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COHEN & COMPANY

ASSET MANAGEMENT

ESG Report Reference year 2024

Cohen & Company Financial (Europe) S.A.

(CCFE S.A.)

It refers to the year 2024 and complements the regulatory report *"LEC 29 + SFDR Disclosure – Français - 2024",* available on the Cohen & Company website.

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General Framework

Presentation and information on scope of application

Cohen & Company Financial (Europe) S.A. (hereinafter "CCFESA") is an investment firm (IF) authorized and supervised by the Autorité de contrôle prudentiel et de résolution ("ACPR") and the Autorité des Marchés Financiers ("AMF"), within the framework of the MIFID II Directive.

- In 2024, CCFESA carried out 2 different types of activity:
  - INVESTMENT ADVISOR
    779 M€ in assets, or 96,5% of total assets
    => Since this is an advisory service, no 29 LEC reporting is required. However, CCFE S.A. has decided to produce it for greater transparency.
  - PORTFOLIO MANAGEMENT MANDATES
    28 M€ of assets under management, i.e. 3,5% of total assets under management
    => Therefore, reporting 29 LEC, 1° of III of article D533-16-1 of the Monetary and Financial Code, as AuM < €500m.

- These 2 activities concern 2 very different strategies (format and financial assets):
  - PRIDE STRATEGY (INSURANCE) :
    Financial assets concerned: Tier II subordinated debt issued by small or medium-sized insurance companies or mutuals.
    These assets represent 96.5% of the total assets under management and are the main focus of this ESG report.
  - *CLO SEPARATE ACCOUNTS" STRATEGY:* investment advice or discretionary management in collateralized loan obligation (CLO), which are not subject to a deep ESG analysis because of insufficient information, and their very small amounts (3.5% of total assets under management).

- These business types (Advisory VS Management) and strategies (PriDe Insurance VS CLO Separate Account) can be broken down as follows:

	"PriDe" Strategy (Insurance)	"CLO Separate Account"	Total
Portfolio management mandates	**3.0%**	**0.5%**	**3.5%**
Investment advisory	93.5%	3.0%	96.5%
Total	96.5%	3.5%	

Insurance: a responsible sector

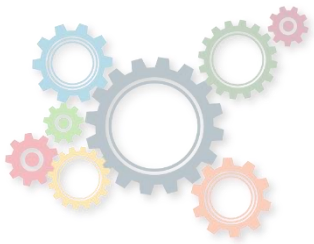
The insurance sector (representing 97% of CCFESA's assets under management as of 31/12/2024) plays a key role in advancing better environmental, social, and governance practices and in providing positive social and environmental outcomes in the societies in which it operates. Mutual insurers, as an important sub-sector, represent 1/3 of the industry in Europe, and are among the oldest non-profit organizations. These entities are committed to the Social Solidarity Economy.

❑ Environment

- Increased asset portfolio exclusions based on environmental/carbon considerations
- Insurers' commitment at COP-26: promote the circular economy, "repair rather than replace" and encourage recycling

❑ Social

- Protection and healthcare are at the very heart of the insurance business
- Encouraging and promoting prevention comes naturally to insurers
- Equal treatment/opportunities and attention to the working environment are all deeply rooted practices in the insurance sector.



❑ Governance

- Governance structures are at the heart of insurance regulatory oversight, reinforced by the Solvency II framework.
- In the case of mutuals, the absence of shareholders encourages an ethical, value-based approach to economic development that prioritizes the well-being of people and the preservation of the planet, to the detriment of profits and "blind" growth.

