

BUILD_{TO} LEAD

STRATEGIC PLAN 2020-2023



coface
FOR TRADE



FROM FIT TO WIN TO BUILD TO LEAD



OVER THE LAST FOUR YEARS, COFACE HAS UNDERTAKEN AND LED A DEEP BUSINESS AND CULTURAL TRANSFORMATION. OUR FOCUS HAS BEEN ON BECOMING FIT, IN ORDER TO BE ABLE TO WIN IN THE MARKET PLACE. OUR TRANSFORMATION HAS BEEN BROAD, DEEP, AND FAST, AND HAS TOUCHED ALL AREAS OF OUR BUSINESS OPERATIONS. WE NOW HAVE COME A LONG WAY. OUR RESULTS IN 2019 WERE AT A RECORD LEVEL AND WE CAN NOW PROUDLY SAY THAT OUR STRATEGY IS RIGHT, THAT WE ARE MUCH MORE FIT, AND THAT WE ARE WINNING.

Build to Lead, our new strategic plan, will build upon these achievements, and take them broader and deeper across our organization and practices to position Coface as a clear leader in our industry.

What we mean by leading is not being the biggest, but being the best at what we do. The best at risk anticipation and management, the best at analytics, the best at defining products that help clients and the best at servicing our clients' needs, wherever we operate. This will become even more important as we operate in a slower and more volatile world: a slowing economy and trade, continued technology shifts, more debt and zombie companies, trade wars, social uprisings, conflicts, and even health issues.

Being agile and having the expertise will be how we differentiate and build value in the long-term, while increasing both our client numbers and our resilience.

We will focus on two pillars:

- **enhance our leadership in our core Trade Credit Insurance business,**
- **strengthen select adjacent speciality businesses: Factoring, Single Risk, Bonding, and Information services.**

To drive our TCI leadership, we will focus on three areas:

First, continue to improve our operating model and the way we work across our different businesses, functions and geographies. This means shaping the Coface of tomorrow by taking the quality of our customer service to new levels, continuing to simplify products, processes and IT, and by leveraging innovation and technology for better service and efficiency.

Second, we will continue to invest in our risk and information capabilities to strengthen our risk infrastructure, further differentiate our capabilities from others in the market, and boost our long-term resilience to adverse risk events.

Third, create value through growth. Over the next 4 years, we will continue to adopt a differentiated investment approach by geography and by client segment. We will invest where we have identified strong potential. For example, we know that we have not yet gained our natural market share in the United States: by regaining control of our distribution network, investing in key new hires and segmenting our approach, we are confident we will capture our natural share of this market. We have also enjoyed great success with our Japanese offer serving the South East Asian subsidiaries of large Japanese multinationals. We want to replicate this success in Europe and in the United States.

The second pillar of Build to Lead is to develop our four adjacent speciality businesses, which today account for 12% of our revenue. They are businesses in which we have a deep knowledge and history and are either capital-light, or offer strong synergies with our Trade Credit Insurance business. We can leverage on our unique infrastructure and wealth of data to cross-sell to our client base, or even access new categories of customers through:

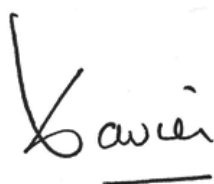
- a turnaround of Factoring in Germany;
- selectively growing Single Risk and Bonding;
- transforming our Information services into a fully-fledged business line.

A key area of differentiation underpinning all of this is our unique common culture, which we believe is hard to copy. Making our four values – Expertise, Collaboration, Client Focus, and Courage & Accountability – a reality in our day-to-day lives is key to offering our clients the service and the agility expected of a Trade Credit Insurance leader. We will continue to align our performance reward framework with these values.

Today, we are a more modern, more efficient, and more agile 21st century organization. We have the right strategy, the right people in the right place, the right culture... And we have the momentum to write the next chapter of Coface's success story, taking us to new heights.

I know I can count on your energy and enthusiasm to make this plan a success.

So, let's build on our strengths and, together, position Coface as an indisputable leader!



Karin



OUR BELIEF

Improving our operating model will free up energy to address clients' needs.



OUR AMBITION

Make quality of service a real differentiator.



THE LEVERS

- Foster a client-centric approach.
- Simplify our products, processes, and IT infrastructure.
- Embed innovation even more deeply into our operations.

