

2020 CLIMATE REPORT

TACKLING THE THREAT OF CLIMATE CHANGE

A collective responsibility

2020 CLIMATE REPORT

Cover image

In the fight against climate change, Forests play a key role. Forests are a stabilizing force for the climate. They regulate ecosystems, protect biodiversity, play an integral part in the carbon cycle, support livelihoods, and supply goods and services that can drive sustainable growth. As part of our "Quantum Leap" strategic plan, SCOR has committed to offsetting all the greenhouse gas emissions stemming from its operations. This objective complements SCOR's ambition of fighting climate change through its core businesses.



In 2020, we asked our employees to vote for their favorite offsetting projects, from a choice of three forest project “portfolios” proposed by our offsetting partner, EcoAct. As a result, the Group decided to support two projects developed by EcoAct in Ethiopia and Brazil. Beyond their environmental impact, these projects also benefit the development of local communities.

SCOR is a longstanding participant of the United Nations Global Compact and acknowledges the high relevance to its business of the Sustainable Development Goals (SDGs). In particular, SCOR is committed to reducing climate risk by helping to make companies more resilient, promoting the adoption of appropriate practices and principles, fostering cooperation, and encouraging good governance, integrity and accountability. SCOR supports several international sectoral climate-related initiatives, such as the French Business Climate Pledge signed in the wake of the Paris Climate Agreement, the Geneva Association’s Climate Risk Statement on Climate Resilience and Adaptation, and more recently the Net-Zero Asset Owner Alliance, and the recommendations for the Task-force for Climate-related Financial Disclosures (TCFD).

In demonstration of its continued commitment to fight climate change, SCOR publishes this Climate Report, which provides an overview of SCOR’s climate-related risks and opportunities as well as information on how its business model and strategy is resilient to climate risks. The report is structured following the four voluntary disclosure recommendations made by the TCFD: Governance, Strategy, Risk Management and Metrics and Targets. While preparing this report, SCOR has taken into account the guidance published by the French market authority (AMF) in its December 2020 report, “TCFD climate reporting in the financial sector”.

The information in this report was prepared based on data available as of December 31, 2020.

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Denis Kessler, Chairman and
Chief Executive Officer

THE TIME IS NOW TO WALK THE TALK

Climate variability, the changing frequency and severity of certain extreme events, and the growing vulnerability of modern societies to natural hazards have thrown down the gauntlet, challenging us to adapt to climate change. Tackling and addressing the associated risks is a global and shared commitment.

Climate change is regarded in economics as what is known as a “common good” problem. These situations give rise to moral hazard and free-rider issues: while all economic agents are likely to gain significant economic benefits in the long term from a reduction in greenhouse gas emissions, few of them want to take action individually and incur their fair share of the costs. Instead, they would rather let their peers shoulder the burden of the environmental transition. An integrated solution to the issue of climate change thus requires us to find ways to combat this free-riding behavior. This can be done through

better designed economic policies incorporating incentive systems that align the individual interests of the various economic agents with the collective interest, as emphasized by Nobel Prize Winner Jean Tirole in his book *Economics for the Common Good*. This would help to ensure that businesses accommodate in their production process the economic and social cost of the environmental externalities they cause, and thereby encourage them to implement sustainable development policies and strategies. In this way, the negative externalities of climate change would be “internalized” in the decisions made by all economic agents, and so would no longer only be the business of national governments and international institutions. It is therefore critically important to articulate the role that the private sector should assume in combating climate change, and the associated technology, regulatory and competition-related issues.



ENCOURAGING SUSTAINABLE DEVELOPMENT, PARTICULARLY IN A CONTEXT OF INTENSIFIED CLIMATE RISK AND INCREASED EXTREME EVENTS, ARE INTEGRAL PARTS OF OUR MISSION.

Denis Kessler,
Chairman and Chief Executive Officer

(Re)insurers are directly exposed to the risks associated with climate change on both sides of their balance sheets, as risk carriers on the liability side and as institutional investors on the asset side. As regards the liability side, the most severe scenarios of global warming could deeply transform our risk universe and raise insurability challenges for some risks. In addition to increasingly destructive weather events, climate change related risks may encompass water risks, food insecurity, threats to biodiversity, forced migrations, social tensions, political crises, and so on. Climate change is also likely to affect the well-being, health and mortality of populations and could possibly have an impact on the risk of global pandemics. As regards the asset side, (re)insurers must face the implications of climate change on their investments, considering both physical and transition risks.

There are two main reasons why the (re)insurance sector has a pivotal role to play in facilitating comprehension of climate change as well as protecting people and property against the risks arising from it. First, the industry benefits from a deep expertise and knowledge in risk modelling, which is instrumental in understanding and quantifying the consequences of climate change. Second, the (re)insurance sector inherently contributes to the welfare and resilience of societies, through both its shock-absorbing capacity and its fundamental function of pooling risks globally to optimize diversification benefits. (Re)insurers' primary mission has always been to bridge the so-called «protection gap» because there are still too many people who are underinsured or uninsured, in both emerging and developed countries.

As a Tier 1 global reinsurer, SCOR has a longstanding commitment to fighting climate change over the long term. Protecting people and property from natural catastrophes and

encouraging sustainable development, particularly in a context of intensified climate risk and increased extreme events, are integral parts of our mission. The Group was one of the first to grasp the importance of managing extreme events and the risks associated with climate change. SCOR signed the UN Global Compact in 2003 and then supported the Kyoto Declaration in 2009, under the aegis of the Geneva Association. Ahead of several international declarations, the Geneva Association clearly stated that climate change poses a major long-term threat to the global economy. It also stressed that the fight against the consequences of climate change needs to be a global commitment requiring the combined efforts of all (re)insurers, and that it was their fiduciary responsibility to do so. Accordingly, SCOR pursues a holistic and integrated approach to risk management for the challenges presented by climate change, by developing models to evaluate these risks, by pursuing strict underwriting and investment policies to promote the energy transition and contribute to the adoption of low-carbon technologies, by strongly supporting research and science, and by actively contributing to public-private partnerships.

Over the past few years, SCOR has stepped up its commitment to climate risk management. The Group has notably committed to make its investment portfolio carbon-neutral by 2050 in its strategic plan «Quantum Leap» presented in 2019. By doing so, we have set a strong signal to align our investment portfolio with a '1,5°C scenario' and hence contribute to achieving the ambitious and critical goals of the Paris Agreement. In 2020, SCOR strengthened its sustainable actions towards a low-carbon economy within its investment portfolio and joined the Net-Zero Asset Owner Alliance, an international initiative bringing together investors focusing on implementing the Paris Agreement. The Group has accelerated its withdrawal

from coal assets, by lowering the exclusion threshold for companies generating revenue from thermal coal. Having already disposed of securities from companies generating more than 30% of their revenue from coal, SCOR has now reduced this threshold to 10%. In the longer term, the Group aims to divest totally from companies generating part of their revenue from thermal coal, by 2030 in OECD and EU countries and by 2040 in the rest of the world. Moreover, SCOR undertakes not to invest in companies developing new coal-related projects (mines, plants, power stations or infrastructure).

Furthermore, SCOR constantly invests in the understanding and modelling of risks to roll back the frontiers of knowledge and share insights into the main climate change related risks threatening the world. In 2020, SCOR conducted a large-scale study, mobilizing dozens of natural disaster modelling experts in its teams and involving the review of several thousand scientific publications, to assess the impacts of global warming on the frequency and intensity of different types of natural disasters. As a top tier Life reinsurer, SCOR continued to contribute to the wide-ranging debate regarding to what extent climate change affects the well-being, health and mortality of populations, and whether it is likely to have an impact on the risk of global pandemics.

Lastly, SCOR is playing an active role in various sector-specific and multi-sector climate change related initiatives aimed to promote the energy transition and fight climate change. These have included, amongst others, the Pledge by French business to combat global warming – which was made in the wake of the Paris Agreement in 2015 –, the Geneva Association's Climate Risk Statement on Climate Resilience and Adaptation in 2015, the Decarbonize Europe Manifesto in 2017 and the Letter of global investors calling on govern-

ments of the G20 nations to fully support and implement the Paris Agreement in 2017. The Group also joined the UN backed Principles for Responsible Investments in 2019 and renewed its support to the Swiss Climate Foundation in 2020. Recognizing the critical role that Boards of directors across economic sectors have to play in the promotion of the energy transition, in 2021 SCOR joined the Chapter Zero initiative, aiming to enhance the awareness, understanding and knowledge of climate change related risks by the non-executive director community.

In an ever riskier and more uncertain world, the (re)insurance industry has a leading role to play in working towards sustainable and responsible development. We collectively need to walk the talk and to take actions now.

CHAPTER 01

GOVERNANCE OF CLIMATE- RELATED ISSUES AND RISKS

The first of two offsetting projects supported by SCOR, the Yedeni project in Ethiopia, aims to protect the highly biodiverse Basal Ecoregion (500,000 ha of high forest), which is home to rare species, through forest conservation and sustainable agriculture. The project also protects the region from deforestation and trains the local population on water management, land use planning, and the management of forest and pastureland.

At SCOR, an integrated governance system has been established to consider social and environmental issues arising from business activities, including the principal environmental, social and governance (ESG) risks related to them. These include the risks resulting as a consequence of climate change. This system is structured around five core pillars:

- **a general framework**, composed of the Group’s mission statement and adherence to global initiatives supported by United Nations programmes, supplemented, where appropriate, by subject-specific reference frameworks and transposed into standards (e.g. the Climate Policy) and relevant Group activities;
- **a structured governance framework**, which the Board of Directors is responsible for overseeing, assisted as provided for in its Internal Charter, by the preparatory work (in particular with respect to climate issues and risks) of its specialized committees, the Risk Committee, the Corporate Social and Societal Responsibility and Environmental Sustainability Committee⁽¹⁾ and the Compensation and Nominations Committee;
- **integrated initiatives** translated into operational measures in annual action plans, the implementation of which is periodically reported to the supervisory and management bodies;
- **a risk management system**, shaped by the formal procedures in place and applied to the most relevant functional processes, building on the risk analyses performed and including the monitoring of trends and associated emerging risks;
- **a framework of performance** conditions indexed to CSR criteria, which include climate issues and risks, applied in a manner appropriate to the responsibilities exercised within the company.

These pillars are presented in greater detail in the following subsections.