Sustainable Governance

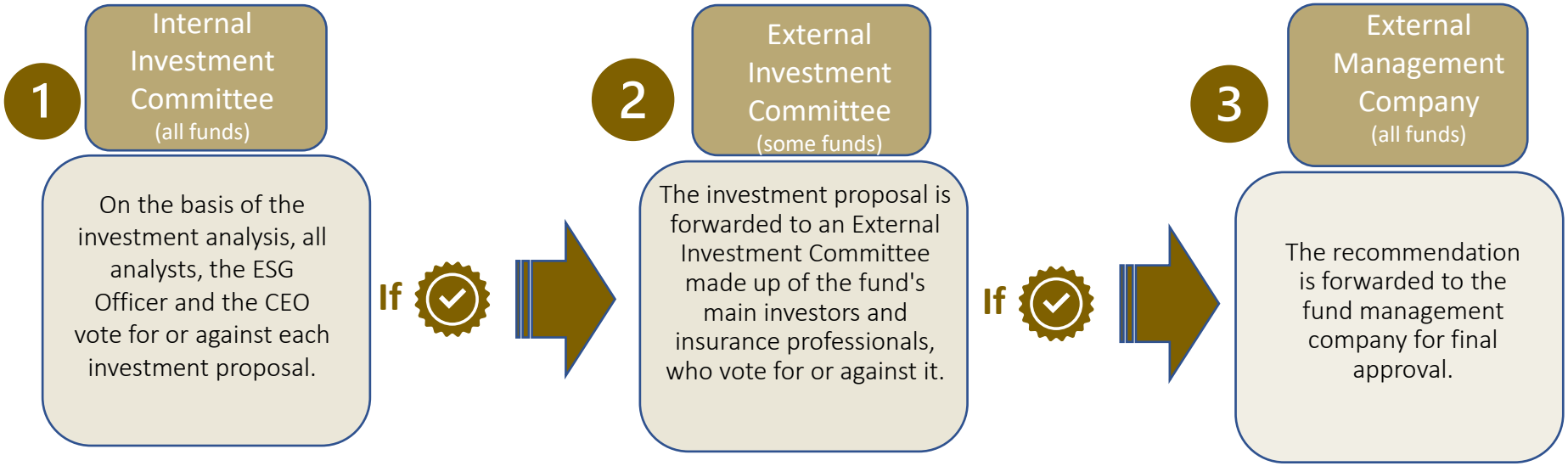
Governance & Compensation policy

97% of our investment advisory business is focused on financing small and medium-sized insurance companies in the form of Tier 2 subordinated debt.

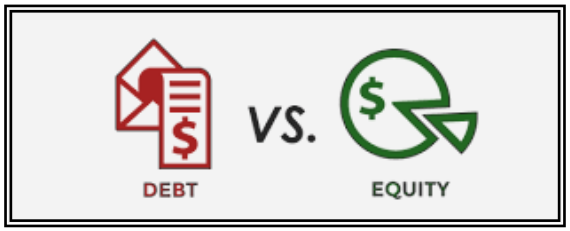
The insurance sector is historically a social sector, and naturally concerned by climate change.

As a result, we do not invest in controversial industrial sectors that could bring short- or medium-term gains all the more important as they would carry high sustainability risks.

GOVERNANCE: all our investment decisions are exclusively collective. They are made in a 2 or 3-step process, in which it seemed to us that a compensation policy linked to ESG factors would make little difference.



Governance / engagement policy



Our investments are in debt format and as such do not confer voting rights.

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As insurers, our issuers have little latitude for commitment, since they are essentially invested :

- in debt, and to a large extent, in sovereign debt.

NEVERTHELESS

We aim to enhance how we consider the ESG practices of the issuers we invest in by using the following options:

- For existing financings and new syndicated issues: we rate them and engage more or less strongly with them, on the basis of their answers to our ESG questionnaire.
- New bilateral financing: the margin paid by the issuer is indexed to its ESG score and reviewed annually (generating between 0 and 25 bps of bonus depending on its score between 0 and 10). This ESG bonus generates a high level of attention from the issuers with whom we engage in a strategy of regular improvement of their ESG practices, the result of which is quantifiable in the improvement of their ESG rating.

Sustainable governance / Procedures

- Update:

  All our procedures are updated whenever necessary.

