

7.6 Draft report of the Board of Directors on the draft resolutions submitted to the Combined Shareholders' Meeting

The purpose of the draft report is to present the resolutions submitted by the Board of Directors to your Combined Shareholders' Meeting of May 17, 2017.

The presentation of Coface's financial situation, activity and results for the year ended, in addition to the information required by current legislative and regulatory provisions, are set forth in this 2016 reference document, to which you are invited to refer (accessible via the Coface website: www.coface.com).

These resolutions can be broken down into two groups:

- the first nineteen resolutions (from the 1st to the 19th resolution) which fall under the authority of the Ordinary Shareholders' Meeting;
- the twentieth, twenty-first and twenty-second resolutions (20th, 21st and 22nd resolutions) fall under the authority of the Extraordinary Shareholders' Meeting.

7.6.1 ORDINARY RESOLUTIONS

◆ Approval of the 2016 financial statements - (1st and 2nd resolutions)

In the first two resolutions, the Ordinary Shareholders' Meeting is asked to approve the Company financial statements (1st resolution), followed by the consolidated financial statements (2nd resolution) of COFACE SA for 2016.

◆ Appropriation of results - Dividend payment - (3rd resolution)

The purpose of the third resolution is to allocate COFACE SA's corporate result and approve the payment of dividends.

The Company financial statements as of December 31, 2016 showed net income of €75,381,066.

Following the capital reduction resulting from the reduction of the share's par value in 2016, the amount in the legal reserve has increased above legal requirements. Therefore, there is no need for additional allocation to this account for the fiscal year. Furthermore, a proposal was submitted to the meeting to transfer the surplus of €42,905,862.40 on the legal reserve account to "Other reserves".

The distributable profit therefore amounts to €75,381,066.

The total distributed amount will be €20,442,270, comprised:

- of an amount of €11,007,000 corresponding to a distribution rate of 62% of the adjusted net income ⁽¹⁾, i.e., €17,705,00 (or €0.07 per share);

In accordance with the legal provisions, we remind you that for the three financial periods prior to 2016, the following amounts were distributed:

YEAR	NUMBER OF REMUNERATION SHARES ⁽¹⁾	TOTAL AMOUNT (in €)
2013	156,841,307	293,939,870 ⁽²⁾
2014	157,209,284	75,460,456 ⁽³⁾
2015	156,900,438	75,312,210

(1) The number of remuneration shares does not include treasury shares.

(2) This amount includes an exceptional distribution of €227 million to Natixis, payment of which was made on May 13, 2014.

(3) It is recalled that this entire dividend was paid in the form of an exceptional distribution of cash sums deducted from the issue premium.

(1) "Adjusted net income" is calculated by excluding net income attributable to equity holders of the parent: an amount of €75 million corresponding to the income linked to the transfer of the public guarantees management business in France and restructuring expenses of €38.6 million, i.e., a total of €36.3 million before tax (see Note 30 of the consolidated financial statements). After tax (applied standardised rate of 34.43%, the adjustment applied to net income attributable to equity holders of the parent, is -€23.8 million, i.e., -€0.15 per share.

The ex-dividend date will be May 22, 2017. Payment will start on May 24, 2017.

◆ **Determination of the amount of directors' fees allocated to members of the Board of Directors - (4th resolution)**

A proposal is submitted to the Shareholders' Meeting to maintain the amount of the fees allocated to directors in 2016, *i.e.*, €400,000.

◆ **Authorisation to the Board of Directors to trade its own shares - (5th resolution for the ordinary session)**

In this fifth resolution, the Board of Directors requests the Shareholders' Meeting to authorise the purchase of a number of shares in the Company that may not exceed 10% of the total number of shares composing the share capital or 5% of the total number of shares subsequently composing the share capital in the case of shares acquired by the Company with a view to keeping them and transferring them as payment or exchange under a merger, spin-off or contribution operation, noting that the acquisitions made by the Company may under no circumstances result in it holding more than 10% of the ordinary shares comprising its share capital at any time.

