



# # APPENDIX A

## REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

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In accordance with the provisions of Article L. 225-37 of the French Commercial Code (*Code de commerce*), this report sets forth the composition of the Board of Directors and the implementation of the principle of gender balance among its members, the terms and conditions for the preparation and organization of the work of the Company's Board of Directors, as well as the internal control and risk management procedures that have been implemented by the Company.

This report was approved by the Board of Directors on February 21, 2017.

It has been incorporated in Appendix A of the 2016 Registration Document of SCOR SE which is available on the Company's website ([www.scor.com](http://www.scor.com)) and on the AMF web site ([www.amf-france.org](http://www.amf-france.org)).

During its meeting on December 12, 2008, the Company's Board of Directors designated the consolidated corporate governance code for listed corporations of the AFEP-MEDEF (*Association Française des Entreprises Privées – Mouvement des Entreprises de*

*France*) of December 2008 and updated in April 2010, June 2013, November 2015 and November 2016 ("AFEP-MEDEF corporate governance code") as its reference code, in accordance with the act of July 3, 2008 (act no. 2008-649 aimed at providing various provisions regarding the adaptation of French company law to EU law, amending Articles L. 225-37 and L. 225-68 of the French Commercial Code).

Details of this code can be found on the Company's website [www.scor.com](http://www.scor.com) or alternatively on AFEP's website [www.afep.fr](http://www.afep.fr).

The drafting of the Chairman of the Board's report requires preparatory work involving:

- the Risk Department;
- the Finance Department;
- the Group Operations Department.

This report is subject to an internal review, including by the Group's various bodies: the Executive Committee, the Audit Committee and the Board of Directors.

## 1 TERMS AND CONDITIONS FOR PREPARING AND ORGANIZING THE WORK OF THE BOARD OF DIRECTORS

For information on the composition of the Board of Directors, the gender balance on the Board and the conditions of preparation and organization of the Board of Directors' work, see Section 2.1.2 – Board of Directors.

For information on the Board of Directors' Committees, see Section 2.1.3 – Board of Directors' Committees.

For information on the powers of the corporate officers and specific limitations to the powers of the Chairman and Chief Executive Officer, see Section 2.1.1 – Corporate governance principles.

For information on the corporate officers' compensation and benefits, see Section 2.2.1 – Compensation of the executive corporate officer and directors.

## 2 INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

The Group has identified the following categories of risks, as described in Section 3 – Risk factors and Risk Management Mechanisms:

- strategic risks;
- underwriting risks related to the Non-Life and Life reinsurance business;
- market risks;
- credit risks;
- liquidity risks;
- operational risks.

All these risks are managed through a variety of mechanisms in SCOR's ERM (Enterprise Risk Management) Framework, further described below.

This report was prepared with the contribution of the Group Risk Management Department, the risk management departments of the operational entities, the Group Internal Audit Department, the General Secretariat and the Finance Department. It was presented to the Audit Committee on February 20, 2016 and approved by the Board of Directors of SCOR SE (the "Company") on February 21, 2016.

The Group has implemented and continued to further develop and formalize the risk management and internal control systems for several years.

The four general objectives sought through the application of a risk management system and, within it, of an internal control system are to:

1. Ensure that strategic objectives are properly implemented in the Group.
2. Ultimately achieve better operating efficiency and use of resources.
3. Ensure compliance with applicable laws and regulations.
4. Ensure reliable accounting and financial information.

The risk management system covers the following components:

1. Defining the internal environment.
2. Ensuring objectives are set.
3. Performing a risk identification.

4. Performing a risk evaluation.
5. Defining a risk response.
6. Documenting and formalizing control activities.
7. Presenting the information and communication process.
8. Ensuring monitoring of the risk management and internal control systems.

The structure of this report is based on these components corresponding to the framework implemented by SCOR:

- components 1 and 2 are addressed in the "Internal environment" and "Setting of objectives" sections;
- components 3, 4 and 5 are described in the section "Identification and assessment of risks";
- components 6, 7, and 8 are respectively addressed in the "Principal activities and participants of risk control", "Information and communication", and "internal control system monitoring" sections;
- the elements concerning accounting and financial reporting are separate and are presented in the last section.

Each component is composed of several complementary mechanisms. These mechanisms are adapted to Divisions and legal entities when appropriate. Indeed some mechanisms are only relevant at Group or Division level and are not implemented specifically at the legal entity level in line with materiality principles.

SCOR's ERM is mature and well established across the Group. Since November 2013, it has been rated "Very Strong" by Standard & Poor's. However, like any risk management and internal control system, the Group's system cannot guarantee that the risk of not achieving the internal control objectives will be eliminated. Among the various limitations inherent in the effectiveness of internal controls relating to the preparation of financial documents, those involving decision-making errors based on human judgment are particularly high in a reinsurance company: for example, the accounting data are subject to numerous estimates, primarily because of the evaluation by the reinsurer of claim reserves, either because the claims have not yet been declared to the ceding companies or the reinsurer, or because the claims development is uncertain or subject to a number of assumptions.

