SCOR
— INVESTMENT PARTNERS —

## HANDBOOK ON SUSTAINABLE INVESTMENT

# FINANCING THE SUSTAINABLE DEVELOPMENT OF SOCIETIES, TOGETHER

Data as of 01.12.2022, unless otherwise indicated.
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# GLOSSARY

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|---|---|
| **Biodiversity** | Citing the report published by the *Museum national d'histoire naturelle* through its partnership with the SCOR Foundation for Science, "Biodiversity or biological diversity refers to the set of varied forms of life on Earth which constitute the web of life. It encompasses three interdependent levels of diversity, namely ecosystems, species (plants, animals, fungi, microorganisms) and genes (i.e. individuals within each species). This web of life provides the goods and services that are vital to human livelihoods and societies. |
| **European Green Taxonomy** | European classification system that establishes a list of criteria and performance thresholds to assess whether an economic activity is environmentally sustainable. It aims at incentivising capital flows towards improvements in environmental performance. |
| **ESG (Environment Social and Governance)** | International acronym used by the financial community to designate the Environmental, Social and Governance criteria that generally constitute the three pillars of the extra-financial analysis. |
| **Just Transition** | Taking into consideration social aspects and the different stakeholders (workers, consumers, local communities, suppliers) in the ecological transition. |
| **PRI (Principles for Responsible Investment)** | World's leading proponent of responsible investment. It reunites six voluntary and aspirational principles that were developed by investors, for investors, to offer a menu of possible actions for incorporating ESG issues into investment practice. By implementing them, its 4,000 signatories contribute to developing a more sustainable global financial system. Formerly called "UN PRI", in reference to the United Nations roots of this organisation. |
| **SFDR (Sustainable Finance Disclosure Regulation)** | Also called European Regulation (EU) 2019/2088, it creates new sustainability transparency obligations for financial participants and allows for more transparency and comparability by aligning commercial documents with actual practices and helps diminish risks of greenwashing. |
| **Sustainable Development** | "Development that meets the needs of the present without compromising the ability of future generations to meet their own needs", according to the Brundtland Commission Report in 1987. |
| **Sustainable Development Goals** | The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 Sustainable Development Goals (SDGs), which are an urgent call for action by all countries - developed and developing - in a global partnership. They recognize that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests. |
| **Sustainable Investment** | In the meaning of SFDR, an investment in an economic activity which contributes to an environmental or social objective without causing significant social or environmental harm. The investee companies should apply best governance practices |

# I. PURPOSE

In early 2021, the SCOR group defined and adopted its *raison d'être, stating "As a global independent reinsurance company, SCOR contributes to the welfare, resilience, and sustainable development of society by bridging the protection gap, increasing insurance reach, helping to protect insureds against the risk they face, pushing back the frontier on insurability and acting as a responsible investor."*

Since its inception, SCOR Investment Partners has been committed to offering its clients innovative strategies aimed at delivering consistent and long-term performance. Through its holistic understanding of risks, the company has progressively integrated environmental, social and governance (ESG) factors into the heart of the investment process. Reflecting this integration in its daily operations, SCOR Investment Partners defined its corporate purpose as *"Financing the sustainable development of societies, together."*

The goal of this handbook is to expand upon the general concepts laid out in the Sustainable Investment Policy published in December 2021.

# II. GOVERNANCE

Sustainable investment is at the heart of SCOR Investment Partners' organisation, with responsibilities that are clearly defined and separated. This separation ensures an efficient decision-making process as well as transparent and relevant information to clients.

## A. INTERNAL ORGANISATION

The Management Board sets the ambitions, resources, and the roadmap for implementation of the sustainable investment policy. The Board then turns consults the Chief Investment Officer (CIO) who establishes and implements the investment processes and coordinates the investing policies across the asset classes. The CIO works jointly with the Head of Sustainable Investment and with Fund Managers. The Head of Sustainable Investment defines and proposes the methodologies and KPIs for implementation to the CIO for validation. The Fund managers implement the sustainable strategies into their investment processes.

Besides, the risk department monitors ESG data, metrics and KPIs and ensures the accuracy of client reporting. The Risk Management team also collaborates with the Fund Management teams to address regulatory requirements.

## B. EXTERNAL STAKEHOLDERS

Sustainable finance regulation is steadily becoming more stringent, necessitating the development of robust sustainable investment processes by financial actors. SCOR Investment Partners is continuously improving upon its sustainable investment methodologies and processes to account for the latest regulatory developments.

Data and standards are key elements of the robustness of SCOR Investment Partners' sustainable strategy. External providers are selected following a complete process based on criteria such as the evaluation methodology, the data reliability, methods and standards, the players' international recognition and their responsiveness.

### Reference standards: Sustainability Accounting Standards Board (SASB)

SASB Standards guide the disclosure of financially material sustainability information. Available for 77 industries, SASB identifies the subset of environmental, social, and governance (ESG) issues most relevant to financial performance in each industry.

In 2022, SASB Standards was integrated in the IFRS foundation, a global nonprofit organization which oversees the implementation of financial and extra-financial reporting standards. Its main objectives include the development and promotion of International Financial Reporting Standards, through the International Accounting Standards Board (IASB) for accounting standards, and the International Sustainability Standards Board for sustainability-related standards.

