the life of the contracts: data on clients, buyers, invoices, contracts. The factoring exposure is recorded in ATLAS, which allows the Group to have a consolidated management of its exposure on a buyer or group of buyers.

Internal control procedures have been established in the main subsidiaries for following up files, late payments and claims. Regarding late payments and claims:

- late payments of the debtors are managed by the Claims Department for factoring contracts that are accompanied by this cover, including for the claims phase. In the absence of credit insurance, unpaid invoices are returned to the client (assignor) by debit from its current account;

- in the case of ceding risk (amounts to be collected from the factoring client), the recovery, including through litigation if needed, is provided by the factoring company.

In addition to a level two control to ensure compliance with the Group rules on factoring activity, there are three other monitoring components:

- limited delegations granted to entities which impose, above these limits, to get an approval from the Group Risk Underwriting Department, along with the favourable opinion of the Group Risk Department;
- a quarterly Risk Committee organised by the Group Risk Underwriting Department and the Group Risk Department, gathering together the Factoring Risk Managers of the entities: this committee examines sensitive files based on a procedure which defines the eligibility criteria for this committee examination;
- a database of risk indicators (prevention aspect) for each entity, both at global level (portfolio summary to assess its quality and evolution) and at individual level (all the clients): the risk indicators used have been chosen for their discriminating nature, in terms of their early detection of difficulties that could be encountered with certain clients early.

The factoring activities are covered by the Group's reinsurance treaty (the buyer risks by the credit insurance section and the ceding risks by a dedicated factoring section).

2.4.3.6 Liquidity and capital risks

Management of the liquidity risk related to credit insurance activities

The insurance activity operates with a reverse production cycle: premiums are cashed before payment of claims. Moreover, the liquidation term for a provision is less than three years, and the total of these provisions is covered by liquid assets. Consequently, the risk of liquidity linked to insurance activity is considered to be marginal.

For the entire consolidation scope, Group's Treasury Department monitors the liquidity risk through an analysis of the available assets and cash flow projections of the various entities. This data is consistently analysed, which allows liquid assets to be managed for monetary or financial investment needs, in cases of recurring excess liquidity.

The majority of the other fixed income instruments and all of the Group's portfolio stocks are listed on OECD markets and present a liquidity risk which has been deemed to be weak at this time.

The liquidity of the portfolio with OECD credit bonds, and sovereign bonds of emerging countries, is monitored on a regular basis *via* market indicators (evolution of flows, spreads, purchase and sale spreads) and the manager performs regular analyses on the time limits and liquidation costs of the lines in portfolios (term of partial and complete liquidation, cost of instantaneous liquidity and under market stress conditions, etc.).

The Group's bond portfolio presents short-term maturity, in line with its liabilities. The distribution of bond maturities is presented below:

	AS OF DECEMBER 31,					
	2015		2014		2013	
DISTRIBUTION BY MATURITY OF THE BOND PORTFOLIO	*in €m*	*%*	*in €m*	*%*	*in €m*	*%*
< 1 year	368	21.9	418	23.4	502	37.4
1 year < >3 years	547	32.5	646	36.1	385	28.7
3 years < >5 years	423	25.1	356	19.9	255	19.0
5 years < >10 years	312	18.5	344	19.3	190	14.2
>10 years	24	2	24	1.3	10	0.8
TOTAL	**1,685**	**100**	**1,788**	**100**	**1,342**	**100**

More than 54% of the bond portfolio instruments have a maturity of less than three years as of December 31, 2015.

The position of an insurance company, in terms of liquidity, is evaluated by standards which measure the Company's capacity to confront its financial commitments.

Management of the liquidity risk related to factoring activity

The average term for factoring receivables is very short (less than six months), which reduces the liquidity risk related to factoring activities.

In order to ensure the refinancing of the factoring activity, the Group has established several financing programs: a securitization program its factoring trade receivables, for a maximum amount of €1,195 million in bilateral credit lines with various partners, for a maximum amount of €872.8 million, as well as a commercial paper program in the maximum amount of €600 million.

Management of the interest rate risk related to factoring activities

The Group, through its factoring activity, purchases and finances the trade receivables of its clients. These essentially concern short-term credit risks of a commercial nature (less than six months). The rate risk linked to factoring receivables is limited.

In order to ensure the refinancing of this activity, the Group has established several programs: a securitization program for its factoring trade receivables, a commercial paper program and bilateral credit lines with various partners, as described above.

The cost of the sources of financing depends on the evolution of short-term rates, in particular the 1-month Euribor rate, with the exception of commercial paper issuances which are between one and six months. This cost essentially consists of the 1-month Euribor rate increased by a fixed margin. In terms of assets, the Group collects from its factoring clients compensation which consists of two parts: on the one hand, a factoring commission based on outstanding receivables throughout the term of the contract and, on the other hand, a financing cost which is indexed to the 3-month Euribor rate. Furthermore, it should be noted that, as for other activities of the Group, there is a matching principle for foreign currency between the needs and sources of financing.

