

# Internal control report on the system to combat money laundering and terrorist financing

Financial year 2022

**This report gives an account of the measures taken by Covéa Finance to combat money laundering and the financing of terrorism (AML/CFT), in accordance with Article 320-20 8o of the AMF General Regulation, as amended on 11 September 2019. This report was presented to the management bodies of Covéa Finance (Executive Committee and Supervisory Board) in February 2023. It is appended to the company's annual report and is forwarded to the AMF in April 2023.**

## Introduction

Covéa Finance is the portfolio management company of Covéa, a group that brings together the MAAF, MMA and GMF brands. Its fund management policy is characterised by a reasoned approach to the risk/return ratio in an investment process that establishes collegiality as a principle at all levels of decision-making.

As the portfolio management company of the Covéa mutual insurance group (MMA, MAAF and GMF), Covéa Finance has logically turned to the marketing of its offering for the benefit of the companies in its Group, whether it be its discretionary management offering or the promotion of mutual funds created in a "dedicated" form or in an "offered to the public" form.

Covéa Finance provides an individual discretionary management service to Covéa group entities (members of the Group or partners) domiciled in France or Europe. To date, Covéa Finance has not carried out any commercial development in this area.

In terms of marketing mutual funds, Covéa Finance is continuing to develop its direct investment offering to professional investors (management companies, private banks, insurers, mutual insurance companies, company pension schemes) and also uses intermediated marketing through mutual fund referencing/investment platforms for distribution purposes.

Key developments affecting the AML/CFT mechanism include:

- specific due diligence following the Russian-Ukrainian armed conflict;
- increased investment in private equity fund management;
- re-examining due diligence in the context of patronage actions;
- changes to the CRM tool centralising the documentation collected;
- organisational changes with the takeover of the AML/CFT function by the Compliance team.

## 1. Description of the internal control organisation for the AML/CFT and asset-freezing systems

### 1.1 Human resources deployed

Covéa Finance has entrusted the task of ensuring compliance with the provisions relating to the participation of financial organisations in the fight against money laundering and terrorist financing to Mr Ludovic Jacquier, Deputy Managing Director in charge of all support and control functions.

In the exercise of this task, he relies on Mr Maxime Perron, who has been appointed operational manager for the fight against money laundering and terrorist financing, and who is identified as the Tracfin reporter and correspondent. In his absence, the Compliance and Internal Control Officer is responsible for ensuring the continuity of exchanges with Tracfin and has also been identified with Tracfin.

He is in charge of the entire anti-money laundering mechanism (including legal monitoring and staff training), and also of analysing all suspicious transaction reports issued by employees before forwarding them to Tracfin.

At the end of 2022, the transfer of responsibility for the AML/CFT activity was recorded. The AML/CFT function is now carried out by the Compliance team, which includes two employees reporting to Ms Nadia Ben Salah, Compliance and Internal Control Officer.

### 1.2 Training

All new employees follow an onboarding programme which includes training on our anti-money laundering mechanism. They are provided with detailed procedures. In addition, specific presentations with a restricted panel of employees (depending on the subjects and the AML/CFT risk associated with the business activity, such as unlisted investments) were also organised throughout the year (e.g. specific training for the management of the Luxembourg SICAV).

## 2. Internal control procedures put in place according to the assessment of the risk of money laundering and terrorist financing

### 2.1 Risk mapping

Covéa Finance relies on public information and official lists (FATF, European and French) identifying significant country risk in order to integrate this element into its AML/CFT risk assessment process.

In this respect, Covéa Finance has two risk maps included in the internal procedure for combating money laundering and terrorist financing:

- a “liabilities” map used as a benchmark when applying the internal AML/CFT risk assessment and classification process. This assessment is carried out for each business relationship (clients, third parties and partners);
- an “assets” map to determine the AML/CFT risks associated with investments made by Covéa Finance’s Front Office.

### 2.2 Procedures

The methodology for assessing the risk of money laundering and terrorist financing is described in Covéa Finance’s AML/CFT procedure. This is updated periodically, the latest version dating from October 2022.

In particular, the procedure recalls KYC and KYI requirements as well as the supporting documents to be collected as part of the due diligence conducted according to the level of vigilance determined for the business relationship.

It also describes the due diligence to be carried out on investments made directly or as part of the multimanagement activity (including private equity).

The procedure describes the system for monitoring transactions and the procedure to be followed in the event of a suspicious transaction report.

The key concepts of “Country Lists”, “Reporting Entities” “Beneficial Owners” and “Politically Exposed Persons” are also addressed in the procedure.

The procedure also specifies the measures taken for staff recruitment and the training provided to all the company’s employees.