In 2021, SCOR Investment Partners became a member of the Sustainability Accounting Standard Board.

### Data provider: Institutional Shareholder Services (ISS ESG)

SCOR Investment Partners' sustainable investment analysis mainly relies on ISS ESG which is used as the primary source of data.

Founded in 1985, ISS ESG provides investors and companies with countries and corporate data, analytics, and insight. With nearly 2,000 employees spread across the world, ISS is today the world's leading provider of corporate governance and responsible investment solutions, market intelligence and fund services, events and editorial content for institutional investors and corporations, globally. Over the past few years, ISS acquired various other data providers, such as Oekom Research AG and South Pole Group. Both companies were historic data providers for SCOR Investment Partners and support stable and consistent data.

Beyond data collection, SCOR Investment Partners actively participates in initiatives aimed at finding and promoting sustainable solutions within the financial sector. This engagement enables SCOR Investment Partners to be part of the sustainable investment ecosystem and to be at the cutting-edge of upcoming industry transformation, and consequently enabling the company to better serve its clients.

### Associations and Think-tank

- **The Principles for Responsible Investment:** The Principles for Responsible Investment (PRI) is the world's leading proponent of responsible investment. The PRI reunites six voluntary and aspirational principles that were developed by investors, for investors, to offer a menu of possible actions for incorporating ESG issues into investment practice. By implementing them, its 4,000 signatories contribute to developing a more sustainable global financial system. SCOR Investment Partners has been a signatory to the PRI since 2016.
- **Finance for Tomorrow:** SCOR Investment Partners is convinced of the need to create a positive dynamic to further sustainable finance. SCOR Investment Partners joined Finance for Tomorrow in October 2021. Launched by Paris Europlace in 2016, the organization gathers private, public, and institutional financial stakeholders of the Paris financial center. The objectives are to collaborate on various sustainable finance topics within taskforces and to promote sustainable solutions within the financial sector. SCOR Investment Partners belongs to Finance for Tomorrow's taskforce linked with Biodiversity.
- **Investors for a Just Transition:** SCOR Investment Partners believes in the need to better incorporate social considerations into ESG reflections and in the Environmental Transition. To this end, SCOR Investment Partners is a founding member of the "Investors for a Just Transition" coalition launched in June 2021 by Finance for Tomorrow. The coalition has three main objectives:
    - Encourage companies to integrate Just Transition concepts into environmental strategies through dialogue,
    - Promote best practices in the sectors who are the most vulnerable to the environmental transition,
    - Facilitate collaboration between investors and businesses.

Within this coalition, SCOR Investment Partners is a member of a working group dedicated to food and agriculture related sectors and has helped to define accurate KPIs for these two sectors. Contact was made with the companies targeted by the working group in order to begin an engagement process with them.

- **Circolab – Laboratoire de l'Economie Circulaire**: Circolab is a community of actors of the real estate sector that works for the development of the circular economy. The main topic addressed is the reduction of raw material consumption, through the reuse of materials, repair, or the extension of the life span of materials when possible. Circolab seeks to mobilize real estate industry players to stimulate innovation and develops tools to support its members in the implementation of best practices. SCOR Investment Partners has been a member of the association since 2019 and systematically implements its principles for its real estate assets.

# III. METHODOLOGY

SCOR Investment Partners places sustainability at the heart of its investment processes and has adopted a pragmatic approach in which the specificity of each product is considered. To this end, SCOR Investment Partners relies on a combination of normative and sectoral exclusions, on tailor-made methodologies for each asset class, and on engagement with issuers.

More specifically, SCOR Investment Partners adopts a Best-in-Class approach to ESG evaluation of issuers. This approach consists in evaluating companies according to the environmental (E), social (S) and governance (G) characteristics specific to their sector and selecting the best players. The integration of these criteria into the financial analysis of a company gives a global vision of its strategy and its capacity to address environmental and social risks, but also to benefit from opportunities linked to these issues.

These criteria include:

- The environmental criterion (E) which covers themes such as climate risks, natural resources scarcity, pollution and waste, biodiversity, circular economy, and environmental opportunities. It analyses the companies' policy of waste management, reduction of greenhouse gas emissions, and whether it is focused on preventing all environmental risks in its activity.
- The social criterion (S) which includes labour issues, the just transition, product liability, and data security risks. It takes into account the prevention of accidents and psychosocial risks, staff training, respect for employees' rights, the organisation of the supply chain and the quality of the social dialogue.
- The governance criterion (G) which encompasses items relating to corporate governance and behaviour such as board quality and effectiveness, transparency, and business ethics. It includes for instance the independence of the Board of Directors, the gender diversity of the management team, the management structure, and the presence of an audit committee.

## A. NORMATIVE AND SECTORAL EXCLUSIONS

SCOR Investment Partners applies normative and sector-specific restrictions in its investment universe in order to align with its values and with the applicable regulations.