1. referred to hereafter as the “Board CSR committee”

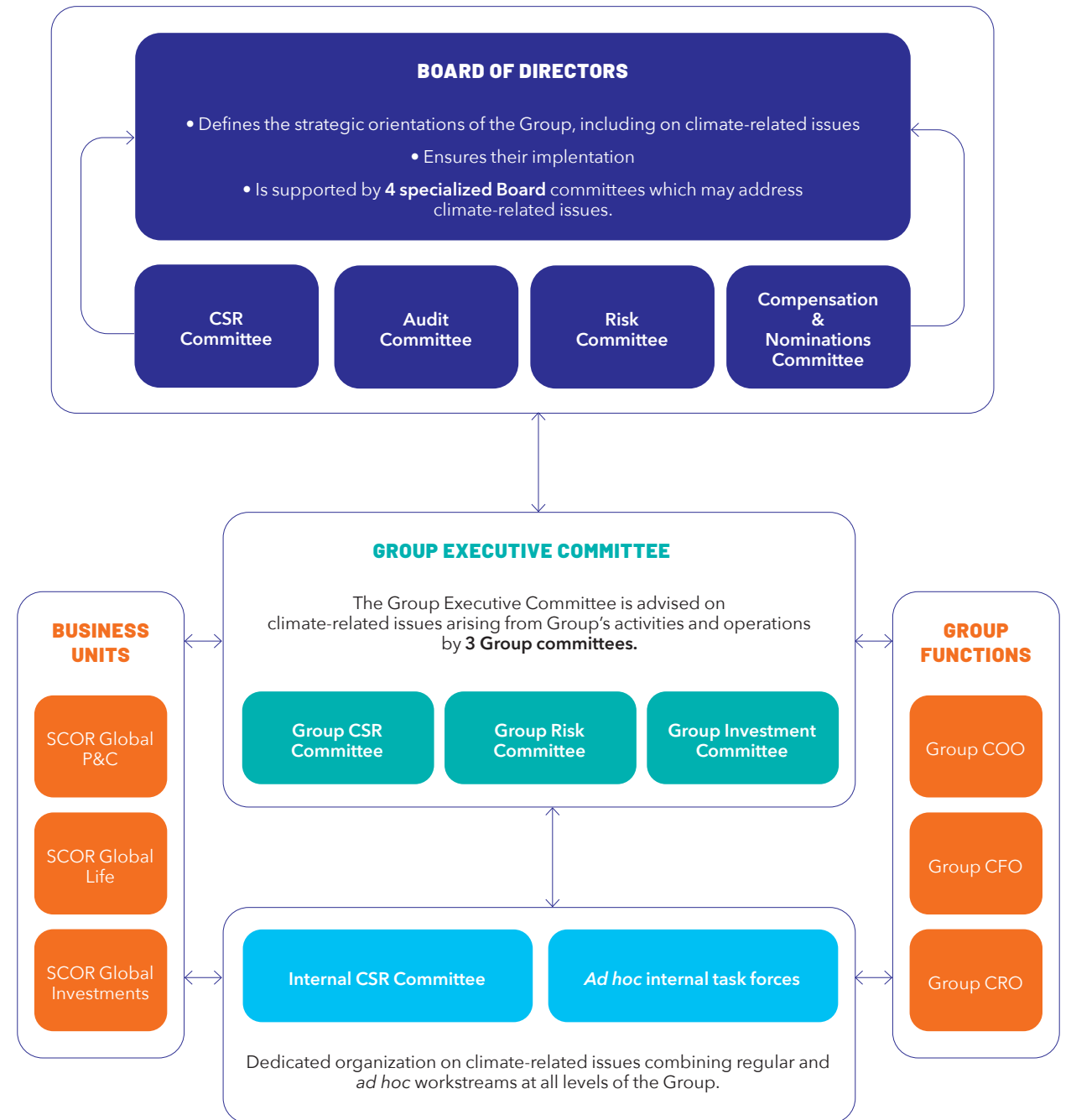
1.1. GENERAL FRAMEWORK

— The consideration of climate change consequences to the Group’s activities and operations are guided by:

- the adherence to UN-led global initiatives at cross-sector level as part of its longstanding participation in the United Nations Global Compact and at the level of the (re)insurance sector, as part of its reinsurance activities (Principles for Sustainable Insurance) and its investment activities (Principles for Responsible Investments). These initiatives provide a multi-stakeholder and partnership framework for the integration of risks and opportunities arising from climate change issues, including the development of expertise and solutions to address issues relevant to the business activities under consideration. On May 27, 2020, SCOR also joined the Net-Zero Asset Owner Alliance, an international initiative bringing together investors committed to transitioning their investment portfolios to carbon neutrality by 2050;
- **the multi-stakeholder orientations set out in its mission statement:** “SCOR’s aim, as an independent global reinsurance company, is to develop its Life and P&C business lines, to provide its clients with a broad range of innovative reinsurance solutions and to pursue an underwriting policy founded on profitability, supported by effective risk management and a prudent investment policy, in order to offer its clients an optimum level of security, to create value for its shareholders, and to contribute to the welfare and resilience of Society by helping to protect insureds against the risks they face”.

The principles contained in these initiatives are translated into norms and standards in the Group’s main reference texts, including: (i) its Code of Conduct, an entire section of which is dedicated to the Group’s mission, the United Nations Global Compact and the Principles for Sustainable Insurance, (ii) its climate policy, which sets out the general framework within which the actions and initiatives of SCOR entities on matters relating to climate change take place, and (iii) its sustainable investment policy.

As a Tier 1 reinsurer, SCOR is at the forefront of climate risk. The consequences of climate change will have different implications for (re)insurance depending on the time horizon and the risks considered. Therefore, understanding, modelling and managing climate risks is paramount to, and at the heart of SCOR’s core business. In its sustainable approach, SCOR pays specific attention to climate risks and supports initiatives to better assess climate change risks. These policies emphasize the importance of an integrated and holistic approach to climate change, encompassing both the impact of climate change on the Group’s core business and the potential impact of its business and operations on climate change. Particular attention is also given to the development of sustainable (re)insurance solutions and the contribution to the transition to a low carbon economy.





1.2. BOARD OF DIRECTORS' OVERSIGHT OF CLIMATE-RELATED ISSUES

— As a global and independent reinsurer, the SCOR group aims to embrace best governance practices. These play a crucial role in helping SCOR achieve its strategic objectives and to appropriately manage the risks arising in its various business lines. Climate risk is studied and acted on at various levels of the Group. Led by its top governance bodies, SCOR has formulated an ambitious and holistic climate policy and a sustainable investing policy encompassing its activities and its operations.

Risks and opportunities related to climate change are subject to governance structured around oversight, management, and implementation and coordination bodies.

Only the activities relating to supervisory bodies in the areas of addressing and understanding climate change impacts are described in the following sub-sections.

1.2.1. Role and activities of the Board of Directors

— Under the conditions defined by the Board's Internal Charter, the Board of Directors defines the strategic orientations of the Group, ensures their implementation in accordance with its corporate interest, taking into consideration the social and environmental aspects of its activity. As of December 31, 2020, three board members have an expertise on CSR (see Section 2.1.3.2 – Information concerning the members of the Board of Directors in the 2020 Universal Registration Document).

Therefore, the Group's three-year strategic plan "Quantum Leap", approved by the Board of Directors in 2019, includes a variety of orientations addressing the impacts of climate change in its activities and operations (supporting the

energy transition, developing solutions for adapting to the physical risks related to climate change, financing a sustainable world and committing to zero-net carbon investing by 2050, reducing the carbon impact of the Group's operations and offsetting the remaining emissions).

The Board is regularly updated on the achievement of the above-mentioned orientations and is informed on forthcoming evolutions and trends that may be of interest for SCOR's business and activities.

Hence, in 2020, the Board of Directors held eight meetings during which the Chairman of the Board CSR Committee reported on the activities of this committee. Climate-related topics were discussed by the Board on a number of occasions, in order to:

- be informed on a large-scale study, mobilizing dozens of natural catastrophe modelling experts in its teams and involving the review of several thousand scientific publications, to assess the impacts of climate change on the probability and intensity of certain natural catastrophes, and the impact of this on its property and agriculture portfolios over 5 to 10 years,
- review the Group's Universal Registration Document, including the section on risk factors, and the non-financial performance statement (Section 6), which includes information on the Group's exposure to climate risks, low carbon and climate change strategy,
- review the fossil fuels divestment strategy,
- be informed on the expectations of investors, that were met during governance or ESG roadshows, and NGOs,
- follow-up on the Group's non-financial ratings.

1.2.2. Role and activities of the Board's Committees

— Under the conditions defined by the Boards Internal Charter, SCOR's Board of Directors has established six advisory committees responsible for examining specific topics, preparing the Board's discussions and making recommendations including on climate-related issues.

Thereby, the Board Risk Committee provides regular supervision of the initiatives conducted by the Group's Management on identified climate-related risks. And the Board CSR Committee also addresses climate-related topics at each meeting. Finally, on some specific occasions, other specialized committees may discuss climate-related issues, e.g. in September 2020, the Strategic Committee reviewed SCOR's positioning on ESG matters.

1.2.2.1. Regular supervision of climate-related issues by the Risk Committee

— The Committee is responsible for examining the major risks to which the Group is exposed and for monitoring the alignment of the Group's risk profile with the Group's Risk Appetite Framework.

The main categories of risks which are examined by the Committee are strategic risk (including emerging risks), underwriting risk, reserving risk, market risk, concentration risk, asset-liability management risk, liquidity risk and operational risk. The Risk Committee is also kept regularly informed of the risks associated with major environmental issues that may impact the Group's activities (e.g. global climate change and environmental degradation).

In 2020, the Risk Committee was informed of the Group's main exposures and risks, including natural events, as well as the measures taken to manage a number of these events as part of the Group's capital shield strategy. For example, the Committee discussed SCOR's approach and maturity in managing the risks from climate change. It also reviewed the early results of a large-scale study to assess the gross loss impacts of global warming on key natural perils for Property and Agriculture business lines over a 5-10-year time horizon, to inform strategic decisions. As part of the follow-up to the review of changes in prudential regulations, the Risk Committee reviewed the development of several regulatory initiatives aimed at integrating sustainability issues, including climate change risks, into existing prudential frameworks. Finally, the Risk Committee reviewed the first Climate Report disclosed by the Group in 2020.

1.2.2.2. Climate-related issues are at the heart of the Board CSR Committee missions

— The Committee ensures that the Group's CSR approach is consistent with its long-term development, and that the direct and indirect effects of its activities on the environment and society are incorporated into its strategy. More specifically, this Committee oversees the execution of the climate section of the CSR action plan, which puts the Group's approach in this area into practice on an annual basis. In addition, this Committee is also responsible for making proposals to the Board of Directors on how to take social and environmental issues, including climate change issues, into account in the Group's orientations. In 2020, the agenda of the Committee included the review of the Sustainable Investment Report and of the fossil fuels divestment strategy. The Committee also considered the involvement of SCOR in the Net-Zero Asset Owner Alliance and followed up on the project to develop agroforestry in an emerging country. Finally, the Committee reviewed the information on the methodology for calculating the carbon footprint of underwriting portfolios following the publication of the CRO Forum paper⁽¹⁾ on this matter.

1.2.2.3. Climate-related disclosures are reviewed by the Audit Committee

— As part of its accounting, financial and non-financial responsibilities, the audit committee reviews climate-related disclosures published in the Non-financial performance statement (included in the Universal Registration document).

In 2020, the review of the 2020 financial statements was

also accompanied by a management presentation describing SCOR's exposure to climate-related risks, as part of social and environmental risks.

1.2.2.4. The implementation of the Group's climate policy is assessed by the Compensation and Nominations Committee

— The Compensation and Nominations Committee is charged primarily with drawing up the rules used to calculate the variable compensation of executive corporate officers and ensuring that these rules are in line with the annual assessment of the performance of executive corporate officers, taking the Group's strategy into account. The Committee is also responsible for examining the terms, amount and allocation of performance shares and stock options for the Group's employees. The Group's environmental and social performance is taken into account in several of these compensation instruments, including the implementation and the development of SCOR's policies with respect to climate change.

The Compensation and Nominations Committee assessed the performance of the Chairman and Chief Executive Officer, particularly regarding the implementation of the Group's climate policy. Further details on the result of this assessment are provided in section 1.4 – Performance criteria of this report, and with more details SCOR's 2020 Universal Registration Document (section 2.2 – Board of Directors and Executive Committee member compensation and share ownership).

1. The CRO Forum, April 2020: "Carbon footprinting methodology for underwriting portfolios".

1.3. ROLE OF THE MANAGEMENT BODIES IN CLIMATE-RELATED ISSUES

1.3.1. Group executive committee and its specialized committees

— Three committees, the Group Risk Committee and the Group Investment Committee, the Group CSR Committee advise the Group Executive Committee on climate-related risks arising from the Group's activities and operations.

The Group Risk Committee meets every quarter ahead of the Board Risk Committee. Apart from the preparation of the Board Risk Committee, the main missions of the Group Risk Committee are to steer the Group's risk profile, maintain an effective ERM Framework and spread an appropriate Risk Culture throughout the Group. Climate risks, extreme events and their direct impact on SCOR's risk profile, are regularly discussed in these meetings. These discussions are informed by SCOR's research and development related to climate change, notably by the modelling and pricing and other relevant areas.

The Group CSR Committee meets on a quarterly basis ahead of the Board of Directors' CSR Committee meetings and is tasked with approving the decisions concerning SCOR's ESG approach and initiatives. More specifically, it approves the ESG strategy for the Group's core business and makes sure that the action plan is executed properly. As such, climate-related issues are frequently on the agenda.