Shares may be purchased in order to: a) ensure liquidity and boost the market for the Company's stock through an investment service provider acting independently within the context of a liquidity contract in compliance with the Charter of Ethics recognised by the French Financial Markets Authority, b) allot shares to corporate officers and to employees of the Company and other Group entities, and in particular within the context of (i) profit-sharing, (ii) any stock option plan of the Company, pursuant to the provisions of Article L.225-177 *et seq.* of the French Commercial Code, or (iii) any savings plan in compliance with Article L.3331-1 *et seq.* of the French Labour Code or (iv) any allocation of bonus shares pursuant to the provisions of Article L.225-197-1 *et seq.* of the French Commercial Code, as well as performing all hedging operations relating thereto, under the conditions provided for by the market authorities and at the times to be determined by the Board of Directors or the person acting upon its delegation, c) transfer the Company's shares when the rights attached to the securities are exercised, rights which entitle their bearers directly or indirectly through reimbursement, conversion, exchange, presentation of a warrant or in any other manner, to an allocation of shares of the Company within the context of the current regulations, as well as to perform all hedging operations relating thereto, under the conditions provided for by the market authorities and at the times to be determined by the Board of Directors or the person acting by delegation of the Board of Directors, d) keep the Company's shares and transfer them subsequently as payment or exchange within the context of potential external growth operations, and in accordance with the market practices accepted by the French Financial Markets Authority, e) cancel all or part of the securities thus purchased or f) implement all market practices accepted by the French Financial Markets Authority and, more generally, perform all operations in compliance with current regulations.

The maximum purchase price per unit may not exceed €12 per share, excluding costs. The Board of Directors may nevertheless, for operations involving the Company's capital, particularly a modification of the par value of the share, a capital increase by incorporation of reserves following the creation and allocation of bonus shares, a stock split or reverse stock split, adjust the aforementioned maximum purchase price in order to take into account the incidence of these operations on the value of the Company's stock.

The acquisition, disposal or transfer of these shares may be completed and paid for by all methods authorised by current regulations, on a regulated market, multilateral trading system, a systematic internaliser, or over the counter, in particular through the acquisition or disposal of blocks of shares, using options or other derivative financial instruments or warrants or, more generally, securities entitling their bearers to shares of the Company, at times to be determined by the Board of Directors.

In accordance with legal and regulatory provisions, the Board of Directors, if your Shareholders' Meeting so authorises it, shall have all powers, with the authority to subdelegate, in order to proceed with the allocation and, if necessary, permitted reallocation of repurchased shares in view of one of the programme's objectives, or one or more of its other objectives, or even in view of their disposal on or off the market.

The Board of Directors proposes that this authorisation, which would supersede the authorisation granted by the fifth resolution of the Shareholders' Meeting of May 19, 2016, be granted for a period of eighteen (18) months as from your Shareholders' Meeting.

◆ **Ratification of the co-opting of three directors - (6th, 7th and 8th resolutions)**

In the sixth, seventh and eighth resolutions, a proposal is submitted to the Shareholders' Meeting to ratify the cooptation of Ms. Anne Sallé Mongauze, voted by the Board on November 3, 2016, to replace Mr. Laurent Roubin, who has resigned, the cooptation of Ms. Isabelle Rodney, to replace Mr. Pascal Marchetti, who has resigned, voted by the same Board on November 3, 2016, and lastly, the cooptation of Mr. Daniel Karyotis, voted by the Board on February 8, 2017 to replace BCPE, who has resigned.

These three directorships expire at the end of this Shareholders' Meeting.

◆ **Renewal of eight directorships - (9th to 16th resolutions)**

In the ninth to sixteenth resolutions, a proposal is submitted to the Shareholders' Meeting to renew the terms of eight directors expiring on the date of the Shareholders' Meeting convened to approve the 2016 financial statements. Mr. Laurent Mignon, Ms. Anne Sallé Mongauze, Ms. Isabelle Rodney, Ms. Linda Jackson, Ms. Martine Odillard, Mr. Jean-Paul Dumortier, Mr. Jean Arondel and Mr. Daniel Karyotis.

The terms of these directors would be renewed for four (4) years and would end at the end of the Ordinary Shareholders' Meeting convened in 2021 to approve the financial statements for the year ending December 31, 2020.

These appointments have been approved by the Appointments and Compensation Committee.

