

Policy for environmental, social and
governance risks

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Chairman's message



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Chairman of the Management Board of SCOR Investment Partners

"Environmental, social and governance (ESG) risks play a vital role in our investment decisions as well as in the strategic choices we offer our clients. Because we aim to help create solutions that meet the challenges our companies must confront, and especially the risks related to climate change, SCOR Investment Partners has developed a range of thematic funds based on innovative strategies which are focused on protection against natural catastrophes, on financing the energy transition and on excellence in terms of the energy efficiency of buildings.

"SCOR Investment Partners has elected to position itself as a responsible player in asset management, as evidenced by its signature of the UNPRI on 13 December 2016. For its impact investing strategies, the fund management company has chosen to develop strategies that reduce climate risk. Insurance-Linked Securities ("ILS") funds, as well as funds comprising real-estate and infrastructure debt, or the management of physical property assets, allow investors of SCOR Investment Partners to help reduce the causes and impact of climate change. With regard to ESG risk analysis, SCOR Investment Partners pays special attention to carbon risks which are related to the production of greenhouse gases. Working closely with well-known partners, SCOR Investment Partners applies a progressive and ongoing approach to the inclusion of ESG criteria throughout its investment management.

"SCOR Investment Partners aims to embrace the construction of sustainable ESG practices, as much by the continual improvement of methods for investment selection as by the implementation of impact investing strategies. As Chairman of the Management Board of SCOR Investment Partners, I am very keen that our approach, as well as our range of solutions, places us among the key players in sustainable finance."

I. FOR ITS IMPACT INVESTING STRATEGIES, SCOR INVESTMENT PARTNERS HAS CHOSEN TO DEVELOP STRATEGIES THAT LOWER CLIMATE RISK.

SCOR Investment Partners has chosen to participate in the management of climate risk by providing targeted strategies to its clients.

By providing its clients the opportunity to invest in strategies which partly finance energy-transition projects (e.g. wind and solar farms) or in strategies for the financing or management of property assets, which are largely designed to meet the most rigorous ecological standards, SCOR Investment Partners is an early-stage participant in reducing climate risk.

By providing investment strategies in Insurance-Linked Securities ("ILS"), SCOR Investment Partners allows its investors to share the risk of financing and reconstruction after the occurrence of natural catastrophes, many of which are the result of climate risk.

A. ILS products

By participating in reconstruction after a natural catastrophe, or more generally by participating in compensation procedures after any extreme event, thereby reducing the impact of the catastrophe, ILS funds fall naturally under the heading of 'societal investments'. SCOR Investment Partners also examines emerging programmes designed to cover zones which are still relatively uninsured (e.g. World Bank initiatives).

Since August 2011, SCOR Investment Partners has developed a range of ILS funds. At 31 December 2018, this range totaled EUR 1 128m in assets under management.

B. Infrastructure loan products

Infrastructure projects constitute a significant component in the organization of modern societies. SCOR Investment Partners aims to participate, through its management choices, in the financing of investment projects for energy transition. As a leading manager of debt funds, SCOR Investment Partners manages infrastructure debt funds, which include numerous projects related to the financing of energy transition. Before any investments are made, the fund management company makes sure that ESG criteria are applied during the project selection process. This approach is enhanced by an annual examination of all financed sponsors with regard to ESG.

Investments in renewable energies account for at least one-third of all investments made in the infrastructure debt funds managed or advised by SCOR Investment Partners.

Launched in September 2013, the funds totaled EUR 675m in assets under management on 31 December 2018.

C. Real-estate loan products

In its selection of eligible debt, certification labels are an important consideration for SCOR Investment Partners. Certification by BREEAM (Building Research Establishment Environmental Assessment Method), HQE (High Quality Environmental Standard) or LEED (Leadership in Energy and Environmental Design) has been awarded to 69% of the gross investments by funds of real-estate loans managed or advised by SCOR Investment Partners.

Launched in June 2013, the real-estate-debt funds totaled EUR 505m in assets under management on 31 December 2018.

D. Dedicated management of physical property

In 2011, SCOR Investment Partners acquired one of the very first energy-positive office buildings, as part of its mandated asset management. Located in Meudon, this 23,000 m² building generates annually more energy than it consumes, a performance attributable to a photovoltaic power plant that sells excess energy to EDF. A cogeneration boiler fuelled by vegetable oil produces simultaneously both electricity and heat. As a result, the building has been awarded exacting energy and ecology certifications.