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 regarding 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 portfolio's positioning with the local investment guidelines. The Group Investment Committee approves normative and thematic exclusions, as well as major portfolio reallocations related to risk management, particularly for climate risks. During the meetings of the Group Investment Committee, SCOR Global Investments reports on the portfolio's exposure in relation to the risk limits laid down in the strategic plan and operating plans, including those relating to ESG criteria.

1.3.2. Coordination, implementation and operational governance

1.3.2.1. A transversal approach for the Group

— At the group level, the Group Executive Committee and its specialized committees are supported and informed on sustainability and climate-related issues through a dedicated organization.

The risk management function informs the risk committees of the impacts that climate change could have on the

company's risk profile. For example, techniques such as footprint scenarios are used by the risk function to stress-test the ability of the company to withstand selected extreme physical risks, such as hurricanes. In addition, the Group CRO holds regular meetings of senior risk managers, at which the major risk topics addressed across the function, including those related to climate change, are discussed. These meetings are also used to decide which risk subjects will be presented to the risk committees.

The General Secretary, including the Group Head of Sustainability, is responsible for coordinating the elaboration and implementation of the climate-related aspects of the Group's ESG strategy. She also acts as the secretary of the Board CSR Committee and meets regularly with its chair. The general secretary also coordinates the internal CSR Committee that meets once a month. This committee aims at opening discussions and bringing consistency to the Group's actions in terms of social and societal responsibility and sustainable development. It brings together representatives from each Group business unit and Group functions (e.g Risk management, Human Resources, Compliance, Investor Relations, Rating agencies, Communications and Group Hub representatives). Its operational role aims to promote a cross-functional approach to CSR and the management of non-financial risks, in order to harmonize the initiatives taken by the Group and ensure the consistency of the action plans drawn up by each business unit and Group function.

1.3.2.2. Focus on investment activities

— Regarding investment activities, the Mandate Investment Committee, which brings together the Group Investment Risk and Sustainability (GIRS) Department and representatives from the SCOR Investment Partners teams, regularly analyzes portfolio positions at a more operational and granular level. This committee assesses the feasibility of the sustainable investment strategy, before submission to the Group Investment Committee or the Board CSR Committee, and approves its implementation.

In addition to its role of monitoring the compliance of all investment decisions with the various risk limits set by the Group (e.g. risk appetite and tolerance), the GIRS proposes a sustainable investment strategy including initiatives linked to climate change risks and opportunities. The department coordinates the implementation of the sustainable investment strategy across the Group and ensures that external assets managers onboard every initiative. Finally, GIRS reports on SCOR's achievements in terms of sustainable investments

1.3.2.3. Focus on (Re)insurance activities

P&C business activities

The P&C Pricing & Modelling department is responsible for the pricing of Nat Cat risks, including updating catastrophe models to take account of currently observed climate change trends and those that are expected to occur over the near-term.

The current changes that are observed in both exposed risks and building resilience are also considered explicitly. The Group actuarial department is responsible for validating the catastrophe risk inputs for SCOR's Internal Capital Model, which includes ensuring that these inputs take the evolving climate into consideration.

In relation to the treatment of sustainability within the P&C business unit, a senior advisor is responsible for defining and coordinating the business unit's climate change-related initiatives and projects. He directly reports to the CEO of SCOR Global P&C and is assisted by the Head of Marketing & ESG business development.

Life business activities

On the life side, an agile working group composed of members from different backgrounds and teams, has been created to further analyze the potential impacts of climate change on SCOR's life portfolio. Regular meetings ensure a constant information flow and exchange of views. Results will be reported as appropriate to create awareness within the company, horizontally via internal communication channels, and vertically to the Life and Group Risk Committee.

1.4. PERFORMANCE CRITERIA

— Reflecting SCOR's commitments related to CSR topics, climate-related criteria, like other environmental and social criteria, can be included into the compensation of its teams, based on arrangements appropriate for the relevant compensation mechanisms and the responsibilities held within the organization.

The annual variable compensation of the Group's Chairman and Chief Executive Officer includes performance conditions established on the basis of personal objectives in environmental and social areas. Since the introduction of performance conditions based on environmental issues, climate-related issues have been systematically integrated into them.

In 2020, the Board of Directors considered, on the recommendation of the Compensation and Nominations Committee, that the objectives relating to the fight against climate change had been achieved to the extent of 150%. The objectives included the assessment of climate change-related risks for SCOR (outside-in analysis) and the publication of the results in a climate report aligned with the recommendations of the Task-force on Climate-related Financial Disclosures (TCFD).

The following results were achieved

- **SCOR released its first climate report**, aligned with the recommendations of the Task-force on Climate-related Financial Disclosures (TCFD), on May 25, 2020. The report reflects the extensive work carried out by SCOR in recent months to assess the risks related to climate change.
- **SCOR also published its report on sustainable invest-**

ment on May 14, 2020, incorporating the results of its studies on the impact of global warming on its investment portfolio, based in particular on the scenarios of the Dutch central bank (see "risk and risk management: Case study | Using public and free tools to assess climate change"). Several aspects of the report were highlighted as good practice by the French financial markets authority (Autorité des marchés financiers – AMF) in its December 2020 report, "TCFD climate reporting in the financial sector".

- Beyond the information in these two reports, SCOR conducted a large-scale study, mobilizing dozens of natural catastrophe modelling experts in its teams and involving the review of several thousand scientific publications, to assess the impacts of climate change on the probability and intensity of certain natural catastrophes, and the impact of this on its property and agriculture portfolio over 5 to 10 years. The Board of Directors highlighted the strong interest in this work.
- **The Board of Directors** also noted that the "Insuring Our Future: 2020 Scorecard on Insurance, Fossil Fuels and Climate Change" report, published by 19 organizations from 11 countries and ranking 30 leading insurers, identifies SCOR, alongside a large insurance group, as a leader for its fossil fuel divestment strategy.

Further information on the performance achieved in 2020 are available in SCOR's Universal Registration Document.

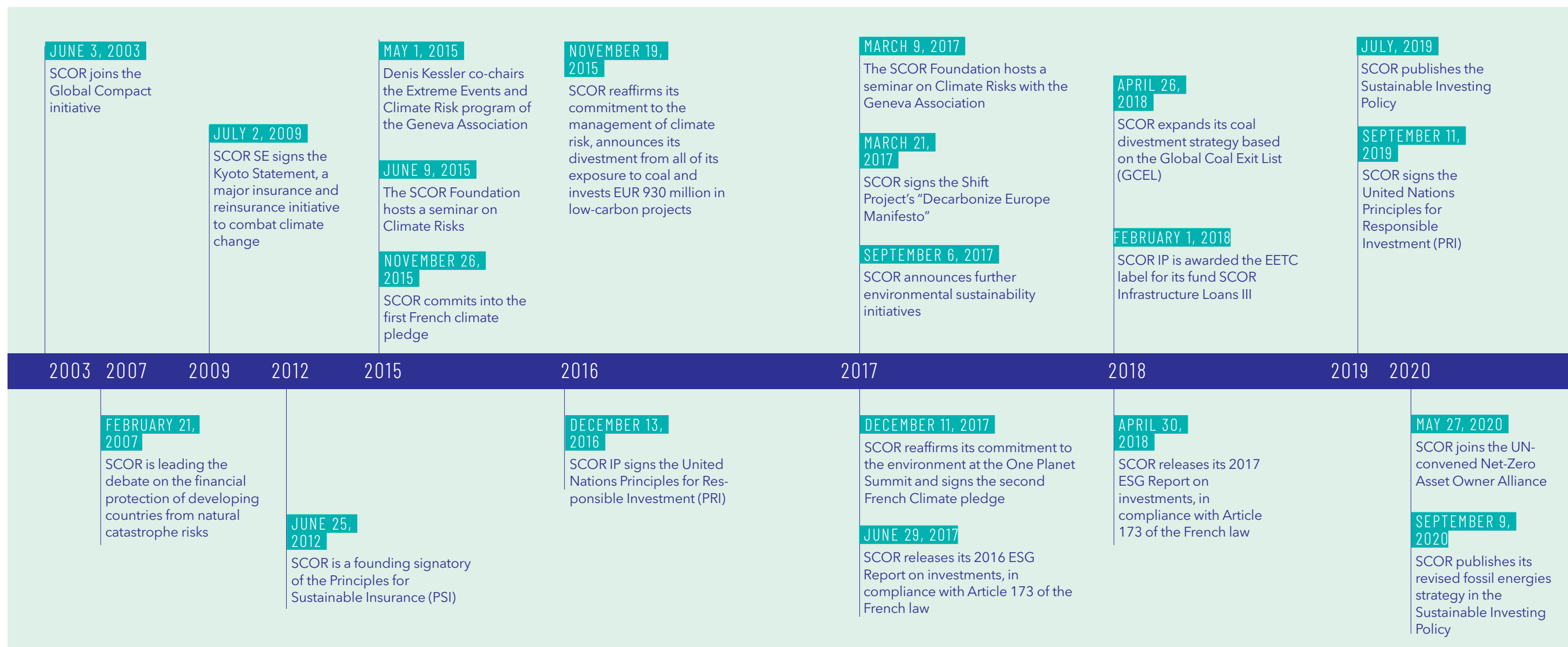
Since 2020, a portion of the annual variable compensation of the members of the Executive Committee is also based on CSR objectives. Although the nature of these objectives remains confidential, they may include climate-related criteria.

In the same ways, all the beneficiaries of long-term compensation components (performance shares and stock options) must satisfy a CSR-based condition, which may include climate-related criteria, along with other environmental and social criteria, for these compensation components to effectively vest.

Finally, as part of its Annual Appraisal and Development Interviews, in 2019 SCOR introduced the option for managers and their employees to set specific CSR-related goals. On a voluntarily basis, they may therefore define climate-related objectives such as contribution to the Group objectives in terms of carbon reduction and carbon neutrality.

CHAPTER 02
STRATEGY

With SCOR's support, the Yedeni offsetting project in Ethiopia has saved 12,496 hectares of forest, set up small forest-friendly businesses and cooperatives that provide an income stream for the local community and economic incentives to protect the forest, and implemented more efficient cookstoves and the promotion of practices to reduce the unsustainable harvesting of firewood.



The main purpose of reinsurance is to enable insurance companies to mitigate their risks by transferring some of them to a reinsurer. Therefore, the reinsurance industry is structurally exposed to shocks. These shocks can vary in terms of origin, size and their consequences on economies and populations.

Reinsurance is therefore a business that involves deliberately taking calculated risks. In return for a premium that it invests to generate investment income, reinsurance absorbs the financial consequences of the events to which its insurance clients are exposed.

The Group is active in two reinsurance segments via its business units:

- **SCOR Global P&C** operates in three business areas: Reinsurance (e.g. Property, Casualty, Credit and Surety, Decennial Insurance, Transport, Construction, Agriculture risks and Natural Catastrophes), Specialty insurance (e.g. Business Solutions, Managing General Agencies, SCOR Channel), and P&C Partners (alternative solutions and new products);
- **SCOR Global Life** covers Life and Health insurance risks through three product lines - Protection, Longevity and Financial Solutions - with a strong focus on biometric risks.

The Group also conducts investment activities via SCOR Global Investments, its third business unit, which is tasked with

managing the Group's investment portfolio. Within this business unit, SCOR Investment Partners also manages funds on behalf of third-party clients.

SCOR identified climate change as a major trend several years ago. Climate change creates risks for society and economic activities, including those of the financial sector. As risk carriers, (re)insurers, in particular, need to understand and plan for the risks created by climate change, which can be divided into two main categories⁽¹⁾:

- **Physical risks:** physical risks from climate change can be event driven (acute) or longer-term shifts (chronic) in climate patterns. Physical risks may have financial implications for organizations, such as direct damage to assets or

indirect impacts from supply-chain disruption. Examples of acute physical risks include the increased severity of extreme weather events such as cyclones, hurricanes, and floods. An example of chronic physical risk would be sustained higher global temperatures that may cause sea-level rise and extreme heat waves.

¹ The definition of climate change risks follows that of the financial industry-led Task-force on Climate-related Financial Disclosures (TCFD), established by the Financial Stability Board in December 2015.

