STABLE EVOLUTION OF OUR STRATEGY

Environmental dimension
- Ecological buildings
- Recycling of paper and computer equipment
- Dematerialisation of communication with clients
- Travel management policy

Social dimension
- 54% of women within the Group
- Diversity of training courses
- Health: prevention, medical checks

Societal dimension
- Coface Trade Aid (education, microfinance…)
- Code of Business Ethics

Scope: annual extension

2014: France
2015: France + Germany
2016: France + Germany + Italy
2017: +1 country per year

1 Annual reporting
2 IPO = Initial Public Offering
3 SRI = Socially Responsible Investment
COFACE’S STATEMENT

CSR WITHIN COFACE

- Monitor our energy results
- Quarterly report on carbon footprint of the investment portfolio

- Encourage international mobility among employees
- Train our employees

- Improve selection conditions for suppliers
- Keep our solidarity actions going via Coface Trade Aid
DIVERSITY

Social and societal data*

**France**
- 18.5% of managers
- 56% of women
- 42% of managers are women
- 99.20%

**Germany**
- 13.3% of managers
- 52% of women
- 15% of managers are women
- 99.70%

**Italy**
- 23.6% of managers
- 49% of women
- 34% of managers are women
- 99.00%

- Fixed term contracts
- Open-ended contracts

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**75 nationalities within the Group**

- 16,241 hours of training
  - 431,356 € / >6h per employee

- Absenteeism rate
  - 2.7% in France
  - 6.5% in Germany
  - 5.3% in Italy

- 32,165 € via Coface Trade Aid

**Talent development**

- Creation of the CEO Growth Awards
  - September 2016

- Women to Win Initiative
  - June 2017

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* As at December 31st 2016, the reporting perimeter accounts for 48.3% of revenue & 43% of staff (France, Germany and Italy) – See Chapter 6 of the 2016 Registration Document for more information on the reporting standards and methods.
The Group’s activity does not lead to substantial pollution
- low direct impact on air, water or land
- no noise pollution

Dematerialisation of data exchange with our clients
- online tools: CofaMove (app.), Dashboard, Cofanet
- data security

Waste management (garbage and food)
- selective sorting at a local level
- recycling programmes for end-of-life equipment
A RESPONSIBLE INVESTMENT PORTFOLIO
SECTION 2
SRI TO BETTER MANAGE OUR RISKS
A diversified and proactive strategy

Key figures$^2$ and ESG$^3$ rating

- Centralised asset management monitored by Amundi
  - Amundi has signed the PRI$^4$ and manages SRI (Socially Responsible Investment) funds and mandates

- Coface has outsourced to Amundi:
  - the carbon footprint monitoring (quarterly report)
  - the voting rights (annual report)
  - the ESG$^3$ rating of the portfolio (quarterly report)

- 95% of the total investment portfolio is monitored by Amundi and therefore can be rated

RSE reporting’s scope

- Global rating: C-
  - environmental C-
  - social C
  - governance C-

1 Excluding investments in non consolidated subsidiaries | 2 As at December 31$^{st}$, 2016 | 3 ESG = Environmental, Social and Governance | 4 PRI : Principles for Responsible Investment | 5 The Non-rated corresponds mainly to open funds (excluding Colombes and Lausanne funds), Real Estate, Real estate and infrastructure loans
SRI STRATEGY: 3 PILLARS

ESG factors

► Goal #1: risk management
  - long term assets’ value
  - exclusion of controversial companies: international lists for economic and financial sanctions (FATF, EU embargo, US embargo...), anti-personnel mine, cluster munitions

► Goal #2: reinforce our reputation
  - 9 out of 10 fund managers have signed the PRI
  - Dialogue between Coface and its asset managers

► 81.7% of the investment portfolio has an ESG rating

► The ESG rating is provided on a quarterly basis

Voting rights and commitments

► Follow-up on Amundi’s voting policy
  - upstream dialogue with Amundi, then, if needed, with the shareholders
  - attendance to shareholders meetings
  - annual voting report

► Follow-up on the UCITS voting policies from the investment portfolio

Carbon footprint measure

► Monitor the carbon footprint risk

► Participate to sustainable development

► Quarterly reporting (via Amundi)
  - carbon emission and carbon reserve
  - sector and geographical contributions
  - analysis by million € invested
  - analysis by million € of business revenue
  - 3 levels of scope

1 PRI: Principles for Responsible Investment
2 Dedicated funds exposed to equity
3 See Appendices for the methodology
CARBON FOOTPRINT : 5 KEY METRICS

Rateable issuers account for 52% of the platform
- The total AuM of the rated issuers accounts for 76.3% of the total AuM of the rateable issuers