SCOR Investment Partners applies to each investment a series of filters and restrictions derived from internal or international standards:

- Exclusion of High-Risk Jurisdictions according to the Financial Action Task Force (FATF), and internal ad-hoc analysis for Jurisdictions under Close Supervision (FATF) or Third Countries with Insufficient AML/CFT Systems (European Commission) or Non-Cooperative Countries and Territories for Tax Purposes (European Union),
- Office of Foreign Assets Control (OFAC) sanction list,
- European lists of sanctions and frozen assets,
- Exclusion of companies that have committed serious violations of the United Nations Global Compact (UNGC) or the OECD Guidelines for Multinational Enterprises and have not demonstrated satisfactory corrective action.

As for sectoral exclusions[1], the methodology aims to exclude sectors or sub sectors that are considered too harmful and for which more sustainable alternatives exist.

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[1] Unless authorized by clients for dedicated funds and mandates.

In the first place, SCOR Investment Partners does not invest in companies whose activities are related to the following controversial and unconventional weapons:

- Compliance with the provisions of the Ottawa Convention (anti-personnel mines) and the Oslo Accords (cluster bombs),
- Exclusion of companies involved in the production, sale, and distribution of controversial weapons (chemical and biological weapons, white phosphorus, depleted uranium, and nuclear weapons outside of the Treaty on the Non-Proliferation of nuclear weapons).

Furthermore, as the SCOR group is a signatory to the Tobacco Free Finance Pledge, tobacco manufacturers are excluded from the investment universe of SCOR Investment Partners. Manufacturers of tobacco related products (major components, e-cigarettes, heated tobacco products and smokeless heating devices) are also excluded. In addition, companies with a turnover of more than 15% related to tobacco distribution are excluded.

Finally, aware of the urgency to act against global warming, and in line with SCOR Group's Climate Policy commitments, SCOR Investment Partners does not invest in companies or projects involved in the following activities and sectors:

- Thermal coal, whether the financed companies or projects are involved in coal mining, coal-fired power plants or are considered as coal plants' developers[2],
- Oil & gas sector, whether the financed companies or projects are involved in the conventional or unconventional production chain of oil and gas (upstream, midstream, and downstream)[3].

## B. ESG RATING METHODOLOGY

In the case of Corporate Loans and High Yield funds that integrate sustainable characteristics, an ESG rating methodology is used to provide the issuers with an ESG rating. This ESG rating is performed on an ex-ante basis and is part of the investment process. The exclusion policies mentioned above are a prerequisite of the initial assessment. Then, as the investment teams carry out the complete analysis of the new potential transactions, they ask the Sustainable Investment Office (SIO) for an ESG rating which is considered in their final appraisal. Finally, the Sustainable Investment Office can engage with companies to improve their ESG rating.

Once the issuer is invested in, the ESG rating is updated in the following 18 months. Exceptional events such as the discovery of a new major controversy can lead to the anticipated review of an issuer's ESG rating.

### ESG Sources

If the issuer has an ESG rating from the external data provider, the management team uses this rating without modification. This rating can go from 1 to 4, with 4 being the best. SCOR Investment Partners uses a single ESG data provider, ISS ESG. The ISS ESG rating relies on more than 800 indicators, among which approximately 90% are industry specific. For each industry, 5 key issues represent more than 50% of the overall weight in the rating. In addition, ISS ESG uses a country rating to consider the variation in policies and regulations in each country and to see if an individual company goes beyond the local requirements.

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[2] The effective threshold for activities related to thermal coal is 1% of turnover, to reflect the uncertainties related to the quality of underlying data and to avoid discriminating against issuers that are in the process of exiting such activities.

[3] SCOR Investment Partners relies on the Bloomberg classification for the implementation of these exclusions. The sectors involved are Oil & Gas, Pipelines, and Gas.

Finally, ISS ESG studies controversies regarding the rated issuer.

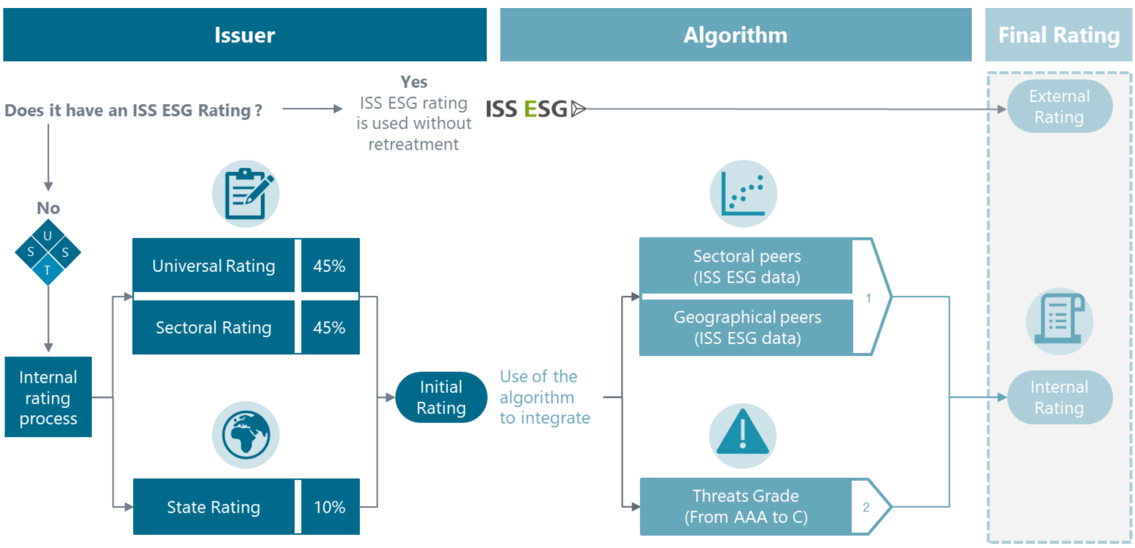
If the issuer of the security does not have an ESG rating from ISS ESG, the Sustainable Investment Office assigns an ESG rating using a proprietary methodology consistent with that of ISS ESG and called SUST & ABLE (see below). This rating ranges between 1 and 4, with 4 being the best. This methodology was developed relying on the Sustainable Accounting Standards Board (SASB) standards, that determine relevant questions specific to 77 sub-sectors defined by the organisation. The SIO studies ESG data published or transmitted by the issuers as well as controversies regarding the issuers. Dedicated ESG questionnaires can be sent to the issuers if needed.

