

# SUSTAINABLE INVESTMENT POLICY

October 2022

*Combining the Art and Science of Risk*

**to protect  
societies**

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**SCOR**  
The Art & Science of Risk

# Combining the Art & Science of Risk to protect societies

As a global reinsurance company, SCOR contributes to the welfare, resilience and sustainable development of society by bridging the protection gap, increasing insurance reach, helping to protect the insured against the risks they face, pushing back the frontiers of insurability and acting as a responsible investor.

Through the expertise and know-how of its employees, it combines the Art and Science of Risk to offer its clients an optimum level of security and creates value for its shareholders by developing its Life and P&C business lines, respecting strict corporate governance rules. SCOR provides its clients with a broad range of innovative reinsurance solutions and pursues an underwriting policy founded on profitability, supported by effective risk management and a prudent investment policy.

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*Chapter 1.*

# Investment purpose



## **F**inancing together the sustainable development of societies.

SCOR's sustainable investment policy is framed by its *Raison d'être*: "As a global independent reinsurance company, SCOR contributes to the welfare, resilience, and sustainable development of society by bridging the protection gap, increasing insurance reach, helping to protect insureds against the risk they face, pushing back the frontier on insurability and acting as a responsible investor".

As stated by the United Nations World Commission on Environment and Development in 1987, 'sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs'. Combining the three dimensions of responsible investment - risk, return and impact - is critical to address this global challenge and SCOR intends to play its role when taking investment decisions. The Group strongly believes that creating sustainable value is anchored in a long-term vision. It drives its responsible investment objectives to finance the sustainable development of societies.

Aligning ambition between SCOR as an asset owner and its dedicated asset manager strengthens the Group's ability to leverage expertise and financing capabilities, and coinvesting and opening its internally managed solutions to external investors support the investment purpose.

### 1.1. INVESTMENT PHILOSOPHY

The Group intends to optimize risk adjusted returns while limiting negative externalities and promoting positive impacts of its investments. Preserving natural assets is a key priority for investments and goes beyond fighting against climate change and reversing biodiversity loss. Nature must be thought in its entirety and SCOR intends to play its role in addressing this tremendous challenge.

#### SUSTAINABLE DEVELOPMENT GOALS

The Sustainable Development Goals ("SDG") serve our investment purpose. Our priorities focus on five areas, all directly related to natural assets: clean water and sanitation (SDG # 6), sustainable cities and communities (SDG # 11), climate action (SDG # 13), life below water (SDG # 14), life on land (SDG # 15). SCOR intends to align with international objectives to limit global warming and preserve biodiversity. Becoming Net-Zero emissions on investments by 2050, in line with international agreements, is the first ambition of SCOR to help preserve nature. As the

Group becomes more mature, it will strengthen and extend its actions as sustainable development must be considered holistically.

#### DOUBLE MATERIALITY PRINCIPLE

Protecting the portfolio from downside effects linked to non-financial risks, and particularly nature-related adverse impacts, is at the heart of SCOR's investment risk management. Financing the sustainable development of societies encompasses another dimension requiring SCOR to consider impacts of its investment decisions on ecosystems with the aim to not compromise the ability of future generations to meet their own needs. By doing so, SCOR actively contributes to a more sustainable world and, in return, protects its portfolio against damages over a much longer time horizon. This loopback effect drives back the long-term horizon within shorter-term investment decisions. This double materiality principle underpins SCOR's responsible investment philosophy.

#### COLLABORATION

The complexity of the challenges deserves collaboration and partnership:

- Collaborative initiatives are of utmost importance to foster common understanding of the challenges and coordinate answers through the development of robust frameworks, methodologies, and science-based targets;
- Coinvesting alongside external clients through dedicated solutions leverages SCOR's ability to preserve natural assets.

Measuring progress and publicly reporting on outcomes is part of SCOR's philosophy. It demonstrates our commitment to deliver on our objectives and targets and contributes to spreading good practices and sharing innovation across the industry.