## 2.3 Control system

Covéa Finance has defined an annual action plan based on the risks inherent in its activity. All of the topics covered address the risks and obligations related to the organisational set-up, the business activity and the investments made by the Front Office.

There is also an overall risk map, administered by the Internal Control team, which lists the various risks associated with the tasks and responsibilities of the AML/CFT Officer.

The Marketing team in charge of the business activity exercises constant vigilance in identifying clients and prospects and ensures the integrity of their transactions. The Marketing team and the Tracfin correspondent work together to carry out client due diligence.

### Permanent control

The control system is carried out at the first level by the operational staff working in the Marketing, Fund Management, Research and Human Resources departments. Second level controls are carried out solely by the AML/CFT Officer or the Compliance and Internal Control Officer, as the case may be.

### Periodic control

The control plan followed each year is available in Covéa Finance's AML/CFT procedure. It covers due diligence on clients, investments and flows, as well as the review of the procedural framework and periodic training for employees.

### Tools and technical resources

Covéa Finance has internal tools and also uses external tools.

Internal tools:

- an order marking tool is used to track incoming and outgoing flows;
- reporting on the investment scope to identify the riskiest assets (examples of criteria: listing market, type of instrument, location);
- centralisation of client data and documentation in a database (CRM Salesforce).

External tools:

- screening tool to identify entities, to search for the identity of natural persons who are business leaders as well as the identity of beneficial owners (ORBYS solution);
- PEP identification and negative information search tool (World Compliance Module associated with the ORBYS solution);
- access to official asset freeze, list of high-risk countries (FATF, EU, France).
- access to INPE data used to identify the beneficial owners of French entities.

## 2.4 Vigilance system

The implementation of the vigilance system is based on documented processes covering, in particular, risks related to clients, transaction flows and geographic factors.

### Risks related to clients

**Implementation of asset freezes:** a client search is carried out via reconciliation and identification against the list issued by the French Treasury.

**Detection of Politically Exposed Persons (PEPs):** a client search is carried out via reconciliation and identification against the ORBYS lists. The system includes the validation of the entry into or continuation of the business relationship by the representatives of the marketing committee.

### Risks related to transaction flows

**Entry into a business relationship:** when entering into a relationship with a new legal entity, after identification, Covéa Finance determines the risk level of this entity through the classification of AML/CFT risks.

**Suspicious transactions:** Covéa Finance exercises constant vigilance and ensures the consistency of the transactions carried out. Queries are issued to detect any atypical movements and to check compliance with procedures.

### Risks related to geographical factors

**High-risk third countries:** when verifying the identity of the client, the FATF lists, the European and French lists of tax havens are reconciled with the data related to the clients' domicile.

## 3. Incidents and inadequacies identified and corrective measures taken

The AML/CFT control plan has been fully implemented. There were no significant incidents during this financial year.

The checks carried out in 2022 by the AML/CFT Officer did not reveal any particular anomalies. Nevertheless, following a foiled fraud attempt, a suspicious transaction report was submitted to the Tracfin department.

Corrective actions or requests for additional information relating to issues raised by the controls were implemented within the time limits set.

The installation of the new identification certificate on the ERMES platform following its renewal is encountering technical and material difficulties requiring the intervention of IT support.

## 4. AML/CFT internal control relating to specific systems or activities

### 4.1 Outsourcing

The custodian activity is outsourced to two service providers, CACEIS Bank and SGSS Fund Services Operation. Both entities are based in France and are subject to AML regulations. Both service providers provide us with their reports on the internal control system produced by an independent auditor, describing the anti-money laundering frameworks and control environment and the key controls.

### 4.2 Third-party introduction

Covéa Finance uses third-party introducers for the distribution of mutual funds. This type of relationship is formalised contractually with:

- Federal Finance;
- Cholet Dupont Gestion;
- ODDO BHF;
- Swiss Life Banque Privée.

#### **Description of the procedures for monitoring the performance of the agreement entered into with a third-party introduction**

For each third-party introducer, an agreement is put in place incorporating a clause on AML/CFT and the obligations to be implemented:

- obligation to respect and comply with French and European laws, regulations and provisions relating to AML/CFT;
- commitment to verify the identity of its clients and beneficial owners, where applicable;

- the distributor declares that it has put in place an AML/CFT prevention system adapted to the applicable regulations;
- the distributor undertakes to respond to any request for information from Covéa Finance and to provide it with any document attesting to compliance with its obligations in this regard.

### 4.3 Transfers of funds

Not applicable to Covéa Finance.

### 4.4 Banking correspondence

Not applicable to Covéa Finance.

## 5. Additional information on branches having their registered office in another Member State of the European Union or party to the Agreement on the European Economic Area

Not applicable to Covéa Finance.