### Internal Rating Process

The internal rating consists in the first half of SCOR Investment Partners' "SUST & ABLE" methodology, which includes the ESG rating of issuers (SUST), and the engagement with issuers (& Able). The internal rating relies on four dimensions:

- The *State* dimension, provided by ISS ESG. Local jurisdictions define the fundamental standards for issuers' sustainable management, as well as reflect the overall level of development of ESG performance. The country rating allows the SIO to assess the general background of the issuer as well as its performance in the long term.
- The *Universal* dimension consists in the assessment of universal ESG criteria from four dimensions (General, Environment, Social, Governance), and which are general and common for all issuers. The universal evaluation provides the SIO with an integral view of the issuer.
- The *Sectoral* dimension is a closer examination of an issuer's material issues depending on its sector. The sectoral assessment, whose framework is defined by SASB, focuses on the industry-specific, high-relevant topics and allows the SIO to deliver a tailored and in-depth research of the issuer.
- The *Threat* Dimension is the supplementary assessment of controversies, as they reveal the misconducts and therefore the potential ESG risk of an issuer. The controversy analysis can lead to an adjustment of the rating and ensures the objectivity of rating. This analysis is based on five different topics for all issuers internally graded: Human Rights, Labour Rights, Environmental Protection, Business Ethics and Taxes, and Consumer Protection.

Figure 1: Internal Rating Process




1: Comparison with Peers External rating to verify if the Internal rating is coherent and align it if necessary
2: Integration of the Threats Grade to the rating according to three levels of seriousness: Low, Medium and High

Figure 2: Internal ESG rating scale and corresponding ISS ESG ratings


| Rating scale | max | min |
|---|---|---|
| A- | - | 3,25 |
| B+ | 3,25 | 3,00 |
| B | 3,00 | 2,75 |
| B- | 2,75 | 2,50 |
| C+ | 2,50 | 2,25 |
| C | 2,25 | 2,00 |
| C- | 2,00 | 1,75 |
| D+ | 1,75 | 1,50 |
| D | 1,50 | 1,25 |
| D- | 1,25 | - |

## C. INTERNAL ENVIRONMENTAL TAXONOMY

A more specific approach is used for illiquid strategies such as infrastructure or real estate loans. This approach favors assets that contribute to the green transition.

To evaluate infrastructure projects, the Management Company has created an internal taxonomy, with the aim of identifying low carbon activities in five specific sectors: energy, transportation, utilities, telecommunications, and social infrastructure. For each of these five sectors, an internal list of activities eligible to the internal taxonomy has been established. The proprietary taxonomy is inspired by the EU Taxonomy published in March 2021 and by different studies in relation to these sectors. By financing projects that are eligible to its internal taxonomy, SCOR Investment Partners contributes to the green transition.

SCOR Investment Partners has designed an evaluation methodology by type of activity which is filled in from the technical and ESG documents provided by the sponsor. If the information is missing, the necessary information is requested directly from the project sponsor through a questionnaire. In the absence of any ESG data, SCOR Investment Partners cannot invest in the project. The evaluation model is based on eligibility for the internal taxonomy and considers the principal adverse impacts (PAI) of projects.

Within this framework, specific ESG indicators are used to monitor the performance and contribution of each project. The information collected are used to rate the projects according to an extra-financial rating scale.

Figure 3: Extra-financial rating scale for infrastructure projects

| Rate | Description |
|---|---|
| 5 | The project is aligned with the internal taxonomy and the Sponsor's answers to Do Not Significantly Harm (DNSH) and Minimal Social Safeguards (MSS) criteria are complete. |
| 4 | The project's eligibility to the internal taxonomy is clear but the Sponsor's answers to DNSH and MSS are incomplete. |
| 3 | The eligibility of the project to the internal taxonomy is unclear, but it manages to justify either carbon neutrality / zero carbon footprint, or a carbon footprint reduction compared to the ex-ante situation. |
| 2 | The eligibility of the project to the internal taxonomy is unclear and the Sponsor's answers to DNSH and MSS are incomplete. |
| 1 | The project is not eligible to the internal taxonomy. |
| 0 | The project falls under the Management Company's normative or sectoral exclusions. |

## D. ESG EVALUATION SCORECARD FOR REAL ESTATE LOANS

SCOR Investment Partners has developed a specific ESG evaluation scorecard to analyze the environmental, social and governance aspects of investments in real estate loans. The scorecard was developed based on the principles of UNEP-FI for positive impact real estate development and on the analysis of certification standards and the ESG challenges of the real estate sector, with respect to the work of the Green Building Observatory (Observatoire de l'Immobilier Durable) and the GRESB benchmark.