◆ **Regulated commitments and agreements – (17th resolution)**

The seventeenth resolution concerns the approval of regulated commitments and agreements, in application of Article L.225-38 *et seq.* of the Commercial Code, authorised by the Board of Directors in financial year 2016 and subsequent to this date until the Board meeting of February 8, 2017. These commitments and agreements are presented in the Statutory Auditors' special report, in addition to those previously concluded in 2016 which remain valid and which do not require further approval by the Shareholders' Meeting (see Section 7.2.1 of the 2016 registration document).

◆ **Opinion on components of the compensation due or allocated for the year ended December 31, 2016 to Mr. Xavier Durand, Chief Executive Officer (CEO) – (18th resolution)**

In accordance with the recommendations of the AFEP-MEDEF Corporate Governance Code revised in November 2016 and referred to by COFACE SA, the eighteenth resolution seeks to submit to the Shareholders' Meeting for its opinion, the components of compensation

due or allocated to Mr. Xavier Durand in respect of the financial year ended.

The components of compensation were set by the Board of Directors at its meetings of January 15, 2016 and May 4, 2016.

For details about this compensation, which is subject to the advisory vote of shareholders, you are kindly requested to refer to Chapter 2 of this registration document and specifically to Section 2.2.

◆ **Approval of the principles and criteria for determining, distributing and allotting the components of compensation of Xavier Durand, Chief Executive Officer for financial year 2017 – (19th resolution)**

Under the nineteenth resolution, you are asked for the first time, in accordance with the Sapin 2 law, to approve the principles and criteria used to determine, distribute and allot the fixed, variable, long-term and exceptional components of the total compensation and all fringe benefits, awarded to Xavier Durand as the Chief Executive Officer as described in the appendix to this report.

It is specified that pursuant to the provisions of the Sapin 2 law, the compensation due or allocated for the financial year ended December 31, 2017 will be subject to the approval of your Shareholders' Meeting in 2018.

7.6.2 EXTRAORDINARY RESOLUTIONS

◆ **Capital increases reserved for employees – (20th and 21st resolutions)**

We propose, under the twentieth resolution, that you delegate to the Board of Directors, for a period of 18 months, with the ability to subdelegate under the conditions provided for by law, your authority to make one or several capital increase(s) reserved for (i) the employees and/or corporate officers of the Company and/or companies related to the Company within the meaning of the provisions of Article L.225-180 of the French Commercial Code and Article L.3344-1 of the French Labour Code and having their registered office based outside France; or (ii) one or several mutual funds or other entity, having a legal personality or not, subscribing on behalf of the persons described in paragraph (i) above, and (iii) one or several financial establishments mandated by the Company to propose to the persons described in paragraph (i) above a savings or shareholding scheme comparable to those proposed to the Company's employees in France.

This decision would cancel shareholders' preferential subscription right to the shares issued within the context of this twentieth resolution, for the benefit of the category of beneficiary defined above.

Such a capital increase would have the aim of allowing employees, former employees, and corporate officers of the Group who reside in various countries, to benefit, taking into account the regulatory or tax restrictions that could exist locally, from conditions that are as close as possible, in terms of economic profile, to those that would be offered to the other employees of the Group within the context of the use of the twentieth resolution.

The nominal amount of the capital increase likely to be issued in the context of this delegation would be limited to a nominal amount of €8 million (€8,000,000) on the understanding that the nominal amount of any capital increase carried out in application of this delegation would be factored into the total nominal cap specified for capital increases described in paragraph 2 of the seventeenth resolution of your Shareholders' Meeting of May 19, 2016, and that the cap for this resolution would be the same as that of the twenty-first resolution.

The subscription price of the shares issued in application of this delegation may not fall more than 20% below the average price of the listed share during the 20 trading sessions preceding the decision determining the opening date of the subscription, nor may it exceed this average, and the Board of Directors may reduce or eliminate the 20% discount noted above if it deems it appropriate in order to, in particular, take into account the legal, accounting, tax and corporate schemes applicable in the countries of residence of some beneficiaries. Furthermore, in the event of an operation carried out in the context of this resolution at the same time as an operation carried out in application of the twenty-first resolution, the subscription price of the shares issued in the context of this resolution may be identical to the subscription price of the shares issued on the basis of the twenty-first resolution.

The Board of Directors proposes that this authorisation, which would supersede the authorisation granted by the twenty-fourth resolution of the Shareholders' Meeting of May 19, 2016, be granted for a period of eighteen (18) months as from your Shareholders' Meeting.