The 5 key metrics:
1. Carbon emissions in TCo2 by M€ invested
2. Carbon emissions in TCo2 by M€ of business revenue
3. Carbon reserve
   - they belong to materials, energy, and services sectors
   - the rating scope accounts for 1.48% of the investment platform
4. Sector distribution of carbon emissions
   - largest contributors: public services, materials and energy
   - smallest contributors: finance, communications, health and technologies
5. Geographical distribution of carbon emissions
   - as per the Group’s largest exposure by country

Source: Amundi reporting as at June 30th 2017
See the Appendices for the Methodology
PROACTIVE GOVERNANCE
SECTION 3
CORPORATE GOVERNANCE DRIVEN BY LONG-TERM VISION

Shareholders General Assembly
Nominates and revokes

Board of Directors
Nominates and revokes

CEO
Chair of 3 specialised general management committees

- **Audit Committee**
  - 90% of participation rate
  - 2 members out of 3, including the president, are independent
  - 5 meetings in 2016

- **Nomination and Compensation Committee**
  - 100% of participation rate
  - 2 members out of 3, including the president are independent
  - 3 meetings in 2016

- **The Group General Management Committee (CDG)**
  - CEO + 6 directors: operations, strategy & business development, commercial underwriting & claims, finance & risks, risk underwriting & information, general secretary

- **The Executive Committee**
  - 14 members: CDG + 7 regional managers

- **The Enlarged General Management Committee**
  - 16 members: CDG + 9 Group’s functions managers
Composition and structure

- 9 meetings in 2016
  - Participation rate: 74.6%
  - Director’s fees: 400,000 €
  - Director’s fees distributed: 241,000 €

- Board’s President ≠ CEO

- Composed of 11 members
  - 46% are women
  - 46% are independent
  - 27% are not French

- 8 out of 11 are less than 60

Operations in 2016

- Approval of the strategic plan and steering of Fit to Win
- Co-optation of 3 board members and reinforcement of the top management team
- Updating of the compensation policy
- Audit Plan for 2016 and steering of Solvency II
- Financial operations: implementation of a contingent capital line and transfer of the public procedures management business activity to Bpifrance
- Training workshop: lean management
## COMPENSATION LINKED TO PERFORMANCE

**CEO compensation**

### 2016 Target compensation

<table>
<thead>
<tr>
<th>Component</th>
<th>Value</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixe compensation</td>
<td>312,553 €</td>
<td>-18%</td>
</tr>
<tr>
<td>Variable compensation</td>
<td>575,000 €</td>
<td></td>
</tr>
<tr>
<td>Performance shares (50,000 shares)</td>
<td>575,000 €</td>
<td></td>
</tr>
</tbody>
</table>

**Total** = 1,463,553 € of global target compensation (amount perceived: 1,298,348 €)

### 2017 Target compensation

<table>
<thead>
<tr>
<th>Component</th>
<th>Value</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixe compensation</td>
<td>363,480 €</td>
<td>-15%</td>
</tr>
<tr>
<td>Variable compensation</td>
<td>575,000 €</td>
<td></td>
</tr>
<tr>
<td>Performance shares (60,000 shares)</td>
<td>575,000 €</td>
<td></td>
</tr>
</tbody>
</table>

**Total** = 1,513,480 € of global target compensation

### Explanatory scheme (2016 & 2017)

- **Fixed annual compensation (basic salary)**
- **Annual variable compensation (bonus)**
- **Long term variable compensation (LTIP)**
- **Benefits in kind** (company vehicle and social guarantee scheme – GSC)

#### Claw back

In case of a loss observed prior to the payment date of the deferrals (N+2, N+3) for the year of performance N, no payment will be made for these deferrals.

### Status details (for 2016 et 2017)

- No employment contract
- No stock options
- No supplementary retirement scheme
- Payment by the Company of 62.5% of contributions due for the business managers and corporate officers social guarantee scheme (GSC)
- Covered by the collective life, disability and health insurance plans in force in the company
- Provision of a company car
- Compensation for termination of service subjected to performance conditions and limited to as much as two years of compensation (fixed and variable)

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1. Xavier Durand, CEO: Started his mandate on February 9th, 2016. The attribution of free performance shares within the Long Term Incentive Plan (LTIP) is subordinated to performance achievements (objectives) – See chapter 2 of the 2016 Registration Document.
2. Source: Towers 2017. Panel of 35 companies belonging to the SBF 120, comparable to Coface in terms of turnover, workforce, or geographical area.
ESG CONTRIBUTES TO ENHANCING VALUE CREATION AND TO BETTER MANAGING OUR RISKS

Compliance

► Fight against money laundering, corruption, and financial fraud
  - reinforcement of IT tools and controls
  - e-learning training courses for employees