### 2.1. INTERNAL ENVIRONMENT

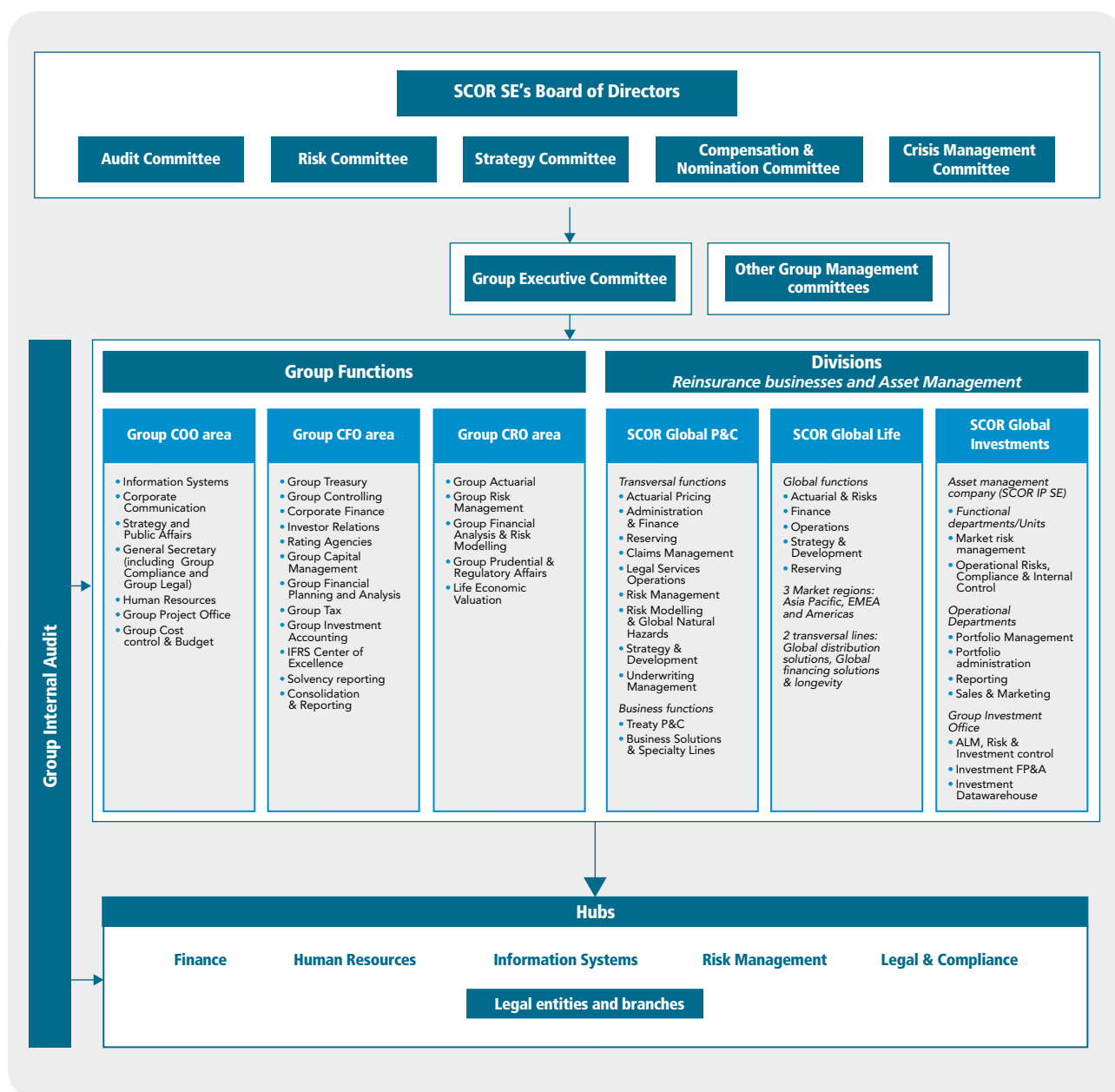
#### 2.1.1. GENERAL ORGANIZATION OF THE GROUP

The Group is organized around three engines comprising two main reinsurance businesses and one asset-management activity: SCOR Global P&C division, SCOR Global Life and SCOR Global Investments.

The Group has set up a functional organization structured around regional management platforms, or “Hubs” in London/Paris and Zurich/Cologne for Europe, Singapore for Asia and the Americas’ Hub (New York, Charlotte and Kansas City). Each subsidiary, branch and representative office has a functional link to a given Hub.

For further information on this organization, see Section 1.2.3 – Organizational structure of SCOR.

#### Group Internal Control System: The participants



Within this environment, control responsibilities are exercised as follows:

- SCOR SE's Board of Directors relies on several dedicated committees, including, but not limited to, the Audit Committee and the Risk Committee to exercise its control responsibility over the objectives it has set for the Company. These two committees are both chaired by independent directors;
- SCOR SE's Board of Directors, following a recommendation made by the Compensation and Nomination Committee, decided that a number independent directors of SCOR SE should be members of the Boards of some of the main subsidiaries in various countries with a view to enhancing the Group's oversight of local operations;
- the Group's Executive Committee is chaired by the Chairman and Chief Executive Officer of SCOR SE and meets on a weekly basis. The Executive Committee defines the procedures for implementing the strategy decided by the SCOR SE's Board of Directors in line with the principles set out in Group policies, approved by the Board of Directors, for its main areas of activity (e.g. investment, finance, risk management) and for certain topics, such as the underwriting plan and the allocation and management of resources. The Executive Committee also supervises the functioning of the Group and the Hubs by monitoring, on a quarterly basis, the bodies contributing to the sound administration of the Group. In addition to the Chairman and Chief Executive Officer, the Executive Committee is currently made up of:
  - the Group Chief Financial Officer (CFO),
  - the Group Chief Risk Officer (CRO),
  - the Group Chief Operating Officer (COO),
  - the SCOR Global P&C Chief Executive Officer (CEO) and his deputy,
  - the SCOR Global Life Chief Executive Officer (CEO) and his deputy,
  - the SCOR Global Investments Chief Executive Officer (CEO);
- established in 2011, the Group Risk Committee meets quarterly and is a dedicated body of the Executive Committee in charge of the monitoring of the internal control system and risk management framework. The Group Risk Committee is made up of the Executive Committee members and of one additional voting member, the Group Chief Economist. Other risk management and control functions of the divisions and the Director of the Group Internal Audit Department are regularly invited to Group Risk Committee meetings. The roles and responsibilities of the Group Risk Committee are set out in its internal charter;
- monitoring of the internal control procedures falls under the remit of the Group's Executive Management. The Group departments and functional or transversal departments of SCOR Global P&C, SCOR Global Life and SCOR Global Investments with a control responsibility have the task of defining and controlling the implementation of rules pertaining to the areas of their responsibility and applicable to all of the Group's entities. These rules, and the participants, are described in detail in the paragraph 1.3 of this report on control activities;
- the three divisions as well as the Hubs' support departments must apply the rules defined above. They carry out all of the first-level controls related to business management and ensure compliance with regulatory, accounting and fiscal laws, at both local and Group levels;