- **Transition risks:** transitioning to a lower carbon economy may entail extensive policy, legal, technology and market changes to address mitigation and adaptation requirements related to climate change. Depending on the nature, speed and focus of these changes, transition risks may pose varying degrees of financial and reputation risks to organizations.

As a reinsurer, SCOR believes that climate change constitutes a major long-term threat, creating risks that are global and systemic in nature; these may include heightened catastrophe risks (e.g. droughts, wildfires, floods, hurricanes) creating, for example, accompanying water risks, food insecurity, threats to biodiversity and global health, forced migrations, social tensions and political crises.

As an investor, SCOR has embedded climate change in its investment approach and structured around its Sustainable Investing Policy, which forms a consistent and robust framework to design the strategy. The Group addresses both the resilience of its invested assets towards climate risks and the positive and adverse environmental and social impacts of its portfolio (see section 1.4 – The sustainable investing policy in the 2020 Sustainable Investment Report for further information). In 2020, SCOR accelerated its investment journey towards sustainability and joined the Net-Zero Asset Owner Alliance, an initiative aiming at supporting asset owners in their commitments to carbon neutrality by 2050.

SCOR analyses and monitors the risks associated with climate change, especially since one of the company's core missions is to protect people and property from disasters while encouraging environmental sustainability.

SCOR is committed to playing its part in addressing the global challenge of climate change. In this regard, the Group has issued a Climate Policy that sets out the main orientations of its climate strategy. This policy reflects a longstanding and ongoing commitment towards achieving climate resilience and aims to provide a dynamic framework for addressing the many risks – but also the opportunities – posed by climate change to its various businesses.

2.1. SCOR'S EXPOSURE TO CLIMATE-RELATED RISKS

— As stated previously, risks to SCOR from climate change can be divided into those stemming principally from physical risks and from transition risks. Transition risks also include liability risks that could result either directly from SCOR's own activities, or indirectly as related to its underwriting portfolio. The potential exposure of SCOR's activities to climate-related risks are discussed in the following sections.

2.1.1. Impacts on strategic risks

— Climate-related risks may interact with SCOR's legal and regulatory developments as well as with the competitive environment.

2.1.1.1. Risks related to legal and regulatory developments

— Tighter regulatory controls and/or government legislation to significantly curb carbon emissions may place restrictions on the business that SCOR can underwrite (e.g., carbon intensive industries such as the coal industry in the first instance, but possibly extending to other non-renewable energy sectors in time) and on its operations, through restrictions on business air travel, for example.

Any future regulatory controls that enforce the cessation of underwriting certain climate-sensitive sectors, could lead to either a loss of business revenue or fines and associated negative impacts on SCOR's reputation if the business is continued. Other measures could also be considered by regulators in the future to encourage the industry to move away from supporting carbon-intensive sectors, such as negative prudential measures for companies who are reluctant to adopt a more sustainable business model.

2.1.1.2. Risks related to the competitive environment

— Due to possible future pressures on certain carbon-intensive sectors to either reduce or suspend their operations, because of their impact on global carbon emissions linked to climate change, the demand for (re)insurance of these sectors is likely to decline in the future. If SCOR has not sufficiently developed its business (either client relations or expertise) in other sectors to replace this loss of revenue (e.g. in renewable energy sec-

tors), it may lose its competitive advantage in relation to its market peers.

Other factors that could affect SCOR's competitive position in the marketplace, would be damage to SCOR's reputation and brand by being associated with the support of business sectors that are becoming increasingly stigmatized (e.g. coal extraction), both through government steering and public opinion.

2.1.2. Impacts on (re)insurance activities

— SCOR's underwriting business could potentially be exposed to physical and transition risks resulting from the impacts of climate change.

2.1.2.1. Physical risks

P&C business

The underwriting activities of SCOR's P&C business are exposed to changes in the frequency and/or severity of certain natural catastrophe events that are associated with a changing climate. Although scientific understanding of the causal mechanisms between climate change and the occurrence of particular events (attribution science) is still developing, catastrophe events impacted are likely to include floods (both from river flooding and pluvial flooding), heatwaves, wildfires and droughts. The signal is less clear as to the impact on major perils such as tropical and extratropical storms (including storm surge and pluvial flooding components). Increase in hazard over time has potential impacts on long-term profitability and ongoing insurability, but it should be noted that overall risk is also determined by changes in exposure and vulnerability, not solely hazard.

As part of a major R&D study conducted in 2020, SCOR identified the climate signals that are most material in their effect on extreme events to which SCOR is exposed over the next 5 to 10 years and tested the sensitivity of climate change scenarios on the portfolio. SCOR determined that the overall impact over this timescale is small, with increased loss impacts more pronounced at shorter return periods, and tail risks relatively stable. This leads to the view that in the medium term, climate change will have more of an earnings impact than a capital impact for SCOR's Property CAT exposed lines of business, based on the current portfolio.

Loss impacts are mitigated in the tail of the risk distribution due to diversification globally and across cat perils and SCOR's Capital Shield Strategy. Current underwriting controls and a dynamic pricing framework also ensure that the portfolio reflects the evolving climate. The continued investment in catastrophe models is vital to the success of this line of business as the risk landscape evolves.

For the agriculture line of business, the impact of climate change on drought losses and volatility is minimal with some expected increases in extreme drought events likely to be offset by improvements in agriculture technology and farming prac-

tices, which lead to significant improvements in crop yields. As a result, the negative climate change impacts in relation to drought occurrence could be largely offset by these technological improvements over the next 5 years.

Life Reinsurance

For the Life reinsurance business, climate change impacts could manifest both in adverse events as well as in long-term trends. For instance, increases in the frequency and severity of extreme heat events have the potential to negatively influence mortality and morbidity, e.g. via the aggravation of cardiovascular and respiratory illnesses. However, there may be some attenuation between population mortality from heatwaves and reinsured mortality, due to the different age profile and socio-economic status of reinsured portfolios. Similarly, pandemics are events that could have an impact on mortality and may be linked to environmental degradation. The optimal range for viruses to thrive and cause disease outbreaks can also be subject to climate change related dynamics.

While other extreme events, such as cold episodes, droughts, wildfires, floods and tropical cyclones might claim more lives over the longer term with increasing severity and frequency, they are not expected to become material, in terms of absolute lives lost for the insured population. With respect to trend risk, over a longer time horizon, rising temperatures could change patterns of disease distribution, for example, through expansion in the geographic range of certain disease vectors such as mosquitos.

Overall, life expectancy and health could be trending downwards as the result of a general deterioration of the environment caused by climate change-related effects, including worsening air quality and a decline in the availability and quality of food and water. Impacts on social stability as well as on individual mental health are important secondary effects to monitor in the context of climate change, and their relationship to physical risk needs to be better understood.

2.1.2.2. Transition risks

— Transition risks could impact SCOR’s P&C underwriting activities, through new legislation and regulation in relation to carbon-intensive sectors and/or reputation factors. It is also likely that demand for (re)insurance in carbon-intensive sectors declines over time, as companies move towards more sustainable business models. Additionally, there could be some operational risks and costs to SCOR associated with trying to develop new business segments in low carbon sectors, such as renewable energy, especially if this involves the onboarding of new technological knowledge and skills.

Depending on the nature and the overall impact on the economy of the transition, disruption in economic growth could reduce business opportunities for life reinsurance. The quality of public healthcare and spending might also be negatively impacted for stressed economies, with potential impacts on biometric risks. By contrast, an orderly transition with related potential improvements in air quality would be beneficial for the life and health sector.

Liability Risks

Climate-related liability risks could impact SCOR’s P&C business, principally via Director’s & Officer’s (D&O) claims from liability coverages. D&O claims could arise if the board and/or management of an underwritten company fail to adequately identify and plan for the risks posed by climate change to their business and which may cause a drop in the company’s value, leading to shareholder lawsuits. D&O liability claims could also arise by failure of companies to adequately disclose relevant information related to climate-related impacts on their activities. Furthermore, liability claims could result from failures in operational management of a company causing, for example, the outbreak of a wildfire. A long-term consequence for companies who contribute to carbon emissions could be the filing of community liability claims for compensation for damages to property, or to cover the expenditure required to adequately protect property (e.g. recovering funds to construct coastal flood defenses). This could impact SCOR through its general liability lines of business.

Given the evolving regulatory and legal environment and absence of court rulings that establish principles for climate change related liability, there is a high degree of uncertainty on how (re)insurance contracts might react and on SCOR’s exposure to such liability claims. However, SCOR’s potential exposure to climate-related liability from its D&O portfolio is currently estimated to be low, with program shares spread across a number of insureds and jurisdictions. Potential exposures from its General Liability portfolio are seen as remote, due to various policy defenses in place. Primary market reactions, e.g. following the California wildfires, such as the introduction of exclusions and sub-limits, have also significantly reduced the exposure going forward.

2.1.3. Impacts on investment activities

— The Group naturally draws on its expertise in the understanding of climate change risks to better grasp their impacts on its investment portfolio. To analyze the impacts of climate-related risks, SCOR Global investments has defined three time horizons: less than 2 years, 2 to 5 years and above 5 years. SCOR considers that below two years, the risk is mainly a default risk as the sensitivity of bonds is relatively small. Above 5 years, uncertainties, mainly around policy responses for transition risks and climate evolution for physical risks, may lead to higher volatility in assets valuation.

2.1.3.1. Physical risk

— SCOR’s investment portfolio is exposed to physical climate risks through the assets held directly in the portfolio and through those that are financed indirectly through investments in companies.

Physical risk relates to exposures to climate-related extreme events (acute) or to global trends due to climate change (chronic):

CLIMATE-RELATED PHYSICAL RISKS						
	Short term (below 2 years)	Medium term (2 to 5 years)	Long term (above 5 years)	Risk management / impact assessment	SCOR mitigation actions	
Acute	Directly: Related to investments in physical assets (buildings and real estate debt, infrastructure debt)			Models and simulations Assessment of climate risk performed internally using property cat models	Location of investments	Focusing on reducing deforestation as a mitigation action for climate change risks
	Indirectly: Related to corporate exposures Companies in which SCOR invests may suffer from climate-related extreme events depending on their geographical locations			Models and simulations: Portfolio monitoring		
Chronic			The business models of companies in which SCOR invests may suffer from major climate-related trends (increase of sea level, droughts...)	Models and simulations: Portfolio monitoring		

2.1.3.2. Transition risk

— For SCOR’s investments, this risk mainly relates to carbon intensive sectors which may be hit by new regulations. It can also relate to more stringent regulations and reputation risk linked to deforestation. Risks may differ between investments

in equities and in bonds as equity prices may never recover whereas bonds may be redeemed at par at maturity.

The main climate transition risk for SCOR’s invested assets portfolio is related to corporate bonds given the low appetite of the Group for investments in equities:

CLIMATE-RELATED TRANSITION RISKS					
	Short term (below 2 years)	Medium term (2 to 5 years)	Long term (above 5 years)	Risk management / impact assessment	SCOR mitigation actions
Carbon Intensity	Coal Coal power	Oil Gas	Automotive	Models and simulations Portfolio monitoring	Divest from highest emitters or sectors with alternative activities. Implement a best in class strategy and engage with companies to foster an orderly transition. Set decarbonization pathways. Limit exposures to the most carbon intensive sectors and divest from laggards to limit market downside.
		Cement Steel Gas Power		Footprinting	
			Real Estate	CRREM ⁽¹⁾	Certification Retrofit
Deforestation		Agri Food Personal Care / Cosmetics		Screening of the portfolio	Joining initiatives to engage with companies. Finance for biodiversity CDP forest champion.

2.1.4. Impacts on operations

2.1.4.1. Physical risk

— SCOR’s offices and infrastructure (e.g., IT datacenters) could be potentially exposed to acute and chronic physical climate risks with impacts on the continuity of SCOR’s operations, depending on geographical location. For example, some office locations are exposed to river flood, sea-level rise or hurricanes.