As a continuation of the twentieth resolution, we propose, under the twenty-first resolution, that you delegate to the Board of Directors, for a period of twenty-six (26) months, with the ability to subdelegate, your authority for the purpose of increasing the share capital by issuing the Company's shares reserved to the members of a company savings plan, within the limit of a maximum nominal amount of €8 million (€8,000,000) on the understanding that the nominal amount for any capital increase carried out in application of this delegation would be factored into the total nominal cap specified for capital increases set out in the seventeenth resolution of the Shareholders' Meeting of May 19, 2016 and that the cap for this delegation would be the same as that of the twentieth resolution.

This decision would cancel the preferential subscription right of shareholders in favour of the said employees, former employees and corporate officers eligible for the shares thus issued, allocated free of charge, as appropriate.

The subscription price of the issued shares shall be determined under the conditions specified by the provisions of Article L.3332-19 of the French Labour Code, on the

understanding that the maximum discount calculated in relation to the average of the share's traded prices during the last twenty sessions preceding the decision setting the opening date of the subscription, may not exceed 20%. The Board of Directors may reduce or cancel the aforementioned discount, if it considers it necessary, in order to take account of the legal, accounting, tax and social treatments applicable in the country of residence of some beneficiaries. The Board of Directors may likewise decide to allot bonus shares to subscribers of new shares, in substitution of the discount and/or as an employer matching contribution.

The Board of Directors proposes that this authorisation, which would supersede the authorisation granted by the twenty-third resolution of the Shareholders' Meeting of May 19, 2016, be granted for a period of twenty-six (26) months as from this Shareholders' Meeting.

◆ **Powers - (22nd resolution)**

This resolution is intended to grant the powers required to complete the formalities consecutive to your Shareholders' Meeting.

7.6.3 APPENDIX TO THE 19th RESOLUTION

◆ **Principles and components of compensation of the Chief Executive Officer (CEO)**

This appendix takes into account the recommendations of the Appointments and Compensation Committee on January 30, 2017, concerning the compensation of Mr. Xavier Durand, Chief Executive Officer (CEO).

a) **Principles of the compensation of the Chief Executive Officer (CEO)**

The Appointments and Compensation Committee proposes the compensation policy for the Chief Executive Officer (CEO) with regard to the provisions of the AFEP-MEDEF Code and in compliance with the rules laid down within the Solvency II Directive.

Thus, it guarantees respect of the principles of balance, external competitiveness, consistency, and internal equity in determining the elements comprising the compensation of the Chief Executive Officer (CEO). It ensures the correlation between the responsibilities exercised, the results obtained, and the level of compensation over a performance year.

It also ensures that the practices in terms of compensation contribute to effective risk management within the company and particularly to:

- strict compliance with legal and regulatory provisions applicable to insurance companies,
- prevention of conflicts of interest and the management of risk taking within the limits of risk tolerance for the company,
- consistency with the strategy, interests, and long-term results of the company.

In order to do this, the objectives, practices, and governance in terms of compensation are clearly established and communicated within the company and the elements of the compensation for the Chief Executive Officer (CEO) are reported in a transparent manner.

b) **Components of the compensation of Xavier Durand - Chief Executive Officer (CEO)**

For 2017, on the proposal of the Appointments and Compensation Committee, after agreement from the Board of Directors and subject to approval by the Shareholders' Meeting, the compensation from Mr. Xavier Durand will comprise the following elements:

- **Fixed compensation:** it is proposed to maintain the gross annual compensation at €575,000, as set on February 9, 2016, the date Mr. Xavier Durand took office.
- **Total variable compensation,** which includes:
 - **Annual variable compensation (bonus):** The target variable compensation is set at 100% of the fixed compensation, i.e. €575,000 if all objectives are achieved. It comprises 60% financial objectives and 40% strategic and managerial objectives. The criteria proposed for the assessment of the 2017 bonus are as follows:

	OBJECTIVES	WEIGHTING
Financial objectives (60%)	Revenue (in €m)	20%
	General internal expenses, excluding exceptional expenses (in €m)	10%
	Gross loss ratio excluding claims handling expenses	10%
	Net income (in €m)	20%