### 1.2. SCOPE

Responsible investment applies to all asset classes in compliance with local regulation with consistent integration depending on the level of maturity of methodologies, data availability and reliability.

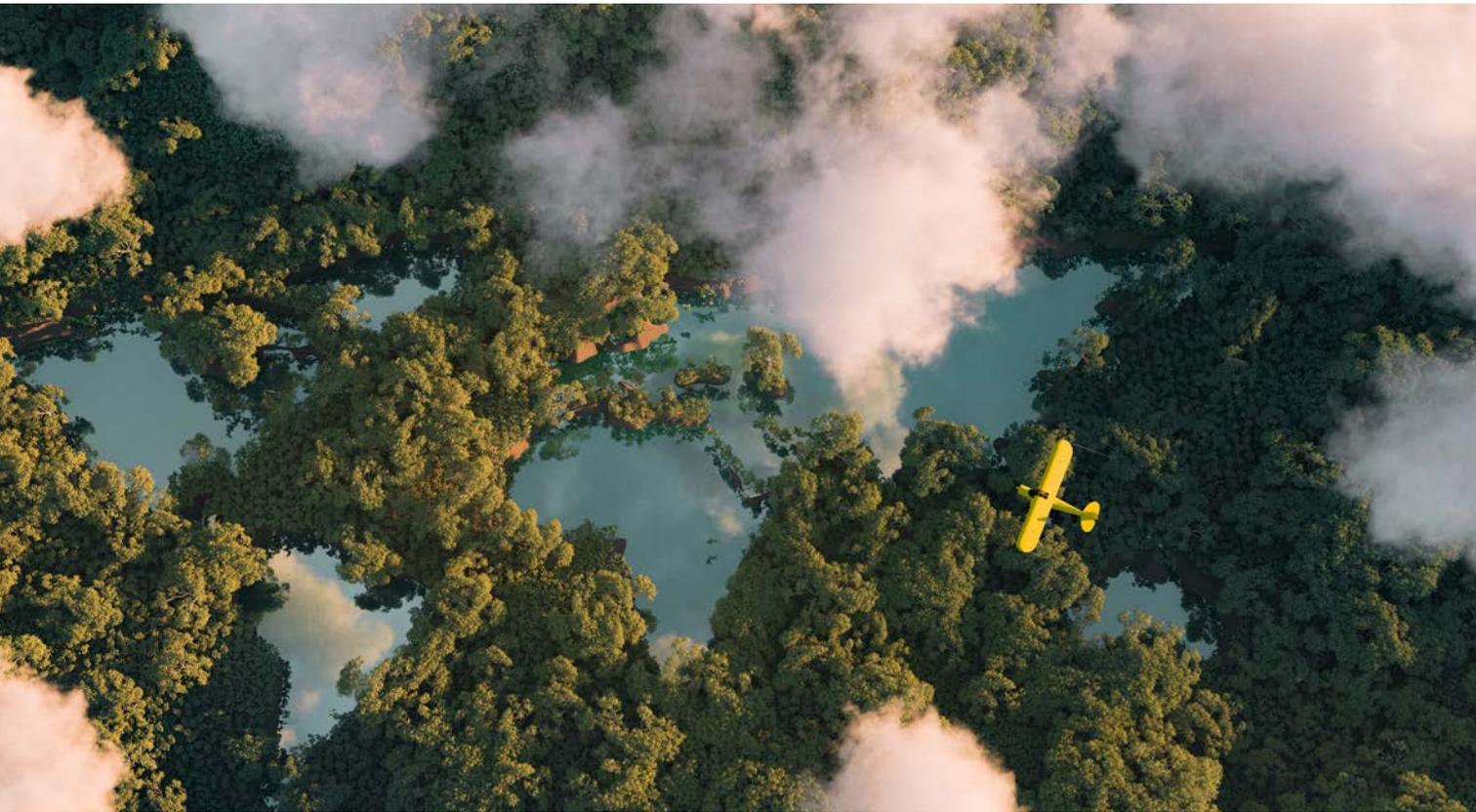
This sustainable investing policy applies at Group and entity levels. The policy applies to invested assets managed either directly, by SCOR's asset management companies or by external investment managers. Due diligences are

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performed ex ante when selecting external investment managers for investment mandates. Regular ex-post due diligence questionnaires and meetings enable to assess the compliance of their investment process with SCOR's sustainable investment strategy.