2.1.4.2. Liability risk

— Liability risks could be generated via the contribution of SCOR’s own operations to climate change, if these are deemed to be unacceptable in a lower-carbon economy. Potential exposure would be measured through the company’s carbon footprint, notable components of which include the emissions produced from business travel, the environmental impacts of office buildings via resource consumption and electricity consumption of data centers. Any negative impacts on SCOR’s reputation as a result of either direct negative environmental consequences of SCOR’s own operations, or indirectly, by supporting industries that have a negative environmental impact, could additionally result in the reduction of SCOR’s ongoing ability to attract or retain key personnel.

1. Carbon Risk Real Estate Monitor

2.2. IDENTIFICATION OF CLIMATE-RELATED RELATED OPPORTUNITIES OPPORTUNITIES

2.2.1. P&C business opportunities

2.2.1.1. Supporting the energy transition

— As part of supporting the energy transition, P&C Reinsurance business has identified strategic markets in the field of renewable energy and has strengthened its underwriting team. The P&C business has also developed a strategic partnership with Energetic, a start-up that developed credit insurance to protect developers of renewable energy projects against payment default.

2.2.1.2. Developing solutions contributing to climate risk adaptation and bridging the protection gap

— Long involved in multiple government insurance pools covering climate catastrophes, the Group is developing partnerships with development finance institutions that have climate change adaptation objectives. In this respect, SCOR, alongside several other (re)insurers associated with the Insurance Development Forum, has committed to supporting the resilience of developing countries in partnership with the United Nations Development Program, and with the German and British governments. Collaborations with institutions including the World Bank, to provide parametric insurance against climate-related natural disasters in the Philippines, and the World Food Program in the development of livestock insurance for Ethiopian herders, are other recent examples of the Group’s commitments to development finance institutions providing solutions that contribute to resilience. Through these programs, the Group is helping to increase insurance penetration and to improve the adaptability of insurance beneficiaries. In developing countries, there may be a significant protection gap⁽¹⁾ and insufficient data to develop compensatory insurance schemes. In this context, parametric schemes, developed in partnership with development finance institutions, offer a solution in terms of providing financial protection for post-event reconstruction.

2.2.2. Life business opportunities

— Key elements of SCOR’s strategy with respect to its Life and Health business are “bringing more protection to more people” and “supporting people to live longer and healthier lives”. As the negative consequences of climate change are likely to bring increased volatility and risk into people’s lives, these aims will become even more relevant.

To achieve its goals, the Life Business Unit is leveraging on multiple partnerships with academics and innovative companies, and on the expertise developed by its R&D and medical underwriting teams worldwide. It also builds on the expertise of its data scientists and the expansion of its data pool with the

integration of additional external and internal data sources into its infrastructures. This expertise is then translated into new products or solutions that benefit people, developed in partnerships with clients.

Life expectancy and health are clearly linked with quality of life. Life insurance can play a role in protecting quality of life, both by mitigating the negative financial impact from climate change-driven events and providing support through products that build and foster psychological resilience. The latter is already part of some innovative products that SCOR has developed with its clients, especially in the health sector. Some examples include:

- **SCOR recently launched VITAE**, a new biometric risk calculator which uses machine learning to offer improved assessments of biometric risks, a better experience for the end consumer and fairer pricing. In addition to the usual medical factors, VITAE takes into account various other factors such as physical activity and calcium scores. This will allow SCOR to improve the access to insurance for those not in perfect health.
- **The Biological Age Model (BAM)** encourages people to be active, thus reducing some risks related to contemporary lifestyles. With the growing adoption of wearable devices and technology, BAM uses health data from these wearables to empower consumers to be rewarded for healthy lifestyle choices that also benefit the environment, such as walking instead of driving.
- **The prevention of mental illness:** through the “FEEL” initiative in Germany, SCOR developed a solution offering intervention/prevention for mental disorders in disability. The FEEL program combines innovative biosensor techniques with the acknowledged approach of cognitive behavioral therapy to bring support to insureds, helping them cope with stressful situations.

Under future positive climate scenarios, there will be active mitigation efforts of climate change-related risks and other environmental issues such as loss of biodiversity and responsible use of resources, with the scope of such initiatives likely to have positive impacts on issues such as social inequality. Any improvements, such as improved air quality and more accessible health care, will bring opportunities for life and health insurers as they can expect a positive impact on their in-force portfolio. Thriving societies result from placing increased value on individuals’ lives and their health, which brings new business opportunities for innovative products reaching further, underserved segments of society.

1. Difference between economic losses in a catastrophe-hit country and what is actually covered by insurance.

2.2.3. Climate-related investment opportunities

— Detecting opportunities is part of the Group’s strategy to build a resilient investment portfolio and to create long-term value. As an example, SCOR has developed a unique real estate business model based on buying brown buildings in core locations to retrofit them following the highest environmental and energy efficiency standards before selling them to externalize the value created. Over the last 10 years, SCOR has also built a material bucket of infrastructure debt and real estate debt, financing the transition to a low carbon economy. Green bonds also offer an opportunity to improve the resilience of the portfolio while supporting the transition to a low carbon

economy. This “green bucket” has been built leveraging SCOR Investment Partners’ historical expertise in real estate and debt investments.

SCOR also invests in Insurance-Linked Securities (ILS) that contribute to the resilience of communities following extreme events. Unlike the physical risks borne by direct investments, with ILS, SCOR is compensated for exposing itself to selected physical risks, which can be either climate driven, like storms, or other types of extreme events such as earthquakes. As there is very limited correlation between financial markets developments and the occurrence of natural catastrophes, this strategy provides the invested assets portfolio with diversification and increases its resilience. The Group leverages SCOR Investment Partners’ longstanding performance in managing this asset class.

CLIMATE-RELATED OPPORTUNITIES				
	Short term (below 2 years)	Medium to long term (above 2 years)	Assessment	SCOR solutions
Physical	Insurance Linked Securities		Diversification effect	Selection of perils / geography
Transition	Green bonds Solar, wind (corporate bonds, infrastructure debt) Energy efficiency (direct real estate and real estate debt)	Potential new technologies providing diversification to the invested assets portfolio (including carbon sinking solutions and clean energies)	Internal taxonomy Leverage the AOA ⁽¹⁾ financing transition initiatives	7.3% of the portfolio invested in “green” investments as at end of 2020

2.3. SCOR SUPPORTS CLIMATE AWARENESS AS PART OF ITS STRATEGY

2.3.1. Participation in industry working groups, research activities and institutional commitments

— SCOR participates in a number of industry forums to identify and discuss current risks to the (re)insurance industry. For example, SCOR is an active member of the CRO and CFO Forums and as such, participates in a diverse array of working groups that address many different risk topics, including those relating to climate change. In 2020, for instance, a working group of the CRO Forum released a paper on carbon foot-printing methodologies for underwriting portfolios, to which SCOR contributed.

SCOR is also actively involved in a number of European initiatives relating to climate change, including:

- the **Technical Expert Group on Sustainable Finance of the European Commission**, in which SCOR’s experts have been involved in the revision of the non-binding guidelines on non-financial reporting, and have contributed to the reflection on a taxonomy for sustainable activities;
- the **Climate and Sustainable Finance Commission** of the “Autorité des Marchés Financiers” in France, which supports its regulatory and oversight work regarding sustainable finance;
- the **EIOPA working group** to discuss the extent to which current climate trends are reflected in changes of the occurrence of natural perils and how such trends can be incorporated into current catastrophe modelling techniques.

Participation in these groups enables SCOR to refine its understanding of climate risks and opportunities, through the exchange of ideas and knowledge with peers on this rapidly developing subject. The insights gained also help SCOR to identify climate risks to which it is potentially exposed, which can be used to inform the company’s strategy in relation to climate change considerations.

SCOR’s membership of institutions, whose mission is to address and raise awareness of the risks posed by climate change, provides another channel through which SCOR identifies both industry and wider trends in climate-related risks.

To date, SCOR’s Chairman and Chief Executive Officer:

- has co-chaired of the Geneva Association’s Extreme Events and Climate Risks working group;
- is a member of the Steering Committee of the Insurance Development Forum, an institution that brings the United Nations, the World Bank and several other international bodies together with the reinsurance industry;
- is a member of the InsuResilience Global Partnership for Climate and Disaster Risk Finance and Insurance Solutions, an initiative more specifically designed to provide insurance solutions to the most economically vulnerable populations.

SCOR adheres to the Principles for Responsible Investment and is involved in numerous professional associations that are leading discussions on climate issues and investments, including the French Insurance Federation and the French Association of Institutional Investors. As an asset owner, SCOR has actively participated in a number of public conferences and roundtables on sustainability and climate change in 2020.

SCOR is also, through SCOR Services Switzerland, a partner company to the Swiss Climate Foundation, a non-profit organization aiming at reducing greenhouse gas emissions and further developing the energy efficiency of Switzerland and Liechtenstein.

2.3.2. Raising awareness internally and externally

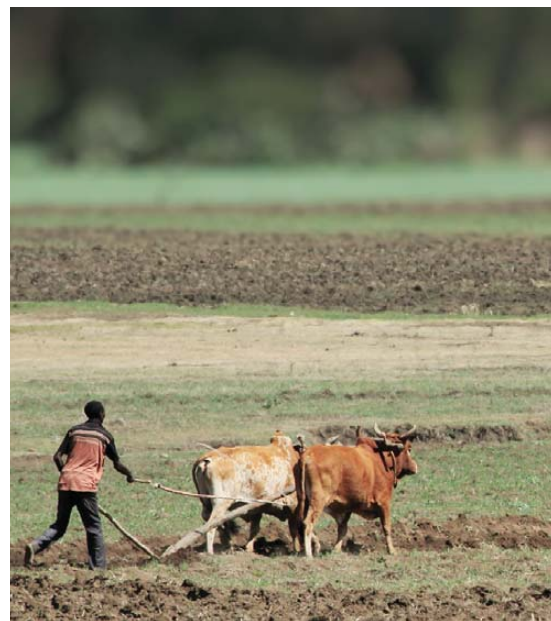
— SCOR has built up dedicated competencies around climate-related issues and staff are regularly trained and share information to constantly onboard new standards and innovations. SCOR promotes transparency to demonstrate its commitment to a more sustainable world. For example, climate change was specifically addressed during the 2020 Investor Relation days.

1. Asset Owner Alliance

CHAPTER
03

RISK MANAGEMENT

The Floresta de Portel project in northwest Brazil is the second offsetting project supported by SCOR. Its objective is to protect a fragile environment through forest conservation and sustainable agriculture. The project also protects fauna and flora and helps to develop the living standards of local populations, and as well as knowledge on agroforestry techniques.



3.1. IDENTIFICATION AND ASSESSMENT OF CLIMATE-RELATED RISKS

3.1.1. Identification of climate-related risks

3.1.1.1. SCOR's emerging risks process

— A key part of SCOR's ERM framework, the Emerging Risk Process identifies new and rapidly changing risks and assesses their impacts on SCOR's business (P&C and Life underwriting) and investments. Assessments are also made in relation to the impact of identified risks on the Group's operations and reputation.

As part of this process, SCOR has identified "Global Climate Change" as one of eight "Trends" and a number of risks associated with this trend have been identified and assessed to date, listed below:

- Climate change litigation
- Stranded assets
- Biodiversity loss
- Permafrost thawing
- Insect invasions
- Declining land availability
- Extreme social unrest
- Air pollution
- Emerging Infectious Disease

Reporting on Emerging Risks Assessments to SCOR's Executive Management and Board

The findings of impact assessments of the most topical/potentially impactful emerging risks are reported to the quarterly local, business unit, Group and Board Risk Committees via SCOR's local, business unit and Group Risk Dashboards and in more detail in SCOR's Emerging Risks Report.

3.1.1.2. SCOR's materiality analysis of environmental, social and governance (ESG) risks

— As part of its non-financial performance declaration, SCOR is refining a materiality analysis of Environmental, Social and Governance risks, both in relation to the impacts of SCOR's activities on risks identified and in terms of how the risks identified in each category could affect SCOR's business and operations. The risks to SCOR's activities posed by climate change are identified as part of this analysis.