One of the criteria of the evaluation grid is the certification of assets according to standards or labels (HQE, BREEAM, LEED, BBCA, Effinergie, Energie Positive & Réduction Carbone, Produit Biosourcé, R2S, Wired Score, Biodivercity, Well). These labels and certifications make it possible to address issues such as environmental impact, local economic development, mobility, quality of life for tenants and governance.

In addition, to ensure that the assets are oriented towards sustainable development, as well as to assess their societal and environmental contribution, SCOR Investment Partners evaluates the assets in relation to their contribution to the SDGs. For small projects that do not aspire to environmental certification (in particular HQE or BREEAM) or a label, the analysis of the contribution to the SDGs is essential to establish the eligibility of the asset.

SCOR Investment Partners has identified 7 Sustainable Development Goals (SDGs) most relevant to real estate loans:

- 13: Climate action (Major contribution)
- 11: Sustainable cities and communities (Major contribution)
- 8: Decent work and economic growth (Major contribution)
- 3: Good health and well-being (Major contribution)
- 7: Affordable and clean energy (Significant contribution)
- 15: Life on land (Significant contribution)
- 9: Innovation and Infrastructure (Significcant contribution)

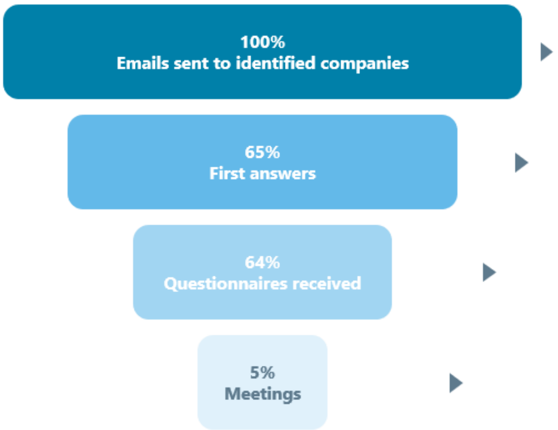
## E. ENGAGING WITH ISSUERS

SCOR Investment Partners considers that dialogue with companies is a key driver to change practices and behaviors. Encouraging and incentivizing companies to adopt best-in-class practices to sustainability challenges is part of SCOR Investment Partners' responsible investment approach.

In 2021, SCOR Investment Partners began empowering investees that are not fully aligned with sustainable practices ("laggards category"), thanks to its "& Able" strategy. SCOR Investment Partners engaged with these issuers around several improvement axes. SCOR Investment Partners pays special attention to the following themes when engaging with investees:

- Improving the overall ESG performance of investees, whether through a higher degree of transparency or through an improvement of KPIs,
- Preserving biodiversity and the natural capital when relevant,
- Favoring the Just Transition.

Figure 4: Illustration of the corporate dialogue engaged with investees in H1 202




Since June 2021, 74 companies were sent an email through an agent or directly through investor relations. It explained SCOR Investment Partners' approach and joined a questionnaire with both universal questions and questions adapted to their sector.

Most companies promptly answered, showing interest in the process.

More than half of the issuers sent the questionnaire back and/or sent additional private ESG data, helping understanding their sustainable practices.

The Sustainable Investment Office always offers and encourages dialogue. Since the beginning, this resulted in three meetings, with extremely positive feedback.

Since 2015, SCOR Investment Partners has sent annual questionnaires to sponsors of infrastructure and real estate debt projects to ask them about their ESG practices.

In 2022, discussions with several sponsors have been initiated, to better understand their practices but also to raise their awareness of the European green taxonomy.

# IV. SUSTAINABLE FUNDS' STRATEGIES

Based on the methodologies detailed above, SCOR Investment Partners has developed investment processes specific to each asset class to integrate sustainability criteria for all Article 8 and 9 funds in the meaning of the SFDR.

For SCOR Investment Partners, sustainable investment is about financing companies and projects that contribute to a fair environmental transition by improving their practices or developing sustainable activities. More specifically, companies and projects must demonstrate real intentionality in their transition objectives. In addition, with a logic of continuity, SCOR Investment Partners ensures that the companies and projects financed have good governance practices.

To this end, all SCOR Investment Partners' sustainable investment strategies are based on the principles of selectivity and commitment. These strategies have been defined according to the specificities of the asset classes.

Figure 5: list of funds

| | SFDR classification as at 01/12/2022 | |
|---|---|---|
| Funds | Article 8 | Article 9 |
| SCOR Sustainable Euro High Yield | • | |
| SCOR Sustainable Euro Loans | • | |
| SCOR Euro Loans Natural Capital | | • |
| SCOR Infrastructure Loans III | • | |
| SCORLUX - High Income Infrastructure Loans | • | |
| SCORLUX - Infrastructure Loans IV | | • |
| SCOR Real Estate Loans IV | • | |

## A. CORPORATE LOANS AND HIGH YIELD FUNDS' STRATEGIES

The portfolios of Corporate Loans and High Yield sustainable funds are built considering the ESG rating of issuers.