Besides this type of acquisition, several refurbishment programmes have been added to the existing portfolio, which aims to obtain environmental and energy-efficiency certifications. The real estate acquisitions made by SCOR Investment Partners are for the most part refurbishment projects aiming for one or more certifications. Consequently, the real estate portfolio will increasingly satisfy the criteria for the BREEAM and HQE labels.

At 31 December 2018, the physical property portfolio managed by SCOR Investment Partners totaled EUR 993m.

II. WITH REGARD TO ESG RISK ANALYSIS, SCOR INVESTMENT PARTNERS PAYS CLOSE ATTENTION TO CARBON RISKS WHICH ARE RELATED TO THE PRODUCTION OF GREENHOUSE GASES

ESG risks are various and difficult to monitor. SCOR Investment Partners, in line with its new impact investing range, has elected to monitor risk for all its investments on two levels:

- by evaluating the overall ESG risk of the companies or projects financed;
- by isolating the specific risk of contributing to global warming caused by producing or using technologies that emit greenhouse gases (generically referred to as "carbon risk").

To manage the overall ESG risk of the companies or projects financed, SCOR Investment Partners uses the ratings of **ISS-oekom**. To evaluate carbon risk, SCOR Investment Partners collaborates with **ISS**, who acquired in 2017 Climate Neutral Investments (CNI), a division of South Pole specialized in climate data analytics towards investors.

The methodologies for ESG ratings and for estimating pollution by companies that contribute to global warming vary greatly depending on the service provider and are constantly changing. Scope 3 greenhouse gas emissions, for example, are not calculated in a uniform manner or cannot be calculated at all. This creates significant uncertainty in the interpretation of the carbon risk data being evaluated. SCOR Investment Partners has nevertheless decided to include the ESG risk assessments in its management processes. Ratings and assessments, currently included as risk indicators, are intended to serve as limits once they become consistent and standardised; monitoring them now will make it easier to include them later.

A. ISS-oekom

The company **oekom research AG** was renamed **ISS-oekom** following its acquisition by the ISS Group in 2018. The firm remains one of the leading non-financial rating agencies. It provides its clients with information that allows them to combine socially responsible investing (SRI) with return expectations. Partnering with institutional investors and financial service providers, ISS-oekom develops individual products and innovative investment strategies for a rapidly growing market. Its corporate social responsibility (CSR) research covers a large proportion of companies, countries and supranational institutions that issue shares and bonds.

ISS-oekom provides SCOR Investment Partners with ESG ratings for companies and countries and monitors ESG controversies which could have an impact on the companies. ISS-oekom covers a large part of the investments made by SCOR Investment Partners.

B. ISS

ISS is a leading worldwide provider of sustainable solutions of corporate governance and responsible investment. For more than thirty years it has offered solutions for ESG issues to a wide range of investors, companies and foundations. Its expertise covers the key areas of corporate governance, climate, economical and social risks related to investments, and the proxy voting.

The ISS Group provides SCOR Investment Partners with the carbon footprints of companies (mainly listed ones) and countries. The group also provides details of assessments of transition risk, e.g. the alignment of portfolios with the 2°C trajectory.

III. SCOR INVESTMENT PARTNERS APPLIES A PROGRESSIVE AND ONGOING APPROACH TO THE INCLUSION OF ESG CRITERIA IN ITS INVESTMENT MANAGEMENT

ESG risk analysis depends on the business sector and the specific characteristics of the company being evaluated. The approach taken by SCOR Investment Partners is intended to be practical and adaptive. On the basis of ESG criteria, SCOR Investment Partners has already barred certain investment categories. SCOR Investment Partners studies the universe of eligible investments and the ratings provided by its partners. Potential investments are then examined closely.

A. Preliminary ESG risk management

Prior to an investment, SCOR Investment Partners incorporates ESG criteria in two steps:

First, SCOR Investment Partners categorically excludes certain types of investments that are deemed to be contrary to its ESG principles. These types of investments are included on the normative or thematic exclusion lists.

Next, relying mainly on its partner ISS-oekom, SCOR Investment Partners evaluates the overall ESG risk for the investment being considered.