3.1.2. Assessment of climate-related risks

3.1.2.1. (Re)insurance activities

Assessment of physical climate risks on P&C business

SCOR initiated a major R&D project in 2020 to assess the impacts of physical climate risks that are most relevant for Property and Agricultural business lines over a 5-10-year time horizon. The objectives of the first phase of the study were to:

- conduct a literature review of the latest climate science and identify those climate signals that could impact perils relevant for SCOR
- assess how current changes in hazard are reflected in the catastrophe models used by SCOR
- design realistic scenarios for key geographic regions and perils based on a 5 to 10 year time horizon
- use these scenarios to compute gross loss impacts for SCOR assuming constant exposure for peak Property Cat risks (i.e. U.S. Tropical Cyclone, Japan Tropical Cyclone, European Extra-tropical cyclone) and agricultural risks (drought, frost).

Assessment of physical climate risks on Life & Health business

SCOR is continuously improving its approach for assessing the potential impacts of climate change on its Life and Health business. This includes a close monitoring of relevant literature especially in the medical and actuarial space, in addition to insurance industry risk management bodies such as the CRO Forum, public health authorities such as the CDC, international entities such as the WHO and from other players in the life and health insurance sector.

SCOR initiated a project in 2020 to deliver a range of tangible results on the impact of climate change on its life and health business. The objectives of the first phase are to:

- document the most relevant and recent publications linking climate change and human health

- assess which combinations of SCOR markets and specific climate risk impacts would be most material given SCOR's exposure in terms of geographical markets and products
- design realistic scenarios for two selected market/impact combinations (e.g. U.S. heatwave)
- develop assumptions around related changes in population biometric data and insured population impact for these scenarios
- create an overview document as a reference source for the fundamentals regarding climate change and life reinsurance

3.1.2.2. Investment activities

— Group Investment Risk & Sustainability has developed a robust risk management toolkit to address climate-related risks. Different approaches are adopted depending on data availability and maturity of the methodologies, some are qualitative, others are more quantitative. As maturity evolves and methodologies become more robust, SCOR improves its awareness and understanding of climate-related issues and increases internal expertise. Partnering with external data providers and consulting firms speeds up the journey from awareness to understanding and decision making.

SCOR uses different approaches to assess climate-related risks in investment activities:

Models and simulations

The two main quantitative tools used by the Group Investment Risk & Sustainability department are:

- **Natural catastrophe models**, to model potential losses from natural catastrophes. SCOR assesses "acute" physical risks which could affect its portfolio of real estate debt, infrastructure debt and direct real estate investment by calculating damage rates and providing estimates of potential losses that these investments may suffer in the event of natural catastrophes.
- **the Carbon Risk Real Estate Monitor (CRREM)** which measures the degree to which SCOR's direct real estate investments are aligned with a 2°C and a 1,5°C pathway, by using science-based decarbonization pathways aligned with the Paris Agreement.

Stress-testing

Scenario and stress-testing are also used for government and corporate bonds as well as for equities. Stress tests, usually considered as "what if" scenarios, are helpful to better understand the factors driving change in valuations and to derive potential mitigation measures to increase resilience. When considering climate change risks on invested assets, SCOR considers different scenarios and time horizons depending on the risk. In 2018, SCOR produced its first heatmap of climate transition risk on its invested assets using a Moody's study highlighting most vulnerable sectors, complemented in 2019 with a first attempt to quantify the potential decrease in in-

vested assets valuation using both the 2° investing initiative Storm Ahead study and DNB⁽¹⁾ stress test scenarios. In 2020, SCOR extended its analysis by participating in the ACPR pilot climate stress-testing exercise. See section 3.4 – Climate stress testing in the sustainable investment report for further information on the results of climate stress testing.

Footprinting

Footprinting is used as an attempt to assess the impact of SCOR's investments on climate change. It can also be considered as a preliminary assessment of future risks, as negative impacts on the climate may result in a negative impact on the portfolio over a longer time horizon.

Portfolio screening

Portfolio screening is useful as a first attempt to assess materiality of a nascent topic. Group Investment Risk & Sustainability usually uses it on a top-down basis, isolating sectors that may be at risk for a specific sustainability topic. Such analysis enables an assessment of the proportion of the portfolio that is potentially at risk. It should be complemented by a bottom-up approach as climate-related risks may be mitigated at company level.

Taxonomy

The upcoming regulation and especially the revision of the Non-Financial Reporting Directive (NFRD) expects financial institutions to disclose the portion of their invested assets which is aligned with the EU taxonomy. Before aggregating at portfolio level, the collection of individual project's or issuer's data must have been successfully completed. This work is at its preliminary stage especially considering that some of the screening criteria for qualification are still under discussion and the regulation binding companies to disclosed has not yet come into force. SCOR has started to work on the eligibility of some of its portfolio to become more familiar with the process, better understand the challenges and assess current limitations. See section 3.7 – Taxonomy in the Sustainable Investment report for more information.

1. Dutch National Bank

3.2. MANAGEMENT OF CLIMATE-RELATED RISKS

3.2.1. Strategic risks

3.2.1.1. Risks related to legal and regulatory developments

— SCOR monitors all regulatory requirements that it needs to fulfill in order to conduct its business legally, fairly and ethically. Adhering to any future restrictions in terms of future business development would be no exception. In addition, the introduction of any major changes in regulations around underwriting in environmentally sensitive sectors could reasonably be expected to occur gradually and in consultation with the insurance industry as a whole. Furthermore, being strongly engaged in the public debate through various working groups dedicated to climate change enables SCOR to better anticipate such potential changes in regulation and thus adapt its activities accordingly.

3.2.1.2. Risks related to the competitive environment

— SCOR is developing expertise and strategies that will ensure that the company remains relevant throughout the transition towards a low carbon economy and the Group is committed to building its reputation as a sustainable reinsurer. Priorities relevant to climate change include working towards understanding and incorporating the effects of climate change into the company's catastrophe models, supporting SCOR's clients in their energy transition projects through underwriting, building expertise and further developing business in renewable energy sectors and ensuring the protection of biodiversity, which is closely linked to climate change.

3.2.2. (Re)insurance activities

3.2.2.1. Management of physical risks

— SCOR has a number of risk management mechanisms in place to manage the Group's exposure to its main risks, including peak natural catastrophe risks that could be impacted by climate change. For example:

- SCOR carefully monitors and manages the accumulated gross exposures to ensure that the company is not overly concentrated in certain locations;
- SCOR's system of limits facilitates the management of SCOR's net exposure to its main risks, which include natural catastrophes such as North Atlantic Hurricane and European Windstorm. It includes a risk driver system, that monitors and manages SCOR's annual aggregate net exposure to its main risks and an extreme scenario system that monitors and manages exposure to the occurrence of a range of extreme events;
- to ensure that SCOR's net exposure remains within these agreed limits, SCOR has put in place a Capital Shield Strategy, which is designed to provide a range of protection measures against extreme events including the use of traditional retrocession, capital market solutions, a solvency buffer and a contingent capital facility;
- footprint scenario assessments – SCOR has developed a number of specific extreme events (both imagined and historic) that are run regularly on the current in-force business portfolio to stress-test the ability of the company as a whole to withstand such events.

Catastrophe modelling and pricing

For the P&C business, results from catastrophe models that are used to price natural catastrophe business (both new and renewing) are calibrated using recent claims data. In this way, current changes in the frequency and severity of the natural perils that SCOR underwrites, whether related to climate change signals or not, are taken into account in the pricing of contracts. In addition, the Cat Modelling team carries out assessments to understand how climate change could impact the perils that are most material to SCOR in the short-medium term (see section 3.1.2.1).

SCOR is committed to improving the quality of the catastrophe models and techniques that are used to assess and price the perils that are likely to evolve in a changing climate. For example, the destructive wildfire activity witnessed in the US led to the development of an in-house probabilistic wildfire model leveraging the industry loss modelling framework "OASIS", and tropical cyclone models have been adapted to better reflect the flooding associated with wetter storms.

Research on climate impacts on Life business

For the Life reinsurance business, medical and actuarial specialists at SCOR are investigating the links that can be currently established between climate change and certain medical

conditions and diseases through regular reviews of the scientific medical literature. Where appropriate, this information is fed into decisions related to current and future underwriting, pricing and valuation of reserves. For example, air pollution, which is exacerbated during heatwave events, is reflected in selected products as a factor for pricing and best estimate assumptions. SCOR employees are also active in various industry and actuarial bodies to support research and share best practice insights.

3.2.2.2. Management of transition risks

— In order to reduce its exposure to carbon-intensive sectors which could become obsolete in the future, SCOR has made a commitment not to offer facultative insurance or reinsurance that would specifically encourage the development of new thermal coal or lignite mines or new plants. This policy was further strengthened in April 2019, with the decision to extend the scope to not offering facultative insurance or reinsurance for the construction of new coal-fired power plants, irrespective of the technologies, the construction, and quality of the coal.

Such exclusion policies are combined with developing underwriting expertise and further developing its business in the renewable energy sectors by identifying strategic markets for growth during the current strategic plan. The P&C business unit is also developing new strategic partnerships with startups offering novel insurance products in renewable energy.

3.2.3. Investment activities

3.2.3.1. Management of transition risks

Reducing exposure to stranded assets - Negative screening: exclusions

Certain activities may not be aligned with SCOR's sustainable investing policy, raise sensitive issues or entail a reputational risk for the Group. As such, the Group excludes certain activities or issuers from its investment universe. These exclusions apply to all asset classes falling within the definition of invested assets. The list of exclusions is communicated to all investment managers with immediate effect. New investments are prohibited, and the remaining positions are actively managed in order to accelerate their liquidation.

SCOR applies exclusions to a number of carbon-intensive sectors, which could result in 'stranded assets' in the future and in line with its commitment to make its asset portfolio carbon neutral by 2050, while favoring a balanced approach between CO₂ reduction and economic development. In this respect, the Group excludes issuers for which thermal coal (mining and power generation) accounts for more than 10% of their turnover or more than 10% of the electricity generated, in addition to coal plant developers on the Urgewald list. These exclusions also apply to companies involved in oil sands and oil development in the Arctic region, above a threshold expressed as a percentage of oil reserves that is set at 30%. Upstream oil & gas