### ESG rating improvement approach

Except for some thematic funds (see below), the funds follow an ESG rating improvement approach. In fact, for these funds, the average rating of the portfolio must be higher than the average rating of the top 80% of issuers in the pre-defined universe.

This approach applies to the following funds:

- SCOR Sustainable Euro Loans
- SCOR Sustainable Euro High Yield

### Thematic approach

For so-called "thematic" approaches, an ad-hoc methodology is applied. In addition to ESG ratings, issuers are selected on the basis of additional criteria related to the sustainable objective sought by the respective fund.

- SCOR Euro Loans Natural Capital

Preserving natural capital requires a better use of water and energy, and better waste management. Improvements in these three areas are essential to protect biodiversity and limit climate change.

Recognizing these environmental issues, SCOR Investment Partners has developed a sustainable investment strategy for this fund that focuses on the environmental performance of issuers.

The loans selected are "Sustainability-linked loans". They have sustainability performance targets (SPTs) that impact the cost of funding over the life of the loan. Sustainability performance targets must be associated with at least one of these elements to be considered for the fund:

- Decrease in water consumption;
- Reduction of waste generation;
- Decrease in energy consumption;
- Improvement in environmental KPIs.

The objective is to finance issuers that have clear and ambitious objectives in terms of water, waste and energy management. Issuers must also respect minimum commitments on ESG criteria in general.

## B. INFRASTRUCTURE LOANS FUNDS' STRATEGIES

Sustainable infrastructure loans funds favour projects with a good environmental profile. Specifically, all investments in the portfolio must undergo an internal analysis to determine their compliance with the internal taxonomy.

In the case of Article 8 funds, the project analysis can lead to the exclusion of projects that are ineligible for the internal taxonomy, i.e. projects with an extra-financial rating of less than 2 (see Figure 3).

This approach is applied to the following funds:

- SCOR Infrastructure Loans III
- SCORLUX High Income Infrastructure Loans

A more selective approach is used for funds classified as Article 9 under SFDR. This is the case for the following fund:

- SCOR Infrastructure Loans IV

SCOR Infrastructure Loans IV is SCOR Investment Partners' first fund to have the objective of 100% of its assets aligned with its internal taxonomy. The fund applies the following sustainable investment process.

Additional sectoral exclusions apply to the fund (nuclear sector, aviation and maritime transport).

In addition, SCOR Investment Partners invests in five targeted sectors: Energy, Utilities, Transportation, Telecommunication and Social. Projects are systematically analysed using questionnaires consistent with the internal taxonomy. To invest, projects must have an extra-financial rating of at least 3 (see Figure 3).

Finally, due to the asset class specificities, once SCOR Investment Partners is invested in a project, it cannot divest from it. Thus, SCOR Investment Partners believes that it is essential to keep contact with the project's sponsor to understand its evolution and avoid controversies. As such, questionnaires are sent on a yearly basis. A process of engagement and dialogue with the sponsor can take place around these questionnaires.

## C. REAL ESTATE LOANS FUNDS' STRATEGIES

The ESG evaluation scorecard on real estate loans projects allows for a process of integration and promotion of environmental and social characteristics.

- SCOR Real Estate Loans IV

On this basis, the strategy of the SCOR Real Estate Loans IV fund (Article 8 under the SFDR) is to favour assets that contribute to the environmental transition, while integrating the evaluation of the social practices of the projects and the governance of the developers.

Selection for all asset types in the fund is made in such a way that:

- 100% of the assets are sustainably oriented and make a societal or environmental contribution,
- 75% of the assets take part in environmental transition, attested by the presence of labels or certifications, or compliance with the most recent environmental standards,
- 75% of office buildings have at least BREEAM "Very Good" or HQE "High Performing" environmental certification or an equivalent level for regional certification.

# V. REPORTING AND DISCLOSURE

## A. CLIENT REPORTING

For all Article 8 and 9 funds in the meaning of the SFDR, SCOR Investment Partners defines KPIs and objectives to monitor. These indicators are fully integrated in commercial reporting provided to investors.

For funds using the SUST methodology, the percentage of issuers in the portfolio covered by an ESG rating and a comparison of the overall average rating of the fund are published. For funds with a benchmark, the number of issuers covered by a normative, sectoral or fund-specific exclusion is also mentioned.

Figure 6: Example of monthly report – SCOR Sustainable Euro High Yield

ESG RATING: ISSUER COVERAGE [8,9]

| | Fund | Fund index |
|---|---|---|
| **Issuers with ESG rating** | 99.77% | 95.57% |

[8] In % of the fund's assets excluding cash and monetary UCITS. At least 90% of the fund's net assets need to possess an ESG rating.
[9] Bloomberg Euro High Yield 3% Issuer Constraint ex Financials TR Unhedged (Bloomberg code: I20845EU Index).

If the issuer of the security has an ESG rating from the non-financial data provider, the investment team assigns this rating to the security. If the issuer is not rated, the investment team assigns an ESG rating using an internal methodology consistent with that of the non-financial data provider. If no rating can be assigned, then the investment team will assign the NR (not rated) rating. The ESG rating is updated at least yearly.