- List of ESG-related existing procedures:

  CCFESA has implemented the following procedures:

  - Anti-corruption
  - Anti-money laundering
  - Conflicts of interest
  - Cyber security
  - RGPD
  - ESG investments (2023)
  - Diversity & Inclusion (2023)

- List of ESG-related procedures in progress:

  - Governance

Extra-financial Data

Fossil stocks / Taxonomy / Paris Agreement / Biodiversity

The companies financed by CCFE S.A., which are generally small or medium-sized, are in the process of improving their ESG reporting and integrating ESG considerations into their investment strategy.

The generalization of reporting obligations, such as the CSRD for companies within the EU, is a key factor in improving the quantity and quality of ESG data we will be able to have available.

At present, we are unable to track the following information for our issuers:

- Scenarios Alignment with the Paris Agreement
- Biodiversity Alignment
- Alignment with the European Green Taxonomy
- Fossil Fuels Exposures

But we encourage our issuers to produce them as soon as possible, with the aim of aggregating them at portfolio level as soon as they become available in our issuers' climate reports.

We can, however, report the following figures:

- We have 4.7% of our total assets aligned with the European Green Taxonomy in the form of sustainability linked bonds.
- We have no investments into fossil fuels, whatever the percentage of revenues or the type of fossil (coal, oil or natural gas).

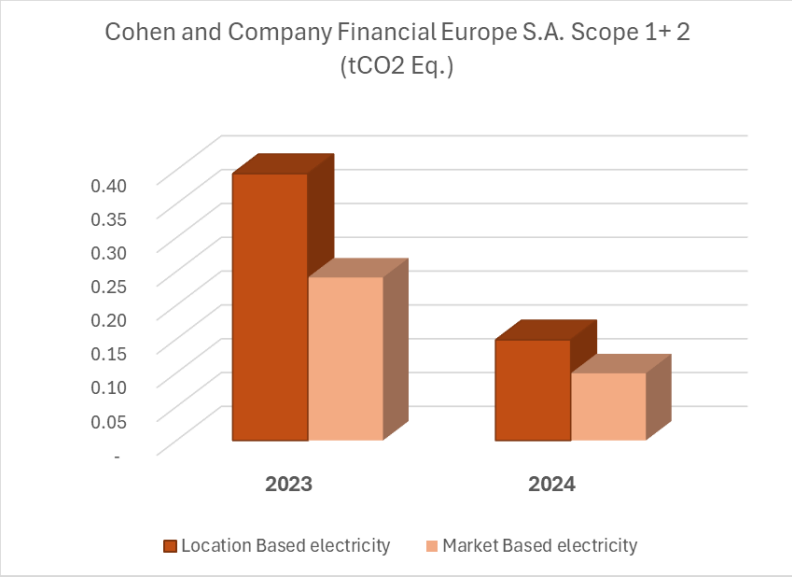
Carbon Footprint

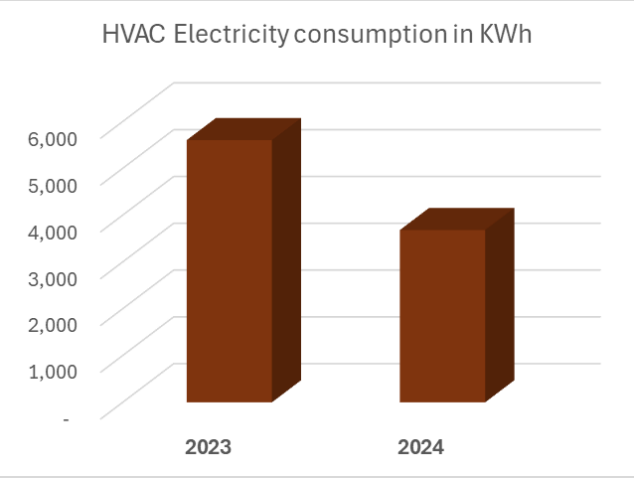
CCFE S.A. has just carried out its first CO2 emissions analysis in 2024, covering the years 2023 and 2024.