- the Head of the Group Internal Audit Department reports directly to the Chairman and Chief Executive Officer of SCOR SE and functionally to the Chairman of the Audit Committee of the Board of Directors of SCOR SE. This positioning gives the Head of the Group Internal Audit the necessary independence and objectivity, and allows for the largest possible room for investigation. The Group Internal Audit Department checks independently the effectiveness and relevance of the governance, risk management and internal control procedures for the Group's entities following a methodical risk based approach, as promoted by the "International Standards for the Professional Practice of Internal Auditing" set out by the Institute of Internal Auditors and the Institute's Code of Ethics. The SCOR Internal Audit Charter, approved by the Audit Committee, defines the position within the organization, the role and areas of activity, the principles and main operating procedures of the Group Internal Audit Department.

### 2.1.2. GROUP STANDARDS AND PRACTICES

Group business standards and practices are governed by Group policies and underlying guidelines established in a common format, by the three divisions and the central functions such as the Group Internal Audit Department and the functions managed by the Group Chief Financial Officer, the Group Chief Operating Officer and the Group Chief Risk Officer respectively. Group policies are approved by the Group Executive Committee and for certain topics are submitted regularly to the relevant committees of the Board and, ultimately, to the Board of Directors of the Company. These Group policies are not intended to enumerate all the rules governing SCOR's activities in the different countries in which the Group operates, but rather to establish certain principles intended to ensure that SCOR Group companies and employees share a common understanding of the Group's standards and that they work in compliance with these standards. When approved, these documents are all made available to employees on the SCOR intranet on a dedicated page.

In 2016, a number of Group policies were reviewed for accuracy, completeness and reliability.

To promote the latest Group policies in force and other business-related legal and compliance requirements (e.g. anti-fraud, anti-bribery, anti-money laundering, sanctions compliance, anti-trust/competition law), training sessions for certain staff are scheduled and conducted both in person and via e-learning modules on an annual basis in line with an annual compliance plan.

### 2.1.3. ENTERPRISE RISK MANAGEMENT AND GROUP INTERNAL CONTROL APPROACH

The main tasks of the Group Risk Management Department (GRM) are to further develop the Enterprise Risk Management framework and to promote an ERM culture within the Group so that risks are managed consistently within each department.

The Group Risk Management Department is supported in these tasks by the departments in charge of risk management at SCOR Global P&C, SCOR Global Life and SCOR Global Investments. In addition, the Hub risk managers are involved in promoting a risk aware culture and implementing the appropriate measures at a local level. Compliance with local regulations and constraints is ensured by Hub General Counsels.

## 2.2. SETTING OF OBJECTIVES

For several years, SCOR has implemented and formalized three-year strategic plans. SCOR launched its three-year strategic plan (2016 to 2019), Vision in Action, in September 2016. 'Vision in Action' is largely a continuation of SCOR's previous strategic plan, 'Optimal Dynamics', and although some refinements have been made, it builds on the success achieved by leveraging its proven principles and cornerstones.

- Similar to the previous strategic plan, the new plan has two equally weighted objectives: a return on equity (ROE) equal to or greater than 800 basis points above the 5-year risk-free rate over the cycle<sup>(1)</sup>; and
- a solvency ratio in the optimal 185% – 220% range<sup>(2)</sup>.

The strategic plans set the Group risk appetite framework, from which the Group's strategy stems.

The Executive Committee defines the procedures for implementing the strategy and ensures the consistency of the operational plans or policies (e.g. underwriting, finance, retrocession, information technology) with the strategic plan. The Executive Committee also ensures that there is an optimal risk-based allocation of capital and diversification. Under the responsibility of the Group Chief Risk Officer, the Capital Shield Strategy sets risk limits to ensure a protection of the Group's capital in line with the strategic plan's objectives. The Capital Shield Strategy is approved and monitored by the Group Risk Committee and the Board Risk Committee.

The clarity and detailed description of strategic objectives and their implementation within the Group support the identification, evaluation and control of risks, whatever their nature (e.g. underwriting risk, market risk, and operational risk), possibly caused by these objectives.