### 1.3. SHARING EXPERTISE

SCOR intends to implement a consistent investment philosophy across its various activities. As sustainable finance is a fast-evolving area, information and expertise are constantly shared between the asset owner and the asset management company to promote common knowledge and align good practices and long-term objectives.



*Chapter 2.*

# Approach



## 2.1. IDENTIFYING RISKS AND OPPORTUNITIES

### DETECTING NEW TRENDS

Thanks to its core business as a reinsurer, SCOR has developed a strong risk culture across the entire Group. Risk management includes sustainability in terms of non-financial risks and opportunities, as well as potential impacts of the portfolio on ecosystems. Monitoring new trends is critical to maintain momentum and detect not only new risks but also new opportunities. Detecting opportunities is part of the Group's strategy to build a resilient portfolio and create long-term sustainable value.

### COLLABORATING

Collaborating, sharing expertise and knowledge, and leveraging on peers' experience is an accelerator of our understanding of new challenges. SCOR tries to onboard new topics at early stage and is involved in several initiatives at national, European, and international levels to stay connected with innovation around sustainable finance and non-financial corporate reporting.

SCOR Global Investments, the investment business unit, selects those initiatives that are most likely to bring internal expertise based on scientific knowledge and to increase action by collaborative engagement:

- SCOR is member of the UN-backed Principles for Responsible Investments
- SCOR has joined the Net-Zero Asset Owner Alliance and has set interim targets for 2025 and 2030 on its journey to Net-Zero emissions by 2050. SCOR commits to reducing the carbon intensity of the corporate bond and equities sub-portfolio by 27% by 2025 and 55% by 2030 (base year 2020). SCOR also commits to reducing the carbon intensity of the investment direct real estate sub-portfolio by 50% by 2030 (base year 2021). And regarding the power utilities portfolio, SCOR commits to reduce the carbon intensity (MtCO<sub>2</sub>e/PJ) by 38% by 2035 (base year 2020).
- SCOR has signed the Finance for Biodiversity Pledge and joined the Finance for Biodiversity Foundation with the aim to collaborate, engage, assess, set targets and report by 2024 at the latest to reverse Nature loss by 2030.

Taking part to the preliminary work of the Taskforce on Nature-related Financial Disclosures ("TNFD" as an Observer Member has also brought valuable insight on next steps and future requirement. SCOR has publicly

supported the launch of the TNFD and will participate as Stakeholder Member to the development of the framework.

## 2.2. SETTING THE AMBITION

Once new risks, opportunities or impacts are assessed, SCOR Global Investments includes them in its investment risk management framework. Setting limits to ensure the resilience of the portfolio and targets to deliver positive impacts or limit the negative impacts of investment decisions are backbones to address sustainability risks and factors. Risk limits assigned to sustainability risks for investments are consistent with SCOR overarching risk management framework. Targets are based on science and take international objectives into consideration to ensure their credibility and reinforce SCOR's ability to deliver on them.

### SETTING SUSTAINABLE OBJECTIVES

- Net-Zero: SCOR has committed to Net-Zero emissions by 2050 and to align its investment strategy with the Paris Agreement.
- Finance for Biodiversity Pledge: SCOR has signed the Finance for Biodiversity pledge, committing to reverse biodiversity loss in this decade. The pledge relies on five pillars: collaborating and knowledge sharing, engaging with companies, assessing impact, setting targets and reporting publicly. These actions will be progressively implemented by 2024.

## 2.3. ACTING

Various levers are available to achieve targets. Their combination is critical to ensure resilience of the portfolio and impact on the real economy. However, SCOR intends to apply a balanced approach and finance a just transition.

