



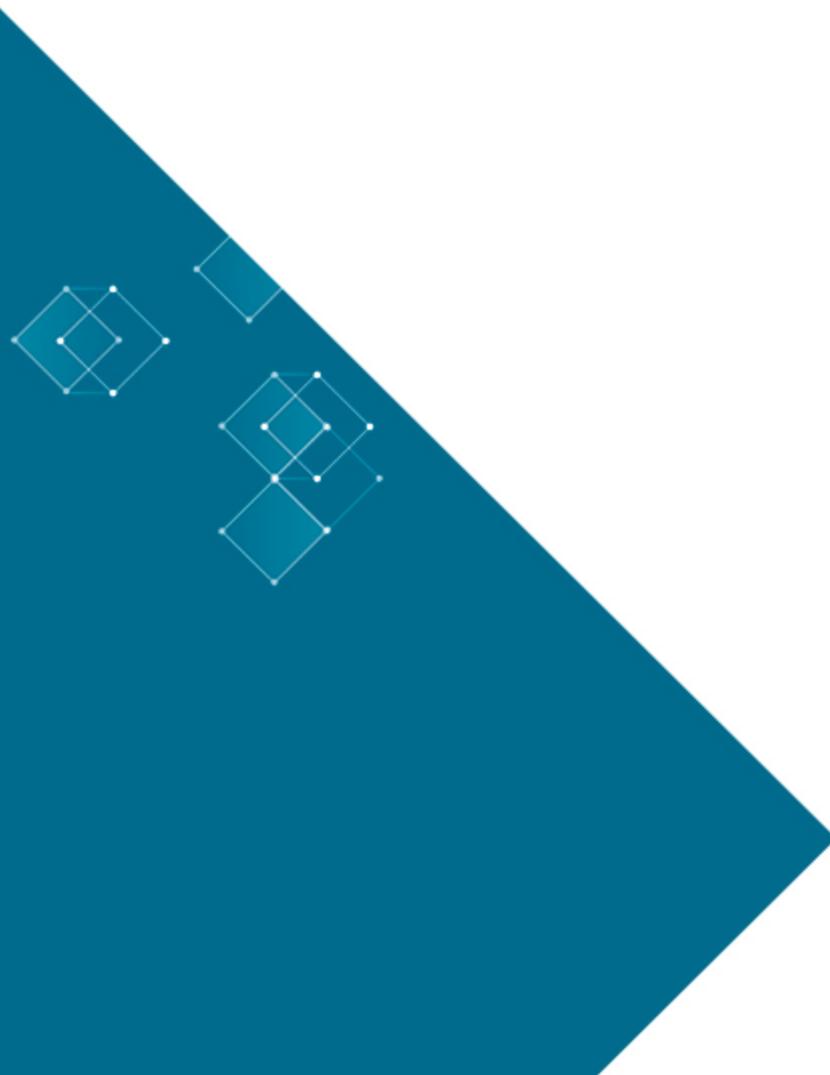
SUSTAINABLE
INVESTING POLICY
**RESILIENT
TOGETHER**

SEPTEMBER 9, 2020

SCOR
The Art & Science of Risk

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1 Policy scope

The sustainable investing policy on investments applies to invested assets. It applies at Group and entity levels. The policy applies to invested assets managed either directly, by SCOR's asset management companies or by external investment managers. Regular due diligences are performed ex ante when selecting external investment managers and ex post to assess the compliance of their investment process with SCOR's sustainable investing strategy.

2 Sustainable investing definition

SCOR is committed to act as a sustainable investor to better manage risks and generate superior long-term returns. Its approach to sustainable investing onboards Environmental, Social and Governance criteria in investment decisions. SCOR considers sustainability not only as a way of building a resilient portfolio, but also as a powerful mean to incorporate natural and human capitals in its investment strategy. SCOR intends to favour investments financing a sustainable world in the long term.

Sustainable investing is part of SCOR's Corporate Social Responsibility strategy, alongside business and corporate involvement. An internal robust governance underpinned by SCOR's Corporate Social, Societal Responsibility and Environmental Sustainability (C2SES) Committees at Executive Committee and Board of Directors levels ensures consistency of decisions and a holistic approach across the Group. Both governance bodies play an instrumental role in onboarding sustainability in SCOR's strategy.

3 Sustainable investing principles

SCOR has based its investing policy upon the five pillars detailed below. Resilience to non-financial risks plays a key role in SCOR's strategy. However, the Group considers non-financial criteria beyond their financial impacts and intends to actively promote natural and human capitals in line with its business constraints. Finally, the investment strategy is built around a three dimensions framework including expected return, risks/resilience and impact of the portfolio positioning.