INITIATIVE N°1 /

SIMPLIFY AND DIGITIZE COFACE'S OPERATING MODEL

Upgrade service quality and exceed customer expectations

- > Put customer service quality at the heart of business operations: assess service quality from the client perspective, monitor 7 client-centric key performance indicators (KPI).
- > Build quality of service programs in every geography and at each step of the value chain.
- > Reduce time to offer, going from 9 days to 5 days.
- > Improve operations through simplification and automation to focus on value adding tasks.
- > Instil a client-centric mind set and behaviours: role-model managers, training, communication, incentives.

Simplify products & processes to free up time for clients

- > Since FTW, we have built the X-liner product suite to deliver a simpler and standardized suit of products, for the benefit of both clients and teams.



- > Fully rollout the X-Liner product suite by 2023.
- > Implement a new contract tool enabling a smoother on-boarding of new clients. We aim to cover 80% of the TradeLiner policies. This tool will enable us to automate time-consuming.

Build agile IT with a solid business oriented mind-set

- > Simplify our IT infrastructure by deploying worldwide solutions adapted to local specificities.
- > Reduce IT complexity by 30%.
- > Digitize workflows and automate processes to ensure smooth operations and worldwide quality standards.
- > Deploy an agile methodology to optimize project delivery and time to market.
- > Connect our IT infrastructure to external providers to benefit from the best insights and improve the connectivity with our clients by developing Application Programming Interfaces (APIs).
- > Gaining efficiency and agility should help us on building new solutions to better serve our clients.

Embed innovation at the core of operations

- > Technology & Innovation have to be embedded in the core of our operations.
- > Build a data-centric culture and tune into the latest technological innovation (artificial intelligence, machine learning, cloud as a service...)
- > Drive operational innovation by investing in data & technology in 3 main areas: risk capabilities (automated UW), offering, sales & distribution (churn prevention), operational efficiency (bot/client interface).



OUR BELIEF

Risk is the core component of our mission to facilitate trade all over the world.



OUR AMBITION

Build an undisputable leadership on Risk Management to increase our resilience.



THE LEVERS

- Further improve all components of our risk capabilities (Information, Risk Underwriting, Claims).
- Investigate opportunities offered by new technologies.

INITIATIVE N°2 /

DIFFERENTIATE THROUGH RISK CAPABILITIES & INFORMATION

Strengthen Information, Risk Underwriting and Claims management

- > **Information:** improve data quality and delivery capabilities of external information providers; produce new Debtor Risk Assessment based on innovative statistical methods that improve predictability.
- > **Risk Underwriting:** implement new functionalities into Atlas in order to better manage our exposure, improve customer satisfaction and adapt our Risk Management systems to support product innovation.
- > **Claims:** implement a global claims tool with automatic assessment and payment processes, and develop a new global collection tool with a 360° view (including all flows with partners).

Investigate opportunities offered by new technologies

- > **Information:** alternative data sources: open data, social & peer data, data mining solutions.
- > **Risk Underwriting:** machine learning algorithms, artificial intelligence.
- > **Claims:** predictive claim recovery rate.

Align risk and profitability with the internal model

- > Dynamic allocation of extra capacity.
- > Support pricing decisions.
- > Calculation of expected losses.
- > Fine-tuning of underwriting policy.



OUR BELIEF

We only focus on profitable growth *versus* growth for growth's sake.



OUR AMBITION

Drive sustainable growth drivers.



THE LEVERS

- Implement differentiated growth strategies by geography.
- Implement commercial & distribution strategies adapted to each client segment.

INITIATIVE N°3 /

CREATE VALUE THROUGH GROWTH

Drive differentiated growth strategies by geographies

- > **Mature markets:** drive multichannel distribution in mid-market, use distribution partnerships to further penetrate the SME segment, grow financial institution revenue.
- > **Underpenetrated advanced economies:** reach natural market share and target specific segments by adapting offer & distribution.
- > **Highly volatile markets:** build a long-term presence (increase Risk Underwriting expertise, develop partnerships, enhance our reputation), strengthen service for CGS, defend leading position.

