



Principles for Sustainable Insurance

Report, July 2014

Principle 1: We will embed in our decision-making environmental, social and governance issues relevant to our insurance business.

Company strategy

SCOR has established a strong framework of governance to support a Group-wide approach to environmental, social and governance issues. This framework is structured around the following:

- The global initiatives to which SCOR adheres, namely the United Nations Global Compact since 2003, and as a founding signatory, the Principles for Sustainable Insurance (since 2012),
- SCOR's Corporate values and Code of Conduct: linked to the Group's fundamental values (profitability, expertise, operational excellence, sustainability and empowerment), the Code of Conduct is a useful guide that helps the Group's employees to resolve any rights and ethics issues with which they may be confronted. The Code covers many fields, and in particular reminds employees about the ethical and legal rules applicable to business confidentiality, the use of inside information and financial communications. It also reminds them about the crucial values of non-discrimination, respect and loyalty practiced within the Group. It defines amongst others the rules relating to the acceptance of gifts and invitations, and emphasises client knowledge as a key way to defend the company against reputational risks. This Code includes a specific reminder on the serious consequences of violating applicable laws and regulations and an explicit statement that SCOR prohibits retaliation against any employee for reporting in good faith any violations of laws or the principles of the Code. The Code of Conduct is supported by more detailed policies on a wide range of issues such as money-laundering, bribery and corruption, and the Group guidelines on reporting concerns. The Code is regularly updated and reviewed by SCOR's Board of Directors and its Audit Committee.
- Employee involvement: SCOR has implemented a human resources policy based on respect for colleagues and the promotion of their involvement and efficiency. The Group ensures that all its employees are informed of the initiatives undertaken both globally and locally, and reminds them of the principles of the United Nations Global Compact. This approach is complemented by local information, provided to staff representative bodies such as the Common European Companies Committee (CECC), or through the organisation of events open to Group employees on various topics relating to corporate social and environmental responsibility. In addition to this, SCOR runs a number of sponsorship programmes throughout the world, which involve its offices and its teams in the life of the local population. Steered locally in order to be as close as possible to the needs of the communities in question, the Group's offices strive to develop and roll out their own programme of commitment to society, taking account of the specific cultural and/or regulatory features of the countries from which they conduct their activities.
- Regular dialogue with our shareholders and the financial community: SCOR is focusing on the idea of a "see-through company" with a high degree of transparency. The Group has continued its policy of transparency throughout the year, maintaining close contact with investors and the financial community, including Socially Responsible Investment (SRI)

analysts and active investors who run SRI funds or integrate ESG issues into their mainstream investments. These meetings enable us to identify the ESG issues that are most relevant to these groups, and to consider these issues in our strategy.

Risk knowledge: supporting and furthering the “knowledge society”

Risk, including ESG risk, is in a sense the “raw material” of the reinsurance business, and SCOR aims to be at the cutting edge of risk expertise so that it can push back the frontiers of insurability. To meet this aspiration, SCOR has built up relationships with the scientific community while dedicating important internal resources to risk analysis.

SCOR has a long tradition of supporting research and teaching, both directly and through its recently created Corporate Foundation. The Group has for many years developed relationships with different kinds of institutions (foundations, associations, schools and universities, research centres) in various forms (corporate sponsorship, scientific partnerships) in a number of fields linked to risk, both in France and abroad. The results of this research, either public or owned by SCOR, allow the Group to improve its expertise, not least in the field of risk modelling, and to take informed decisions while at the same time contributing to the common good and fostering new talent.

Risk education through the promotion of actuarial science, medical research and economic research are the 3 main areas of involvement.

Risk education: each year, in various different countries, SCOR and/or its Corporate Foundation reward the best academic work in the field of actuarial science with prizes. These prizes are designed to promote actuarial science, to develop and encourage research in this field and to contribute to the improvement of risk knowledge and management. They are recognized in the insurance and reinsurance industries as a mark of excellence. In 2013, prizes were awarded in five countries: Germany, France (via the Corporate Foundation), Italy, the UK and, for the first time outside Europe, Singapore.

The SCOR Actuarial Awards juries are composed of researchers and insurance, reinsurance and finance professionals. The winning papers are selected using criteria such as the command of actuarial concepts, the quality of the analysis instruments used, and the potential practical application of the topics covered to the world of risk management. SCOR also employs a number of PhD students, notably from the actuarial field, who come to finish their theses at SCOR, where they find an environment suited to high-level empirical or formal research into the worlds of insurance and finance.

Moreover, in 2013 the Group’s Corporate Foundation joined forces with a training programme led by a French university, designed to promote actuarial techniques in Africa.