### COLLABORATIVE INITIATIVES TO ACCELERATE THE JOURNEY

Joining the UN convened Net-Zero Asset Owner Alliance supports SCOR's long-term ambition to reach net-zero on investments by 2050 with credible milestones. The Alliance offers members an opportunity to work collectively toward the same objective and collaborate to accelerate understanding and development of science-based methodologies to support ambitious targets. Relying on the 2 successive versions of the Target Setting Protocol that have been released by the Alliance since early 2021,

SCOR has set interim targets to reduce carbon intensity of the corporate bonds and equities sub-portfolio by 27% before 2025 and by 55% before 2030 (base year 2020) and SCOR has also committed to reducing the carbon intensity of the investment direct real estate sub-portfolio by 50% by 2030 (base year 2021). Regarding the power utilities portfolio, SCOR commits to reduce the carbon intensity (MtCO<sub>2</sub>e/PJ) by 38% by 2035 (base year 2020).

Combining decarbonization targets, active engagement, and financing solutions to a low carbon economy enable to impact the real economy.

SCOR contributes to the work of the Finance for Biodiversity Foundation with the aim to develop collaborative corporate engagement and public policy advocacy on nature-related issues. Members of the foundation also work on methodologies to measure impacts of investment decisions. Reversing biodiversity loss is one of the challenges of the decade and SCOR has an active role to play.

SCOR has also joined investors' coalitions to support its corporate engagement:

- Climate Action 100+,
- Sustainable Commodities Practitioners' Group,
- CDP Forest Champions,
- CDP Water Champions.

The outcomes of these coalitions and their benefit to SCOR's sustainable investment strategy are reassessed regularly to optimize resource allocation.

## ESG CRITERIA IN INVESTMENT DECISIONS

SCOR incorporates sustainable risks and opportunities in and monitors the sustainability impacts of its investment decisions. ESG criteria enable to identify and monitor most critical positions in terms of risks and impact. ESG ratings can be complemented with controversies analyses and may lead to exclusions from the investment universe.

## EXCLUSION / BEST-IN-CLASS STRATEGY

SCOR applies restrictions in its investment universe. Normative considerations lead to exclusion of sectors that are not in line with SCOR's values. Sectorial approach intends to i) exclude sectors or sub-sectors that are too harmful and for which more sustainable alternatives exist and ii) select companies with clear commitments to align with SCOR's sustainable objectives. With regards to climate change, SCOR relies on information and commitments supported by public initiatives such as Science-Based Targets and Climate Action 100+ Benchmark.

## STEWARDSHIP

SCOR's approach targets mainly listed equities and corporate bonds.

- Voting activities are carried out internally and are supported by services of proxy advisors. SCOR complements proxy advisors' recommendations with its own analysis to form its final decision.
- Engagement: Corporate dialogue is a powerful tool to support companies in their transition to more sustainable business models. Given the size of its invested assets, SCOR favors collaborative initiatives.

SCOR also supports investors coalitions or position papers with the objective to accelerate the journey of investees or policy makers toward more ambitious goals.

## THEMATIC AND IMPACT INVESTMENTS

SCOR considers sustainability under both lenses of risks and opportunities. Investing in themes that bolster sustainable development and allow for a balanced approach toward a just and resilient transition drive SCOR's responsible investment strategy. In order to finance the sustainable development of societies, SCOR invests in real assets financing the transition to a low carbon economy and in sustainable bonds compliant with international or European standards.

- Green investments: SCOR has designed an internal taxonomy to qualify real assets as "green" investments and will progressively shift to criteria referring to the EU taxonomy.
- Green and Sustainable bonds: SCOR fosters doubling the amount of green and sustainable bonds by end of 2024 compared to end of 2020.

## 2.4. MEASURING PROGRESS TOWARD TARGETS AND OBJECTIVES

Measuring outcomes is critical to assess the success and the limitations of actions taken to reach the targets. SCOR Global Investments defines a phased action plan complemented by qualitative objectives and quantitative targets. Interim targets and objectives enable to monitor the adequacy of investment decisions with longer-term sustainable investment strategy. Regular internal reporting to the Group Executive Committee and to the Board of Directors on achievements versus objectives / targets and progress on the action plan ensure transparency and proper

monitoring and overseeing. At top management level, a portion of the variable part of the compensation package is linked to the achievement of sustainable objectives.

