

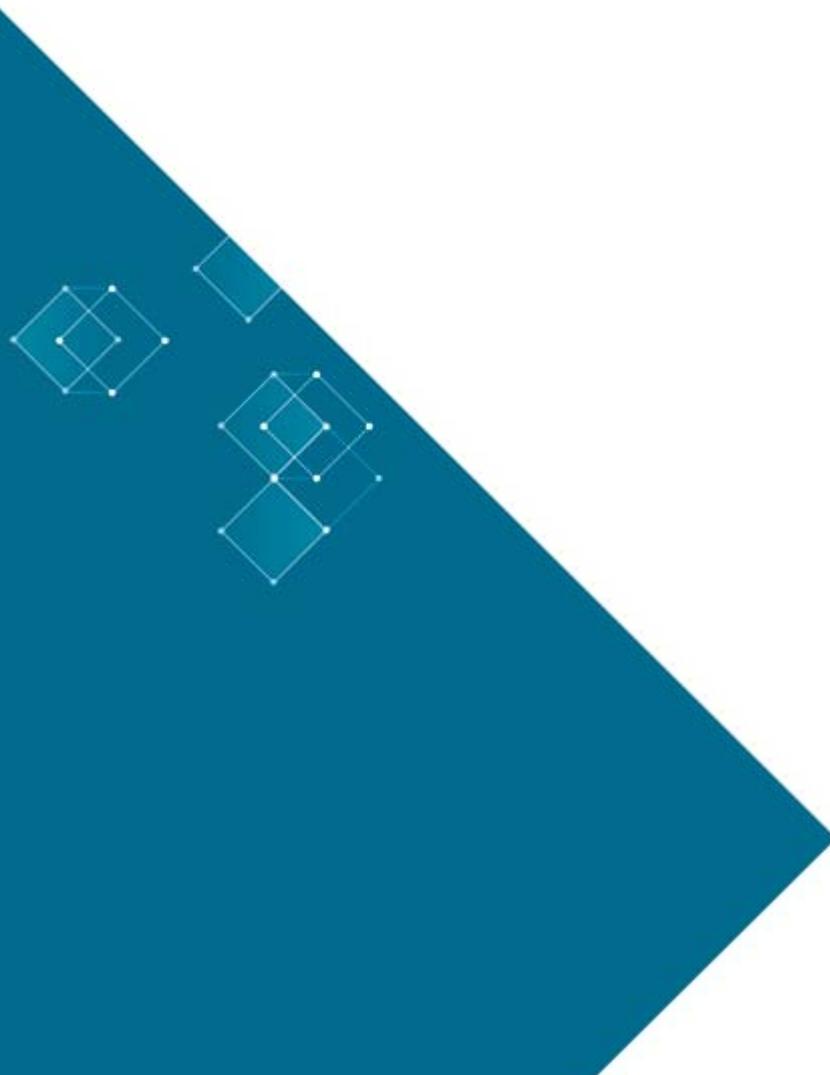


Climate Policy

SCOR
2017

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Framework, Principles and Scope

As a reinsurer, SCOR believes that **climate change** constitutes a **major long-term threat** because it increases the frequency of extreme weather events, the severity of some natural catastrophes such as droughts, floods, devastating hurricanes, etc., and as a result, the magnitude of losses. Climate change-related risks are also global and systemic in nature: they may include water risks, food insecurity, threats on biodiversity, global health, forced migrations, social tensions and political crises, etc.

SCOR takes into account this risk universe, all the more since its core mission includes protecting people and property from disasters and encouraging environmental sustainability, particularly in an era of global warming.

The SCOR Group believes that (re)insurance, when paired with strong liability laws and regulations, is a highly effective tool to promote sustainability. Consequently, SCOR upholds **Sustainable Development** as one of its five **core values**. This belief is anchored in our **Code of conduct**. It is also embodied in the **international commitments** and initiatives related to the environment we have embraced for many years.

Being a signatory of the UN Global Compact and of the UNEP-FI PSI from the outset, SCOR acknowledges the high relevance to its business of the Sustainable Development Goals (SDGs) set in 2015 by the UN Agenda 2030. SCOR also supports international sectoral climate-related initiatives such as the French Business Climate Pledge signed in the wake of the Paris Climate Agreement, the Geneva Association's Climate Risk Statement on Climate Resilience and Adaptation, and more recently the Decarbonize Europe Manifesto and the Letter of global investors urging governments of the G20 nations to fully support and implement the Paris Agreement.