Medical research: SCOR maintains close ties with the medical world and finances research operations in several different fields related to ESG issues such as cardiovascular disease (partnership with the Assmann Foundation in Germany), Alzheimer’s Disease (partnership with the FRA Foundation in France, through the SCOR Corporate Foundation for Science), AIDS (partnership with the Pierre & Marie Curie University at Pitié-Salpêtrière hospital, Paris).

Economic research: the Group also promotes economic and financial science through sponsorship (Nanyang Technological University/Nanyang Business School in Singapore) and has launched significant research partnerships in the field of economics and finance (the Risk Foundation in collaboration with the Toulouse School of Economics and Paris-Dauphine University, the Jean-Jacques Laffont Foundation and the Paris School of Economics).

Co-founded in March 2011 by SCOR and NBS/NTU Nanyang Business School in Singapore, the “Insurance Risk and Finance Research Centre” (IRFRC) aims to promote applied research in the fields of insurance and associated risks, and to establish a platform for exchange and research projects specific to the Asia-Pacific region. The IRFRC held its third seminar presenting its work on 26 June 2014. For the first time, the conference received many high quality presentations from 18 countries, including China, Taiwan and South Korea. Out of the hundred or so attendees, 70% represented the industry and included insurers, reinsurers and brokers. This very informative conference of a high scientific calibre focused on 3 main areas: theoretical models for longevity, empirical studies on the actual capital composition of several thousand insurance companies, and more practical studies on the secondary market in cat bonds, as well as a study on the development of property damage insurance markets in China and India.

As part of the Risk Foundation, SCOR finances a research chair dedicated to a major research project on the balance of risk markets, notably with regard to acute risks, and on the economic value created by such markets. A notable objective of this project, which is conducted in partnership with the *Institut d’Economie Industrielle* (IDEI) and the Paris-Dauphine University, is to define the conditions needed to optimise risk management by the markets and thereby determine the consequences involved for insurance and reinsurance supervision. The Risk Foundation is one of the main risk research centres in Europe, combining a number of different fields such as mathematics, actuarial science, economics and engineering. It brings together large corporations, as well as research laboratories attached to reputed academic institutions.

In addition to this research partnership, SCOR has also joined forces with the Fondation Jean-Jacques Laffont – Toulouse Sciences Economiques to create a research chair dedicated to a new research project on economic developments, particularly in the wake of the crisis that has hit the global economy. The research conducted as part of this project notably concerns the management of financial risk, the detection and management of tail risk, and links between the financial markets, the real economy and innovation, along with long-term and responsible investment, corporate governance and effective motivation, links between strategic and tactical asset allocation in an uncertain environment where liquidity constraints are likely, and the factors involved in determining the risk premiums, ambiguity premiums and liquidity premiums attached to financial assets. This partnership enables SCOR to work closely with the best financial researchers in the world, thereby improving its financial expertise.

Knowledge dissemination: the SCOR Global Risk Centre bears witness to this desire to develop scientific expertise and to support research in a number of disciplines, and to make SCOR’s risk knowledge and publications available to as wide a public as possible. This centre, which is dedicated to disciplines involving risk (mathematics, actuarial, physics, chemistry, geophysics, climatology, sociology, law, economics, finance, etc.), centralises the publications issued or supported by SCOR via the aforementioned sponsorships and partnerships, and also all the resources that SCOR wishes to

reference in these fields. The centre uses contributions that may come from any field, without restriction.

In addition to this involvement with the scientific community, SCOR invests large amounts in in-house research into environmental and social issues via its R&D centres, its teams specialised in modelling natural disasters, and more generally risk management.

- SCOR Global Life's research centres are active more particularly in the area of risks arising from the gradual ageing of the population. They regularly collaborate with other researchers and academics who are authorities in the field. The international centre for R&D in longevity and mortality insurance thus offers services in insurance portfolio studies and risk projections that enable insurers to predict trends and to tailor their product ranges to them. The international centre for R&D in invalidity and critical illness insurance assesses and projects the main trends in product design and risk monitoring. The international centre for R&D in dependency insurance studies the risks involved in this area and offers assistance in managing long-term undertakings. This centre is considered to be one of the major players in continental Europe and Asia.
- With regard to the modelling of natural disasters, SCOR Global P&C specialists actively work towards a better understanding of vendors' models and the management of non-modelled risks. One of the current avenues of research is notably clustering. SCOR also supports Oasis (Great Britain), a non-profit initiative designed to facilitate the integration of the most recent scientific developments into the risk management frameworks of the insurance and reinsurance industry. This "open source" platform should notably enable users to create alternatives to existing models and to develop models for territories and risks that are not covered by solutions currently available on the climate event modelling market.
- ESG issues are also considered more globally within SCOR's ERM framework, not least through its emerging risk process. The Emerging and Changing Hazard Observatory is a collaborative platform involving more than 100 SCOR experts worldwide, contributing to the identification of emerging risk. Risks are then analysed by an interdisciplinary team. Risk analysis varies in breadth and scope since it focuses on the downsides as well as the upsides of the risks identified. Information on emerging risk is regularly shared with the Group Risk Committee. Climate change, bio hacking, antimicrobial resistance, emerging infectious diseases, nanotechnology and power blackout are just some of the risks analysed for the first time over the past two years.