## 2.5. DISCLOSING

SCOR believes that transparency fosters good practices. Sharing state of play is a good way to provide meaningful information to stakeholders and support the emergence of best practices. SCOR constantly enhances its external disclosures and communicates on innovations and preliminary studies to provide evidence of its effort to participate in solutions to current sustainability challenges.

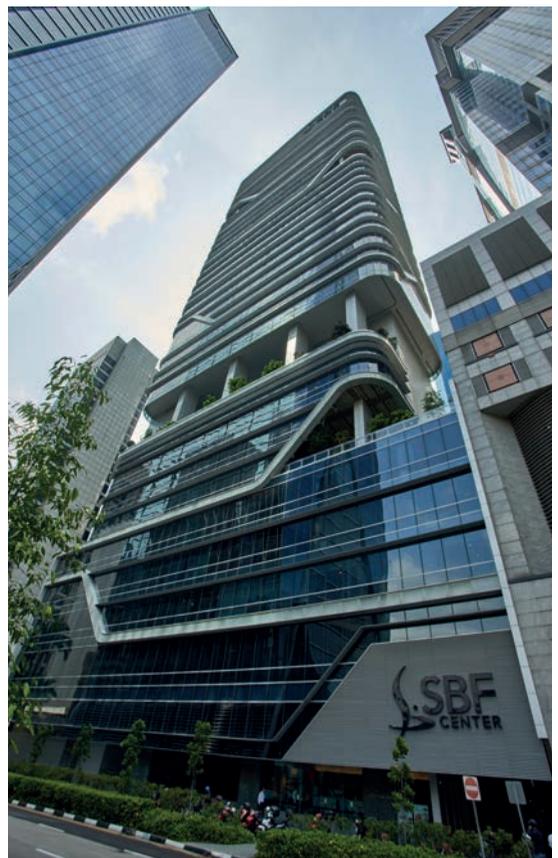
- Sustainable Investment Report: the publication of a Sustainable Investment Report follows good practices and addresses regulatory requirements under a state-of-the-art framework.
- Public events: sharing publicly internal expertise and wide spreading knowledge through public events fosters transparency and promotes best practices.

## 2.6. PARTICIPATING IN THE PUBLIC DEBATE

As a Tier one reinsurer, SCOR has a role to play in sustainable finance. The Group commits to dialogue with regulators and institutions to provide support relying on its internal expertise as well as to promote responsible investment. SCOR is member of the Climate and Sustainable Finance Commission at the French Autorité des Marchés Financiers (“AMF”).