## 2.3. IDENTIFICATION AND ASSESSMENT OF RISKS

Several processes and tools for identifying and assessing risks have been implemented to approach risk from different angles and to deal with them in an exhaustive manner. These include:

- a risk information process: every quarter, the Group Risk Committee reviews the «Group Risk Dashboard» which describes and assesses the major risks the Group is exposed to. This report assembles various risk assessments from different identification and assessment processes for all risk categories;
- a process for the monitoring of risk exposures compared to risk tolerances, i.e. the limits established in order to ensure that the Group's risk profile remains aligned with the risk level validated by SCOR SE's Board of Directors. The Group uses various risk measures to define these exposures, which are measured based on either model outputs and/or expert opinions, depending on the technical constraints and the level of information available. This includes:
  - the 'risk driver' system enables the Group to manage the annual aggregate exposure to each major risk. The objective is to avoid overconcentration of risk and hence maximize diversification benefits. The amount of post-tax retained annual exposure per main risk driver (with a probability of 1 in 200 years) is limited to 20% of the Group's available capital,
  - an «extreme scenario» system designed to avoid the Group's over-exposure to one single event. The amount of post-tax retained exposure to each defined extreme scenario (with a probability of 1 in 200 years) is limited to 10% of available capital,
  - sub-limits for invested assets,
  - limits per risk are set in the underwriting and investment guidelines;
- a "footprint scenarios" process: this process aims to review and assess the potential impact on the Group of selected deterministic scenarios. This process provides an alternative perspective on the Group's exposures. Working groups dedicated

to specific subjects are composed of experts across the Group, and coordinated by the Group Risk Management Department with the support of the divisional Chief Risk Officers. These groups perform quantitative studies which are summarized in specific reports;

- an Emerging Risks process: This process is part of SCOR's ERM Framework and is linked to other risk management processes such as the "footprint scenarios" process. The process, governance, roles and responsibilities are set out in dedicated guidelines and reviewed on an annual basis. Emerging risks within SCOR are overseen by an ad-hoc Committee composed of the CROs of the operating divisions and the Head of Group Risk Management. The individual risk assessments are carried out by a dedicated team of experts from SCOR Global P&C, SCOR Global Life and the Group functions. Critical emerging risks are reported to SCOR's Executive Management. SCOR, as a member of the CRO Forum, also actively participates and contributes to the CRO Forum Emerging Risks Initiative alongside other major insurers and reinsurers.

Potential physical and transition climate change risks are monitored amongst other risks through this mechanism whilst the Group is gradually implementing "low carbon" initiatives as described in the Appendix D of the Registration Document. The scientific consensus is that a continued rise in global warming could account for an increasingly large share of natural catastrophe losses although the timing and severity of physical effects which may impact underwriting activities are difficult to estimate. As an institutional investor, the asset portfolio may also be exposed to potential physical and transition risk under different timeframe;

- the ORSA (Own Risk Solvency Assessment), which provides the Group's Board and those of the legal entities, the Group Executive Committee and senior management of legal entities with forward-looking information on SCOR's risks and capital position;

1 Based on a 5-year rolling average of 5-year risk-free rates.

2 This solvency target is unchanged from that under the previous strategic plan, Optimal Dynamics.

- the internal model, which is deeply embedded in SCOR's risk management system and contributes to the assessment of risks. SCOR uses its internal model for determining economic capital. Its results are used to implement SCOR's underwriting and asset management policies and guidelines.

Where relevant, the analyses from these processes are reported to the Group Risk Committee and to the Risk Committee of SCOR SE's Board of Directors (the "Board Risk Committee") and to the Board of Directors on a regular basis.

## 2.4. PRINCIPAL ACTIVITIES AND PARTICIPANTS OF RISK CONTROL

Because of its activities, SCOR is exposed to many risks: reinsurance related risks, market risks and other risks (e.g. liquidity, rating). These risks are detailed in Section 3 – Risk factors and Risk Management Mechanisms of the Registration Document. These activities rely on the control mechanisms including adequate reporting mechanisms to the main governance bodies throughout the Group (see paragraph 1.1).

This report does not detail these risks, but aims to summarize the principal activities and participants of risk control for the following important areas:

- Group functions;
- activities related to reinsurance;
- asset management;
- accounting management.

The control activities described below are considered as the principal activities for controlling risks specific to those areas. In accordance with SCOR's internal control system approach, these control activities are performed on Group or Company level, on core business and investment process level, or on support process level.

### 2.4.1. GROUP FUNCTIONS

The Group's functions are organized in three departments led by the Chief Operating Officer, Chief Financial Officer and Chief Risk Officers respectively. The operations area comprises information technology, human resources and other general service functions at Group level such as strategy and internal or corporate communications. The finance area comprises Treasury, Budget and Forecasting and other functions relating to consolidation, reporting, accounting, financial communications and tax issues. The risk management area comprises the actuarial function, the risk management function, various risk and actuarial modelling teams and is responsible for the Group's prudential and regulatory affairs department. Further information is presented below, excluding the financial reporting and financial communication functions dealt with in Sections 2.5 and 2.7 hereafter.

#### Operations

- Control of the Group information system is overseen by the Group IT Department at two complementary levels: specific IT processes and business processes all covered by IT solutions. For specific IT processes, a special unit of the Group IT Department deals with all issues of information system security.

Periodic audits of information security applications and procedures are conducted. For a number of years, SCOR has been improving its control procedures based on the COBIT (Control objectives for information and technology) guidelines covering the risks listed in its major processes, in particular relating to the development, advancement and use of all solutions, and access to systems and databases. The IT continuity plan has been strongly reinforced with regards to the private cloud of the Group, which hosts all production applications and processes and ensures a systematic replication of all databases to a second remote site. In addition, employees can be temporarily moved to any other Group Hub office, or even work from home with their laptop or personal computer.