Target all segments of clients with adapted strategies

- > **International Groups:** providing worldwide coverage (e.g. Japanese Solutions); invest in quality of service; increase penetration in key geographies.
- > **Mid-market:** offer insurance cover and advisory on domestic & export trade and invest on multichannel distribution.
- > **SMEs:** provide simple, user-friendly products and combine digital investment with distribution partnerships.
- > **Financial institutions:** develop relationships with select financial institutions.



OUR BELIEF

- Diversifying our business will strengthen our resilience.
- Coface's expertise and infrastructure provides a competitive edge to succeed in TCI-adjacent businesses.



OUR AMBITION

Accelerate profitable growth of adjacent businesses - e.g. Factoring, Single Risk, Bonding, Information services - and adopt a service provider approach.



THE LEVERS

- Leverage Coface skills, scale, and infrastructure to create synergies.

INITIATIVE N°4 /

RETURN FACTORING IN GERMANY TO PROFITABLE GROWTH

- > Reposition factoring activities on higher yield segments: cross-border Factoring for international companies, M&A and Private Equity deals.
- > Mitigate risk on client insolvencies by implementing advanced risk management standards.
- > Digitize operations (full online client onboarding, new customer interfaces) and increase operational synergies with TCI: cross sales, claims management, client management, debt collection.



INITIATIVE N°5 /

BOOST SINGLE RISK & BONDING

- > Grow our existing franchises by leveraging relationships with brokers, agents, and banks.
- > Single Risk: continue to grow within our current risk appetite on our existing markets.
- > Bonding: grow, first in Europe, and then more opportunistically beyond Europe.

INITIATIVE N°6/

ENHANCE AND MONETIZE INFORMATION SERVICES

- > Position information services as a proper business line, targeting also non-TCI businesses.
- > Expand data coverage and increase data quality: build partnerships with information providers combining production & distribution, explore alternative data sources (open data).
- > Enhance data processing to increase value added: develop business-oriented insights to better address specific segments (Financial Institutions, large accounts).
- > Upgrade sales and delivery capabilities: develop partnerships to address new use cases, build Application Programming Interface (API) delivery capabilities, create a dedicated sales team.

SUCCESS THROUGH PEOPLE



OUR BELIEF

People and shared culture make the difference.



OUR AMBITION

Build the best global team of the industry all over the world, composed of recognized experts and leaders, sharing a collaborative mindset - which will make us unique and unbeatable.



THE LEVERS

- Foster engagement and wellbeing.
- Increase our initiatives in talent management.
- Strengthen employer brand and retention.



AND CULTURE

FOSTER ENGAGEMENT AND WELLBEING

- > Work on the irritants expressed by employees in order to improve engagement.
- > Enhance the feedback culture, both bottom-up and top-down.
- > Continue to measure employees' aspirations on a regular basis; roll out action plans based on employees' inputs.
- > Develop our managerial culture across the company.

INCREASE OUR INITIATIVES IN TALENT MANAGEMENT

- > Systematic reviews of talents at country, regional, and global function level, so that we know our employees' skills, performance, values and aspirations, and build robust succession plans and career paths.
- > After the Commercial Academy, build other Learning and Development programs by function or business line, and grow a pipeline of experts.
- > Continue to enhance internal mobility (functional & international) and develop short term assignments programs in order to offer more career perspectives and to better share our culture.
- > Develop our people managers' career coaching skills and make them accountable for their people's career growth.

STRENGTHEN EMPLOYER BRAND AND RETENTION

- > Build a compelling employer brand and roll it out globally.
- > Ensure fair employment practice across all Coface operations, and an open dialogue with employee representatives.
- > Continue to foster diversity and promote an inclusive workplace.



BUILD TO LEAD

Be more profitable and resilient over the long-term

BUILD TRADE CREDIT INSURANCE LEADERSHIP



Simplify & digitize operating model



Differentiate through Information & Risk Capabilities



Create value through growth

One shared culture based on 4 values:



Client Focus



Expertise



Collaboration



Courage & Accountability

GROW SELECT SPECIALITY BUSINESSES



Return factoring in Germany to profitable growth



Boost Single Risk & Bonding



Enhance the Information Services offer

FINANCIAL TARGETS THROUGHOUT THE CYCLE

Combined ratio

80%

RoATE*

9.5%

Solvency Ratio

155%-175%

target range

Payout Ratio

≥80%

* Return on average tangible equity

One mission: **FOR TRADE**
Building business together

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