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

Singapore office / Singapore – certified Green Platinum



# Training

## *Chapter 3.*



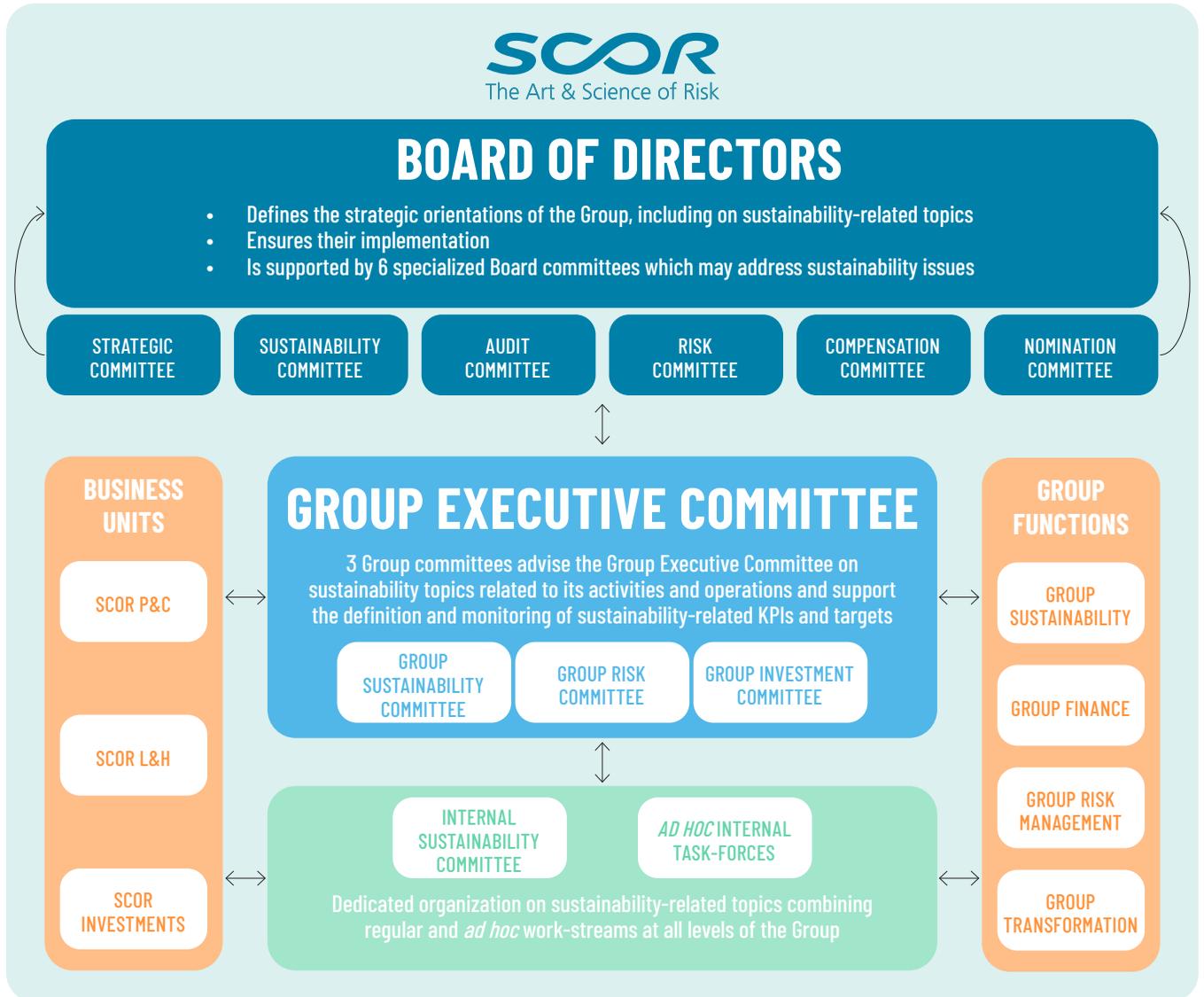
SCOR has put in place dedicated competences on sustainable finance within its investment business unit. The Group participation to external working groups and initiatives and its interactions in the public debate constantly informs on latest developments and cutting-edge discussions. New standards and innovations in sustainable finance are shared within the business unit and more broadly within the Group through dedicated training sessions or more informal talks. This facilitates awareness and appropriation of best practices to better implement sustainability across the Group.

Paris office / France – certified ISDO 14001



*Chapter 4.*

# Governance



*Chapter 5.*

# Guidelines



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 in compliance with local regulation.

## 5.1. NORMATIVE GUIDELINES

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).

## 5.2. SECTOR GUIDELINES

### ENVIRONMENT

Given its positioning in the reinsurance industry SCOR is aware of the urgency to act against global warming and the Group has taken strong commitments in its climate policy. Ambitious measures drive the sustainable investment policy. Following the European Commission's call in November 2018, SCOR has committed to carbon neutrality of its invested assets portfolio by 2050. However, SCOR intends to apply a balanced approach between enhancing access to development and reducing CO2 emissions. Its approach relies on considering the existence of acceptable alternatives when deciding to exit a sub-sector.

### THERMAL COAL

SCOR has committed to divest totally from companies generating revenues from thermal coal, by 2030 worldwide.