We note the following changes over the period:

- Subscription of a green electricity contract in March 2023. It should be noted that all electricity consumption in common areas of our building is not under the control of CCCFE S.A., and has not been switched to a green contract. Nevertheless, overall consumption has fallen (optimization of common areas by the lessor) and CCFE S.A. still has a green electricity contract for its office.
    - *Location based* = emissions based on actual electricity consumption.
    - *Market based* = emissions based on electricity consumption (excluding green electricity).

- Summer 2024: update of air-conditioning systems with a "smart control", binding temperatures between highly restrictive minimum and maximum. Automatic shutdown of air conditioning at night and during the weekends, generating savings of 34% on consumption (HVAC graph below).

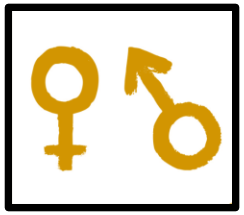




Social KPI

For 2024, CCFE S.A. social KPI are:

- Staff training rate: **100%**
- Training per person per year: **7,1 hours**
- Annual absentéism rate: **1,18%**
- Gender Pay gap: **10,2%**



- Women within the company: **20%**
- Women in Top Management: **0%**
- Board independant members ratio: **33%.**

Sustainable investment strategy

Sustainable investment policy / UN-PRI

Cohen & Company has been a UN-PRI signatory since 2018.

Signatory of: PRI Principles for Responsible Investment

- As institutional investors, we have a duty to act in the best long-term interests of our clients. In this fiduciary role, we believe that environmental, social and corporate governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and over time).

- We also recognize that applying these principles better aligns investors with the company's broader objectives. Accordingly, where consistent with our fiduciary responsibilities, we are committed to the following:

  - Principle 1: We will integrate ESG issues into investment analysis and decision-making processes.
  - Principle 2: We will be active investors and integrate ESG issues into our engagement policies and practices.
  - Principle 3: We will seek an appropriate level of disclosure on ESG issues by the entities in which we invest.
  - Principle 4: We will promote acceptance and implementation of the principles within the financial sector.
  - Principle 5: We will work together to improve our effectiveness in implementing these principles.
  - Principle 6: Each of us will report on our activities and progress in implementing these principles.

- By signing this charter, we, as investors, publicly commit ourselves to adopting and implementing them, insofar as this is compatible with our fiduciary responsibilities. We also undertake to evaluate the effectiveness and improve the content of these principles over time. We believe this will improve our ability to meet our commitments to clients and better align our investment activities with the broader interests of society.

- We encourage other investors to adopt the same principles.

Sustainable investment policy / the process

Analysis

- Review publicly available ESG information on the company
- Public controversy research
- For bilateral transactions, CCFESA asks the issuer to complete a specific ESG questionnaire.
- On the basis of the information available, CCFESA generates an ESG score.

Investment

- ESG scores and analysis are included in the investment report within a dedicated ESG chapter
- The Investment Committee examines all aspects (including extra-financial aspects) of the investment file.
- For bilateral transactions, CCFESA will ask the issuer to provide a list of the ESG information required on an annual basis.
- Since 2022, whenever possible, the spread of bilateral issues is linked to the issuer's ESG score (and therefore to its evolution) in the form of an ESG bonus.

Follow-up

- ESG parameters are included in the quarterly monitoring analysis of issuers. This leads to a potential change in the spread of the sustainability linked bonds of the portfolio.
- CCFESA has regular exchanges with issuing companies, with a growing focus on ESG strategy and improvment pathways.
- In 2024, CCFESA published quarterly ESG reports on PriDe funds, with quantitative and qualitative data on trends in issuers' scores.