Solvency margin

SOLVENCY I

In compliance with the Solvency I Regulations, the solvency margin corresponds to the required level of shareholder equity, taking into account the activity levels as measured by the premium revenue, weighted by the average loss ratio. The Group is required to maintain a solvency margin which is at a level that is higher or equal to the level required by the regulation. The Group has calculated its solvency margin in conformity with the French regulations, resulting from Decree No. 2002-360 of March 14, 2002 relating to the additional oversight of insurance companies. As of December 31, 2015, the Group's solvency margin represented approximately seven times the minimum required, upon an estimate of the payment of dividends (see paragraph 3.5.2).

SOLVENCY II

The Solvency II Directive has come into force the first January, 2016. The official regulatory texts were transposed into French law in 2015. These new regulation introduces new modalities of calculation in terms of own fund requirements. It involves being able of quantifying the risk exposures, and then of comparing the result obtained in terms of own funds with the available capital position (pillar 1). The insurers will also have to prove that the organisation allows a sound, prudent and effective management (pillar 2). Finally, there are substantive regulatory reportings which deliver at the same time quantitative and qualitative information. They will be also produced in order to give evidence of the quality of the organization and the financial soundness of the Company (pillar 3).

The Group has finalised the implementation of these new regulations. Within the framework of the standard formula, the Group covers its requirements regarding Solvency. The Group develops a partial internal model as regards the credit risk of non-life insurance, which is the subject of a preliminary authorisation procedure with the ACPR. In this context, regular discussions are held in the aim of the deposit and of the approval of this model. The Group also structured its organisation in terms of governance and risk management to conform to the requirements of the pillar 2 of the Solvency II Directive. Finally, within the framework of the pillar 3, the Group finalises an integrated process for producing regulatory statements in order to deliver all reportings expected by the regulator.

The Group participated in all the preparatory exercises asked by the ACPR, in particular through the delivery of sets of annual and quarterly statutory reportings and reports: the regular report to the regulator on one hand and a report based on the internal evaluation of the risks and of the solvency (ORSA – Own Risk and Solvency Assessment) on the other hand. The year 2016 shows a steady progression of the implementation: an official opening reporting as well as a report explaining the differences between figures calculated according to Solvency II and those calculated according to Solvency I are expected particularly for May.

2.4.3.7 **Management of operational risks**

Mapping of operational risks

In an effort to improve knowledge of its operational risks, the Group has set up a risk mapping according a qualitative methodology. This risk mapping was updated by all of the Group's entities in the fourth quarter of 2015.

For each business or support process for which the entity is responsible, a list was set up for situations that could affect such business or support process. Each risk situation is covered in a detailed sheet describing the risk, assessing the inherent risk (*i.e.* before level one controls), describing and assessing level one controls, assessing residual risk and action plans.

Risk assessment relies on assessing its frequency and the intensity of its impact. A three-level assessment scale was used (weak, average, high).

Collection of incidents and losses

An incident is the occurrence of an operational risk which could lead to or could have led to a financial loss, unjustified profit, or to other non-financial consequences.

An inventory of the operational incidents and losses is carried out. A summary is made each month and released, in particular to the members of the Group Executive Committee.

The incidents compiled are the subject of corrective measures, and are considered when updating the operational risk mapping.

Action plans and reporting

The purpose of implementing the approaches described above is to fully identify the operational risks. When approach is necessary, preventative or corrective action plans intended to reduce or control operational risks are defined and rolled out.

The Group Risk Department is in charge of reporting to the Group Risk Committee and the Group's management bodies.

Business continuity

Each entity of the Group has a business continuity plan **(BCP)** to confront a temporary or permanent unavailability of its premises, information systems or staff.

The BCP is prepared based on Group rules, and supplemented by rules on mutual assistance between entities and remote work, rolled out in October 2014 and for which three tests have been performed in 2015. These rules provide a concrete example of the Group business continuity policy. Each entity carries out its business continuity plan locally. User needs and resources are identified within a business impact analysis.

The overall process is in line with the standard principles on business continuity. The main operating elements of the BCP are the crisis management plan and the professional continuity plans. The back-up of the main data and its applications used by the Group is ensured by two remote data processing centres located in the Parisian region, which function in "active-active" mode (see paragraph 1.4 "Information systems" of this registration document).

2.4.3.8 Management of legal and compliance risks

The Group performs its activities in a strongly regulated environment in France and abroad, in particular for its insurance, factoring and bond activities.

The legal and compliance risks are managed by the Legal and Compliance Department of the Group (DJCG), as relayed at the regional and country level by the compliance correspondents. The DJCG also provides regulatory oversight. Furthermore, the DJCG prepares and coordinates the level 2 controls performed in the areas of its expertise, which notably include, in addition to the regulations applicable to the insurance business, legislation relating to anti-money laundering, corruption prevention, and more generally to fight against financial delinquency.

Legal and risk underwriting proceedings

The Group had no knowledge of governmental, judicial or risk underwriting procedures (including any procedure of which Group has knowledge or which has been suspended or threatened) which could or did have significant effects during the past twelve months on the financial position or profitability of the Company or Group.

Situation of dependency

The Group does not consider its business or profitability to be dependent on any trademarks, patents or licenses.

Indeed, within the context of its activity selling credit insurance solutions and additional services, the Group does not participate in any research and development activity, and does not hold any patent.

The name Coface is protected by a filed trademark, notably in France.

Lastly, the Group has filed a certain number of trademarks, logos and domain names worldwide within the context of its business.