- Coal mining: SCOR does not invest in companies deriving more than 10% of their turnover from thermal coal or producing more than 10 MT of thermal coal a year.
- Coal-fired power generation: SCOR does not invest in utilities companies for which coal represents more than 10% of their power production or which have more than 5 GW of coal installed capacity.
- Coal plant developers: SCOR undertakes not to invest in companies developing new coal-related projects (mines, plants, power stations or infrastructure).

SCOR relies on data from the Global Coal Exit List published by Urgewald to assess the thresholds. The analysis can be complemented with data from other providers.

### OIL & GAS

SCOR has committed to divest totally from companies generating revenues from unconventional oil and gas by 2030 worldwide.

SCOR relies on data of the Global Oil and Gas Exit list from Urgewald to define unconventional oil and gas and to set exclusion thresholds:

- Fracking: SCOR does not invest in companies for which fracking represents more than 20% of their total production.
- Coalbed methane: SCOR does not invest in companies for which coalbed methane represents more than 10% of their total production.
- Oil sands: SCOR does not invest in companies for which oil sands represent more than 10% of their total production.
- Extra heavy oil: SCOR does not invest in companies for which extra heavy oil represents more than 10% of their total production.
- Ultra deepwater: SCOR does not invest in companies for which ultra deepwater represents more than 20% of their total production.
- Arctic: SCOR does not invest in companies for which Arctic represents more than 20% of their total production.
- Upstream oil & gas: Based on the Global Oil & Gas Exit List from Urgewald, SCOR does not authorize new investment in companies with expansion plans. SCOR does not invest in oil & gas producers except if they have no expansion plan, comply with the sub-sectors thresholds and are best-in-class. Best-in-class refers to companies with at least commitments to SBTi or showing material progress from 2021 to 2022 according to the CA100+ Net-Zero Company Benchmark first five criteria.

Investments in green bonds issued by companies "best-in-class" under the above definition are authorized.

### TOBACCO

SCOR's Life business provides biometric risk and health solutions. Following its holistic approach to sustainability, SCOR considers negative impacts of activities on societies. The Group has signed the Tobacco Free Finance

Pledge. Consequently, SCOR does not invest in tobacco manufacturers.

## 5.3. STEWARDSHIP PRINCIPLES

### EXERCISING VOTING RIGHTS

As a responsible investor, SCOR exercises the voting rights of its direct investments in shares and does not delegate voting accountability. However, the Group intends to reduce its operational risks through operational delegation to investment managers when possible. To facilitate its voting decisions, 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 behavior of the company.

### ENGAGING

SCOR considers corporate dialogue as a key driver of behavioural change. Supporting companies with best-in-class approaches to sustainability challenges forms part of SCOR’s responsible investment approach. When engaging with investees through investors coalitions, SCOR focuses primarily on transparency and on nature-related issues including climate-change. Active stewardship with investees is regularly discussed with underwriting business units to ensure consistency of engagement across the Group.

Supporting collaborative calls on government to act further and faster against climate-change or more globally on environment issues is analysed holistically on a case-by-case basis considering the Group’s overall activities. The Group Executive Committee validates public policy advocacy statements.

Conflicts of interests may happen when exercising active stewardship given the interconnections between investment and underwriting activities. They are first discussed between business units. When no suitable agreement is reached, they are escalated at Executive Committee level for arbitration.

The stewardship process is reviewed on a yearly basis.

London office / United Kingdom – Certified BREEAM





# SCOR AROUND THE WORLD

## **EMEA\*:**

Belgium  
France  
Germany  
Ireland  
Italy  
Russia  
South Africa  
Spain  
Sweden  
Switzerland  
United Kingdom

## **AMERICAS:**

Argentina  
Brazil  
Canada  
Chile  
Colombia  
Mexico  
United States

## **ASIA-PACIFIC:**

Australia  
Mainland China  
Hong Kong  
India  
Japan  
Malaysia  
New Zealand  
Singapore  
South Korea  
Taiwan

\*Europe, Middle East, Africa



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To learn more about  
SCOR's strategy, goals,  
commitments  
and markets, visit our  
website.

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