ESG RATING PER SUB-UNIVERSE [10,11]

| | Fund | | Sub-universe |
|---|---|---|---|
| Sub-universe | % NAV | Rating | Index top 80% |
| **Euro High Yield or unrated** | 88.77% | C | C |
| **Euro Investment Grade** | 4.66% | C+ | C+ |
| **Euro Sovereign** | - | - | - |

[10] The benchmark indices corresponding to the three sub-universes are:
- Euro HY or NR: Bloomberg Euro High Yield ex Financials TR Unhedged (I20845EU);
- Euro Investment Grade: Bloomberg Euro Corporate ex Financials (LECFTREU);
- Euro denominated Government Securities: Bloomberg-Barclays Euro Treasury 0-12 Months (LA09TREU).

[11] Top 80% = benchmark index of the sub-universe after at least 20% of the lowest rated securities in that benchmark have been eliminated.

The issuer's ESG Rating is based on a single ESG rating scale: ratings ranging from A to D-, with A being the highest possible rating. and D being eliminatory.

| A | A- | B+ | B | B- | C+ | C | C- | D+ | D | D- |
|---|---|---|---|---|---|---|---|---|---|---|

The ESG rating range is based on a numerical score from 3.50 to 1.00. 3.50 is considered an excellent score, 1.00 a bad score.

| ESG Rating | A | A- | B+ | B | B- | C+ | C | C | D+ | D | D- |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Min score | 3.50 | 3.25 | 3.00 | 2.75 | 2.50 | 2.25 | 2.00 | 1.75 | 1.50 | 1.25 | 1.00 |

| Issuers excluded from the investment universe in application of normative and sectorial exclusions and after excluding securities whose issuers are rated D-: | Number of excluded issuers | % in the index |
|---|---|---|
| | 10 | 4.18% |

## B. CERTIFICATION

To reinforce its process, SCOR Investment Partners has labelled some of its funds. These labels highlight either the ESG strategy (for SCOR Sustainable Euro Loans, SCOR Sustainable Euro High Yield and SCOR Euro Loans Natural Capital) or the environmental objective of the funds (for SCOR Infrastructure Loans III and SCORLUX - Infrastructure Loans IV).

Labelled funds are listed below and rely on LuxFLAG certification agency:

Figure 7: Table representing SCOR Investment Partners labelled funds as of 01/12/2022

| | | |
|---|---|---|
| ESG LUXFLAG Label | LuxFLAG ESG | • SCOR Sustainable Euro Loans<br>• SCOR Sustainable Euro High Yield<br>• SCOR Euro Loans Natural Capital[4] |
| ENVIRONMENT LUXFLAG Label | LuxFLAG ENVIRONMENT | • SCOR Infrastructure Loans III<br>• SCORLUX - Infrastructure Loans IV[5] |

LuxFLAG promotes sustainable investments by awarding a recognizable label to eligible investment vehicles.

- The LuxFLAG ESG label certifies that the Investment Product incorporates ESG criteria throughout the entire investment process while screening 100% of the invested portfolio according to one of the ESG strategies and standards recognized by LuxFLAG.
- The LuxFLAG Environment label certifies that the Investment product primarily invests its assets in environment-related sectors in a responsible manner. The eligibility criteria for the LuxFLAG Environment label require eligible funds to have a portfolio of investments in environment-related sectors corresponding to at least 75% of the fund's total assets.

## C. REGULATORY DISCLOSURE

The European and French regulatory context is evolving rapidly around numerous new regulations aimed at encouraging sustainable investment and avoiding greenwashing.

- **Article 173 and 29 of the French Law**

  Article 173 of the French Act on Energy Transition for Green Growth ("Article 173") published in 2015 offered a first understanding of what financial institutions were expected to publish in regard to how ESG criteria were incorporated in their investment and risk management policies. Article 29 of the energy-climate law on non-financial reporting of market participants ("Article 29") published in 2019 expanded upon this base articulates European and French requirements with the objective to specify and reinforce dispositions of Article 173 with an emphasis on climate change and biodiversity-related risk as well as learn from the past five years of experience in regard to extra-financial reporting.

  Since 2016, SCOR Investment Partners already reported all its extra-financial information in accordance with Article 173 with:

  - A full description of ESG criteria taken into consideration,
  - The analysis performed on ESG criteria,
  - Detailed methodology for sustainable analysis,
  - The results of the ESG analysis.

[4] LUXFLAG ESG Label – Applicant Fund Status

[5] The Feeder Fund does not hold the label but invests in the Master Fund which holds the LUXFLAG ENVIRONMENT Label – Applicant Fund Status

As Article 29 comes into effect in 2021 and replaces the Article 173 requirements, three key domains have been covered since 2021 with reporting in 2022:

- Climate, with the need for companies to disclose alignment strategies and quantitative GHG objectives with the Paris Agreement as well as the degree of alignment with EU Taxonomy,
- Biodiversity, with the disclosure of alignment strategies and quantitative international biodiversity protection objectives,
- Integration of ESG factors in risk management, governance, and transition measures for all market participants.

SCOR Investment Partners methodologies and processes adapt to the new requirements of Article 29. More specifically, the publication of Article 29 is an opportunity for SCOR Investment Partners to reflect on the integration of biodiversity into its ESG approach.