- The General Secretariat contributes to the management of the following functions:
  - legal and functional governance of the Group;
  - compliance, alongside the Group Chief Compliance Officer reporting to the General Secretariat (special attention is given to anti-trust/competition law, anti-money laundering and terrorism financing, sanctions and embargoes, anti-bribery, anti-fraud, data protection and privacy, insider trading and conflicts of interest);
  - management of the regulatory supervision of the Group and coordination at legal entity level with the relevant legal departments;
  - the Group's insurance policies, in particular with respect to D&O and professional liability.

Within the General Secretariat, the Group Legal Department exercises a control function in areas such as the entry into agreements and the supervision of major disputes. This department is also involved where relevant in the aforementioned control with regards to underwriting of reinsurance business. It also monitors compliance with the Group's filing obligations, including toward the AMF and the Six Swiss Exchange (SWX).

- The Group Project Office monitors the Group project portfolio and defines standard project methodology. It regularly provides reports to the management detailing key indicators and recommendations on the project portfolio for effective management. On the Executive Committee's request, it can also manage strategic projects.
- The budgetary control system for general expenses is organized and managed by the Group Cost Control and Budget Department.

## Finance

- The Group Treasury Department manages the Group's operating cash flow, directly or indirectly and prepares a weekly centralized report of the Group's cash situation.
- The Group Financial Planning & Analysis Department establishes an annual financial plan for the Group by company and monitors actual data in relation to this plan on a quarterly basis. The purpose of the plan is to enable effective management and control of the business to achieve the strategic targets set by the Group. Detailed annual financial plans are developed by the business engines at a company level, by geographic market and line of business, and incorporated into a Group-wide plan against which an in-depth analysis of the actual quarterly results is conducted. The results and analyses are presented to the Executive Committee every quarter, highlighting variations compared with expectations to allow identification of appropriate management actions. The plan, and the quarterly results against the plan, are additionally reported in detail to the Board.
- The Group tax function sets the Group tax policy with the purpose of ensuring that the various entities of SCOR meet their tax obligations and promote the use of best practices in this domain.
- The IFRS Center of Excellence (IFRS CoE) determines IFRS accounting policies and handles the accounting of complex transactions.
- The Consolidation, Systems and Process and Pillar 3 Departments play a major role in both internal management reporting and external reporting, and the analysis thereof.

## Risk Management

- The Group Risk Management Department's primary focus is to develop and manage ERM mechanisms, promote ERM concepts throughout the Group and perform a second-level control over reinsurance underwriting as mentioned above.
- The Prudential and Regulatory Affairs Department monitors the prudential regulations and advises the Group. It ensures the Group actively positions itself vis a vis the different jurisdictions and requirements to which it is exposed or could be exposed notably by coordinating SCOR's actions to comply with regulatory requirements for the supervision of (re)insurance companies and Groups in France and SCOR's interactions with the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and by monitoring SCOR's interactions with (re)insurance supervisors worldwide through regular contacts with the SCOR teams in charge locally. It also coordinates the Group's efforts to adapt to new major prudential regulations, such as Solvency II or ComFrame.

### 2.4.2. ACTIVITIES RELATED TO REINSURANCE

The operating and control procedures concerning underwriting, pricing, administration of reinsurance contracts and claims management are validated by SCOR Global P&C and SCOR Global Life and are applied to all underwriting segments of the company in question, regardless of location.

For further information on how the main underwriting risks related to the Non-Life and Life reinsurance business are managed, see Section 3.3 – Management of underwriting risks related to the Non-Life and Life reinsurance business.

### 2.4.3. ASSET MANAGEMENT

The Group invests in assets through its SCOR Global Investments Division composed of an asset management company regulated by the French Autorité des marchés financiers (SCOR Investment Partners SE) and a Group Investment Office (GIO).

## Governance and principles

The Group has harmonized the principles governing the management of its assets: the Group Policy on Invested Assets defines the Group's governance in terms of asset management and the Manual of Group Investment Guidelines determines the limits for concentration risk as well as limits of exposure to different asset classes. The Manual of Group Investment Guidelines thus determines the conditions in which SCOR Global Investments will implement the Group investment policy as defined by the Group Investment Committee. These two documents are rolled out locally to ensure consistency across the Group.

Local investment guidelines complement the Group guidelines and set the rules to be applied by all internal and external asset managers on behalf of the legal entities.

The Group Investment Committee meets at least once every quarter. Its role is to define the investment strategy on a Group level and to supervise the implementation of this strategy with regard to the regulatory and contractual constraints. At local level, local investment committees supervise the implementation of the investment strategy relating to their legal entities as well as the compliance of the portfolios positioning with the local investment guidelines.

## Investment strategy

The investment strategy at SCOR is risk based and the portfolio positioning is derived from the risk appetite allocated by the Group to invested assets as well as the Group risk tolerance.

The primary investment objective of SCOR is to generate recurring financial income in accordance with the risk appetite framework of the Group, and to ensure that the Group:

- is able to meet its claims and expense payment obligations at all times; and
- creates value for its shareholders in line with the objectives set out in the strategic plan.

While:

- preserving the Group liquidity and level of solvency;
- protecting the capital;
- allowing the Group to operate on a day-to-day basis as well as over the long term horizon;
- in compliance with: legal entities investment regulations, risk appetites and regulatory capital requirements (level of capital and type of admissible assets), and Group and local investment guidelines.