3.1 Building a resilient portfolio | Risk management

Thanks to its core business as a reinsurer, SCOR has developed a strong risk culture across the entire Group. Risk management, including E, S and G criteria, is embedded ex ante in investment decisions and monitored closely during the investment life cycle.

- ESG criteria as early signals of future risks

SCOR considers E, S and G criteria as potential early signals of future risks. As such, issuers' extra-financial ratings are screened within risk management processes to better anticipate potential deterioration of credit quality and environmental and social impacts. Controversies also support the analyses.



- Climate risks

As a Tier 1 reinsurer, SCOR is at the forefront of climate risk. Understanding, modelling and managing climate risks is at the heart of SCOR's core business. In its sustainable approach, SCOR pays specific attention to climate risks and supports initiatives to better assess climate change risks.

- **Physical risks:** SCOR defines climate physical risks as i) losses that may occur due to change in the frequency and / or intensity of extreme events (acute risk) or ii) longer-term consequence of an upward trend in physical risk (chronic risk). SCOR leverages on internal capabilities and climate awareness at Group level to assess the resilience of its investment portfolio to physical risks. SCOR also considers physical climate risks opportunities when investing in insurance-linked securities aiming at increasing resilience following natural catastrophes.
- **Transition risks:** SCOR defines climate transition risks as the risks that may arise from new technologies, market innovations and increased regulation linked primarily to environmental concerns. Those factors can have negative impact on the value of assets if issuers fail to adapt. Transition can also offer new opportunities thanks to innovations and disruptive technologies. In its purpose to finance the transition to a more sustainable world, SCOR considers those opportunities in its sustainable investing strategy.
- **Regulatory and reputational risks:** beyond physical and transition risks, SCOR also considers financial regulation around sustainability that is becoming more and more stringent as well as reputational risk that may arise from its public commitments and the positioning of its portfolio.



3.2 Enhancing sustainable investment decisions | Screening

As a responsible investor, SCOR applies ESG filters to its investment universe. It can be a negative filter as a mitigation action against potential risks (negative financial or non-financial impact) or positive filters to support its sustainable strategy.

- Negative screening | Exclusions

Some activities may not be in line with SCOR's values and corporate governance objectives. They may raise sensitive concerns or lead to reputational risks. As a result, some activities or individual issuers may be excluded from the investment universe. The exclusion applies to all types of assets falling under the definition of invested assets. The list of exclusions is communicated to all investment managers with immediate effect. New investments are banned, and remaining positions are actively managed to accelerate the run-off.

- **Standard exclusions:** SCOR applies standard exclusions to companies involved in the production of cluster munitions, and to countries that do not adhere to anti-money-laundering and anti-terrorism-financing rules, as defined by the Financial Action Task Force (FATF).
- **Sector / Activity exclusions:** given its positioning in the reinsurance industry SCOR is aware of the urgent nature of measures required against global warming and the Group has taken strong commitments in its climate policy. As a



consequence, ambitious measures drive the sustainable investing policy. Following the European Commission's call in November 2018, SCOR commits to carbon neutrality of its invested assets portfolio by 2050. SCOR also commits to divest totally from companies generating part of their revenue from thermal coal, by 2030 in OECD and EU countries and by 2040 in the rest of the world. However, SCOR intends to apply a balanced approach between enhancing access to development and reducing CO2 emissions:

- Coal mining: SCOR does not invest in companies deriving more than 10% of their turnover from thermal coal;
- Coal-fired power generation: SCOR does not invest in utilities companies for which coal represents more than 10% of their power production;
- Coal plant developers: SCOR undertakes not to invest in companies developing new coal-related projects (mines, plants, power stations or infrastructure);
- Oil sands: SCOR does not invest in companies for which oil sands represent more than 30% of their total reserves;
- Artic oil reserves: SCOR does not invest in companies for which artic oil represents more than 30% of their total reserves.
- Upstream oil & gas: see best in class strategy below.

As a first step towards carbon neutrality, the abovementioned threshold of 30% will be progressively reduced to 10% by the end of 2021.

Exceptions to these rules may be granted on a case by case basis to companies providing credible phase out plans or transition strategy in line with the Paris agreement.

- SCOR's Life business provides biometric risk and health solutions. As a consequence of its holistic approach to sustainability, SCOR considers negative impact of activities on societies and the Group has signed the No Tobacco Pledge:
 - Tobacco: SCOR does not invest in tobacco manufacturers.