- **The European Taxonomy**

The foundation of the European Union sustainable finance strategy is its Green Taxonomy, which is a classification of sustainable activities, at least for the environmental part.

The regulation associated with this Taxonomy aims at assisting participants to favour transitional and sustainable economic activities. For this specific purpose, the regulation requires companies to disclose the portion of their activities that are aligned with the taxonomy definition, based on revenue, CapEx or OpEx. Asset managers are then mandated to disclose the proportions of their assets that would be eligible or aligned with the Taxonomy definition of green activities.

Depending on their characteristics, funds may be subject to detailed Taxonomy disclosures requirements.

- **The Sustainable Finance Disclosure Regulation**

The European Regulation (EU) 2019/2088 also called Sustainable Finance Disclosure Regulation (SFDR), published in November 2019, has created new sustainability transparency obligations for market participants. This regulation is part of a package with the European taxonomy and the European standards on green bonds. The aim of the SFDR is to improve transparency on the risks and impacts of sustainability factors when providing investment management or advisory services. It will allow for more transparency and comparability by aligning commercial documents with actual practices and reduce greenwashing risk.

The SFDR transparency requirements apply in parallel at two levels: asset management companies and investment products. These requirements are classified within specific articles. The regulation requires asset managers to disclose their consideration of sustainable risks. The requirements related to companies have been clarified in the Delegated Regulation (EU) 2022/1288, also called SFDR level II or RTS, published in April 2022. The text describes the Principal Adverse Impact (PAI) to be considered by the asset management company. These PAI must be disclosed annually.

For European funds, three articles of the SFDR are prevailing which imply different publication requirements (pre-contractual and periodic information):

- Article 6: the product only describes how sustainability risks are integrated and the assessment of their impact.

- Article 8: the product promotes environmental or social characteristics, or a combination of both, provided that financed companies or projects follow best governance practices.
- Article 9: the product has a sustainable investment objective. This article applies to funds having a deployed investment strategy and including indicators and performance measurement methods.

It is up to each financial player to define in which category its funds fall into. Figure 8 below provides a list of SCOR Investment Partners funds open to third parties and falling within the scope of the SFDR.

Figure 8: list of funds open to third-party investors

| | SFDR classification as at 01/12/2022 | | | Objective as at 31/12/2023 | | |
|---|---|---|---|---|---|---|
| Funds | Article 6 | Article 8 | Article 9 | Article 6 | Article 8 | Article 9 |
| SCOR Sustainable Euro High Yield | | • | | | • | |
| SCOR FUNDS - Euro Short Term Duration High Yield[6] | • | | | | • | |
| SCOR FUNDS - Europe High Yield | • | | | | | • |
| SCOR Sustainable Euro Loans | | • | | | • | |
| SCOR Euro Loans Natural Capital | | | • | | | • |
| SCORLUX - SCOR European Senior Loans | • | | | | • | |
| SCORLUX - SCOR Global Loans | • | | | | • | |
| SCOR ILS FUND - Atropos | • | | | • | | |
| SCOR ILS FUND - Atropos Catbond Fund | • | | | • | | |
| SCORLUX - Infrastructure Loans IV | | | • | | | • |

Non-contractual objectives communicated for information purposes only, subject to validation by the competent authorities.

- **MiFID II**

The MiFID II (Markets in Financial Instruments) regulation completes the MiFID regulation, implemented in 2007, with the objective of offering more protection to investors. The main focuses of the regulation are the governance of financial instruments, the traceability of transactions, and the adequacy of the product offering according to customer profiles. The regulation has been reviewed within the framework of the European Action Plan on Sustainable Finance in order to integrate the sustainability preferences of clients.

This is reflected in:

- The publication of EETs (European ESG Template) that standardize the sharing of funds' ESG data.
- Modification of the suitability test to incorporate clients' sustainability preferences.

In addition to the regulatory requirements, SCOR Investment Partners completes on an annual basis:

[6] The fund's ESG investment process is currently pending validation by the CSSF to be reclassified as Article 8 under SFDR.

- The annual PRI reporting on sustainable investment, as an individual signatory,
- The CDP (Climate Disclosure Project) questionnaire on climate change, as part of the publication completed by the SCOR group.

# VI. TRAINING

SCOR Investment Partners has put in place dedicated competences on sustainable finance within its investment office. SCOR Investment Partners' participation to external working groups and initiatives and its interactions in the public debate (notably through two working groups on the platform Finance for Tomorrow) constantly informs on sustainable finance latest developments. New standards and innovations in sustainable finance are shared within SCOR Investment Partners through dedicated training sessions or more informal talks. This facilitates awareness and appropriation of best practices to better implement sustainability across the portfolios managed by SCOR Investment Partners.

The Sustainable Investment Office ensures that all people involved in sustainable investing are well trained. In addition, all portfolio managers receive a weekly update on sustainable finance. A training session led by the AFG (Association Française de Gestion) on sustainable finance is planned for all SCOR Investment Partners employees in December 2022.F

Every year, numerous initiatives are brought to the attention of SCOR group employees to make them aware of non-financial issues, such as disability awareness, promoting cultural diversity and climate change.

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