SCOR's Climate Policy reflects this longstanding and ongoing commitment towards achieving climate resilience. It aims to provide a **dynamic framework** for the management of our own environmental impact - both direct and indirect - as well as an **active strategy** based on our expertise for addressing the many risks and opportunities posed by climate change to our business.

This Policy covers activities carried out by SCOR's companies in the various countries where the Group operates.





Three levels of action to address Climate Change

SCOR is committed to play its part in addressing the global challenge of climate change.

Our approach distinguishes three levels at which our activities may affect, or be affected by, climate change:

- Addressing the business risks and opportunities presented by climate change;
- Limiting the carbon footprint of our own operations;
- Managing the impacts on the environment that may arise from our role as both a (re)insurer and an investor.

1 Assessing and addressing Climate-related Risks and Opportunities

While changes associated with climate warming present major physical and financial risks for the (re)insurance sector, they also create business opportunities.

The increase of extreme weather events and the necessary corollary transition to a lower-carbon economy stimulate the development of climate change mitigation and adaptation **solutions**, which have an impact both on the underwriting and on the investment sides of SCOR's activity.

1.1 Understanding Climate-related Risks

SCOR has developed various ways of nurturing climate-risks understanding. First, by consistently developing and improving its own **modelling** tools, for example with regard to natural catastrophes and meteorological forecasting. Second, through a policy of **scientific sponsorship and partnership** in catastrophe risk modeling - a core and longstanding feature of its corporate responsibility policy.

This policy is carried out through direct support of and collaboration with top academic institutions, and with research organizations such as OASIS – an open-source platform for

modelling climate events. The **SCOR Corporate Foundation for Science**, has also joined forces with the Geneva Association to organize international scientific seminars on **climate risks modelling** and the question of their insurability.

This **institutional engagement** on adapting to climate change is backed at the highest level of the Group. SCOR's Chairman and Chief Executive Officer co-chairs the Geneva Association's Extreme Events and Climate Risks working group, and is a member of the steering committee of the Insurance Development Forum, an institution dedicated to improve resilience and close the protection gap for developing communities vulnerable to climate change.

(Re)insurance, through its **risk pricing function**, contributes to increasing the **resilience** of infrastructures and assets, and that of society as a whole. As a reinsurer, SCOR **integrates climate risks into its actuarial pricing models**. By signaling an increase in risk through higher pricing, SCOR underlines that prevention and protection measures of assets and people must be taken. By discouraging construction in ecologically sensitive areas, it encourages safer practices, and hence a more resilient environment.

On the asset management side, the Group carries out a regular **analysis of the climate risks that could affect its investment portfolio**.



SCOR analyzes “acute” physical risks which could affect its portfolio of real estate debt, infrastructure debt and direct real estate investments. Acute physical risks are defined as risks related to events such as natural catastrophes, which include extreme weather phenomena such as cyclones, hurricanes and floods. The “acute” physical risks on this portfolio are analyzed using **SCOR’s internal model for simulating natural catastrophes**. Based on scenarios validated by the Group’s modelling teams, this model estimates potential losses from natural catastrophes.

1.2 Addressing Climate Change Adaptation and Mitigation

SCOR is seeking ways to address climate adaptation and mitigation through its core activities, insurance and asset management. The Group develops innovative **(re)insurance tools** designed to help its clients cope with the implications of extreme weather events. As an important investor, it is also increasingly investing in **low-carbon assets** designed to mitigate global warming.

Agriculture reinsurance is a field where SCOR advances effective **adaptation** solutions, such as micro-insurance, satellite-based and index-based crop insurance (weather products, area-yield index...), in particular for low-income and vulnerable people in Asia and Africa.

SCOR also utilizes financial products such as Insurance Linked Securities (Cat Bonds) that offer protection against natural disasters and help fund prompt reconstruction after such events.

Simultaneously, the Group contributes to climate warming **mitigation** by supporting the **energy transition**, on both the insurance and the asset management sides.

While SCOR develops **insurance** coverage for renewable energies technologies (e.g., wind, solar energies), it also carries out extensive **investments** in **renewable energy** projects and energy-efficient buildings. The larger part of the Group’s real-estate portfolio (including buildings for its own use) is already certified for energy quality (low-carbon) standards.