- **Positive screening | Best in class**

Through its invested assets, SCOR intends to finance a sustainable world fostering good practices and robust governance. Given its strong concerns related to environmental factors, SCOR also encourages its investment managers to overweight issuers with good ESG ratings and decisive strategies to align with the Paris agreement. SCOR oversees closely the implementation of all its preferences and monitors its positions on a regular basis. For companies operating upstream in the oil & gas sector, strict criteria related to public commitments to carbon reduction are applied: SCOR does not invest in oil & gas companies except if they have taken commitments to align with the Paris Agreement, become carbon neutral by 2050 with credible intermediary steps or have disclosed credible pathway to decrease the carbon intensity of their oil & gas activities.





3.3 Fostering a more sustainable behaviour | Engagement

- Voting policy

As a responsible investor, SCOR exercises the voting rights of its direct investments in shares with no delegation of voting accountability. However, the Group intends to reduce its operational risks through operational delegation to investment managers when possible. In order to facilitate its voting decision SCOR has selected a proxy voting which helps taking sound decisions. Main areas of attention when voting are the following:

- Independence of Board members,
- Diversity of Board members,
- Compensation,
- Lobbying transparency,
- Sustainability behaviour of the company.

- Dialogue with issuers

When relevant with regards to the size of its investments and when possible considering the type of asset class, SCOR commits to engage with issuers to raise awareness and promote good practices. In the absence of positive responses from issuers SCOR may decide to sell the positions or to not reinvest at maturity. Such decision is taken on a case by case basis.

3.4 Financing a more sustainable world | Thematic/impact investments

As a Tier 1 reinsurer, SCOR is strongly concerned by climate risks and dedicates a large portion of its assets to finance the transition to a low carbon economy. However, SCOR applies a balanced approach and intends to finance a resilient transition.

An internal taxonomy based on type of assets and individual screening is used to stamp investments as “green”. Asset classes included in the “green bucket” are direct real estate as well as infrastructure and real estate debts and

green bonds. To be eligible, real estate buildings must be certified and infrastructure debt must finance the transition to a low carbon economy. An individual additional due diligence is performed on a line by line basis to assess the internal “green stamp”. SCOR will adjust its definitions once the European taxonomy is finalised depending on the availability of data needed to assess the green eligibility at activity level.

SCOR applies an invest divest approach that tends to increase the portion of green assets versus most environmental harming assets in its portfolio. To frame it, SCOR sets a minimum amount of green investments (including real estate for own use) and maximum fossil fuel exposure in its invested assets strategy.

As a responsible investor, SCOR also intends to protect human capital. The Group participates actively in the expansion of knowledge society while protecting against “cognitive” risk. SCOR defines cognitive risk as the risk of biased judgement or misunderstanding, often resulting from low-quality information or insufficient access to knowledge. In this respect, SCOR invests in medium-sized companies working in production and publication of certified knowledge.

SCOR progressively onboards UN SDGs in its thematic investments. However, the Group applies a very strict taxonomy when reporting those investments as addressing the SDGs. A particular focus is put to the assessment of the contribution of these selected investments to the 169 targets underpinning the 17 goals.





3.5 Supporting climate awareness | Initiatives and public debate

The Group commits to dialogue with regulators and institutions to provide support relying on its internal expertise as well as to promote responsible investment.

The Group also commits to participate to working groups and initiatives led by national and international professional associations to foster a better understanding of ESG topics and a better implementation of ESG in investment decisions.



4 Expertise and transparency

4.1 Expertise

SCOR has put in place dedicated competences around sustainability within its investment teams. People are regularly trained and share information to constantly onboard new standards and innovations. The Group involvement in the public debate facilitates awareness, appropriation of best practices to better implement them in the sustainable investing strategy.

4.2 External disclosures

SCOR has adopted a very transparent approach to report on its sustainable investing strategy. SCOR releases an report on sustainable investment each year and constantly improves the quality of information it discloses. The document follows the TCFD recommendations framework and reports both on the resilience and the impacts of the portfolio.

4.3 Internal reporting

SCOR reports on a quarterly basis to the highest governance bodies on its sustainability achievements. Both Corporate Social and Societal Responsibility and Environmental Sustainability committees at Executive and Board levels review the portfolio positioning vis a vis sustainable investing policy, strategy and commitments.

Any breach to this policy is escalated and management actions are decided promptly.