► Data security and confidentiality
  - internalisation of IT activities to ensure security and keep in-house skills
  - choice of suppliers and data storage
  - implementation of process, firewalls, passwords, contractual clauses, business continuity plan (BCP¹)

► Conflict of interest
  - creation of the Business Ethics Code

► In 2016, there was no litigation related to the environment, and no fee was paid pursuant to a court decision

Risk management

► An internal control and risk management system based on:
  - a governance structure: 1st level operational committees, 2nd level control committees, 4 key functions (risk management, compliance, internal audit, actuarial service), the Coface Group Risk Committee...
  - management structures and control mechanisms

► Identification of 5 types of risk:
  - strategic risk, credit risk, financial risk, operational and compliance risk, reinsurance risk

► Risks related to climate change
  - initiatives to reduce greenhouse gas emissions: travel and mobility policies
  - implementation of a socially responsible investment policy for the portfolio
  - monitoring carbon footprint

¹ In accordance with the BCP – Business continuity plan (PCA : Plan de Continuité d’Activité), all Group servers are hosted in 2 external data centres located in Paris region. The data is saved in a private cloud. In the event of failure of one of the site, the other one takes over in a transparent manner for all the users. The IT part of the BCP is tested once a year – See subsections 1.8.1 and 2.4.2.2.3.4 of the 2016 Registration Document
OUR MID-TERM GOALS

- Raise awareness on ESG issues (for clients and prospects)
  - Through sectorial studies published on our website

- Enhance our diversity policy
  - Especially regarding the integration of handicapped people

- Keep up our support to Coface Trade Aid projects
  - Global reshaping of Coface Trade Aid strategy

- Monitoring improvement of the investment portfolio ESG rating
  - Monitor our carbon footprint

- Extend the Group’s reporting scope
  - Integration of an extra country per year
METHODOLOGY (1/2)

Trucost provides the data on carbon emissions
- Annual emissions of the companies, in tonnes CO$_2$ equivalent
- Methodology based on the Greenhouse Gas Protocol
- Gathering the 6 greenhouse gas defined in the Kyoto Protocol, whose emissions are converted in CO$_2$ equivalent (in term of global warming potential)

The 6 greenhouse gas considered are :
- Carbon dioxide (CO$_2$)
- Nitrous oxide (N2O)
- Per fluorinated Hydrocarbons (PFC)
- Methane (CH4)
- Hydro fluorocarbons (HFC)
- Sulphur hexafluoride (CF6)

Greenhouse gas emissions are classified by the Greenhouse Gas Protocol in 3 scopes :
- **Scope 1** : direct emissions of business activity
- **Scope 2** : indirect emissions of energy purchase (electricity, heating…)
- **Scope 3** : indirect emissions from first tier suppliers (« Scope 3 upstream first tier »)
MÉTHODOLOGY (2/2)

The carbon reserves of a company are calculated by Trucost as the sum of greenhouse emissions (mainly CO₂) that would result if the proven and probably fossil fuel reserves (coal, oil, natural gas) of the company were to be burnt (Postdam Institute for Climate Impact Research method).

Carbon emissions per million € invested:
This indicator enables quantification of carbon emissions resulting from investment in the portfolio. It is calculated using the formula below:

\[
\text{Portfolio emissions (tCO}_2 \text{ M€ invested)} = \frac{\sum^n \text{Emissions of company in the portfolio}_i (tCO}_2)}{\text{AuM of the portfolio (M€)}}
\]

With:
- Emissions of the company in the ptf\(_i\) (tCO\(_2\)) = Percentage participation (%) × Company emissions\(_i\) (tCO\(_2\))

And:
- Percentage participation\(_i\) (%) = \frac{\text{Sum invested in the company (equity or debt)}_i (M€)}{\text{Value of the company (equity + debt)}_i (M€)}

Carbon emissions per million € of business revenue:

\[
\text{Portfolio emissions (tCO}_2 \text{ M€ of turnover)} = \sum^n \text{Weighting of the company in the portfolio}_i (%) \times \frac{\text{Company emissions}_i (tCO}_2)}{\text{Turnover}_i (M€)}
\]

Sector and geographical contributions:

\[
\text{Share of the emissions of sectors/countries}_p(\%) = \frac{\sum^m \text{Emmissions of the firm in the ptf}_j (tCO}_2)}{\sum^m \text{Emissions of the firm in the ptf}_i (tCO}_2)}
\]

With the companies from j to m belonging to the sector s / country p

Implicit assumption: Bond investments are supposed to be renewed

Same methodology for shares and bonds portfolios, avoiding double-counting the same firm in both the debt and the share pools
IMPORTANT LEGAL INFORMATION

IMPORTANT NOTICE:

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