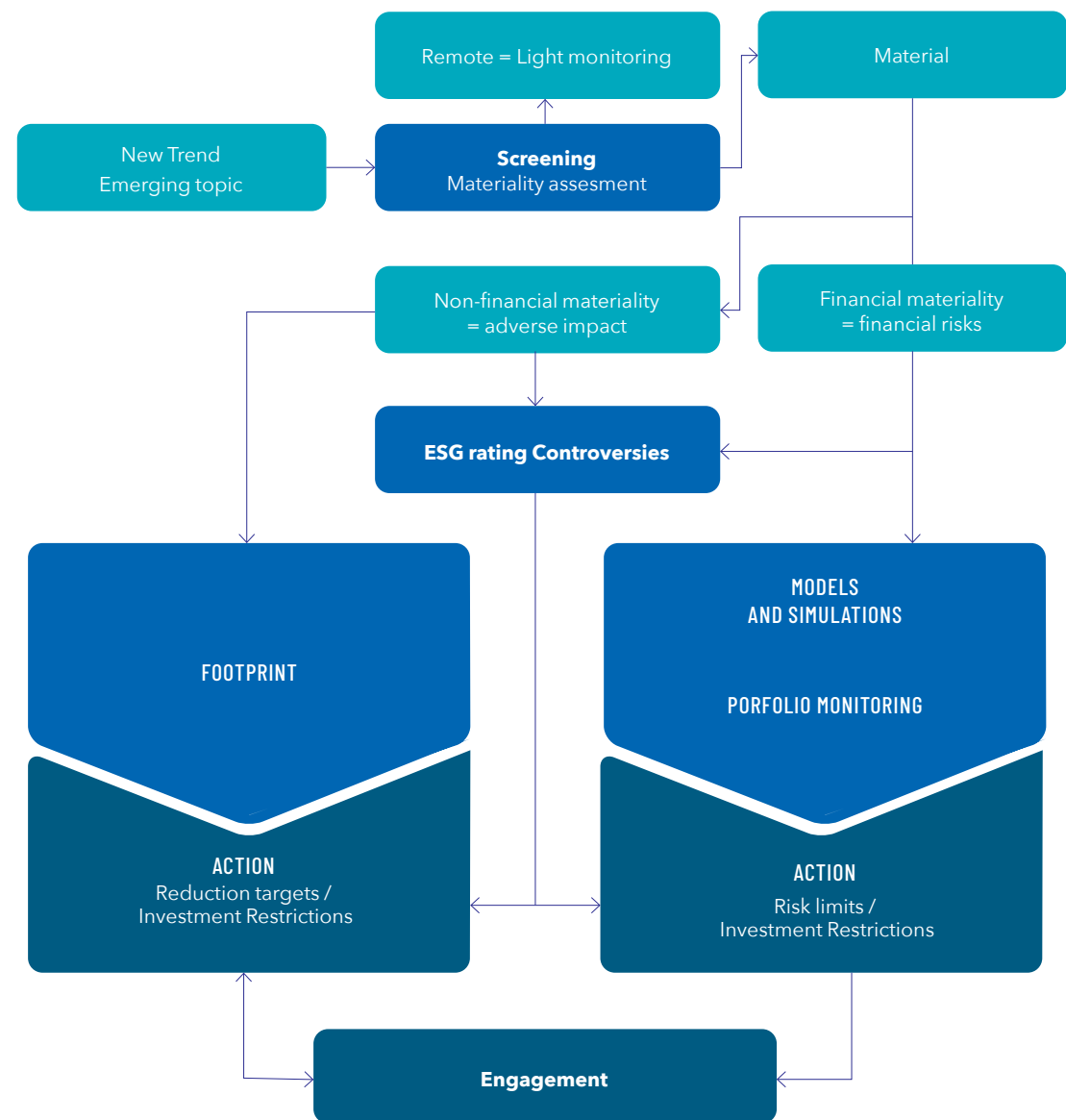
companies are also excluded from the investment universe, except for those taking commitments to materially reduce the carbon footprint of their activities.

For further information regarding the tools used by the Group Investment Risk & Sustainability department to assess Climate-related risks, see section 3.2 – Tools and processes in the 2020 Sustainable investment report.



Risk management processes for investment activities
 SCOR Global Investments actively follows sustainability trends on investments by constantly monitoring latest initiatives, and taking part in debates with peers, regulators and professional associations. New trends are analyzed from a

double materiality perspective⁽¹⁾ and when considered material, they enter the double process of risk management and impact assessment. Depending on the maturity of methodologies and availability of data, results can lead to internal discussions, or amendments to the investment strategy.



1. "Double materiality perspective" refers to assessing a sustainability issue from both the perspective of whether it could have financially material impacts on the company (financial materiality), in addition to whether the company's activities have a material impact on that issue (non-financial/sustainability materiality).

The table presents a summary of the risk management processes used to assess and manage climate-related risks for SCOR's investment activities:

Assessment approach	Risk management tools	Climate-related risks / opportunities	Tool contribution to climate-related initiatives (incl. SDGs ⁽¹⁾)	Asset classes	Coverage of related asset classes (%)
Models and simulations	Nat cat modelling tool	Climate physical risk		SCOR's physical assets	10%
	CRREM ⁽²⁾	Climate transition risk	13 CLIMATE ACTION	SCOR's Real Estate for own use	Real estate for own use - Experimental
	Climate stress testing	Climate transition risk Climate physical risk		Government bonds Corporate bonds Listed equities	84%
Footprinting	Carbon intensity	Climate transition risks	13 CLIMATE ACTION	Government bonds Corporate bonds Listed equities Corporate and leverage loans	84% (on Enterprise Value)
	Implied Temperature Rise (ITR)	Climate transition risk	Pathway to reach carbon net-zero by 2050 including interim targets by 2025		89%
Portfolio screening	Taxonomy	Resilience of activities	11 SUSTAINABLE CITIES AND COMMUNITIES, 13 CLIMATE ACTION	Utilities	Not relevant - Experimental
	ESG rating	Identify most critical positions for monitoring	Limiting adverse impacts Enhancing positive impacts	All invested assets	77%

3.2.4. Operations

—The exposure of SCOR's operations to acute and chronic physical climate risk is principally managed through the Business Continuity Plan.

Beyond the management of physical risks, SCOR has taken further steps to better manage its environmental footprint and notably the carbon footprint generated by its direct operations by focusing on three main areas:

- environmental certification of office buildings;
- energy consumption management – using renewable energy sources where possible;

- voluntary offsetting of greenhouse gas emissions via initiatives such as afforestation projects.

SCOR also endeavors to encourage reductions in emissions of CO₂ due to business travel through its investment in worldwide video-conferencing facilities and by encouraging the use of trains over planes.

1. Sustainable Development Goals
 2. Carbon Risk Real Estate Monitor

CHAPTER 04

METRICS AND TARGETS

With SCOR's support, the Floresta de Portel offsetting project in northwest Brazil creates employment for local communities to **preserve, manage,** and monitor the fragile forest environment, with 15 "security houses" and 15 families to patrol the area. Social investment pays for the people who live in and next to the project area - approximately 500 extremely poor families - to obtain ownership of the land on which they live. The project also protects the forest and its ecosystem, including the capuchin monkey, the black bearded saki (a highly endangered New World monkey with a very small remaining habitat), the oncilla known as the little spotted cat, and the giant otter- of which there are only 5,000 remaining in the wild.

At Group level, the CSR Dashboard enables a regular follow-up of sustainability and climate-related targets as set out in the annual CSR action plan. The Dashboard is updated on a quarterly basis by the General Secretary in coordination with relevant business units and functions. It is presented for review to all the CSR

Committees of the Group (see section 1- Governance of climate-related issues).

Thus, SCOR regularly monitors its metrics and targets to ensure that it will achieve the objectives set for the Group in its strategy, as disclosed in the following table:

Objective	Scope	Indicator
Integrate ESG issues, including those related to climate change, into SCOR's activities	ESG ratings	SCOR Investment Partners SCOR asset owner
	ESG integration	P&C
Contribute to the transition towards a low carbon economy	Green bucket	SCOR asset owner
	Exclusion policy	P&C SCOR asset owner
Monitor the impact of SCOR's invested assets on the environment	Carbon neutrality	SCOR asset owner
Monitor impact of SCOR's operations on climate change	Group's operations	GHG emissions Carbon intensity per employee % of residual emissions offset through the purchase of carbon credits

4.1. INTEGRATE ESG RATINGS, INCLUDING THOSE RELATED TO CLIMATE CHANGE, INTO SCOR'S ACTIVITIES

4.1.1. ESG ratings - ISS ESG methodology

— At Group level, the ISS-ESG rating methodology is based on the analysis of environmental and social (“E” and “S”) factors, including governance criteria.

More specifically, the portfolio of SCOR Global Investments is rated C on average, unchanged compared with the previous year. The coverage ratio is very different from one asset class to another but stands at 84 % of the total invested assets. As expected, government bonds and corporate bonds are the most widely covered. As these represent the bulk of SCOR's assets, the current assessment of the overall portfolio is deemed acceptable.

4.1.2. ESG Integration

— Over the past few years, SCOR has undertaken several initiatives aimed at further integrating ESG considerations into the insurance activities developed by SCOR Business Solutions (SBS). In order to submit proposals to a more rigorous selection process, SCOR Business Solutions has also adopted an internal assessment procedure in respect of ESG practices, for operations closely linked to coal. This is based on a specific scoring grid for each activity subject to this assessment. The Group's ESG scoring grid for coal extraction therefore comprises thresholds expressed as a percentage of company turnover and as an absolute value in terms of thermal coal produced each year. Other criteria such as coal quality, trends in coal mining, observance of industry standards and CSR rating are also taken into account. Within the electricity generation sector, the Group's ESG scoring grid includes a threshold expressed as a percentage of GWh generated from the use of thermal coal. Other criteria are also used, such as the technology used, type of coal, CSR rating and the purpose and location of the plant in question.

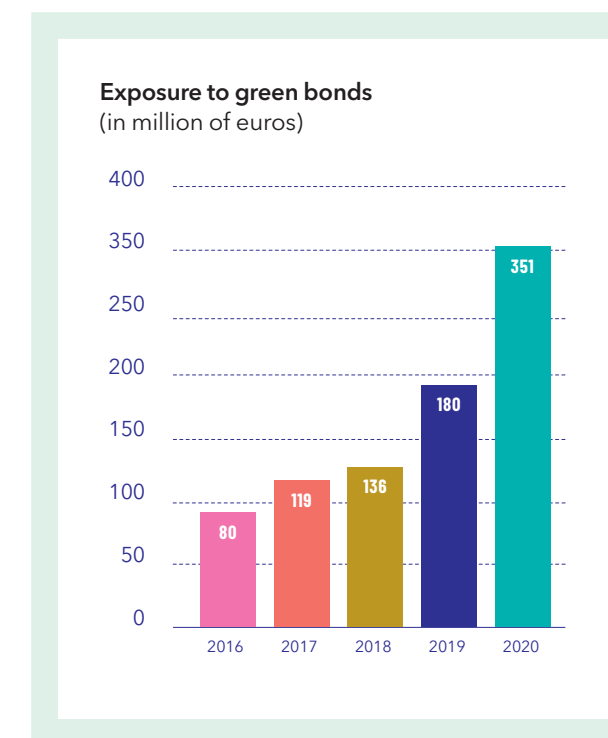
4.2. CONTRIBUTE TO THE TRANSITION TOWARDS A LOW-CARBON ECONOMY

4.2.1. Asset owner's green bucket

— SCOR defines green assets depending on its internal taxonomy. The current limitations when applying EU taxonomy criteria advocate for keeping the same methodology until data availability and robustness have materially improved. Asset classes in SCOR's “green bucket” include direct real estate investments, infrastructure and real estate debts, and green bonds. To be eligible, real estate must be certified and infrastructure debt must finance the transition to a low-carbon

economy. In addition, individual due diligence is performed on a line-by-line basis to assess the internal “green stamp”.

At the end of 2020, the green bucket of SCOR's investment portfolio stood at EUR 1.6 billion including operating real estate. This represents 7.3% of SCOR's of the overall assets versus 7% at end 2019. The increase is driven by significant investments in green bonds, that have more than doubled the holdings over the last year.



4.2.2. Exclusion policy

As mentioned in section 3.2.2 – Management of transition risks, the Group does not offer facultative insurance or reinsurance that would specifically encourage the development of new thermal coal or lignite mines or new plants. The policy also excludes the construction of new coal-fired power plants, irrespective of the technologies, the construction, and quality of the coal.

Also, certain investment activities may not be aligned with SCOR's sustainable investing policy, raise sensitive issues or entail a reputational risk for the Group. As such, the Group excludes certain activities or issuers from its investment universe, see section 3.2.3.1 – Management of transition risks.

4.3. MONITOR THE IMPACT OF SCOR'S INVESTED ASSETS ON THE ENVIRONMENT

4.3.1. Scenario analysis

— The Implied Temperature Rise is a forward-looking metric used to try and measure the alignment of a portfolio or an asset class with the Paris agreement, i.e to limit global warming to below 2°C by 2100 compared to preindustrial levels. The data lacks robustness and is still being adjusted with models and methodologies that are improving regularly. Rather than the absolute level of portfolio temperature, SCOR prefers to consider the trend. As in the past, SCOR has selected Carbon 4⁽¹⁾ for this assessment. According to the 2020 model changes implemented by Carbon 4⁽²⁾, the measurement is stable year on year at 2.8°C (would have been stable at 3.1°C before changes in methodologies).

4.3.2. Carbon intensity of the portfolio

— SCOR continues to rely on ISS ESG data to measure the carbon footprint of its portfolio. Since 2016, the Group has

used the weighted average carbon intensity (WACI) for its corporate bond, government bond and equity portfolios.