## Operational framework

As a general principle, and in compliance with local regulations, legal entities of SCOR appoint the Group to supervise and implement the investment and reinvestment of all of their invested assets. This relationship is put in place through an Investment Management Agreement (“IMA”) which includes local investment guidelines.

SCOR delegates to SCOR Investment Partners the implementation of the investment strategy for its invested assets as determined by the Group Investment Committee. This relationship is put in place through a Master Investment Management Agreement (“MIMA”) which includes the list of invested assets portfolios and legal entities and their respective investment guidelines. In case of local regulatory restrictions or due to the size of some investment portfolios, some legal entities may not be included in this framework. They should delegate to external asset managers the management of their invested assets through a strong selection process. When possible, SCOR Investment Partners acts as an investment advisor to these legal entities.

## Reporting and risk monitoring

The Group Investment Office monitors, on an ex ante and ex post basis, the compliance of the portfolio positioning with regard to

the Group risk appetite and investment guidelines. The GIO is also in charge of reporting processes related to invested assets. The GIO provides SCOR with regular reports used for the monitoring of the asset portfolios. Breaches are escalated to the Group Investment Committee as well as to the Group and Board Risk Committees. Investments falling outside of the scope of the Manual of Group Investment Guidelines are subject to special referral procedures managed by the Group Risk Management Department.

Assets owned by all Group entities are monitored in one central information system under the responsibility of SCOR Investment Partners. The information systems used by SCOR Investment Partners monitor transactions on publicly traded securities (audit trail, valuation of securities). SCOR Investment Partners controls the consistency and the completeness of the data used for the valuation of the assets.

Middle office and back office departments of SCOR Investment Partners are delegated to an external service provider since November 2014. Information systems remain those of SCOR and tools for monitoring and controlling transactions remain unchanged following this transfer of activity.

## 2.4.4. ACCOUNTING MANAGEMENT

See Section 2.7 – Financial reporting below.

## 2.5. INFORMATION AND COMMUNICATION

- Financial communication:

The establishment and centralization of all financial information – particularly press releases, intended for the market, investors, financial analysts, and the press – are the responsibility of the Corporate Communications Department and the Investor Relations Department, which respects a formalized process. Financial information intended for rating agencies is the responsibility of the Rating Agencies Department. All of this information is ultimately controlled by General Management.

Concerning the Registration Document, a specific process has been implemented to ensure the contribution of all relevant departments and the consistency of the information provided. A final edit is made by members of the Executive Committee.

The Corporate Communications Department systematically and simultaneously publishes regulated information, including press releases, via a professional host included in the official list published by the AMF and on SCOR's website ([www.scor.com](http://www.scor.com)).

- Internal communication:

SCOR strives to make all documents deemed important available to all SCOR employees on SCOR's intranet.

SCOR has increased the use of collaborative sites enabling it to share and retain archived documents or to collect and centralize information specific to certain subjects (e.g. emerging risks) from various sources.

SCOR is implementing regular and dedicated ad-hoc educational programs across the Group aimed at maintaining and developing the skills of all SCOR's staff in accordance with the strategy and the objectives of the Group.

SCOR has established reporting principles for all risk management related documents across the Group, with dedicated review processes and governance.



## 2.6. MONITORING OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The monitoring of the internal control and risk management systems is ensured by a number of complementary mechanisms with the support of several departments across the Group.

SCOR implements dedicated processes and tools to identify, assess and monitor its risk exposures on a regular basis. See Section 2.3 – Identification and assessment of risks.

In addition, SCOR implements dedicated risk management mechanisms in both the Life and P&C divisions in order to evaluate the appropriateness and effectiveness of controls and propose risk-management and mitigation measures. See Section 3.3 – Underwriting risks related to the Life and P&C reinsurance business for further details on these risk management mechanisms.

SCOR also operates an “Internal Control System Competence Center” (ICS-CC) which reports to the Group Risk Management Department. The core objective of this competence center is to pool the ICS expertise in order to foster a consistent ICS approach and application of ICS standards across the Group. The ICS-CC consists of experts, who are dedicated to coordinating the internal control formalization activities within the Group, its divisions and entities, and supporting the business process owners where necessary. The ICS standards are applied based on the principle of proportionality. ICS processes have been documented accordingly, focusing on those considered the most critical. The ICS documentation is being progressively deployed across the Group and regularly reviewed for continuous improvement.

The approach used to develop and maintain the internal control system is specified in the ICS Group Policy. The policy sets out the reference framework and details the Group principles, the responsibilities of the different participants in internal control and the quality requirements. The principal characteristics of the internal control system are as follows:

- a risk-based approach, i.e. addressing critical operational risks that, if not controlled, could significantly impact SCOR's franchise, balance sheet or statement of income and indirectly its solvency. The optimal risk response is obtained through appropriately designed key controls at Group level, process level and IT level;
- on a process level, appointment of global process owners (GPO) at Group, SCOR Global P&C, SCOR Global Life and SCOR Global Investments levels and local process owners (LPO). The GPOs' responsibility is to document the processes, identify the related critical risks, define the appropriate key controls and to ensure their deployment and application in the various entities of the Group. The LPOs' main responsibilities are to assess processes, risks and key controls on a local level based on the defined global process and to ensure application of risk based control activities;
- monitoring, upon completion of the initial documentation, through a self-assessment procedure on the maturity (quality) of control processes based on pre-defined criteria by their owners.