	OBJECTIVES	WEIGHTING
Strategic and managerial objectives (40%)	<i>Fit to Win</i> strategic plan	20%
	Talent management	10%
	Solvency 2 projects	5%
	Recovery plan	5%

- The Long Term Incentive Plan: the Appointments and Compensation Committee, in compliance with market practices ⁽¹⁾ and in order to guarantee the balance of the long-term and short-term components of variable compensation, proposes allocating 60,000 performance bonus shares to the Chief Executive Officer as part of the Long Term Incentive Plan 2017 (LTIP 2017). The final vesting will be subject to achieving the following performance conditions:
 - 50% of shares allocated are vested under the condition of achieving COFACE SA's RoATE (Return on Average Tangible Equity) level for the financial year ending December 31, 2019.
 - 50% of shares allocated are vested under the performance condition relating to the COFACE SA share, measured by the Total Shareholder Return (TSR) compared to the TSR growth of the companies comprising the Euro Stoxx Assurance index over the same period.

The vesting period for the shares is set at three years. The plan does not include a holding period.

It was decided that 30% of the CEO's shares vested under the LTIP 2017 Plan should be retained until the end of his corporate term or of any other function that he might hold within Coface.

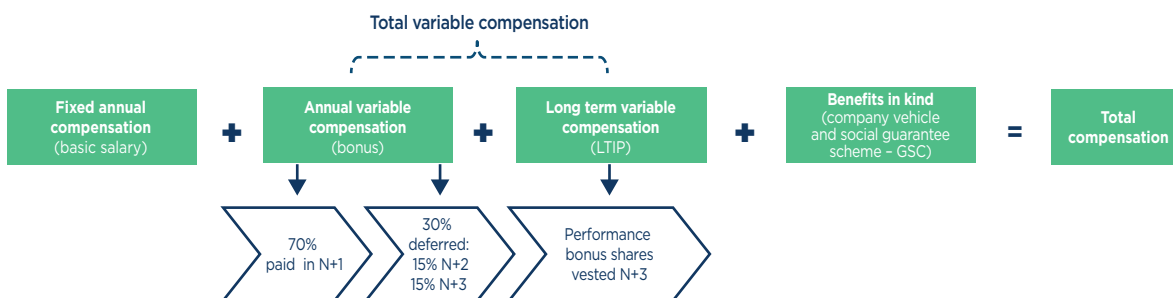
The global rate of deferred variable compensation will therefore represent more than 55% of the global variable compensation.

All risk hedging transactions are prohibited.

- Other benefits: Mr. Xavier Durand benefits from a company vehicle and the payment of 62.5% of contributions due to the business managers and corporate officers social guarantee scheme (GSC).

He benefits from the collective healthcare and pensions schemes in force for all employees and has no additional pension scheme.

VARIABLE COMPENSATION PACKAGE



c) Severance pay

Mr. Xavier Durand benefits, in the event his corporate term ends, from severance pay in an amount equal to two years' (fixed and variable) salary. The reference salary used for the fixed portion shall be the salary for the current financial year at the date he stops his duties. The reference salary for the variable portion will be the average of the variable portions received for the three years preceding the termination date of his duties (or of one of the two years concerned since he came into office in the event of departure before December 31, 2018).

This severance pay shall be due if the following performance criteria have been met:

- achievement of at least 75% of the average annual objectives during the three years preceding the departure date; and

- the Company's combined ratio after reinsurance is at most 95% on average for the three financial years preceding the departure date.

If just one of the two conditions above has been fulfilled, 50% of the compensation shall be due. If none of the conditions above has been met, no indemnity shall be due. No compensation shall be paid by the Company if the corporate term is ended at Mr. Xavier Durand's initiative or in the event of termination for serious misconduct or gross negligence. The compensation components and corporate benefits governed by the regulated agreements procedure in accordance with the provisions of the French Commercial Code shall be subject to the approval of the Company's Shareholders' Meeting.

Mr. Xavier Durand does not have an employment contract and does not benefit from any compensation relating to a non-compete clause.

(1) Note: The Chief Executive Officer's compensation has been subject to a comparative analysis of the market by a compensation consultancy firm in January 2017 in order to guarantee its competitiveness on the market, its internal consistency, and the structural balance.