Projet Veja Mate – Energie Eolienne Offshore – Allemagne

2 Limiting our direct environmental footprint

Although reinsurance is not an industrial activity with a significant impact on the environment, SCOR strives to limit the environmental impacts directly linked to its activity, which derive mainly from its office operations and business air travel.

Whereas the main thrust of the Group’s environmental strategy has been to monitor and **reduce** its own greenhouse gas emissions, SCOR has decided recently, in addition, to move towards carbon neutrality through the **compensation** of its unavoidable carbon emissions.

2.1 Raising employee awareness

SCOR believes every employee has a role to play with respect to environmental protection. The Group regularly informs its employees of the measures taken to protect the environment. It has recently decided to scale up this action by launching **employee awareness campaigns** (through regular emailing, corporate social network, dedicated events, etc.) designed to inform each employee of its own carbon footprint, and advocate **eco-friendly behaviors** with respect to air travel, car use, energy consumption, paper, batteries and IT.



2.2 Striving for Carbon Reduction

With respect to the management of its operations' environmental footprint, SCOR seeks to implement mitigation measures in the following areas.

Business transportation steering:

Representing more than **80% of all Group's emissions**, business travel constitutes SCOR's major source of greenhouse gas emissions, with the larger part of it stemming from air travel. The Group has developed a dense network of video-conferencing equipment across the Group, in order to limit its CO₂ emissions from air travel.

With respect to employee car use related carbon emissions, from 2018 on, SCOR will propose alternatives to the provision of a company car as well as greener company cars.

Offices' environmental management: As laid out in the commitment SCOR has taken in the French Business Climate Pledge in November 2015 (reiterated in December 2017), the Group has set a **goal to reduce the carbon intensity of its offices by 15% per employee by 2020** (scope 1 and 2).

While **this goal has already been overachieved** as of end of 2016 with a 17% reduction in the carbon intensity of its offices per employee, SCOR pledges to maintain and expand its carbon reduction efforts with respect to its offices through:

Greenhouse gas monitoring: Since 2009, SCOR monitors its greenhouse gas emissions – particularly carbon dioxide - with a focus on the most significant sources of emissions, specifically energy purchase, the consumption of fossil fuel linked to employees' business travel, and emissions stemming from paper consumption although for the latter the volume of emissions is rather insignificant. This monitoring process is constantly upgraded.

Environmental certification of offices: SCOR conducts its operations with offices of various size in approximately 30 countries - which it either owns or rents. The Group permanently

integrates energy efficiency considerations and eco-responsible standards into the quality of its offices design and construction/renovation, as well as into the management of its office premises through the implementation of Environmental Management Systems (EMS) where feasible.

Thanks to the roll out of a global certification effort, the environmental quality of the Group's property portfolio hosting its employees has significantly improved since 2009. At the beginning of 2017, more than 50% of SCOR's employees were working in "green" buildings, i.e., buildings covered by a certified EMS. Thus in Paris, London, Cologne, Zurich, and Singapore, our offices benefit from an energy performance label or green certification (HQE, BREEAM-construction/in-use, EMAS, ISO 14001, etc.). This effort is set to be expanded.



Green wall of SCOR's office in Cologne

Energy consumption reduction and increased renewable energy use: In line with its "low-carbon" approach, SCOR focuses on reducing its energy consumption and increasing the share of energy produced from renewable sources in its energy mix. Since the Paris Headquarter shifted its electricity supply to a 100% renewable energy sources in 2016, "clean" electricity accounts for close to 50% of the Group's total electricity consumption (vs 30% in 2015). SCOR is committed to further develop this trend in the future.

Paper and waste recycling: SCOR has implemented processes both in terms of



reduction and recycling of waste production on its main sites. The Group carefully monitors its waste, particularly the most toxic products (electronic waste, batteries, ink cartridges, toners, etc.). Paper recycling is a practice well-rooted in most of the locations and is being further rolled-out.

2.3 Moving towards carbon neutrality through forest sponsorship

In spite of our continuous efforts and actual improvements with respect to the limitation of our direct operations' carbon footprint, business air travel emissions represent SCOR's largest source of GHG emissions and are difficult to reduce due to the Group's worldwide activity.

Therefore, SCOR has decided to launch a **forward-looking program** aiming at balancing those remaining emissions. While pivotal, carbon neutrality is not the only goal of this program focusing on **forest preservation or reforestation projects**.