In addition, and in accordance with its risk-based audit plan and through its periodic assignment, Group Internal Audit provides independent and objective assessments on the adequacy, effectiveness and efficiency of the internal control system. Any finding and risk leads to recommendations and management remediation actions followed up by the Group Internal Audit Department.

The Group Internal Audit Department provides independent, objective assurance and consulting services designed to assess the adequacy, effectiveness and efficiency of SCOR's governance, policies and guidelines, risk management and internal control system, as well as compliance of operations with applicable policies and guidelines, in order to ensure the safeguarding and integrity of SCOR's assets (e.g. financial assets, human resources, systems and data), the effective use of resources and identify opportunities for process improvement.

Furthermore, the Group Internal Audit Department must inform the Executive Committee and the Audit Committee of any unsatisfactory conditions or risks.

When the Group Internal Audit Department concludes that the management has accepted a level of risk that may be unacceptable to the organization, it must discuss the matter with the Executive Committee. If the Head of Group Internal Audit determines that the matter has not been resolved, he/she must communicate the matter to the Audit Committee.

The Group Internal Audit Department develops a multi-year internal audit plan (revised at least annually) in a risk-based manner, taking the organization's risk management framework and including risk appetite levels set by management for the different activities, or parts of the organization, into account. The expectations of senior management and the Audit Committee are considered in this process. Once reviewed and approved by the Audit Committee, it is communicated internally and summaries are published on the SCOR intranet.

The Group Internal Audit Department carries out a quarterly follow-up process to monitor and ensure that management actions agreed in the audit reports have been effectively implemented or that senior management has accepted the risk of not taking action. The follow-up results are provided to the Executive Committee and the Audit Committee.

The Audit Committee receives at least on a quarterly basis a report on the Internal Audit activities.

Furthermore, the Finance Department manages the “internal management representation letters” process, detailed in Section 2.7 on financial reporting, which also incorporates certain points relative to internal control of accounting and financial reporting.

## 2.7. FINANCIAL REPORTING

The accounting and finance function is the responsibility of the Chief Financial Officer, who manages all financial areas in order to have an overall view of the Group's technical and financial results.

The Chief Financial Officer does not, however, exercise direct control over all accounting information systems and relies on the accounting departments of operating companies, which provide him with quarterly consolidation packages, as well as on the accounting departments of SCOR Global P&C, SCOR Global Life and SCOR Global Investment which assist him in coordinating aspects relative to the processes, methods and reporting.

General accounting for SCOR subsidiaries is supported by two main auxiliary accounting systems, namely (1) technical reinsurance accounting: premiums, claims, commissions, underwriting reserves, value of business acquired (VOBA), deferred acquisition costs (DAC), funds held; and (2) financial asset accounting: securities, bank accounts, investment income and expenses.

The processes described below concerning reinsurance accounting and the calculation of underwriting reserves, which are predominantly within the single technical information system (OMEGA), are applied by Group entities. A high level of control already exists in OMEGA. As part of the on-going OMEGA reengineering project, OMEGA 2.0, which was confirmed as a strategic project in July 2010 by the Board of the Group and by the Executive Committee, several improvements have already been or will be implemented to reinforce the level of control provided.

Concerning reinsurance accounting, numerous regular controls are conducted directly (automatic and systematic, or for consistency or by testing) by the technical accounting teams located in the subsidiaries using both Group tools and control reports. Quarterly inventories are also subject to specific control procedures. Finally, reinsurance technical results are analyzed quarterly by the finance departments of SCOR Global P&C and SCOR Global Life, and by the Group Chief Actuary as part of his review of the majority of reserves.

### SCOR Global P&C

The calculation of underwriting reserves (including IBNR – Incurred But Not Reported) which have a significant impact on the balance sheet and income statement, is largely based on contractual and accounting data provided by ceding companies, the relevance of which is verified upstream. This calculation of underwriting reserves is subject to the following successive controls:

- by the actuaries in charge of reserves through control reports for which the proper implementation is verified by the Actuarial Department of the division and of the Group;
- by the Chief Actuary, particularly for methods, tools and results.

### SCOR Global Life

The recognition and measurement of underwriting reserves (in particular mathematical reserves) and related intangible assets and related deferred acquisition costs are largely based on contractual and settlement data and subject to the following controls:

- the reinsurance treaties are either reviewed individually or are pooled within an affiliation treaty based on certain criteria defined in advance;
- the treaties are then subject to reserving estimates, which are reviewed at each quarterly closing either by the actuaries or at meetings attended by underwriters, technical assistants and actuaries.

A quarterly liability adequacy test is performed for portfolios that are subject to broadly similar risks and managed together as a single portfolio.

### SCOR Global Investments

Monitoring of financial assets and cash flows is provided through various operating methods. The information systems used provide an audit trail of the transactions carried out. In certain entities, accounting activities are delegated to external service providers; controls implemented by these entities make it possible to verify the proper recording of accounting data and consistency of the figures. "Cash" reconciliations are made on a daily basis, for the most part, and security transactions are reconciled the following day (D+1) with reports from the various custodians. Portfolios managed directly are monitored in real time.

The implementation of the new information system enabling the booking, valuation and monitoring of all assets owned by Group entities has substantially improved the investment accounting model. These accounting tools have been substantially deployed throughout the Group's principal subsidiaries. The completion of this project in early 2011 improved the investment accounting organization, definition of roles, responsibilities and processes.