Environmental management of our own operations

Although SCOR is not an industrial company, the Group is very mindful of controlling its direct impact on the environment. Over the past few years, SCOR has been actively implementing a program which aims to improve the energy efficiency of the Group and simultaneously reduce its environmental footprint.

SCOR continues a voluntary policy of reducing its carbon footprint in its main offices, notably focusing on the acquisition or rental of office buildings that meet demanding environmental criteria. The SCOR office premises portfolio, and more broadly all of the Group's offices, have thus become considerably greener over the past four years.

As well as the BREEAM-certified building ("BRE Environmental Assessment Method") that houses the London teams, staff in Cologne have been working in a building certified by the European Green Building programme since March 2012. In Paris, the head office is certified "*Haute Qualité Environnementale*" (high environmental quality) or HQE for its design and construction, and has housed the vast majority of the Group's staff in Paris since March 2012.

More recently in Singapore, the Group acquired two floors in a building due to be completed in 2016. The building will be certified "Green Mark Platinum", a label awarded by the Building Construction Authority of Singapore.

This initiative also applies to premises rented by the Group for its own operations, such as in Charlotte and Toronto.

Last but not least, in Madrid (Spain), SCOR's office has decided to invest in a programme which consists in replacing the current lighting with new LED technology, as part of the "GREENSCOR" project. Since the implementation of this new technology the electric consumption of the office in Madrid has been reduced by up to 30%.

The environmental initiatives undertaken by SCOR go beyond the acquisition and rental of office buildings constructed in accordance with environmental specifications. In order to involve its employees further in its environmental policy, the Group has rolled out environmental management systems at the premises where it is the main occupant/user. In addition to the Zurich site, which is ISO 14001 certified, the Paris headquarters was awarded the "HQE Exploitation" (HQE in use) certification at the end of 2013, attesting to the high quality of the environmental practices used to run the premises. The overriding goal of this initiative is to use virtuous processes to maintain a high level of environmental performance in the building over the long term. The emphasis is on the management of coolants and refrigerants, the control of energy consumption and the reduction, recovery and recycling of waste. The teams in Cologne apply EMAS (Eco-Management and Audit Scheme) standards, the certification audit for which was underway at the date of this report.

Asset management

In recent years, SCOR has endeavoured to integrate ESG concerns in its asset management policy, beginning with its real estate portfolio over which it has more direct control. The integration of ESG criteria also concerns other classes of asset, insofar as some activities are excluded from its investment selection, and the content of the portfolio is examined *a posteriori*.

In addition to the investment in properties for the company's own use (see "environmental management of our operations"), the Group owns one of the very first positive energy tertiary sector buildings, with a surface area of more than 23,000 m². This building combines energy saving solutions with the production of renewable energy to meet its own operating needs. From its first year of operation, the Green Office™ has produced more energy than it uses. The environmental and financial assessment of the first two years of operation is very positive, since the difference between

energy production and consumption has exceeded theoretical forecasts. SCOR has also acquired START, a building with a surface area of 26,000 m² due to be certified HQE and BREEAM Very Good for its design and construction.

In addition to acquisitions, the environmental performance programme includes the renovation of older properties. As confirmed in 2012, 11,000 m² of Parisian real estate is being renovated. This operation should result in *BBC Effinergie Rénovation* certification, as well as the triple certification of HQE, LEED and BREEAM at high levels of excellence.

The indirect investments pocket of the real estate portfolio is also active in sustainable development, particularly via funds that include renewable energy production infrastructure such as wind farms, concentrated solar thermal power plants, photovoltaic power plants and biomass power plants.

Not only does SCOR take account of the environment in managing its real estate investment portfolio, it also applies a negative filter to obligations and equities in its investment portfolio. It excludes cluster bombs manufacturers following the list drawn up by the Norwegian Government Pension Fund Global, and checks the quality of its investments in treasury bonds each year using the Transparency International evaluations.