Following the work of the Net-Zero Asset Owner Alliance, SCOR has decided to move from WACI based on revenue or GDP to WACI based on Enterprise Value:

The carbon intensity of a portfolio measured with Enterprise Value metrics is sensitive to portfolio allocation and to issuers data:

- The higher the assets invested in carbon intensive companies, the higher the intensity
- the higher the emission, the higher the intensity
- the lower the market capitalization, the higher the intensity
- the lower the outstanding debt, the higher the intensity

There is also a one-year lag when computing the figures at portfolio level as issuers' data is already one year old at the time of the calculation. This lag is all the more visible given that market capitalization is captured daily. As an example, in the computation as of the end of 2020, carbon emissions of an issuer relate to 2019, whereas market capitalisation is shown as of end of 2020. For oil & gas companies, the impact of this is significant: Covid-19 impacts are not yet visible in the GHG emissions despite equity prices declining materially. This volatility reduces when extending the period of comparison.

Carbon intensity on Enterprise Value (EV)	2019	2020	Coverage ratio in 2020	Year on year evolution
All scope 1, scope 2 and scope 3⁽³⁾				
Government bonds	951	820	99.9%	-14%
Covered Bonds	2	2	99.2%	+5%
Corporate bonds	268	347	97.9%	+29%
Equities (incl. convertibles)	401	496	97.8%	+24%

The increase in equities and corporate bonds carbon intensity year-on-year is mainly driven by limitations relating to misalignment between carbon intensity and Enterprise Value exacerbated by the Covid-19 crisis.

As a member of the Net Zero Asset Owner Alliance, SCOR has committed to setting targets for the decarbonization of its portfolio. The baseline is end of year 2019 and the target is set over a five year time horizon, running until the end of 2024. SCOR believes that the carbon footprint is more meaningful when taking scope 3 (other indirect emissions⁽³⁾) into account and that carbon intensive sectors are the ones for which scope 3 matters most. For these reasons and despite some weaknesses in the current data, SCOR has decided to set Carbon Intensity targets including scope 3 for its corporate bond and equities sub-portfolio based on the Enterprise Value of issuers.

SCOR commits to reducing its carbon intensity by 27% by end of 2024 for corporate bonds and equities sub-portfolios. This will be achieved by combining a best-in-class selection with active engagement with investees, in order to impact the real economy. The decarbonization path cannot be achieved by re-balancing the highest emitting sectors to the least emitting ones; with no consideration in terms of supporting companies with credible paths to decarbonization. Progress should be measured globally over the period, bearing in mind the lag of data and the time it takes for companies to show visible results in their own decarbonization path.

For the sake of transparency, SCOR will report on its decarbonization progress on an annual basis. However, figures should be read cautiously and only a longer-term trend will provide reasonable information on the decarbonization achievements.

Carbon intensity on Enterprise Value (EV)	2019	2020	Coverage ratio in 2020	Evolution in 2020	2025 target
All scope 1, scope 2 and scope 3⁽³⁾					
Corporate bonds + Equity	273	353	97.9%	+30%	-27%

Despite the increase shown by the results in 2020, mainly driven by the misalignment of carbon emissions and Enterprise Value, SCOR is confident in its ability to achieve its five-year target for corporate bonds and equities. Its strategy of portfolio positioning and its selection of best-in-class companies in the highest emitting sectors will support its approach to decarbonizing with a positive impact on the real economy.

to all the residual emissions of the Group's operations. The Group also pays attention to the sourcing of its energy.

4.4.1. Greenhouse gas emissions and voluntary offsetting

— As part of its “Quantum Leap” strategic plan, SCOR has raised its reduction objective in terms of carbon intensity per employee under the first two scopes of the GHG protocol to 30% by the end of the plan (compared to the previous objective of 15% by 2020 the baseline being 2014). At the end of 2020, the Group's carbon intensity reduction was well above 30%.

4.4. MONITOR THE IMPACT OF SCOR'S OPERATIONS ON THE ENVIRONMENT

— Although reinsurance is not an industrial activity with a significant impact on the environment, SCOR strives to ensure the consistency of its approach and control the environmental impact stemming from the management of its operational processes. This includes the operation of the buildings it occupies, business travel and to a far lesser extent, office equipment.

The focus is placed on greenhouse gas emissions, for which the indicative reduction target in terms of intensity has been raised to 30%⁽⁴⁾ by the end of the “Quantum Leap” strategic plan. After expanding it in 2018 from the previous years, the Group has decided to extend its CO₂ offsetting program

1. According to the GreenHouse Gas Protocol scopes
2. Independent consulting firm specialized in low carbon strategy and climate change adaptation
3. According to the GreenHouse Gas Protocol scopes
4. Baseline: 2014



In addition, the Group, which is committed to offsetting all of its residual emissions measured below, submitted three portfolios of offset projects to a staff vote in 2019. The Group's employees voted to support two projects for conserving forest

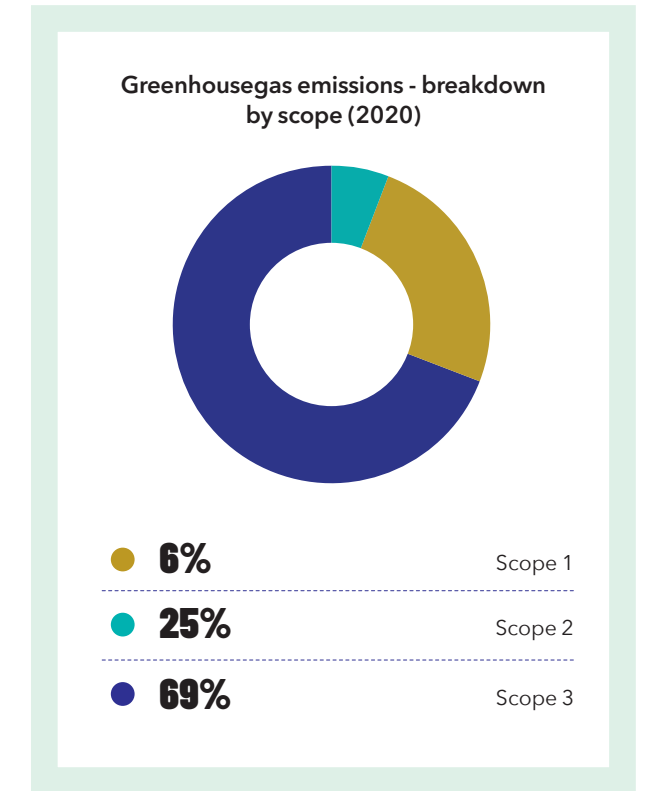
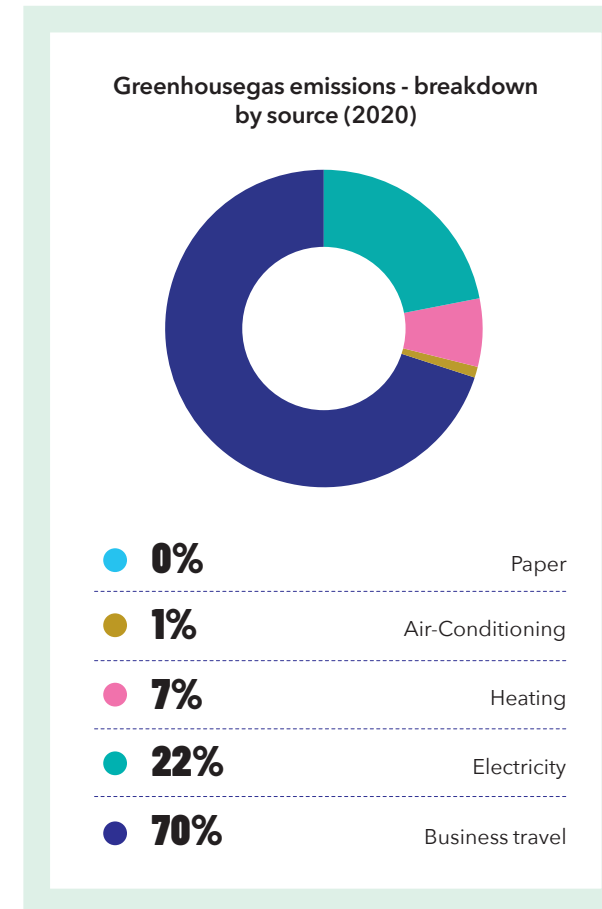
in Brazil and Ethiopia for the next five years. The Group offset all of its 2020 and 2019 emissions upon delivery of the carbon credits generated by these two projects. These carbon credits are not deducted from the greenhouse gas emissions reported below.

Indicator	Unit	2020 data	Coverage ⁽¹⁾	2019 data	Coverage ⁽¹⁾
Energy ⁽²⁾	kWh	14,308,818	85%	17,572,844	84%
Sorted and recycled paper waste	Kg	66,333	81%	149,205	80%
Air transportation	Km	16,907,855	91%	55,568,877	92%
Rail transportation	Km	882,516	85%	2,349,757	84%
Related greenhousegas emissions	TeqCO ₂	8,765		25,223	

(1) The coverage rates are calculated on the basis of the Hubs' response rates. The number of employees working in the locations surveyed divided by the number of employees working in the entities fully consolidated in the financial statements. Additional information on the scope of reporting can be found in Section 6.6.3 of this statement.

(2) Of which electricity (66%), fuel and gas (9%), other heating sources (6%) and other cooling sources (19%).

The significant decrease in related greenhouse gas emissions between 2019 and 2020 can be notably explained by the reduction in business travel by air due to the Covid-19 pandemic.



Regarding emissions metrics, the Group consolidates indicators and presents them expressed in tons of CO₂ equivalent. This conversion of the different energy sources into greenhouse gas emissions is performed centrally on the basis of the conversion factors taken from the "Base Carbone®" produced by the French "Environment and Energy Management Agency" (Ademe), the Department for Environment, Food and Rural Affairs (DEFRA) database regarding air transportation emissions and extrapolated from the data effectively collected in each Hub⁽¹⁾. The emissions calculated for the Group's operations, cover the following scopes of the "Greenhouse Gas Protocol":

- "Scope 1": direct emissions from the combustion of fossil fuel.
- "Scope 2": indirect emissions induced by electricity consumption, steam and cooling systems.
- "Scope 3": other indirect emissions.

See section 6.6.3 – Environmental data: methodology in the 2020 Universal Registration Document for further details on the methodology used.

4.4.2. Management of energy consumption sources and renewable energy use

— The Group focuses on the management of its energy consumption sources and encourages the purchase of energy produced from renewable sources. The Group consumed close to 14.3 GWh in 2020 to operate the premises occupied by its staff (lighting, heating, cooling – including data centers – and power for operating various equipment). Most of the energy consumed by the Group's sites participating in the environmental survey comes from electricity (65%). The proportion of renewable energies now accounts for 68% of electricity purchases compared with 67% in 2019.

1. The Group is organized in three regional management platforms (the "Hubs"): the EMEA Hub, the Americas Hub and the Asia-Pacific Hub

CHAPTER 05
GLOSSARY

CSR**(corporate social responsibility)**

— recognition of the need for each company to include social and environmental criteria in its strategy, and to improve its practices with regard to these criteria. csr covers both corporate responsibility and reporting obligations.

ERM**(enterprise risk management)**

— approach which includes risk as an integral part of a company's strategy. erm combines all methodologies in order to identify, manage and account for risks which may have an impact on the definition of the company's strategy and the achievement of its objectives.

ESG**(environmental, social and governance)**

— criteria for measuring environmental risks, the management of human capital, and corporate organization. the development of these criteria aims to promote best practices for the respect of the planet and of people.

PSI**(principles for sustainable insurance)**

— these principles for sustainable insurance were drawn up by unep fi, the united nations environment programme finance initiative. they provide a framework for the insurance industry to integrate environmental, social and governance (esg) criteria into its decision- making.

SDGS**(sustainable development goals)**

— the sdgs comprise the 17 goals that the united nations have set for 2030, including eradicating poverty, protecting the planet and ensuring prosperity for all. these objectives supersede the millennium development goals set for the 2000-2016 period.

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