1. Normative exclusions

As a preventive measure, SCOR Investment Partners applies to every investment the following series of filters and restrictions derived from its own or international standards, which result in the exclusion of some investments:

- application of recommendations by the Financial Action Task Force (FATF);
- OFAC list and list of sanctioned companies/countries published by the Ministry of Finance;
- compliance with the provisions of the Ottawa Convention (anti-personnel mines) and the Oslo Accords (cluster bombs);
- frozen assets list.

2. Thematic exclusions

SCOR Investment Partners applies some thematic exclusion filters. For all its portfolios, SCOR Investment Partners prohibits investments in:

- companies that derive more than 30% of their revenue from thermal coal;
- companies in the tobacco industry.

For its ILS portfolios, SCOR Investment Partners chooses not to invest in reinsurance for life insurance policies.

3. Global ESG risk

For the investment universe within the scope of ISS-oekom's rating coverage, SCOR Investment Partners uses the ISS-oekom rating to filter and analyse its investments. A low ISS-oekom rating triggers an in-depth analysis of the investment. SCOR Investment Partners sets a limit on amounts invested per fund in companies and projects not rated by ISS-oekom.

For illiquid investments (physical real estate, real estate debt and infrastructure debt), ESG risks are analysed by SCOR Investment Partners, who takes the specificities of each potential investment into consideration.

In addition, at the time of subscription of ILS products, SCOR Investment Partners verifies that the cedents it reinsures contribute effectively to compensation and reconstruction after severe events and that the transaction is not simply a speculative operation.

B. Post-investment ESG risk controls

SCOR Investment Partners continuously tracks changes in the ESG risk of the companies and countries included in the portfolios by monitoring controversies that might affect the issuers (using ISS-oekom or its own means).

SCOR Investment Partners also conducts a periodic review of the portfolios' ESG risks by using ISS-oekom's ratings. This monitoring makes it possible to assess the overall non-financial quality of the portfolios and to identify the significant changes in both individual and average ratings of the companies or countries. The individual projects with the lowest ISS-oekom ratings are more closely monitored.

Finally, SCOR Investment Partners reviews the carbon risk of the larger portfolios, using information provided by ISS, as well as other tools.

1. oekom companies

oekom's Corporate Rating evaluates a company's ESG performance in detail, using more than 700 indicators. These indicators include several criteria, such as international standards and agreements, public debates, regulatory changes and technological progress. To analyse a company's ESG risks, ISS-oekom's analysts use 100 ESG criteria specifically selected for each business sector. These criteria are continuously adjusted to reflect the most recent findings and developments.

The corporate ESG ratings are reviewed by ISS-oekom at least annually and are subject to an ad-hoc review in the event of major controversies or mergers. According to ISS-oekom's methodology, the lack of transparency in a company being evaluated can significantly lower the rating. These ratings allow SCOR Investment Partners to filter its investments and concentrate its analyses on potentially sensitive investments.

2. oekom countries

oekom's Country Rating evaluates the ESG performance of a country in detail, using more than 100 indicators. Using these indicators, ISS-oekom assesses the institutional structure of a country, as well as its performance on the environmental and societal levels. Country ESG ratings are reviewed annually.

SCOR Investment Partners uses these ratings as indicators for monitoring the changes in macro ESG risks.

3. Controversies

SCOR Investment Partners monitors ESG controversies that may affect portfolio issuers. The controversies derive from either market information or non-financial rating agencies, including ISS-oekom.

4. Carbon risk

For portfolios of significant size (i.e. over EUR 500m), SCOR Investment Partners performs a specific analysis of climate risk. This analysis may include a calculation of the carbon footprint, if applicable, based on data and technical resources made available by its partner ISS.

SCOR Investment Partners also evaluates the transition risk of these portfolios and, when possible, whether they are properly positioned on the 2°C trajectory.

C. Adaptability, reporting and transparency

SCOR Investment Partners adapts to the reporting requirements of its clients and is committed to transparently meet requests for information about its investments.

SCOR Investment Partners can include ESG constraints specifically requested by its clients, in addition to those of its own ESG policy, so long as there is no contradiction between them. If the fund is open to other investors, they must all agree to such constraints. In this case, the ESG constraints are mentioned explicitly in the fund prospectus.



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