SCOR sees the forest's role as being directly connected to its main business focus: contributing to the **resilience of people and assets**. The Group believes that forests have an essential role to play not only as a "carbon sink" (capturing CO₂ emissions), but also in strengthening the resilience of ecosystems and populations.

By restoring degraded lands, forests can typically prevent or limit the devastating effects of natural disaster such as floods, storms, droughts, or sea level rise. Moreover, responsible management of forest resources and sustainable agroforestry projects can contribute to the development of local communities (upskilling, poverty reduction...).

As part of this strategy, the Group offsets CO₂ emissions through the purchase of **carbon credits** from selected certified forest projects.

3 Managing our indirect environmental impacts

SCOR strives to minimize the indirect impact on the environment generated by its activities by embedding environmental considerations into its business where relevant.

3.1 Assessing our investment portfolio's carbon footprint

Pursuant to its active commitment towards supporting the transition to a post-carbon economy, the Group has undertaken a detailed examination of its asset management activity's environmental impact.

With a view to studying the possible further integration of decarbonation targets in its investment decisions, the Group has carried out an initial carbon footprint assessment of its invested assets portfolio, as well as an analysis of the alignment of its portfolio with the 2°C scenario (approved by the Paris Climate Agreement to limit global warming to 2°C by the year 2100).

3.2 Disengaging from key sustainability risks

SCOR recognizes some sectors or lines of business pose greater environmental risks and endeavors to develop measures and processes that take these risks into account.

Acknowledging that the high levels of CO₂ emissions stemming from the **thermal coal-intensive business** contribute to global warming, the Group has decided to carry out a targeted disengagement from this industry, on both the asset management and the underwriting sides.

SCOR has decided to **divest** from companies deriving more than 30% of their turnover from thermal coal and pledges to make no new investments in such companies in the future. This commitment applies to all types of assets held within SCOR's invested asset portfolio, including fixed income securities, equities, loans (including infrastructure loans), real estate and other investments.



On the **underwriting** side, the Group takes a twofold commitment:

- Not to issue insurance or facultative reinsurance for new thermal coal mines or stand-alone lignite mines or plants; and
- To build a dynamic scoring grid to help underwriters evaluate ESG practices of each project in the coal-intensive business. The grid combines internal and external measures and is integrated into SCOR's underwriting and referral systems.

This commitment to limit key risks and threats posed to a clean and healthy environment is also reflected in the Group's decision to fully divest from the **tobacco industry**. SCOR co-sponsored the Global Investors' Statement on Tobacco, supported by more than 50 investors representing \$ 3.5 trillion in assets under management, calling for stronger regulation around tobacco control. The purpose of this statement, released on World No Tobacco Day, was to highlight the threat posed by tobacco consumption to sustainable development.



Climate disclosure and governance

The considerable importance attached to climate risk understanding and management is reflected in the organization of the Group's governance of environmental issues.

1 An internal cross-business lines CSR committee

The Group has decided to set up a **cross-business lines Corporate Social Responsibility Committee**, whose mission is notably to ensure that the impact of climate risks on our business as well as the direct and indirect impacts of our activities on the environment, are properly managed.

2 Environmental monitoring and reporting

Generating high-quality information on our environmental performance is indeed considered critical to support sound management decisions. Our environmental data is regularly monitored, so as to ensure continuous improvement of our environmental management systems and processes on a Group-wide level. This **monitoring** is reviewed annually by an external auditor. Its results are **reported** to senior management, and conveyed

transparently in public documents available to all our stakeholders: our annual Activity report, our Reference Document, our ESG Report on investments, our website's CSR pages, and our reports to international organizations (the Global Compact, the UNEP-FI's PSI). We also disclose our environmental performance through key climate-disclosure related organizations, such as the CDP.

3 Oversight of climate issues

Environmental issues are represented at the **highest levels** of the Group:

- At the Executive Committee, through the Chief Operating Officer, who is the sponsor and the ultimate person responsible for overseeing the implementation of the climate policy.
- At the **Board of directors**, which is entrusted with oversight on these issues through a dedicated **CSR Committee**. This committee is in charge of making recommendations to the Board on the environmental strategy of SCOR, of ensuring that corporate strategies are consistent with the long-term sustainability of the company, and of monitoring results.



In order to ensure its easy accessibility and availability to the public, this climate policy is published on the website of the Group.