Sustainable investment policy / Questionnaire

- The ESG rating of potential issuers is based on a specific ESG questionnaire, in addition to CCFESA's own independent research.
- Our ESG questionnaire is mainly based on 3 pillars:

Environment

- Identifying climatic risks for the insurer
- Identify and reduce the company's negative impact
- Climate initiatives
- Analysis of the issuer's climate report to regulators, investors and customers

Social

- Male/female ratio and position in the hierarchy
- Employee turnover
- Social initiatives
- Employee profit-sharing plan
- Employee training rates and budgets

Governance

- Governance parameters
- Independence of Board members
- Responsible investment policy
- Cybersecurity policy
- Controversies / Disputes

ESG Bonus for issuers

- CCFESA has set up a mechanism whereby bonds financed by the PriDe program on a bilateral basis will benefit from a margin reduction of up to 25 basis points (the "ESG Bonus"), depending on the issuer's ESG score reviewed each year (the "ESG Bonus").

Internal ESG score reviewed annually

CCFE S.A. generates an ESG score on a scale of 1 to 10

Based on :

- Public ESG information on the issuer
- Issuer-specific annual ESG questionnaire (with around 50 ESG parameters)
- Discussions with the issuer's ESG team

Impact on the issuer

Depending on its ESG score, the issuer can improve its coupon by up to 25 basis points.

- The issuer's ESG premium will reduce its coupon by 2.5 basis points for each ESG score point.
  If, for example, in a given year, the issuer achieves an ESG score of 6/10, the coupon on its subordinated securities will be reduced by 15 basis points (= 6 x 2.5 bp).
- Encourage the issuer to improve its ESG rating in order to benefit from a coupon reduction

2024: 85% of all new investments have been structured with an ESG Bonus.
Remaining 15% were purchased on the secondary or through syndication.

Achievements in 2024 and ambitions for 2025

Our 2024 achievements & 2025 ambitions

- We still aim to improve CCFE S.A. ESG policies in 3 areas by 2025
  - Formalize an ESG governance
  - Broaden the scope of our corporate social responsibility
  - Continue to reduce our carbon footprint

- As planned last year, CCFE S.A. has extended a progressive and comprehensive dialogue with our lagging issuers on ESG aspects, to encourage them to improve their existing sustainable policies and provide more financial information to investors.

- Currently, 95% of the portfolio has an internal ESG rating (only one issuer refused to answer our questionnaire and has no public ESG information).

- On an ongoing basis, CCFE S.A. is working to align itself with forthcoming European and French regulatory requirements for the publication of extra-financial data, by continuing to produce more information than the regulations require.

- Last year, CCFE S.A. expected to improve the ratio of ESG-certified analysts within the company. We succeeded to improve it from 50% to 75% by 2024.

SFDR Article 8

- As mentioned in the previous ESG report, CCFE S.A. and France Titrisation finalized the launch in October 2024 of their first Article 8 fund under SFDR regulation.

Disclaimer

Cautionary statement regarding forward-looking statements and important legal information

This report may contain statements concerning future events, trends, plans, expectations or objectives and other forward-looking statements.
These statements are based on CCFESA's current opinions and assumptions and, by their nature, involve known and unknown risks and uncertainties; consequently, undue reliance should not be placed on them.

CCFESA assumes no obligation to update or revise any forward-looking statements, whether to reflect new information, future events or circumstances, or except as required by applicable laws and regulations.
This report refers to certain non-financial measures, such as ESG scores, key performance indicators, climate or sustainability-related metrics, as well as other non-financial data, all of which are subject to measurement uncertainties resulting from limitations inherent in the nature and methods used to determine them. The non-financial measures used here generally do not have a standardized meaning and may not be comparable to similar-looking measures used by other companies.

Non-financial data is not yet systematically published by issuers or, when published by issuers or collected from third-party data providers, may be incorrect, incomplete or follow different reporting methodologies. In addition, most of the information used to determine non-financial measures or factors is based on historical data, which may not be complete or accurate, or fully reflect the future performance or non-financial risks of the underlying investments.

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