Principle 2: We will work together with our clients and business partners to raise awareness of environmental, social and governance issues, to manage risk and to develop solutions.

Our clients: The major reinsurance companies like SCOR do not merely contribute know-how: they also help their clients to develop new products and they foster exchanges of know-how throughout the industry. Not only does SCOR provide technical support to insurers developing innovative insurance products, such as those designed for HIV-positive customers via full life insurance with a selective base and no obligation whatsoever to have ante-retroviral treatment, but it also exchanges regularly with its insurance and corporate clients bilaterally and during themed seminars. SCOR uses its intellectual, human and financial resources to spread its expertise among its clients via the Focus, SCOR Paper, and Technical Newsletter collections available in the SCOR Global Risk Center (see knowledge dissemination, principle 1).

In recent years, SCOR has organised many seminars on various themes linked to ESG issues. These seminars offer the opportunity to study and discuss topics of major concern. Among these are climate change, the risks and challenges associated with renewable energies, low-consumption buildings and energy performances, water, onshore wind farms and the implications of climate change when modelling natural disasters and events. Over the past two years, SCOR has held discussions with its clients on topical issues such as claims management in the context of extreme natural events like the Thai floods and Hurricane Sandy. Further seminars have enabled the Group to share knowledge and best practices in terms of dealing with emerging risks such as cyber risks, environmental risks, climate change risks. These seminars have also looked at emerging risks from a liability perspective (nanotechnology, corporate regulation, genetically modified organisms, electromagnetic fields).

In the field of life reinsurance, SCOR held several different seminars in 2013/2014 on topics linked to life and health reinsurance such as childhood obesity, child critical illness, multiple sclerosis, and longevity.

Our suppliers: SCOR endeavours to adopt best practices in each of its locations worldwide. Any employee who deals with a supplier must, before concluding a contractual partnership, ensure that the supplier gives an undertaking to comply with the requirements of the Code of Conduct drawn up by the SCOR Group and which apply to all its employees (or a commitment from the company that it will comply with equivalent requirements). The framework agreement developed by the Group's legal department, which must be used by the Group's various components, thus contains a specific section on the Code of Conduct. This framework agreement also contains an appendix, the sustainable development charter, which begins with a reminder of SCOR's adherence to the principles of the United Nations Global Compact, and sets out the Group's expectations with regard to its suppliers and subcontractors in the fields of labour relations, health and safety conditions, the environment, ethics and the way in which they must integrate these expectations into the design of their products and services.

Principle 3: We will work with governments, regulators and other key stakeholders to promote widespread action across society on environmental, social and governance issues.

In addition to partnering the academic studies mentioned in Principle 1, SCOR participates actively in collective works on societal issues via its membership of a number of professional associations representing the interests of the insurance and reinsurance sector before the public authorities. It also participates in Think Tanks.

SCOR supports research on ESG issues as a member of the Geneva Association, which involves 80 of the world's top insurance and reinsurance companies in the promotion of research into the risk and insurance economy worldwide, by financing studies and seminars that pit industry leaders, public authorities and researchers against the major challenges facing the profession such as climate change, financial risk, long-term care, pensions, prudential standards and accounting standards. As a member of the Extreme Events & Climate Risk working group in this association, SCOR contributes to the public debate on issues of adaptation and resilience to climate events. The objective of this working group is to study the contribution of insurance to our resistance to extreme climate risks. Contributions are published, and provide food for thought in the multi-party seminars organised by the Association on feedback about operating experience. SCOR is also an active member of the French Insurance Association's Sustainable Development Commission and since 2013 has been a member of the CRO Forum's sustainability initiative.

Furthermore, SCOR brings its experience in risk to the discussions with local authorities held on issues involving population ageing, as it did in Korea when the first dependency products were developed, or again in France, where the SCOR teams partnered the Charpin group for the working groups on dependency set up by the French government in 2011. In some emerging countries, not least those in Asia where urbanisation is spreading, the Group also works with local authorities on improving building quality via stricter standards, and developing building insurance.

Principle 4: We will demonstrate accountability and transparency by regular public disclosure of our progress in implementing the Principles.

In addition to this second report on the implementation of our Principles for Sustainable Insurance, SCOR publishes social and environmental indicators, together with information on its own undertakings for sustainable development in the management report appended to its reference document. This data and information is audited by a certified accountant in an audit report. Furthermore the Group makes annual reports on its progress in terms of implementing the ten principles of the UN Global Compact.