### Accounting and consolidation process

Regarding the processes of preparation of consolidation packages and consolidation of accounting data by the Group Consolidation, Systems & Process Department, and internal control is ensured by:

- the definition by the Consolidation, Systems & Process Department of a closing process, clear responsibilities and a detailed financial statement closing schedule, which is monitored, in the closing period, on a daily basis;
- use of a market recognized consolidation software package («SAP BFC») common to all Group entities, which ensures the whole consolidation process through automated and formalized controls;
- the use of a general accounting software tool shared by all Group entities;
- the centralized management of charts of accounts and the use of a single chart of accounts (with minimum local specificities, aligned with existing Group systems);
- a definition of responsibilities for controlling the integration of auxiliary accounting systems;
- the formalization of the reconciliations between the systems or auxiliary accounting methods with the general and consolidation accounting systems;

- at least three levels of control of the consistency and completeness of the consolidation packages, one by the entity in question, another by the finance departments of SCOR Global P&C and SCOR Global Life relative to technical accounting and the third by the Group Finance Department;
- systematic analyses of results, shareholders' equity, taxation and cash flow;
- internal monitoring of changes in legislation and accounting standards, together with the Group's external consultants and auditors;
- the work of the IFRS Center of Excellence, whose objectives are to (1) communicate developments in accounting standards to all contributors, (2) determine IFRS accounting policies and (3) coordinate justification and documentation of accounting treatment for complex operations;
- an audit performed by external auditors as at December 31, and a review as at June 30.

At the end of 2009, SCOR decided to fully review all its finance applications by launching a Group wide "one ledger" program. The main objective of this program was to simplify, through an innovative approach based around SAP, and vastly improve the accounting functions for all SCOR entities. This program includes:

- the use of a single chart of accounts (with minimum local specificities, aligned with existing source systems);
- one system for one IT solution;
- streamlined, integrated and standardized processes across the Group;

- limited and automatized mappings between systems;
- extended capabilities for Reporting (including drilldown from financial to source system data);
- enhanced audit trail.

The roll-out of this solution in all locations was finalized in 2015.

In addition, and without calling into question the implementation of internal control rules by SCOR and its managers, Executive Management requests, within the framework of the reporting and quarterly consolidation procedure, that all local managers of Group entities, as well as Senior Managers of SCOR Global P&C, of SCOR Global Life and of the Group Finance Department for certain Group functions such as tax and consolidation, prepare a specific quarterly statement for the Chairman and Chief Executive Officer, and for the Group Chief Financial Officer in internal management representation letters as to the reliability and fair presentation of the financial statements of the entities they manage and the effectiveness of the internal controls. Management of the SCOR Global P&C and SCOR Global Life divisions review the individual entity level internal representation letters and submit a divisional letter. The results of all internal management representation letters are analyzed and monitored by a committee including the General Secretary of SCOR, the Group General Counsel, the Group Chief Accounting Officer, and the Head of the IFRS Center of Excellence. The key points are communicated to the Group Chief Financial Officer and the Group Chief Executive Officer, and communicated to the Internal Audit Department.

## 2.8. CONCLUSION ON THE CONTROL PROCEDURES IMPLEMENTED

SCOR believes that its risk management and internal control systems are appropriate and adapted to its activities and is engaged in an ongoing process to improve its internal control standards and their implementation. In 2016, the Group continued

its efforts on compliance issues as briefly summarized in this report by releasing new Group policies, and by improving existing policies to align them with the Group's developments.

### 3 STATUTORY AUDITORS' REPORT, PREPARED IN ACCORDANCE WITH ARTICLE L. 225-235 OF THE COMMERCIAL CODE, ON THE REPORT PREPARED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS OF SCOR SE

*This is a free translation into English of a report issued in French and it is provided solely for the convenience of English speaking users. This report should be read in conjunction with and construed in accordance with, French law and professional standards applicable in France.*

To the shareholders,

In our capacity as Statutory Auditors of SCOR SE and in accordance with Article L. 225-235 of the French Commercial Code (*Code de commerce*), we hereby report to you on the report prepared by the Chairman of your Company in accordance with Article L. 225-37 of the French Commercial Code (*Code de commerce*) for the year ended December 31, 2016.

It is the Chairman's responsibility to prepare and submit for the Board of Directors' approval a report on internal control and risk management procedures implemented by the Company and to provide the other information required by Article L. 225-37 of the French Commercial Code (*Code de commerce*) relating to matters such as corporate governance.

Our role is to:

- report on any matters as to the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information; and
- confirm that the report also includes the other information required by Article L. 225-37 of the French Commercial Code (*Code de commerce*). It should be noted that our role is not to verify the fairness of this other information.

We conducted our work in accordance with professional standards applicable in France.

#### Information on internal control and risk management procedures relating to the preparation and processing of accounting and financial information

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information. These procedures consist mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based and of the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and of the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our work are properly disclosed in the Chairman's report.

On the basis of our work, we have no matters to report on the information relating to the Company's internal control and risk management procedures relating to the preparation and processing of the accounting and financial information contained in the report prepared by the Chairman of the Board of Directors in accordance with Article L. 225-37 of the French Commercial Code (*Code de commerce*).

#### Other information

We confirm that the report prepared by the Chairman of the Board of Directors also contains the other information required by Article L. 225-37 of the French Commercial Code (*Code de commerce*).

Paris-La Défense, February 21, 2017

The Statutory Auditors

MAZARS

Jean-Claude PAULY

Guillaume WADOUX

ERNST & YOUNG Audit

Guillaume FONTAINE